Summary of the pan-European reachability package

MMCG

1 December 2020
On 24 July 2020 the ECB communicated the **Governing Council decision** to take significant steps to support the **full deployment** of instant payments across the euro area, in line with the objectives shared with the European Commission.

**PREMISE**

- PSPs participating in multiple CSMs indicated that they **hardly saw any chance to achieve full 100% reachability** in the near future.

- In its Retail Payment Strategy, the **GovC** decided to explore options to ensure pan-European reachability. The resulting package was approved for **November 2021**.
All **PSPs** which have adhered to the **SCT Inst scheme** and are reachable in **TARGET2** should also become **reachable in a TIPS central bank money liquidity account**, either as a participant or as reachable party (i.e. through the account of another PSP which is a participant).

- Reachability in a TIPS Central Bank account is **required**.
- This implies for the PSP X the **obligation** to **process/accept any incoming instant payments** another PSP Y may send to the **TIPS DCA/CMB** of PSP X.
- This applies to both **direct and indirect** SCT Inst compliant TARGET2 participants. Hence, it is **foreseen** that the **TARGET2 Guideline** will make this point explicit.
Summary of measures (2/2)

All ACHs offering instant payment services should migrate their technical accounts from TARGET2 to TIPS.

- This enables the realization of a viable interoperability framework across European CSMs.
  - Each bank will be reachable, independent of the entry point for instant payment transaction (any ACH or TIPS).
- Furthermore, the measure guarantees 24/7 access to Central Bank money.
Summary of main benefits

Pan-European reachability package
The package allows that all Participants are reachable across the chain, irrespective of which ACH (or TIPS) they are using for instant payments.

- All CSMs/PSPs are **pan-European**: Interoperability, SEPA / SCT Inst compliance.
- No need for fragmentation of banks’ liquidity pool and removal of liquidity traps.
- Elimination of credit risk exposure and instant finality for inter-ACH transfers.
- Optimised liquidity management with 24/7 availability for funding and defunding.
- PSPs can decide to send payments either ACH internally, from an AS technical account, or using their TIPS account/CMB.
Today INST payments cannot cross the line

Today, INST payments from one bank account holder to another can only settle if the accounts are both with banks connected to the same ACH.

But they do not work cross-ACH.
In future, account location does not matter

With the second measure, INST payments from one bank account holder to another can also settle \textit{across ACHs}, because the ACHs settle directly cross-ACH payments via TIPS.

Across the entire euro area, accounts can be in \textit{any ACH or in TIPS} and they will be able to reach each other.
Exemplary set-up in the future

TIPS

ACH 1

ACH 2

The TIPS DCA can be used as the single liquidity pot for settling ALL instant payments.

Inclusion of the balance in:
- Reserve Management
- Automatic Marginal Lending
The options for PSPs in future

The Options for PSPs:
A Instructing in an ACH and settling in an ACH
B Instructing in an ACH and settling in its TIPS DCA
C Instructing in TIPS and settling in its TIPS DCA
Novel business cases

The pan-European reachability enables several **new business cases:**

- Intra-service liquidity transfer from a TIPS DCA to an AS Technical account and vice versa.
- Processing of **instant payments** between two participants of two **different ACHs**.
- Processing of **instant payment** between a participant of an **ACH** and a **TIPS participant**.
- Processing of **recall answer** between two participants of two **different ACHs**.
- Processing of **recall answer** between a participant of an **ACH** and a **TIPS participant**.
Thank you for the attention!

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