



EUROPEAN CENTRAL BANK

EUROSYSTEM

# TIPS - towards Pan-European reachability

TARGET Instant  
Payment Settlement

May 2021

target | TIPS  
services



# Overview

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- 2 Types of participation
- 3 Connectivity. General features. Decisions to take
- 4 Timetable and calendar. General features. One day in TIPS
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# 1

## What is TIPS?

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Main features and account structure

# Main features

**TIPS** (TARGET Instant Payment Settlement) is a Eurosystem service in place since November 2018 which settles **instant payments**. Its main features are:



**Pan European platform** under the TARGET2 legal framework



Based on **SCT Inst scheme** following the ISO 20022 standard:

- Maximum execution time end to end 10 seconds (\*)
- Maximum amount limit per transaction is 100,000.00€ (\*\*)



**24/7/365 availability**



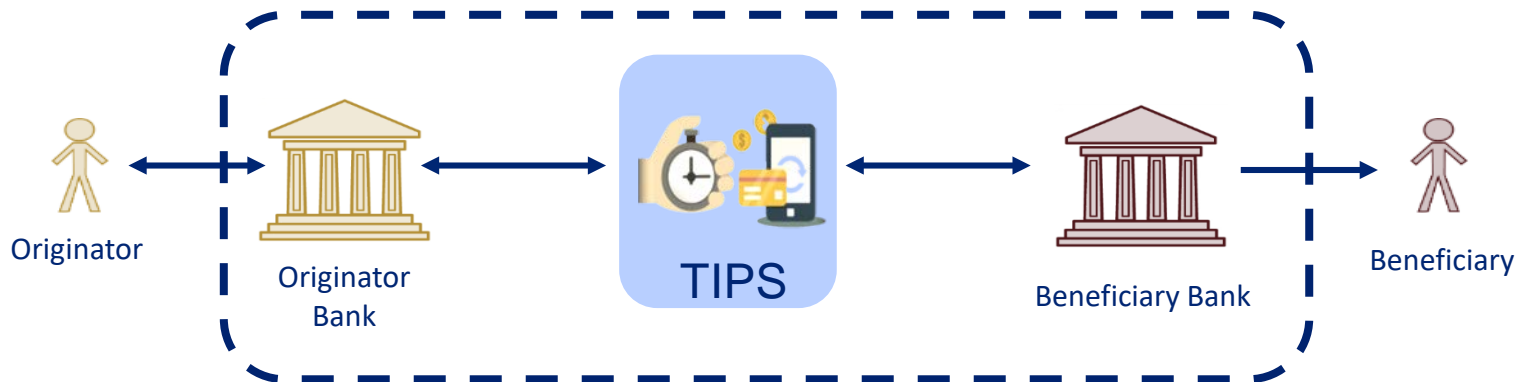
Settlement in **central bank money**

(\*) In fact TIPS is faster, committed to settle 99% of the cases within 5 seconds

(\*\*) This is an agreed amount, but TIPS does not check the maximum amount.

# Main features

**TIPS** allows **instantly** settlement of funds between individuals in real time, 365 days a year and round-the-clock



# Account structure

TIPS hosts **TIPS DCAs** (Dedicated Cash Account)<sup>(\*)</sup>. Each TIPS DCA is **linked to a TARGET2 payments module (PM) account**, which allows its holder:

- to **manage the liquidity between both accounts** (only when the SSP is open)
  - from information and control module (ICM): pull and push liquidity transfers
  - from TIPS graphical user interface (GUI): push liquidity transfers
- to manage the billing: direct debit for TIPS invoices
- to monitor TIPS DCA account balances in ICM

<sup>(\*)</sup> From November 2021, ACHs will become TIPS Actors and will hold Ancillary System Technical accounts

# Account structure

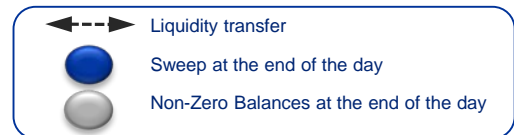
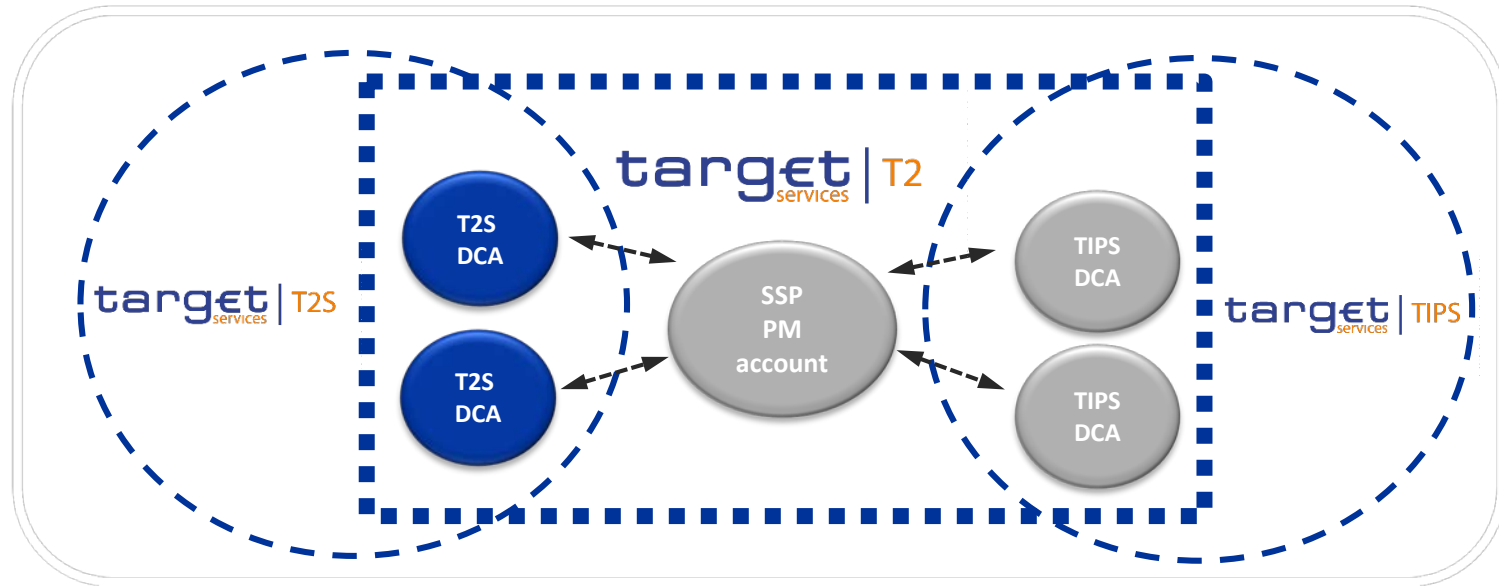
## TIPS DCA account balances:

- remain at the end of the day (no cash sweep)
- are taken into account for minimum reserves requirements
- are taken into account for the trigger of automatic marginal lending (if the TIPS DCA and the PM account have the same holder)

## Its identification:

I XX EUR ENTIXXXXXXX XXX X XXXX X XXX XXXXX  
Account type Country code Currency code BIC Account Holder Defined by National Central Banks

# Account structure





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## Types of participation

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# TIPS actors

## TIPS Participant

- Holds a DCA
- Payments are settled on its account

## Reachable Party

- Does not hold a DCA
- Payments are settled on a third party DCA (TIPS participant)

## Instructing party

- Sends/receives payments on behalf of TIPS Participants and/or Reachable Parties

# TIPS actors

## TIPS Participant

- Allowed to **hold a DCA** in TIPS (Account Holder)
- Subject to the same access criteria as a participant to open a PM account
- SCT Inst scheme compliant
- Has a unique BIC 11 identification
- Can open several DCAs in TIPS (DCA1, DCA2...)
- Manages the liquidity of its DCAs

# TIPS actors

## TIPS Participant

- Registers its BIC and its reachable parties' BICs as **authorized BICs** to settle on its accounts (Authorized Account User – **AAU**)
- Manages its **AAUs** settlement through the **optional use of a CMB\*** in its DCA account
- Can **instruct** its payments to the platform in A2A mode either **directly or** through an **instructing party**
- Might have direct connectivity (U2A and/or A2A) with the platform through one of the authorized network service providers (NSP)

\* (CMB): Credit Memorandum Balance: allows to set a limit for the usage of the liquidity of the DCA per AAU

# TIPS actors

## TIPS Participant

- Defines its configuration:
  - To identify **at least one DN** (\*), per each authorized BIC11, **to send** payment messages and liquidity transfers
  - To identify **one DN** per authorized BIC11 **to receive** payment messages
  - Optionally, to identify **one DN** to receive floor and ceiling **notifications** (DCA and CMB). It can be a different one from the one used for the payment messages.
  - To identify at least one DN to receive reports

\* (DN): Distinguished Name

# TIPS actors

## Reachable party

- An entity which (i) holds a BIC, (ii) is designed as an AAU in the TIPS participant Account, and (iii) is a correspondent, client or branch of the TIPS DCA holder
- Its instant payments **are settled in the TIPS participant account** (CMB definition is optional)
- **SCT Inst scheme compliant**

# TIPS actors

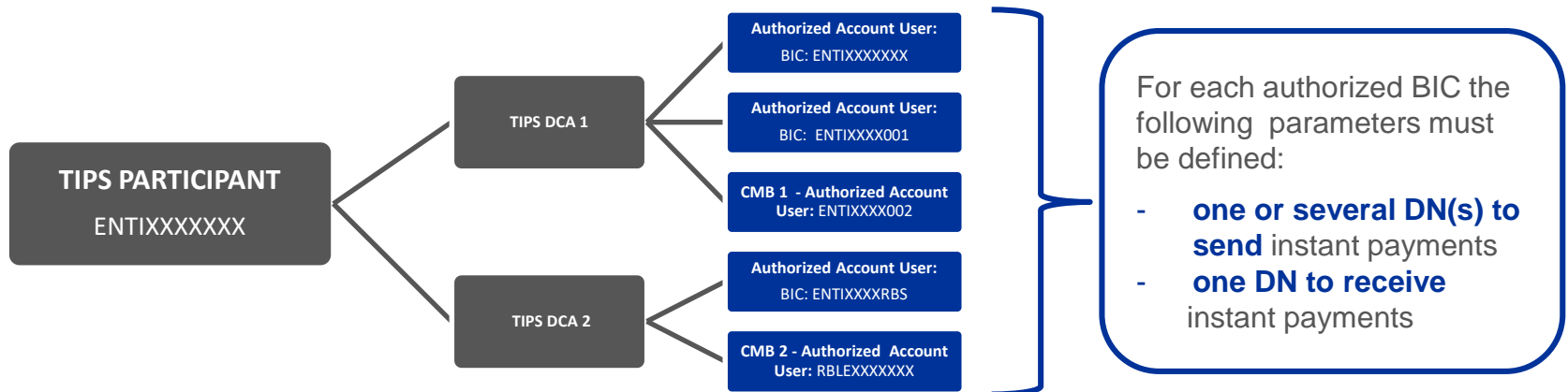
## Reachable party

- Can instruct their payments **directly** to the platform **or** through an **instructing party**
- The TIPS DCA holder configures the following parameters in TIPS on behalf of the reachable party:
  - **at least a DN** per authorized BIC11 **to send** payments messages
  - **one DN** per authorized BIC11 **to receive** payments messages

# TIPS actors

## Principles to settle in a TIPS DCA:

- BIC11 must be identified as an Authorized Account User (AAU)
- There must be a unique relation between BIC-DCA
- An authorized BIC must not be repeated in TIPS (unique BIC)





# TIPS actors

## Instructing party

- Entity allowed by one TIPS participant or Reachable party to **send/receive** payment messages in A2A and reports, **on their behalf**, through the definition of a BIC-DN relationship
- Once granted with the corresponding roles and privileges by the TIPS participant, the instructing party may:
  - **Manage the static data** on the TIPS DCA
    - To block/unblock a CMB (U2A and A2A)
    - Adjust the CMB limit (U2A and A2A)

# TIPS actors

## Instructing party

- **Manage the liquidity** on the TIPS DCA
  - To send liquidity transfers from TIPS to TARGET2 (U2A\* and A2A\*\*)
  - To query CMB limit and status (U2A and A2A)
  - To query TIPS accounts balance and status (U2A and A2A)
  - To receive DCA queries and balance reports (A2A)
  - To receive floor and ceiling notifications and CMB limits notifications (A2A)
- It will have **direct connectivity** with TIPS A2A and U2A (if the TIPS DCA holder has authorized it)

\*U2A- User to application

\*\*A2A- Application to application

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## Connectivity

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General features

Decisions to take

# General features

## U2A Connection

*(User to Application)*

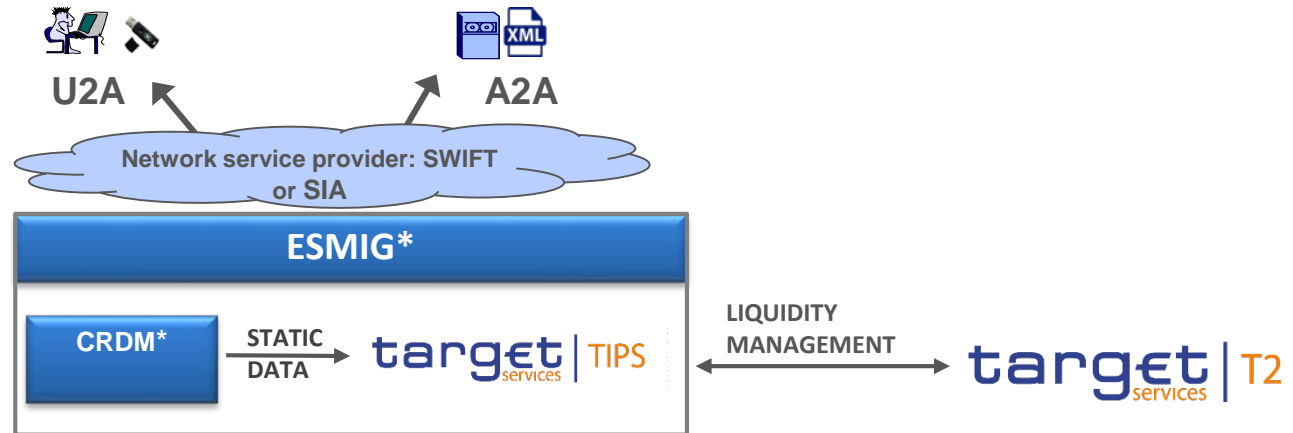
The user interacts with the platform through a user graphic interface provided by the Eurosystem

## A2A Connection

*(Application to Application)*

It allows the participants applications to interact with the TARGET services through XML messages

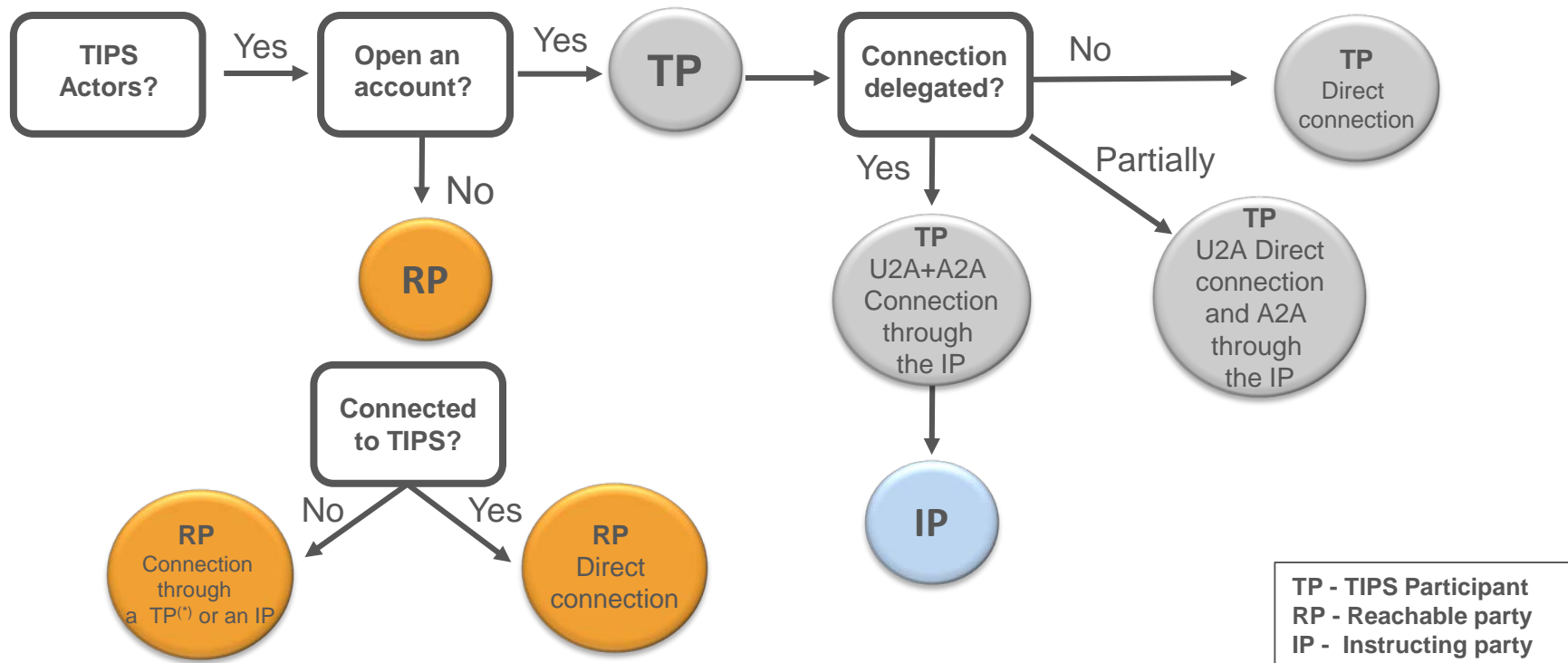
Participants to confirm with the NSP of their choice their connectivity set-up due to ESMIG concession contract as of November 2021



\*ESMIG: Eurosystem Single Market Infrastructure Gateway

\*CRDM: Common Reference Data Management

# Decisions to take



(\*) In this case, the TIPS Participant would act as an Instructing Party

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## Timetable and calendar

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General calendar  
One day in TIPS

# General features

## **24/7/365 round-the-clock**

- Without interruption for technical maintenance
- Value date according to TARGET2 calendar
- TARGET2 (SSP) continues with its current operating day



## **Settlement date in TIPS = settlement date in TARGET2 (SSP)**

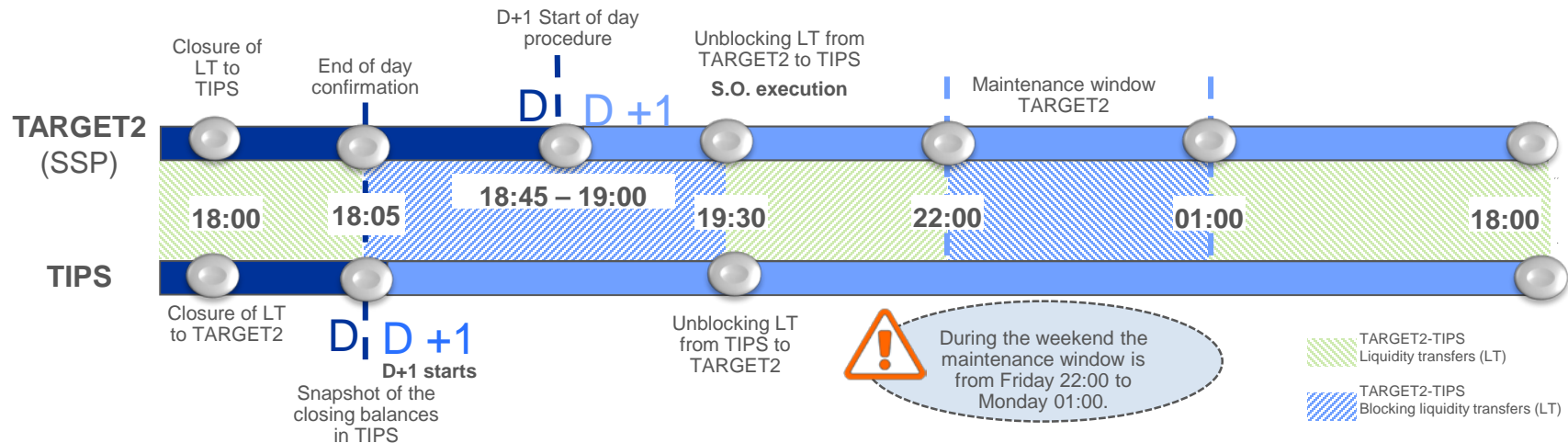


### Calendar:

- TIPS changes its value date at the end of the day in TARGET2 (SSP) (18:00)
- The value date on Saturdays and Sundays, is Monday
- The value date in a TARGET2 holiday (SSP) is the one of the next working day

# One day in TIPS

During the operational day, there are some **liquidity windows** to fund the TIPS DCA



When liquidity **windows** between TARGET2 and TIPS are **blocked**, the liquidity transfers sent from TIPS to TARGET2 are **on hold** and will be settled at the beginning of the next window



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## Legal documentation

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# Legal documentation

TIPS participants **shall** submit the following documents to their respective national central bank:

- Letter of initiation of membership
- Power of attorney
- TIPS DCA opening request
- TEST and PRODUCTION forms
- Evidence of the SCT Inst scheme adherence agreement of the account holder and its linked RPs



# Legal documentation

- Moreover, if not present beforehand, participants will have to submit the following documents (if applicable):
  - Capacity opinion
  - Country opinion
  - Contact person form
- If the **PM account linked** to the TIPS DCA **is not owned by the PSP**, they will have to present an authorization for this link
- The reachable parties (RP) will not send any type of documentation, since they have a contractual relationship with the TIPS participant. The latter will send the necessary legal documentation on its behalf

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## Community readiness framework

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# Community readiness framework

- In July 2020 the Governing Council approved a set of measures to reach **pan-European reachability** of instant payments in November 2021



# Community readiness framework

- The Eurosystem established a community readiness framework for this project, with the aim to guarantee the readiness for the go-live, **21 November 2021**, of all **PSPs** involved<sup>(\*)</sup>



## Principles:

- This framework will be applicable only to PSPs being compliant with Measure 1 requirements but not being in TIPS
- TIPS participants will be responsible of their own and their reachable parties' preparation

<sup>(\*)</sup> This presentation is focused only on Measure 1

# Community readiness framework



## Deadlines

- Bimonthly reporting
- Six cycles of reporting with the following cut-off dates:
  - Reporting 1: 29 January 2021
  - Reporting 2: 31 March 2021
  - Reporting 3: 31 May 2021
  - Reporting 4: 30 July 2021
  - Reporting 5: 30 September 2021
  - Reporting 6: 30 November 2021

# Community readiness framework



## Report Information

- **Level of confidence** (green, yellow, red) and its justification
- **Status** of the project for each one of the principal **phases** identified (not started, ongoing, completed or not reported)
- Additionally, a non exhaustive checklist will be shared. It will contain the main activities of every phase

This below part refers to the readiness of your own institution as Direct TIPS Participant					
General Questions:		Answers:			
1	What is the confidence level for your entity/organisation as TIPS Direct Participant to on board to TIPS by your target on-boarding date?				
2	Please explain the rationale for your choice of the confidence level for your entity/organisation provided in question 1. If the confidence level selected was Green, please provide information supporting your choice. If the confidence level selected was Yellow, please indicate the issues identified and the mitigation actions that are being put in place to make the confidence level Green. If the confidence level selected was Red, please indicate the issues identified for which you do not have a solution for the time being. Note: This free text field allows the respondent to also provide any additional relevant information regarding other sections of this questionnaire.				
3	Please indicate your current status regarding the key phases of the project	Not started	Ongoing	Completed	Not reported
3a	Preparation			X	
3b	Implementation		X		
3c	Testing	X			
3d	On-boarding	X			

Example: TIPS Participant report



# Community readiness framework



## Example: Aggregated report 3 Reachable parties

**This below part refers to the readiness of the Reachable Parties that your institution supports**

General Questions:		Answers:
4	What is your confidence level that your Reachable Parties will be able to on board to TIPS prior November 2021?	
5	Please explain the rationale for your choice of the confidence level for your entity/organisation provided in question 4. If the confidence level selected was Green, please provide information supporting your choice. If the confidence level selected was Yellow, please indicate the issues identified and the mitigation actions that are being put in place to make the confidence level Green. If the confidence level selected was Red, please indicate the issues identified for which you do not have a solution for the time being. Note: This free text field allows the respondent to also provide any additional relevant information regarding other sections of this questionnaire.	

6	Please indicate the consolidated view of your Reachable Parties status regarding the key phases of the project	Not started	Ongoing	Completed	Not reported	Total number of parties
6a	Preparation		2	1		3
6b	Implementation	3				3
6c	Testing	3				3
6d	On-boarding	3				3

# 7

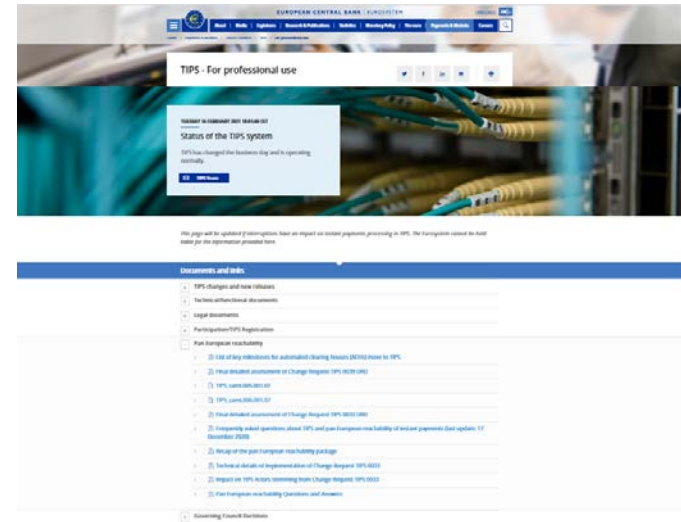
## TIPS information and documents

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# TIPS information and documents

On the **ECB website** you may find **all information regarding TIPS**:

- TIPS changes and new releases
- Technical /functional documents
- Legal documents
- Pan European reachability
- ....



<https://www.ecb.europa.eu/paym/target/tips/profuse/html/index.en.html>

Thank you

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