TARGET Instant Payment Settlement (TIPS)

3 May 2017
Current status of the TIPS project and expected timeline

- The comments received during market consultation of the User Requirements Document (URD) will be shared with AMI-Pay members after their May 2017 meeting
- The Governing Council decision regarding initiation of the project realisation phase is expected at the end of June 2017
- The final version of the URD will be published after the Governing Council decision in June 2017
- In case of a positive decision, the realisation phase will start in July 2017
  - A “TIPS contact group” will be set up, for discussing implementation/technical topics during the realisation phase
  - User Detailed Functional Specifications (UDFS) and User Hand Book (UHB) are foreseen to be available during the first quarter of 2018
  - Pilot testing is expected to start in September 2018, preceded by user training
Timeout Behaviour

Settlement of instant payment transactions

The TARGET2 guidelines regarding TIPS will be based on the following assumptions:

- TIPS performs instant settlement between the Originator Participant (or Reachable Party) and the Beneficiary Participant (or Reachable Party)
- TIPS settlement is always immediate and between PSP accounts held in TIPS, therefore TIPS does not consider any connecting actor as a CSM
- TIPS will treat all Instructing Parties equally as communication facilitators

As a consequence:

- TIPS can time out an instant payment transaction after forwarding it to the Beneficiary Participant or an Instructing Party acting on behalf of the Beneficiary Participant or a Reachable Party
- The Beneficiary Participant or Reachable Party should wait until TIPS confirms settlement with a settlement confirmation message before crediting the Beneficiary
Timeout Behaviour

TIPS - Instant payment transaction process flow

(1) The originator Participant sends an instant payment transaction to TIPS

(2) TIPS validates and reserves

(3) TIPS forwards the payment transaction

(4) The Beneficiary Participant answers in time with an acceptance of the transaction

(5) TIPS settles the transaction if message (4) arrives in time; or
(5x) TIPS rejects the transaction if a timeout occurs

(6) TIPS confirms settlement to the Originator Participant; or
(6x) TIPS informs the Originator Participant about the rejection of the transaction

(7) TIPS confirms settlement to the Beneficiary Participant (settlement confirmation message); or
(7x) TIPS informs the Beneficiary Participant about the timeout and rejection of the transaction

(8) The Beneficiary Participant informs the Beneficiary and credits its account if the transaction did not time out and the confirmation message (7) is received

TARGET Instant Payment Settlement

Outside of TIPS

Originator

Originator Participant

TIPS

Beneficiary Participant

Beneficiary

Outside of TIPS
Expected user experience

- Applying the rules of the SCT Inst scheme to TIPS the **settlement confirmation** has to be sent after no more than **10 seconds**
- The TIPS SLA requires processing of **99.9%** of all instant payments in up to **5 seconds**. This processing time is split into two blocks:
  1. Validation of the payment transaction, reservation of funds and forwarding of the transaction (steps 2 and 3 in the diagram on page 5)
  2. Validation of the reply from the Beneficiary Participant, settlement and sending of the settlement confirmation (steps 5, 6 and 7 in the diagram)
- Assuming a (normal) distribution of processing times, the majority of payments will be processed in **under 5 seconds** by TIPS
- Customers could therefore usually expect a **better user experience** than required by the TIPS SLA and scheme
Maximum amount of an instant payment transaction

- According to the SCT Inst scheme rulebook the maximum amount of an instant payment transaction is EUR 15,000
- However, in accordance with the rulebook “exceptions agreed between individual Participants or communities of Participants” are acceptable
- TIPS implements a validation for the maximum amount, based on a system-wide parameter. This system-wide parameter is initially set to unlimited because no other harmonised amount has yet been agreed on in the “TIPS community”
- The system-wide parameter for the maximum amount can be easily changed later on, if there is agreement on the same maximum amount
- Participants are free to implement maximum amount validations defined by their national communities; non-harmonised validations may be performed at the Originator/Beneficiary Participant level
- TIPS foresees one maximum amount parameter per currency. Different amounts for different national communities within the euro currency are not foreseen. The entire TIPS community must agree upon a maximum amount value, if this is to be implemented in TIPS
NSPs have to be ready for pilot testing and go-live

- TIPS is Network Service Provider (NSP) agnostic.
- Participants may decide which provider they are going to use as long as it adheres to the requirements published by the Eurosystem

Question to the market:
Is your NSP going to be ready for TIPS by the time pilot testing commences (August/September 2018)?