Connectivity aspects

TIPS Contact Group
1st Meeting on 28 September 2017
Connectivity – Contractual Framework

**Actors in TIPS**

- Same participation rules apply as in TARGET2 as participants should be eligible for accessing Central Bank Money
- Banks established in the EEA (or outside the EEA, but acting through a branch established in the EEA) are eligible for direct participation in TARGET2, provided they are supervised by their relevant national authorities

**Diagram:**
- **Participant:** Holds one or many TIPS accounts to send/receive instant payments
- **Reachable Party:** Settles instant payments on a participant’s TIPS account
- **Instructing Party:** Instructs on behalf of the Participant or the Reachable Party
Connectivity – Contractual Framework

Contractual agreements framework (1/5)

TIPS Participant (TP)

Reachable Party (RP)

Instructing Party (IP)

TARGET Instant Payment Settlement (TIPS)

TP ↔ NSP Agreement to hold TIPS accounts

TP ↔ Eurosystem Agreement to hold TIPS accounts

NSP A has to be sponsored by the TIPS Participant
Connectivity – Contractual Framework

Contractual agreements framework (2/5)

- TIPS Participant (TP)
  - TP ↔ Eurosystem Agreement to hold TIPS accounts
  - TP ↔ NSP Agreement
  - TP ↔ RP Agreement to use a TIPS account/CMB

- Reachable Party (RP)
  - RP ↔ NSP Agreement (only if a RP is instructing directly)

- Instructing Party (IP)

- NSP A
  - TP ↔ NSP Agreement

- NSP B

- NSP C

TARGET Instant Payment Settlement (TIPS)
Connectivity – Contractual Framework

Contractual agreements framework (3/5)

- **TIPS Participant (TP)**
- **Reachable Party (RP)**
- **Instructing Party (IP)**

**Agreements**:
- **TP ↔ NSP Agreement**
- **TP ↔ Eurosystem Agreement to hold TIPS accounts**
- **TP ↔ RP Agreement to use a TIPS account/CMB**
- **RP ↔ NSP Agreement could be with a different NSP**
- **NSP C has to be sponsored by a TIPS Participant**

**TARGET Instant Payment Settlement (TIPS)**
Connectivity – Contractual Framework

Contractual agreements framework (4/5)

- **TIPS Participant (TP)**
  - TP ↔ Eurosystem Agreement to hold TIPS accounts
  - TP ↔ RP Agreement to use a TIPS account/CMB
  - TP ↔ NSP Agreement

- **Reachable Party (RP)**
  - Agreement to instruct on behalf

- **Instructing Party (IP)**
  - IP ↔ RP Agreement to instruct on behalf
  - IP ↔ NSP Agreement

- **NSP A**
- **NSP B**
- **NSP C**

TARGET Instant Payment Settlement (TIPS)
Connectivity – Contractual Framework

Contractual agreements framework (5/5)

- **TIPS Participant (TP)**
  - TP ↔ Eurosystem Agreement to hold TIPS accounts
  - TP ↔ NSP Agreement

- **Reachable Party (RP)**
  - TP ↔ RP Agreement to use a TIPS account/CMB

- **Instructing Party (IP)**
  - IP ↔ RP Agreement to instruct on behalf
  - IP ↔ NSP Agreement could be with a different NSP

- **NSP A**
  - Agreement could be with a different NSP

- **NSP B**
  - TP ↔ NSP Agreement
  - NSP B has to be sponsored by a TIPS Participant
  - TP ↔ NSP Agreement

- **NSP C**

**TARGET Instant Payment Settlement (TIPS)**
Connectivity – Contractual Framework

Connectivity

• Unlike the existing TARGET2 and T2S connectivity framework, the Eurosystem will not hold any contractual obligation with the TIPS Network Service Providers (NSPs)

• TIPS Participants shall have a contract with their selected NSP(s)

• Each TIPS Participant will sponsor a compliant NSP that could be used
  • by the TIPS Participant to initiate Instant Payments directly,
  • and/or by any Reachable Party having a contractual agreement with the NSP,
  • and/or by any Instructing Party having a contractual agreement with the NSP
**TARGET2 guideline**

Harmonised Conditions are laid down in Annex II of the TARGET2 Guideline

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**Target2 Guideline**

(ECB/2012/27)

**Annex II**

Harmonised conditions for PM Accounts

- Appendix I: Technical specifications for the processing of payment orders
- Appendix II: TARGET2 compensation scheme
- Appendix III: Terms of reference for capacity and country opinions
- Appendix IV: Business continuity and contingency procedures
- Appendix V: Operating schedule
- Appendix VI: Fee schedule and invoicing
- Appendix VII: Aggregated liquidity agreement

**Amended Target2 Guideline for T2S**

(ECB/2015/15)

**Annex IIa**

Harmonised conditions for DCA Accounts

- Appendix I: Parameters of DCAs
- Appendix II: Compensation scheme
- Appendix III: ToR for capacity and country opinions
- Appendix IV: BCM and contingency
- Appendix V: Operating schedule (SSP and T2S schedules)
- Appendix VI. Fee schedule

**Amended Target2 Guideline for TIPS to be drafted**

(ECB/201x/xx)

**Annex II-ter**

Harmonised conditions for TIPS Accounts

One of the Appendices will describe the Network Connectivity aspects
Compliance check

- The TIPS Participant shall ensure, on the basis of the Harmonised Conditions for TIPS, that the NSP Connectivity Solution fulfils the technical and operational requirements
- This fulfilment shall be verified:
  - at the time of the TIPS Operator compliance check and
  - throughout the whole period of connection to the TIPS service of the TIPS Actor that has contracted with the NSP
- The procedures for performing the compliance checks, as well as the consequences in the event of non-compliance, shall be governed by the Harmonised Conditions for TIPS
- The TIPS Operator will monitor the compliance of the NSP to guarantee a smooth service operation of TIPS