



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG-MIP

Directorate General Market Infrastructure
and Payments

TARGET Instant Payment Settlement

*Updates from URD market
consultation*

21 March 2017

Overview

- 1 Summary of Feedback Received
- 2 Scope changes to the URD
- 3 Major comments that did not lead to URD changes

Summary of Feedback Received

- The market consultation on the TIPS User Requirements ran from 9 January 2017 until 24 February 2017
- ~1100 comments were received for consideration for updating the TIPS URD.
 - Market comments were on the substance, need for clarification, consistency and also to correct typos
 - Each market comment was considered for handling in terms of the TIPS URD and if possible incorporated into the URD. Comments which only require a clarification without URD change or could not be taken into the URD will be answered to the market.
- This presentation provides an overview of
 - The main scope/substance elements which could be taken into account in the TIPS URD. These are based on comments from market consultation and the TIPS Task Force
 - Major comments from the market consultation which did not lead to changes in the URD and is deemed noteworthy to point out to the AMI-PAY

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Scope changes to URD

- Floor and ceiling notifications

Request: Set upper and lower limits in the TIPS accounts and to alert when the limits are crossed

URD updates:

TIPS Participants can set thresholds in the system, i.e. a specific floor (minimum amount) and / or a ceiling (maximum amount) referring to a specific account/CMB; TIPS sends a notification to the TIPS actors in case of exceeding or falling below the thresholds

- Reference Data Activation Times

Request: Provide flexibility to open or close TIPS accounts on future dates

URD updates:

Opening/closing dates for static data such as TIPS accounts will be handled using valid from and valid to attributes

Reference data (e.g. accounts, CMBs, links between BICs and Instructing Parties, floor/ceiling values) will be handled via more sophisticated activation/propagation mechanisms, in line with the common reference data principles foreseen for the T2/T2S consolidation project

Scope changes to URD

- Simplification of the TIPS account look-up functionality

Request: There is no strong business case to allow the optionality to provide settlement accounts in instant payment transactions. On the contrary, this optionality introduces additional probability for the rejection of messages after the acceptance from the Beneficiary Participant

URD updates:

Optionality for providing TIPS account via the messages sent to TIPS is removed

- Re-modeling of the CMB

Request: Handling of TIPS CMB should be consistent with the T2S CMB

URD updates:

Changes to make the TIPS CMB consistent with the T2S CMB in terms of static and transactional data handling.

- Handling of BIC8

Request: TIPS should handle both BIC 8 and BIC 11 in payment transactions

URD updates:

TIPS will be able to handle both BIC 8 and BIC 11 in payment transactions. Improved & flexible handling of validations and processing is now envisaged

Scope changes to URD

- Compliance with SCT Inst Scheme for Investigations and Recalls

Request: TIPS Investigation and Recall processes should comply with the SCT Inst scheme

URD updates:

Changes relating to the messaging, to comply with the SCT Inst investigation and recall process. Request for recall by originator will be handled similar to recalls

- Outbound/Inbound liquidity transfer process

Request: Liquidity transfer process between TIPS and T2 should be consistent with the T2-T2S liquidity transfer process.

URD updates:

Changes to the outbound/inbound liquidity transfer process for consistency with the T2/T2S liquidity transfer process.

Changes to ensure the correctness of the calculation of the minimum reserve for TIPS balances, i.e. consistency of the status of liquidity transfers between TIPS and TARGET2 at the EOD. In-transit payments will be accurately handled for minimum reserve calculations.

Scope changes to URD

- TIPS Directory

Request: Provide more details on the TIPS directory structure

URD updates:

Provision of a separate directory for TIPS, with a common format compared to TARGET2 directory. More details on the structure will be added in the design specifications

- Raw Data

Request: The request for raw data was initially from the Central Banks. However it was later felt that there is no strong business case of raw data based on the nature of payments and cost considerations

URD updates:

Deletion of the requirement relating to the provision of raw data

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Major comments that did not lead to URD changes

- Compliance to the EPC scheme – Questions around eligibility and process flows

Questions / Requests:

- Do Participants and Reachable need to be compliant with the EPC SCT Inst scheme?
- Who will be responsible for time-out controls and answering SCT Inst investigations?
- What validations will be performed by TIPS?

Why isn't the URD updated:

Participants and Reachable Parties have to be compliant with the EPC SCT Inst scheme. This could potentially be solved via a step in the registration process.

TIPS is different from an instant clearing model where the accounts of the Originator Participant and the Beneficiary Participants can be with different ACHs. The settlement accounts for both the Originator Participant (or Reachable Party) and the Beneficiary Participant (or Reachable Party) of the SCT Inst transactions are in TIPS. Therefore TIPS will be the sole party in the interbank space responsible for time-out requirements set by the SCT Inst scheme. Besides this anyone (e.g. a service bureau) can be an Instructing Party. An Instructing Party interacting with TIPS will be considered at equal parance with the Actor on whose behalf it is acting. In other words, TIPS will not consider any Instructing Party as a CSM.

TIPS will validate only those fields that it uses. It forwards the payment transactions and recalls to Beneficiary Participants who in turn may perform further validations. This ensures faster processing of instant payments and removes redundant duplication in the process flow

Major comments that did not lead to URD changes

■ Interoperability, reachability and liquidity management implications

Questions / Requests:

- Will TIPS be interoperable with instant clearing solutions? What role will ACHs play?
- Will TIPS ensure pan-European reachability ?
- Participants will have to split liquidity between TIPS and instant clearing mechanisms. Why is TIPS balances included in minimum reserve calculations, why not ASI6 balances?

Why isn't the URD updated:

The note on “co-existence of TIPS and other instant payment services” will answer the questions around these topics

■ Processing speed and transaction capacity

Questions / Requests: TIPS requirements on speed and capacity are not advanced enough. A few local markets have more ambitious targets

Why isn't the URD updated:

TIPS targeted transaction capacity is much higher than expected volumes. Scalability related updates have been added to the URD. Speed requirements are within the timing requirements set by the SCT Inst scheme. Discussions are ongoing with potential service providers on enhancing user experience.

Major comments that did not lead to URD changes

- Possibility of maximum amount setting & Additional optional services

Questions / Requests: Will TIPS support additional optional services envisaged by the SCT Inst scheme? For e.g. can national communities have different maximum amount settings?

Why isn't the URD updated:

A TIPS principle is that it shall be a lean, harmonised and standardised pan-European service with common functionality across different countries and jurisdictions. Functionalities specific to national communities is not envisaged. TIPS user community shall decide the services offered

- Extended availability of TARGET2

Questions / Requests: Can TARGET2 operating hours be extended?

Why isn't the URD updated:

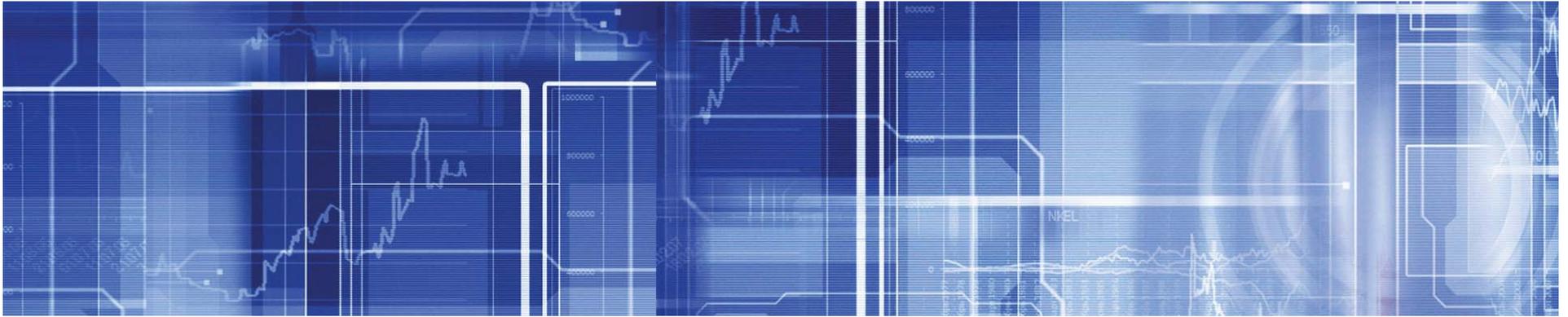
This is not a TIPS user requirement and will be addressed in the context of the ongoing T2-T2S consolidation project

- Value date for customers different from interbank value date

Questions / Requests: How should the value date be handled?

Why isn't the URD updated:

This will be outside the purview of TIPS. Market and policy makers have to work together to determine how to handle value dates for all instant payment transactions where customer to bank settlement and interbank settlement have different value dates



Thank you for the attention!

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