Instant payments regulation and TIPS

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1. TIPS – the TARGET Instant Payment Settlement
2. Instant Payments Regulation
3. Liquidity management in TIPS
4. Overnight liquidity in TIPS
TIPS – the TARGET Instant Payment Settlement

TIPS enables citizens and firms to transfer money between each other in real time and in central bank money.

- **Any time** of the day
- **Any day** of the year
- **Final and irrevocable** settlement of instant payments
- **Settlement in** central bank money
- **Sending and the receiving participants** get a payment confirmation
Compliance with the IPR

Requirements towards the PSPs stemming from the IPR

- **Instant payments and channels**
  Instant processing of payments shall be offered across all channels

- **Fraud**
  Obligation to offer a Verification-of-Payee (VoP) service

- **Price of an instant payment**
  Obligation to offer instant at no extra cost compared to regular credit transfers

- **Screening**
  Verify at least daily clients against EU sanctions lists

Note: PSPs are entities providing the payment service of sending and receiving credit transfers in euro. They include banks, payment institutions (PIs) and electronic money institutions (EMIs).

Compliance with the IPR

Most relevant milestones for euro area (EA) PSPs

February
Final Version of the SEPA instant regulation adopted by European Parliament and Council

April
Entry into force on 8 April 2024 (20 days after publication in the EU Official Journal)

2024

2025

January
EA PSPs must be able to:
• Receive instant payments
• Ensure pricing alignment with regular credit transfer
EA/non-EA PSPs must:
• Have a screening of listed person/entity

October
EA PSPs must be able to:
• Send instant payments
• Provide Verification of Payee Service

2026

2027

April
EA non-banks PSPs (EMIs & PIs) must be able to:
• Receive & send instant payments
Participation in TIPS

A. Instruct in TIPS and settle in TIPS DCAs

B. Instructing in an ACH and settling in TIPS DCA

C. Instructing in an ACH and settling in an ACH

DCA = Dedicated Cash Account
ASTA = Ancillary System Technical Account
Funding/defunding is available between TIPS and the connected RTGS during the opening hours of the RTGS.

Intra-service Liquidity Transfers are enabled between TIPS DCA and TIPS ASTA 24/7/365.

TIPS settlement in a given currency shall have the same business day as the corresponding RTGS.
TIPS Accounts specifications

_____: TIPS ASTA balances are not, as they are owned by their settlement banks

Remuneration

✓ **TIPS DCA**: (i) up to MR fulfillment: 0, (ii) excess reserves: min [0, DFR]
✓ **TIPS ASTA**: DFR → from Dec 1 2024: €STR

Marginal Lending Facility

✓ **TIPS DCA balances reduce recourse to the marginal lending facility** (in case of cumulative negative TARGET accounts’ balance for a participant)

<table>
<thead>
<tr>
<th>CLM + RTGS + T2S balance</th>
<th>-200</th>
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<tbody>
<tr>
<td>TIPS balance</td>
<td>350</td>
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<tr>
<td>Automatic marginal lending facility</td>
<td>0</td>
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<tr>
<td>Contribution to minimum reserves</td>
<td>150</td>
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Overnight liquidity in TIPS

- In 2024, the average liquidity left overnight in TIPS quite stable at around €22 bn
- Most of the funds stayed on TIPS DCAs (for 58%) and the rest on TIPS ASTAs (for 42%)
Thank you