



**Mr Holger Thiemann**  
European Central Bank

# **TARGET Instant Payment Settlement Connectivity Workshop**

***TIPS Explained***

Rome, 5 July 2017

## Principles: Foundation of the service



Same **participation criteria** as for TARGET2



Instant payment settlement in **central bank money**



**24/7/365** operating hours



Operated on **full cost recovery**



Support compliance with **SCT Inst scheme**



**Multi-currency** technical capability

### Additional principles

- Technical solution for instant payment settlement services
- Offers final and irrevocable settlement
- Participation in TIPS is not mandatory



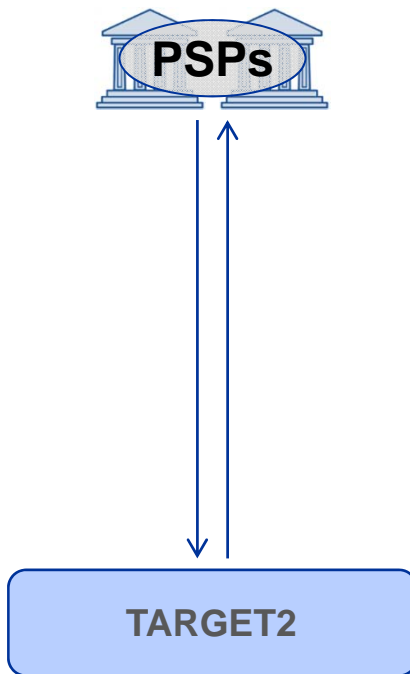
- Developed and operated by the Eurosystem
- Lean, harmonised and standardised pan-European service

# TIPS as extension of TARGET2

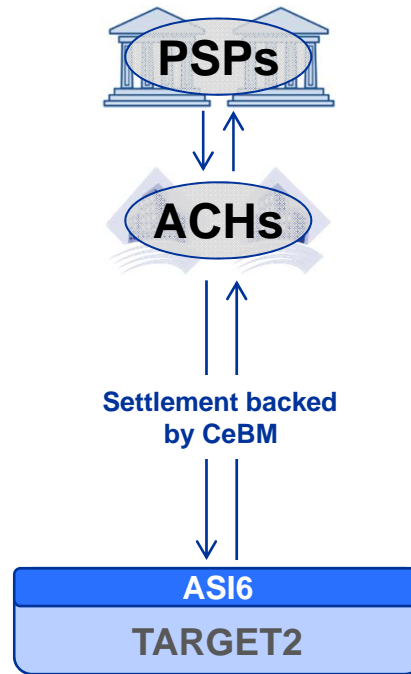
- TIPS has been designed as an extension of TARGET2
- TIPS will extend access to central bank money up to 24/7/365
- TARGET2 participants will also be able to open TIPS accounts for the settlement of instant payments
- The balance held on TIPS accounts will be included in the calculation of the Minimum Reserve requirement on the basis of a “snapshot” triggered at the TARGET2 End-of-Day
- TARGET2 Guidelines will be amended in order to cover the participation in TIPS

## Co-existence of payment services

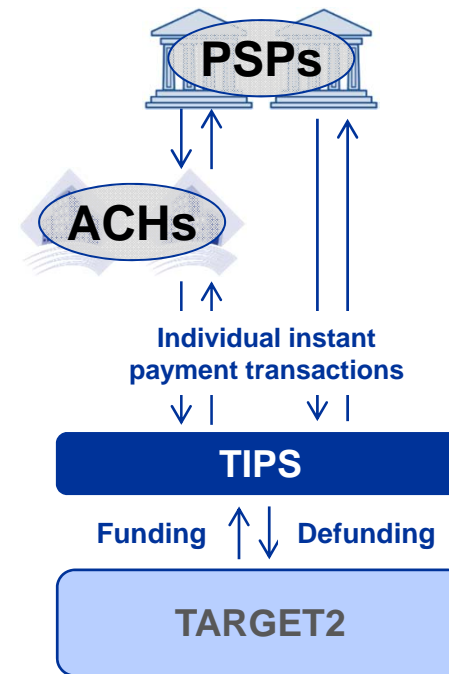
Access to RTGS services



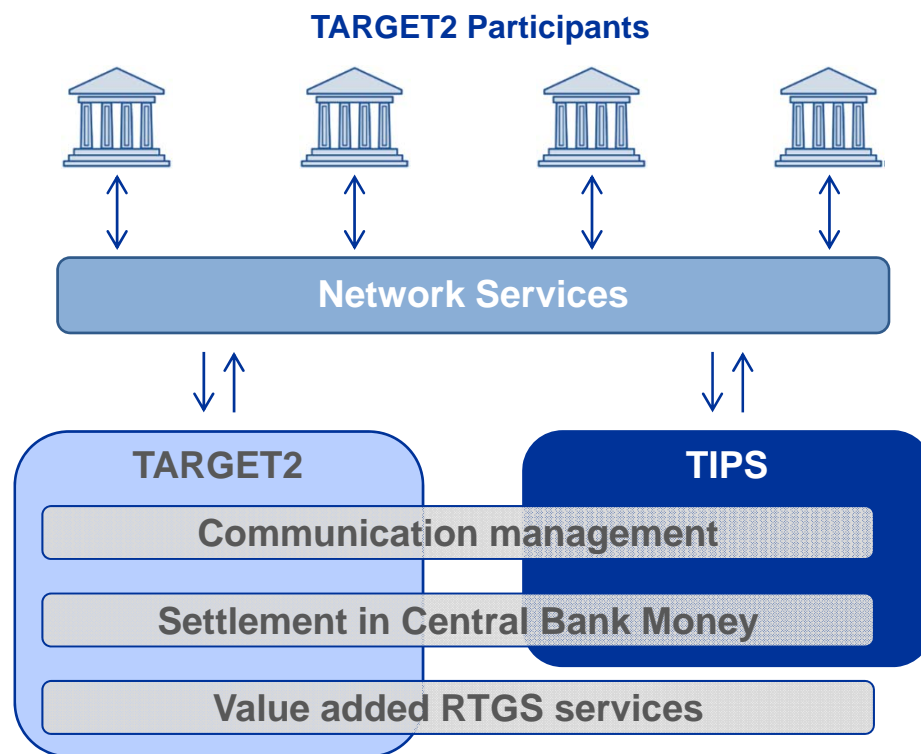
Support for instant payments through **instant clearing**



Support for instant payments through **instant settlement**



## Integrated TARGET services



### Market involvement in the past

- The Eurosystem decided in September 2016 to launch the investigation phase to assess the market needs for the service
- Task Force on Settlement of Instant Payments
- Market consultations on the *User Requirements Document* for TIPS and Volume Expectations (closed 24/02/2017)
- *TIPS on Tour* to present the service to European market representatives

# Market involvement in the future

- A *TIPS Contact Group* will be set up as a technical group
- Its objectives are to provide the MIB with information and advice on
  - planning
  - user testing
  - change management
  - release management



## TIPS Explained

2016		2017				2018			
Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

### Investigation phase

- ✓ **January '17**  
Submission of first draft *User Requirements Document* (URD)
- ✓ **January – February '17**  
7 weeks of Market consultation on the URD
- ✓ **June '17**  
Decision to develop the service

### Realisation phase

- ✓ **July '17**  
Start of realisation phase
- ☐ **May – June '18**  
Start of Eurosystem internal system testing
- ☐ **August – September '18**  
Start of pilot testing involving users
- ☐ **November '18**  
Go-live



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# **TARGET Instant Payment Settlement Connectivity Workshop**

***Contractual Framework***

### Actors in TIPS

- Same participation rules applied in TARGET2 (i.e. eligibility for accessing Central Bank Money) are also valid in TIPS

#### **TIPS Participant**

Hold one or many TIPS accounts to transmit/ receive instant payments

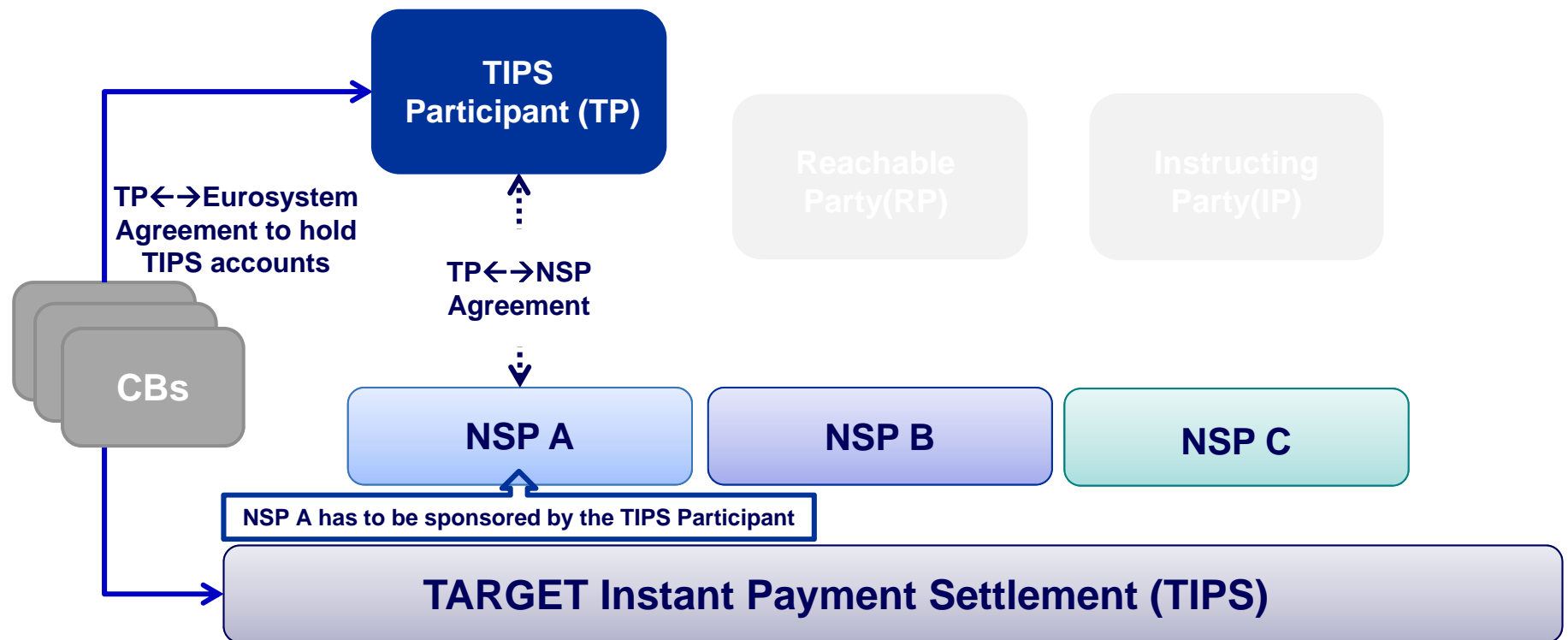
#### **Reachable Party**

Settle instant payments on a participant's TIPS account

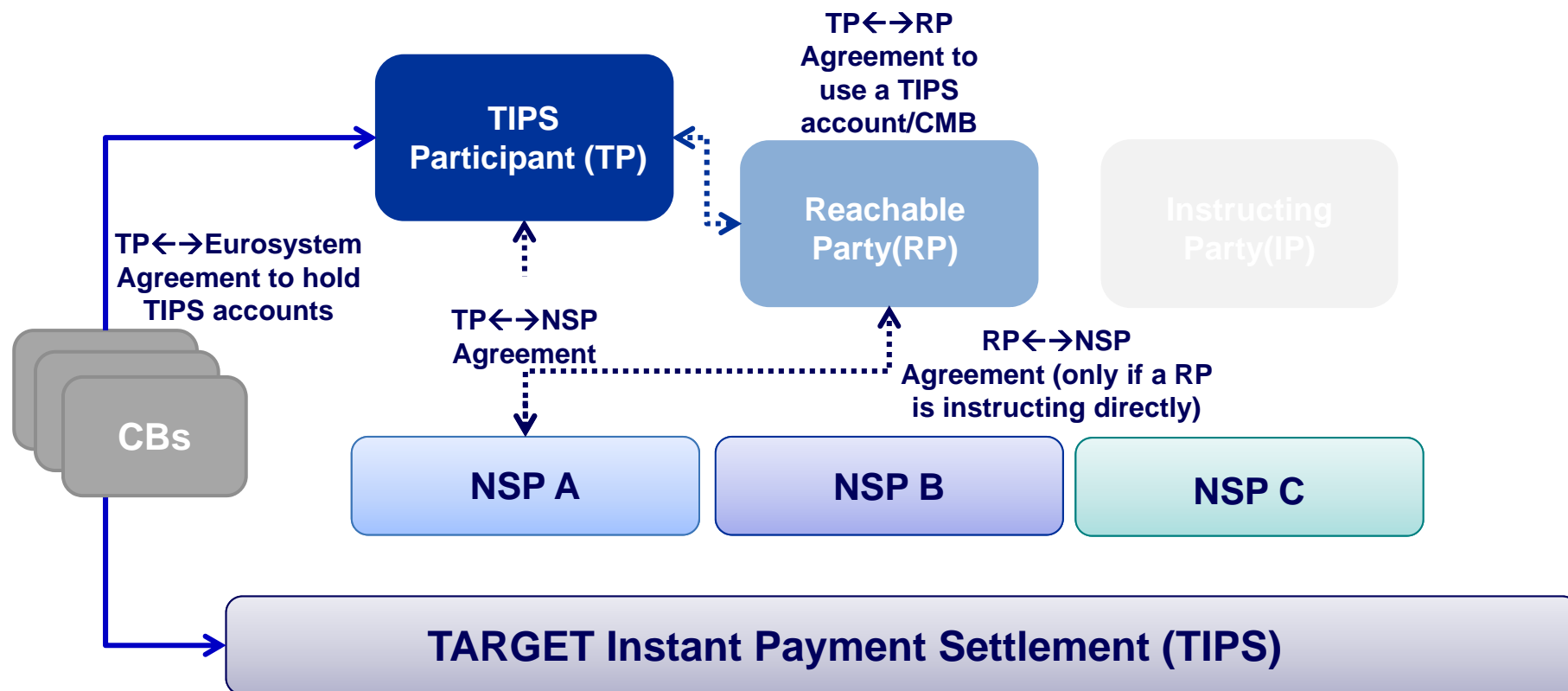
#### **Instructing Party**

Instruct on behalf of the TIPS Participant or the Reachable Party

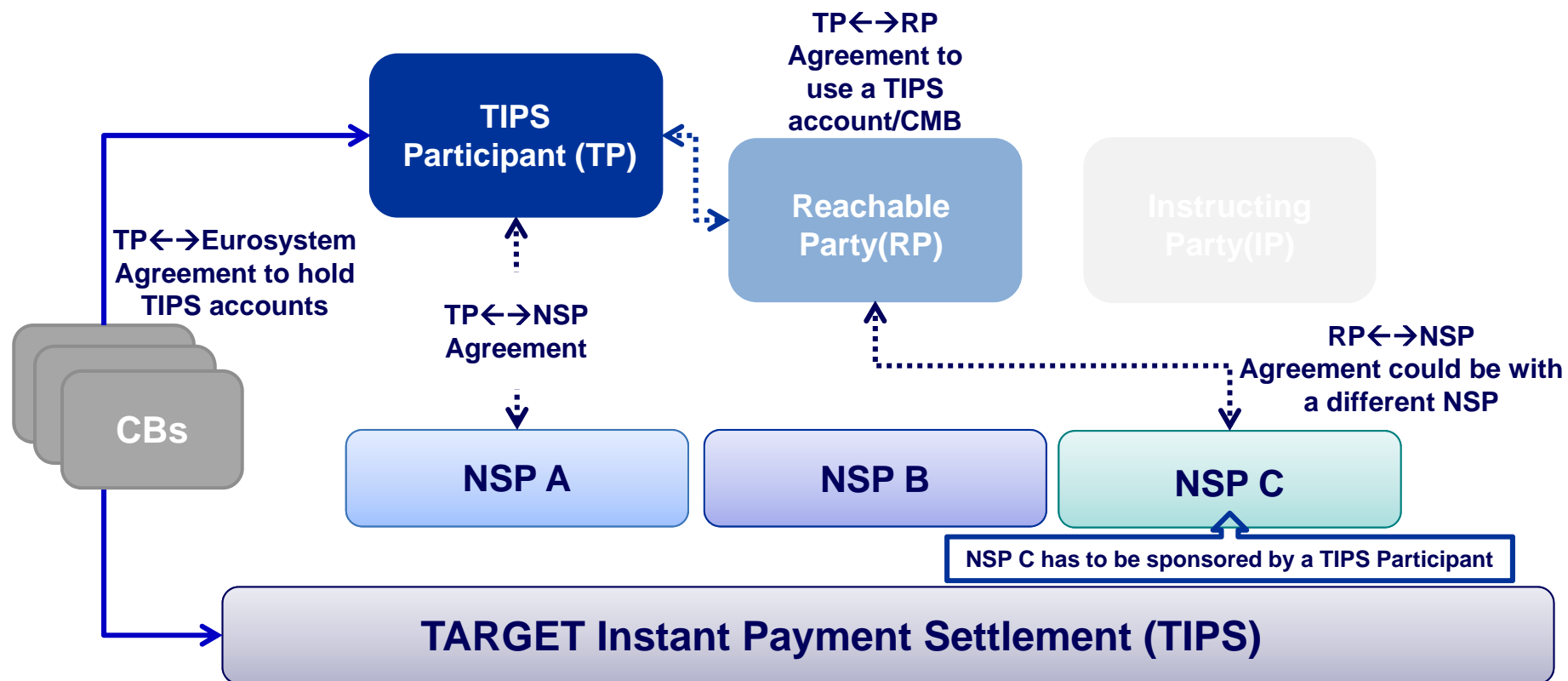
## Contractual agreements framework (1/5)



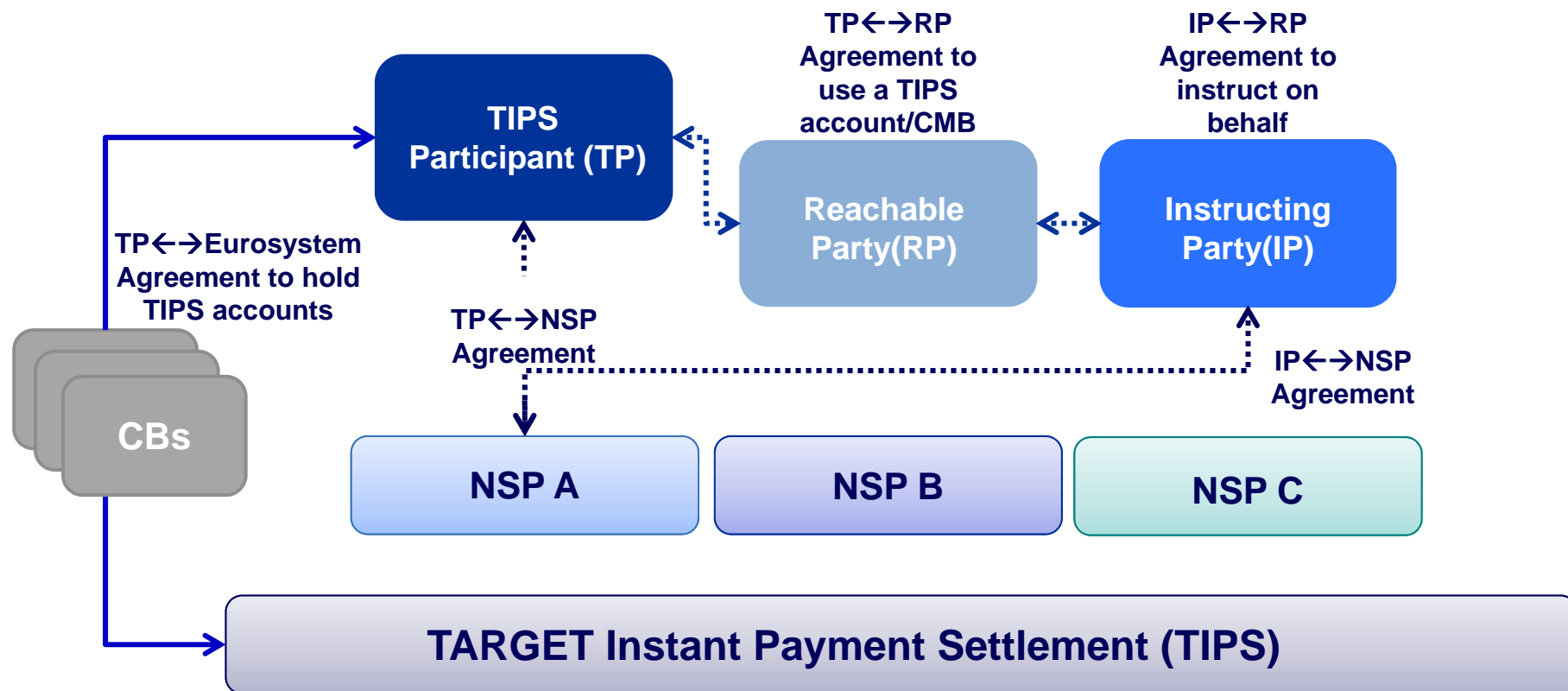
## Contractual agreements framework (2/5)



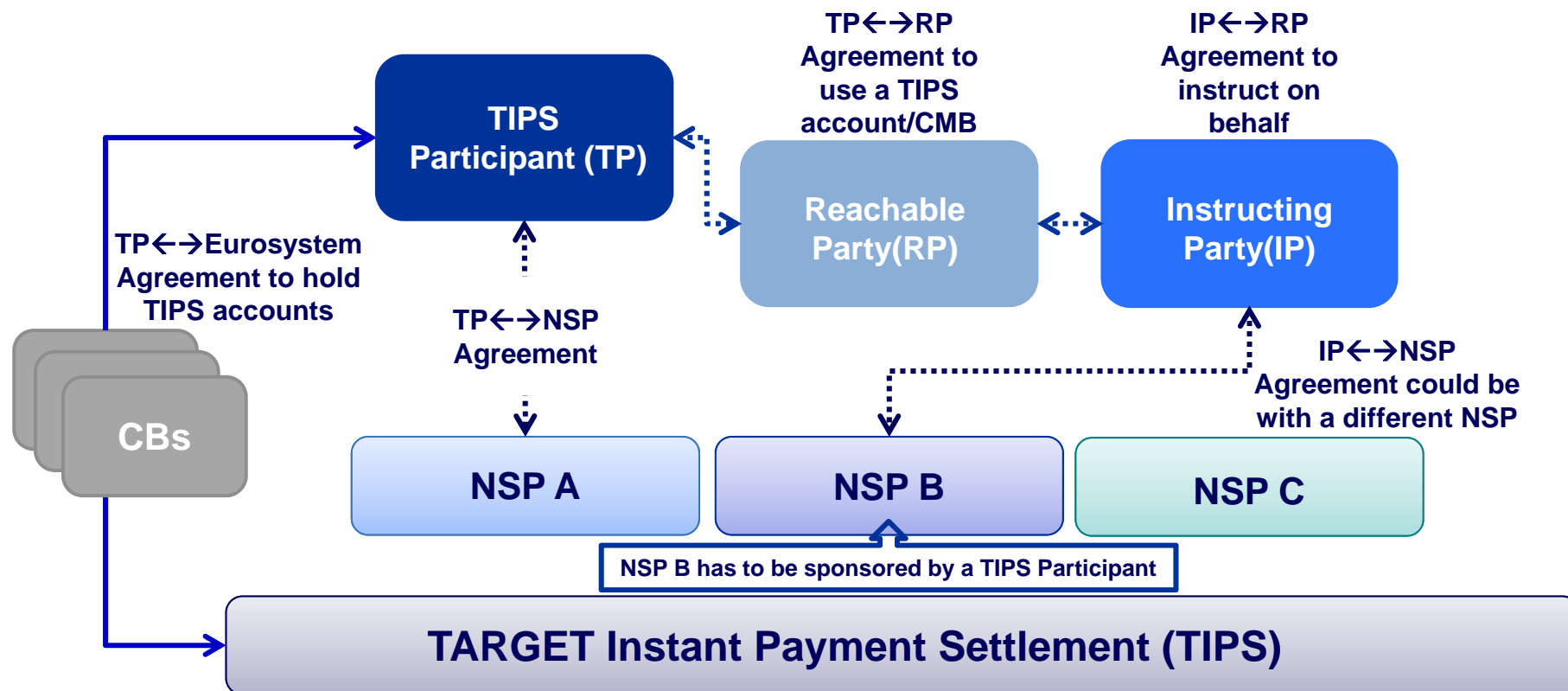
## Contractual agreements framework (3/5)



# Contractual agreements framework (4/5)



## Contractual agreements framework (5/5)



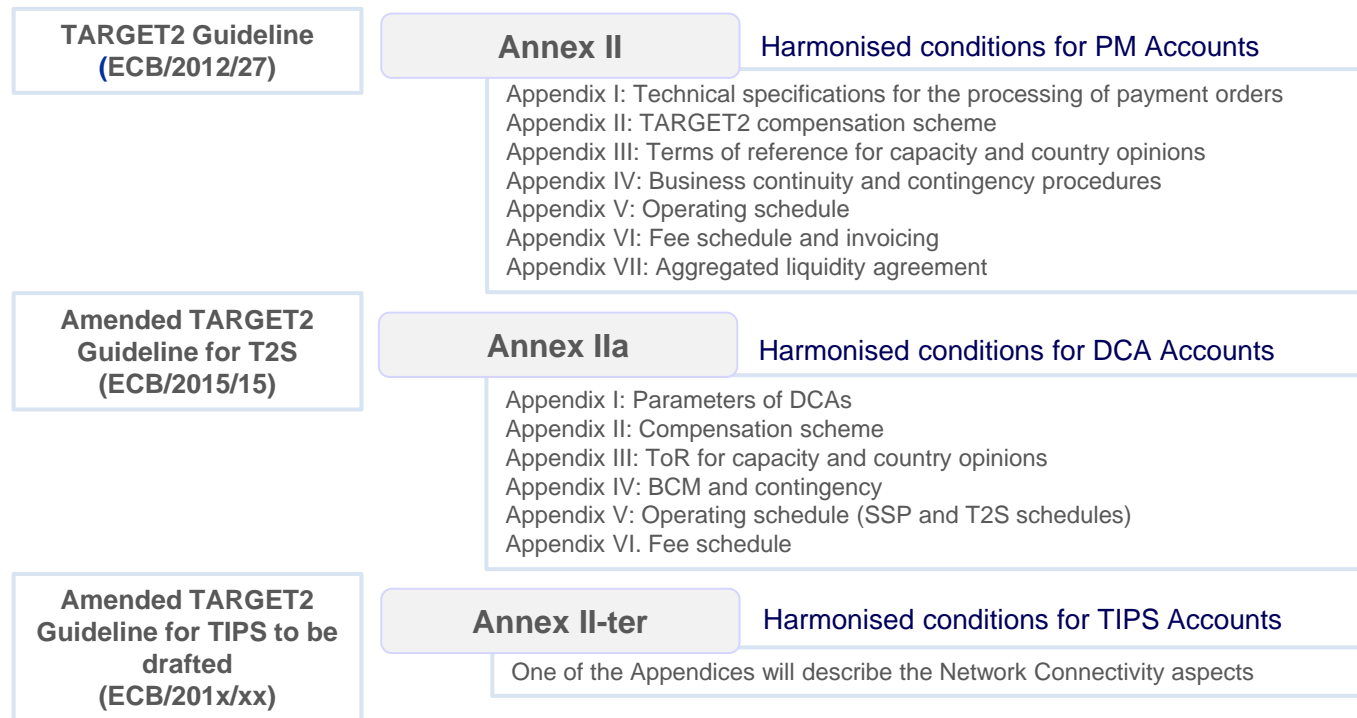


### Contractual relationship

- Unlike the existing TARGET2 and T2S connectivity framework, the Eurosystem will not hold any contractual obligation with the TIPS Network Service Providers
- TIPS Participants have a contractual obligation with the Eurosystem for the opening of TIPS accounts
- 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 contractual agreement with the NSP
- TIPS Participants will be responsible for the compliance of their sponsored NSP vis-à-vis the TIPS connectivity requirements
- An arrangement has to be put in place in case of a direct loss as a result of this sponsorship

# TARGET2 Guidelines

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



# 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 fulfillment 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



**Thank you for the attention!**

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