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Subject
ING response to Target Instant Payments Settlement solution

We welcome the opportunity to respond to the consultations issued in January by the ECB on the Market interest, usage and the User Requirements Document on the TARGET Instant Payments Settlement (TIPS). In this letter ING will give its outlook on the TIPS proposal and the business implications on behalf of its Domestic Banks and network branches in European Economic Area. Further feedback on the detailed user requirements will be given through the local banking communities in which ING participates as we collectively defined the instant payment product we have the same feedback on the detailed requirements. If needed, additional volume estimations can be shared bilateral as we consider this information highly confidential and commercially sensitive.

Interoperability

We agree with the ECB that in the current market situation for the instant payments scheme there is unclarity on interoperability. Fostering integration and realising more efficiency in the clearing and settlement of instant payments is needed and welcomed. With the current proposal of the ECB on TIPS and the TARGET ASI 6 procedure, we see two possible instant payments models (TIPS vs Multi CSM), both addressing the interoperability issue. However, in its current state the models itself are not interoperable with each other, leading to fragmentation of the instant payments market.

Where PSPs in Europe will aim at connecting to only one model, the co-existence of 2 models will force individual PSPs to connect to both models. Furthermore, in its current setup we understand that the treatment of the balance within TIPS will be as part of the bank's reserve balance requirement, whereas the balance within the ASI6 solution cannot be incorporated into the reserve balance calculations. This will create a non-level playing field between the 2 models. We would like to understand the long term view with regards to the TARGET2 settlement solution, and whether ultimately full interoperability between two co-existing settlements models is foreseen taking into account the level playing field principles.

Cost recovery

The current estimated cost price (0.005 – 0.010) is based on cost recovery. Cost recovery is a good principle, however it is important that the foreseen cost price drops significantly as result of increased volume.

Processing time and capacity

The current processing time (< 5 sec) and the processing capacity (500 to max 2000 TPS) estimation will not suffice for those countries that will introduce instant payments the coming years. ING strongly believes that Instant payments will become the new normal in point of time and will increase competition between payment products (e.g. cards). From a client perspective we see the need to process an instant payment within 5 sec. Accordingly, local communities have agreed to put down

more ambitious time lines and growth paths. The proposed processing capacity (500 to max 2000 Transaction Per Second) seem to be rather low considering that some local communities foresee to reach already 250 TPS in the first implementation phase. Full scalability of the service is needed for TIPS to service the full European market going forward.

Planning and Timelines

Considering that some markets have initiated projects with a go live in 2017 (ES) or 2018 (BE), the certainty of the decision is most important. To prevent that communities have reached a point of no return on their investment, the decision on TIPS should be made as soon as possible.

We would like to thank you for the opportunity to provide input on this crucial development in Europe. If our comments have given raise for any question or if there is unclarity, please do not hesitate to contact us.

Kind regards,

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