

TIPS info session

30 November 2020

DeNederlandscheBank

EUROSYSTEEM



Agenda

DNB PUBLIC

09:30 – 09:35 Introduction

09:35 – 10:00 Recap of the pan-European reachability package

10:00 – 10:45 Technical Details of Implementation

10:45 – 11:30 Impact on TIPS Actors

11:30 – 12:00 Questions and Answers

Decision of the Governing Council



The **ECB Governing Council** decided to take significant steps to support the **full deployment** of instant payments across the euro area, in line with the objectives shared with the European Commission.

MIP NEWS

ECB takes steps to ensure pan-European reach of instant payments

24 July 2020

The ECB's Governing Council has taken significant steps to support the full deployment of instant payments across the euro area, in line with objectives shared with the European Commission.

Pan-European instant payments can be ensured by the end of 2021. All Payment Service Providers (PSPs) which have adhered to the SCT Inst scheme and are reachable in TARGET2 should also become reachable in a TIPS central bank money liquidity account, either as a participant or as reachable in a TIPS central bank money account of another PSP which is a participant. At the same time, all Automated Clearing Houses (ACHs) offering instant payment services should migrate their technical accounts from TARGET2 to TIPS. The Eurosystem should migrate their PSPs whether a migration window is needed for this purpose.

This will enable the following.

- > The possibility of instant payments across the currency area.

- > PSPs to comply with the SEPA regulation: PSPs which have adhered to SCT Inst will now be able to comply with their legal obligations, without depending on the actions of other PSPs or ACHs.

- > Make reachability a commodity, reflecting the fact that it is a legal requirement: Not only would TIPS benefit from 100% pan-European reachability, but all ACHs competing in the provision of instant payment services would automatically make this part of their service offer. ACHs would no longer depend on bilateral agreements to establish links, and there would be no potential credit exposure for cross-ACH transactions.

- > Remove liquidity traps: ACH accounts can be funded/defunded from central bank money accounts in TIPS at any time, unlike the current limitations imposed by the opening hours of TARGET2. This also facilitates moving liquidity from one ACH to another without any time limitation, which can be particularly valuable during long weekends.

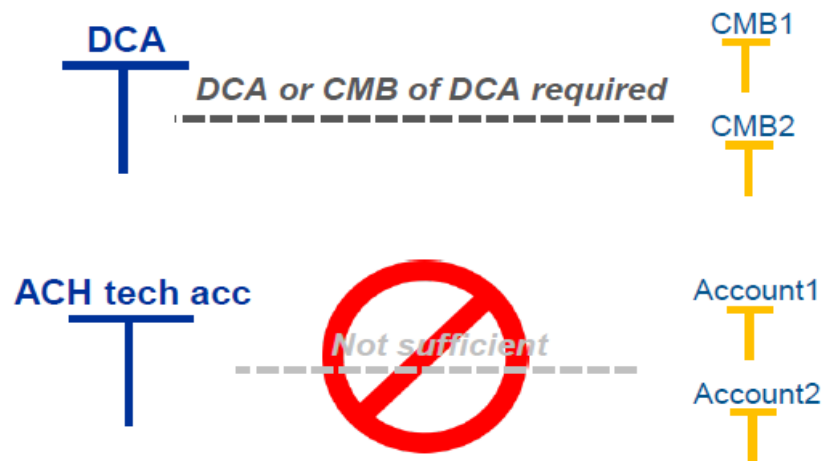
- > A competitive marketplace where each PSP may decide independently (i) where to instruct (in an ACH or in TIPS) and (ii) where to hold its liquidity and settle (in an ACH or in TIPS). The choice that one PSP makes in this respect does not condition the choices of other PSPs.

The ultimate goal is to enable European citizens to make electronic payments in euro from and to any country in real time, both in physical shops and online.

Recap of measures (1/2)

All **PSPs** which have adhered to the **SCT Inst scheme** and are reachable in **TARGET2** should also become **reachable in a TIPS central bank money liquidity account**, **either as a participant or as reachable party** (i.e. **through the account of another PSP** which is a participant).

- Reachability in a TIPS Central Bank account is **required**.
- This implies for the PSP X the **obligation to process/accept any incoming** instant payments another PSP Y may send to the **TIPS DCA/CMB** of PSP X.



Clarification on applicability of the measure

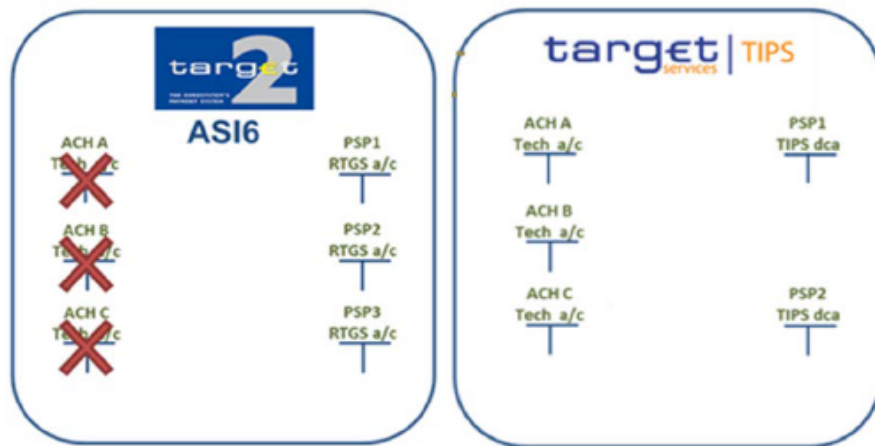
All **PSPs** which have adhered to the **SCT Inst scheme** and are reachable in **TARGET2** should also become **reachable in a TIPS central bank money liquidity account, either as a participant or as reachable party (i.e. through the account of another PSP** which is a participant).

- This applies to both **direct and indirect** SCT Inst compliant TARGET2 participants.
- Hence, it is **foreseen** that the **TARGET2 Guideline** will indicate:
 - i. that the **PM account holders** which have adhered to the **SCT Inst scheme** are **required** to hold a **TIPS DCA** or to be **reachable** via another TIPS DCA holder;
 - ii. that the **indirect participants** or **addressable BICs** which have adhered to the **SCT Inst scheme** would **only** be **registered** if they hold a **TIPS DCA** or are **reachable** via another TIPS DCA holder.

Recap of measures (2/2)

All **ACHs** offering instant payment services should migrate their **technical accounts** from **TARGET2** to **TIPS**.

- This enables the realization of a **viable interoperability framework** across European CSMs.
 - Each bank will be **reachable**, independent of the entry point for instant payment transaction (any ACH or TIPS).
- Furthermore, the measure guarantees **24/7 access** to **Central Bank money**.



Clarification on applicability of the measure

All **ACHs** offering instant payment services should migrate their **technical accounts** from **TARGET2** to **TIPS**.

- This measure formulates the **obligation** for **all ACHs** connected to TARGET2 clearing **SCT Inst** payments to **open a technical account in TIPS**.
- As a result, this measure is **not restricted to** those ACHs which already have an **ASI6-RT connection** in place.
- It **also applies** to ACHs that may use **other models** than ASI6-RT for prefunding instant payments.

Recap of benefits

Pan-European reachability package

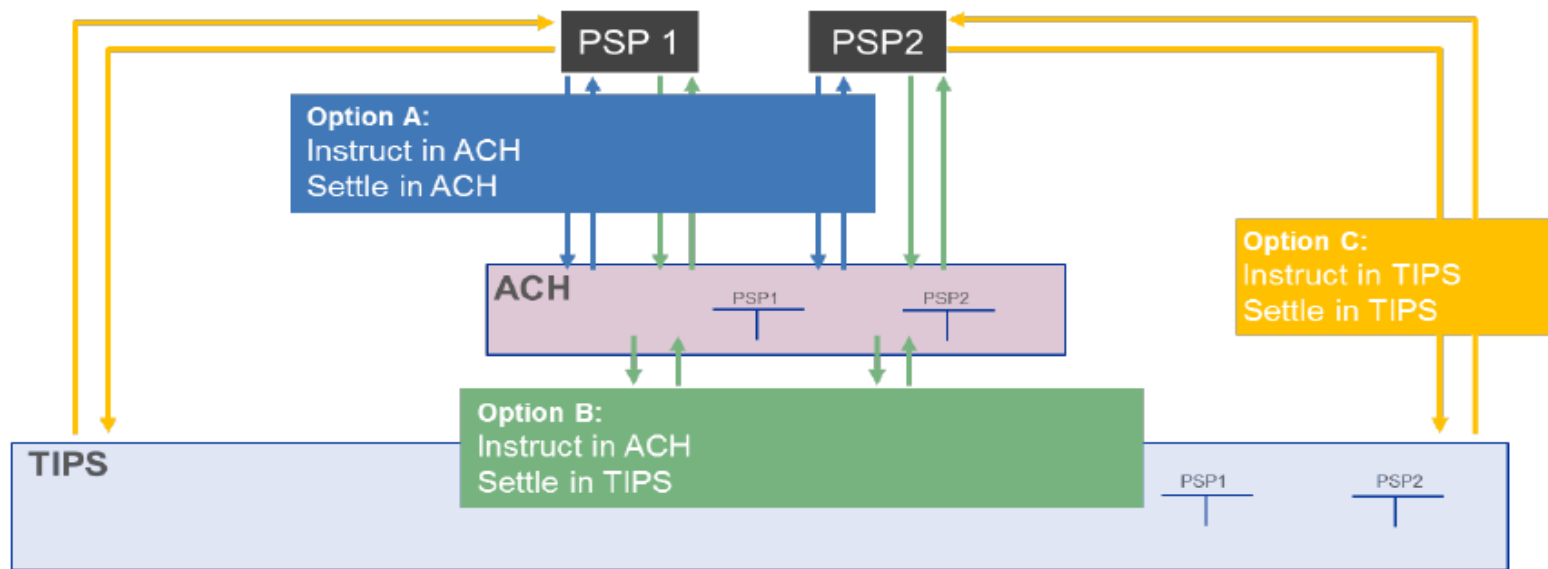
The package allows that all Participants are reachable across the chain, irrespective of which ACH (or TIPS) they are using for instant payments.

- All CSMs/PSPs are **pan-European**: Interoperability, **SEPA / SCT Inst compliance**.
- No need for fragmentation of banks' **liquidity pool** and removal of liquidity traps.
- Elimination of **credit risk** exposure and **instant finality** for inter-ACH transfers.
- Optimised liquidity management with **24/7** availability for funding and defunding.
- PSPs can decide to send payments either **ACH internally**, from an **AS technical account**, or using their **TIPS account/CMB**.

The options for PSPs in future

The Options for PSPs:

- A** Instructing in an **ACH** and settling in an **ACH**
- B** Instructing in an **ACH** and settling in its **TIPS DCA**
- C** Instructing in **TIPS** and settling in its **TIPS DCA**



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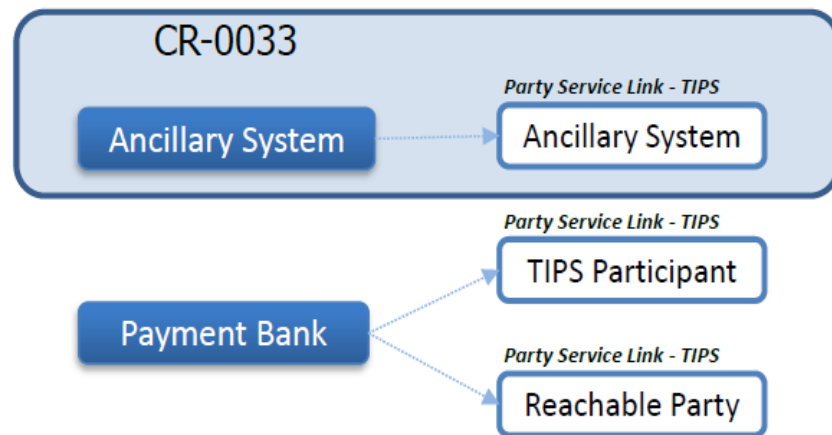
10:45 – 11:30 Impact on TIPS Actors

11:30 – 12:00 Questions and Answers

Set-up of Reference Data (1/2)

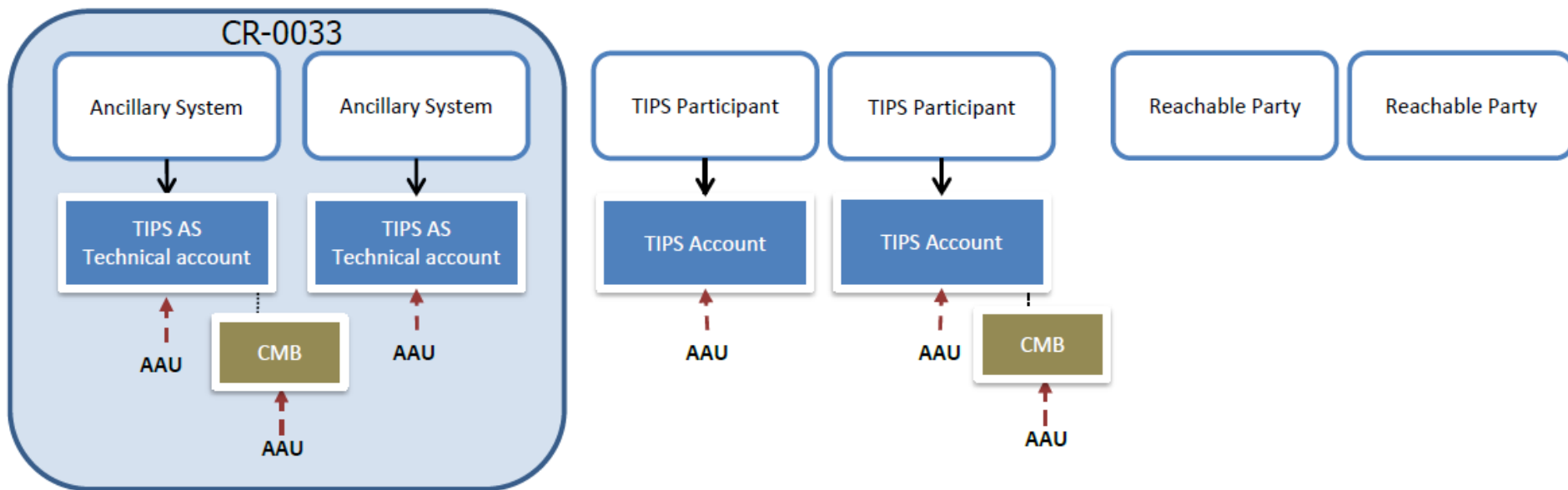
Reference Data management

- On the basis of the hierarchical party model, the Operator is the only party at level 1. All the Central Banks are level 2 parties and are responsible for the setup of reference data of level 3 parties, represented by Payment Banks and Ancillary Systems.
- Just as for Payment Banks, the relevant Central Bank must specify in the Common Reference Data Management (CRDM) common component whether an Ancillary System participates in TIPS, by means of the Party Service Link.



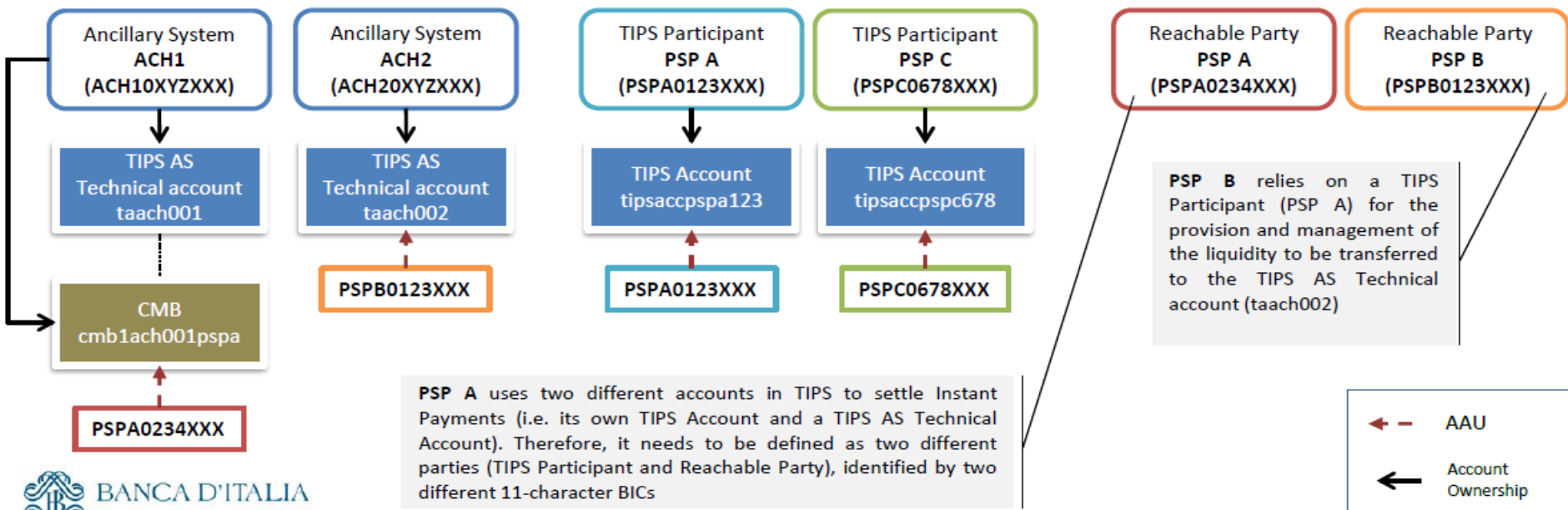
Set-up of Reference Data (2/2)

- Regarding the account structure:
 - a new type of Account is introduced in CRDM and propagated to TIPS
 - ACH is set up as account owner of TIPS AS Technical Account
 - CMBs can be used to segregate the access to the liquidity in the TIPS AS Technical Account
 - Authorised Account User on TIPS AS Technical Account will have to be configured for IP settlement



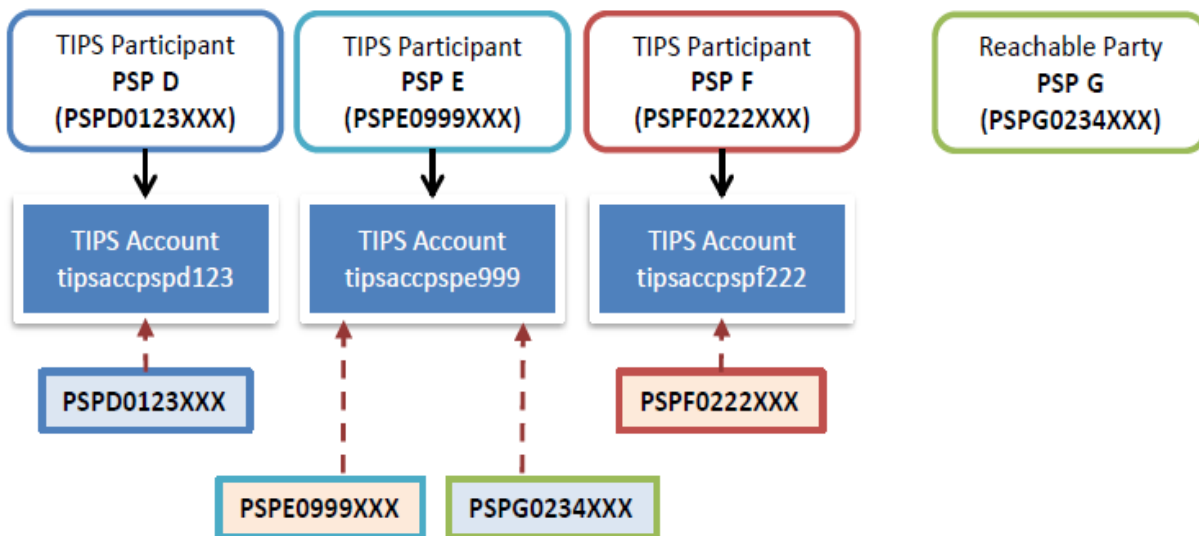
Data constellation (1/2)

The following scenarios related to funding/defunding of a TIPS AS Technical account and settlement of instant payments are based on the data constellation introduced below. The data constellation is depicted on the basis of the concept introduced in the first part of our presentation.



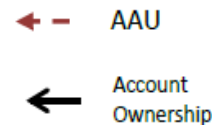
Data constellation (2/2)

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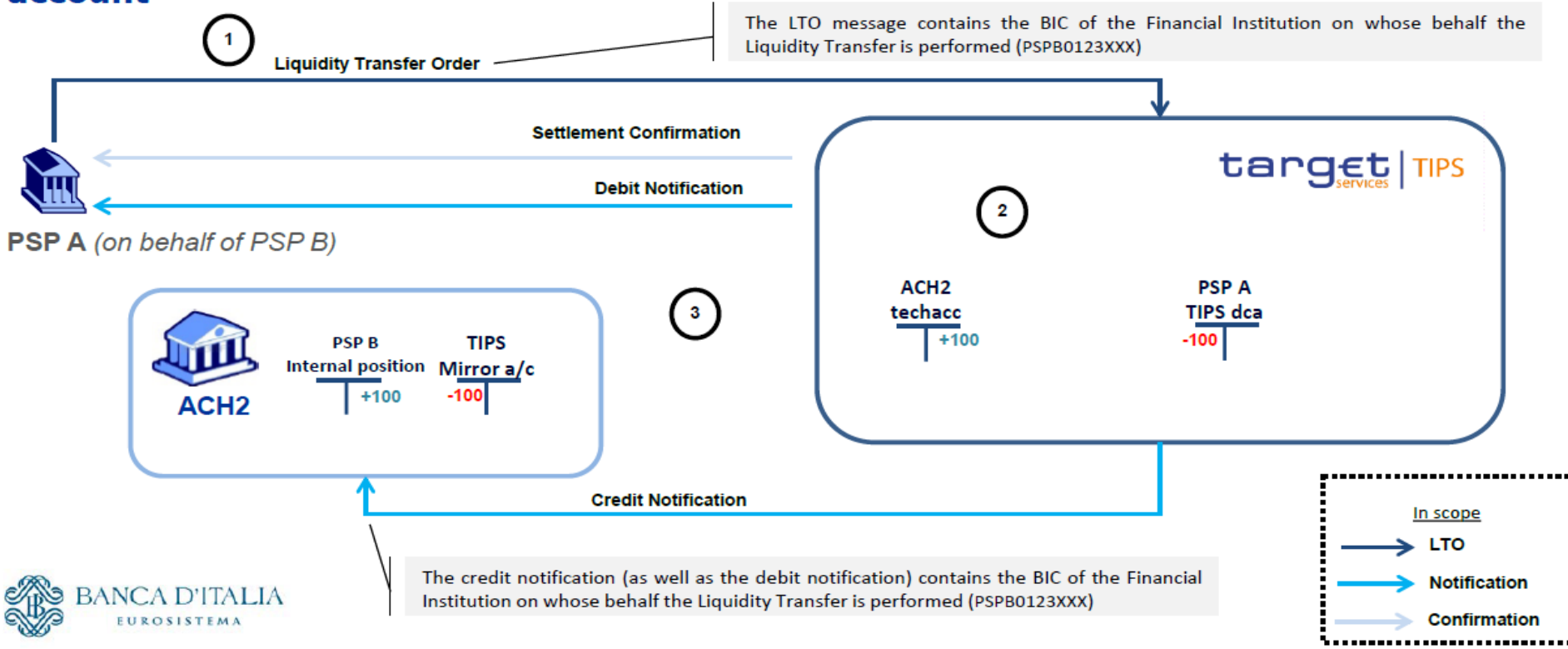
PSP D and **PSP G** have authorized **ACH1** to act on their behalf as Instructing Party

PSP E and **PSP F** have authorized **ACH2** to act on their behalf as Single Instructing Party



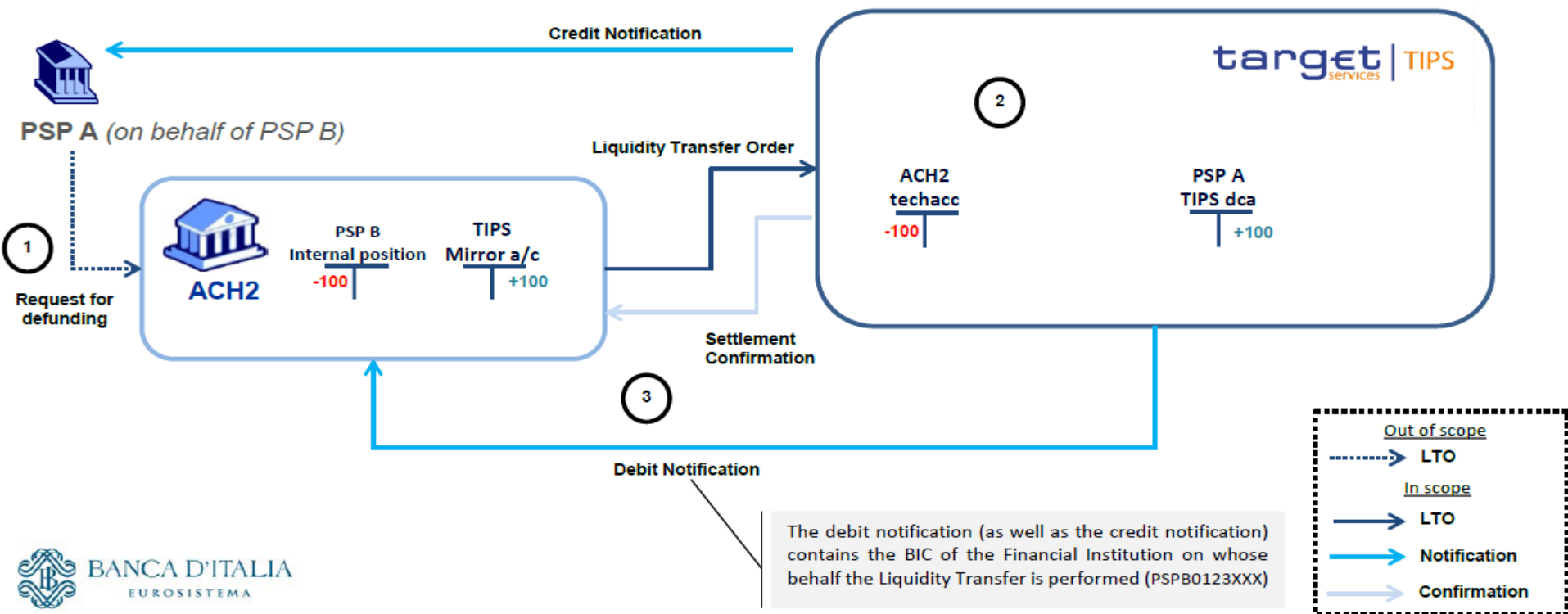
Funding/defunding of ACH technical accounts (1/4) DNBPUBLIC

Intra-service liquidity transfer from a TIPS Account to a TIPS AS Technical account



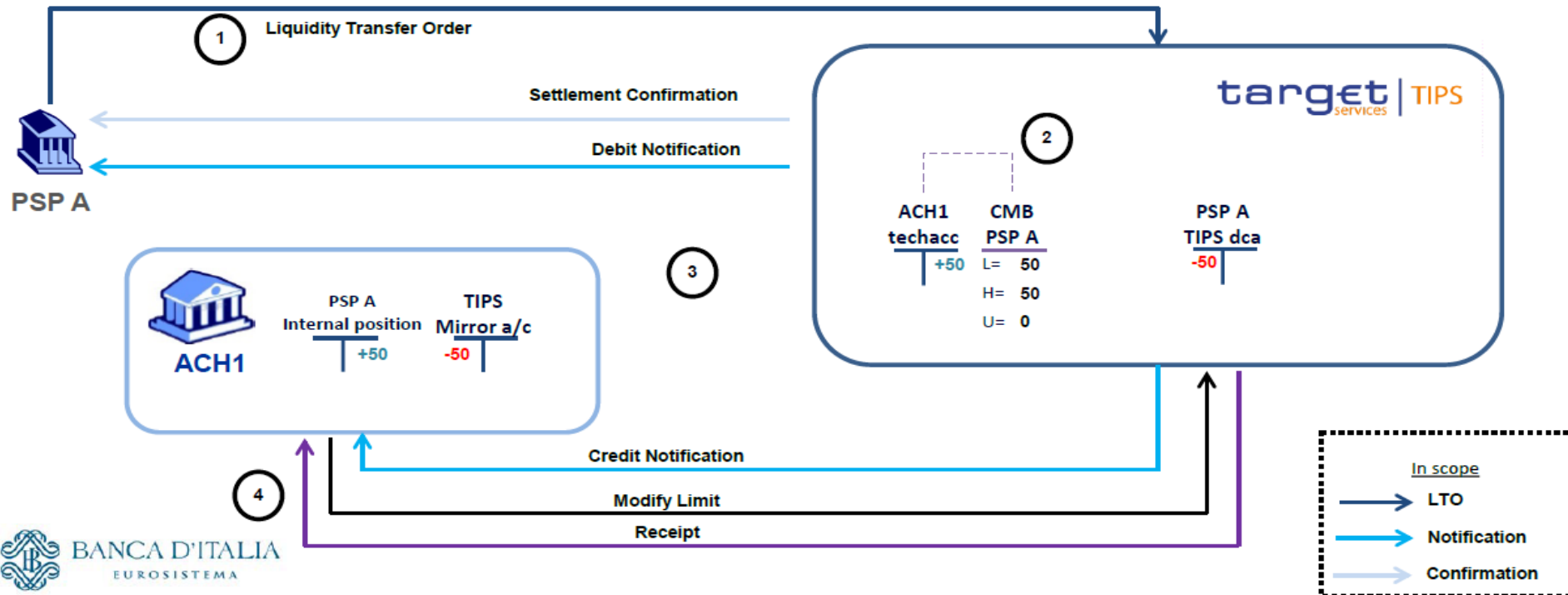
Funding/defunding of ACH technical accounts (2/4)

Intra-service liquidity transfer from an AS Technical account to a TIPS DCA



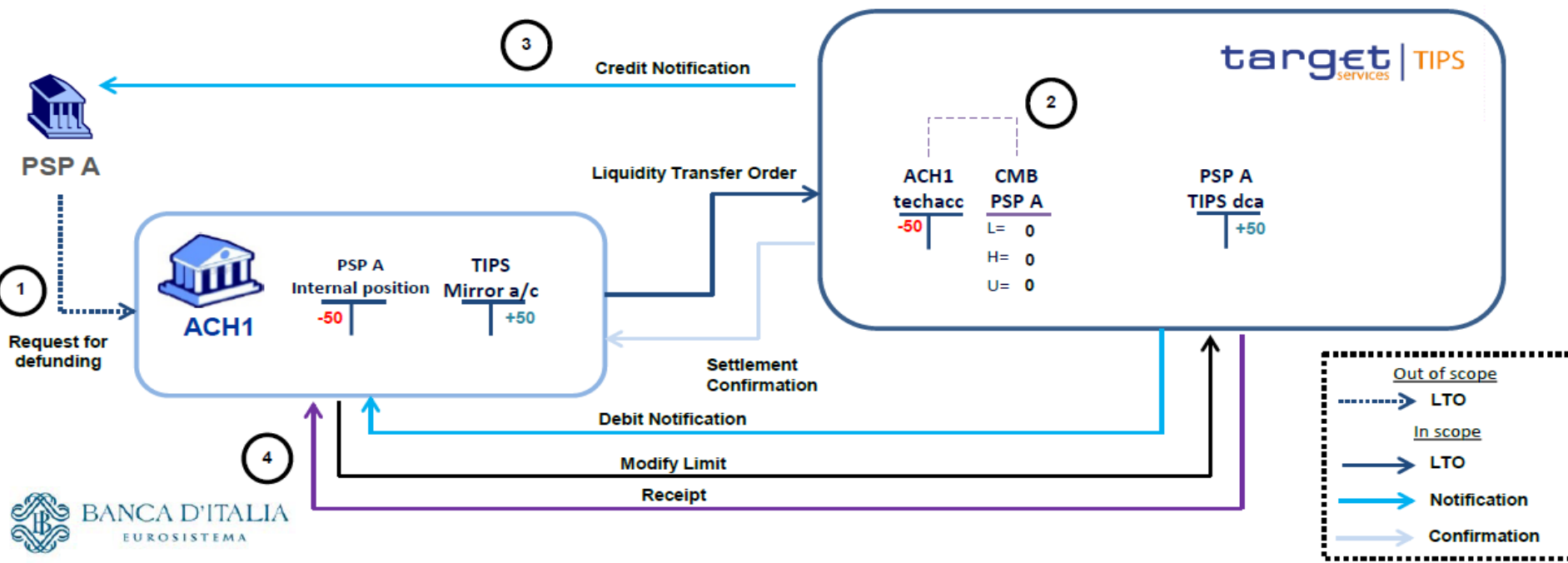
Funding/defunding of ACH technical accounts (3/4) DNB PUBLIC

Intra-service liquidity transfer from a TIPS Account to an AS Technical account – Internal position of the ACH participant reachable in TIPS using a CMB



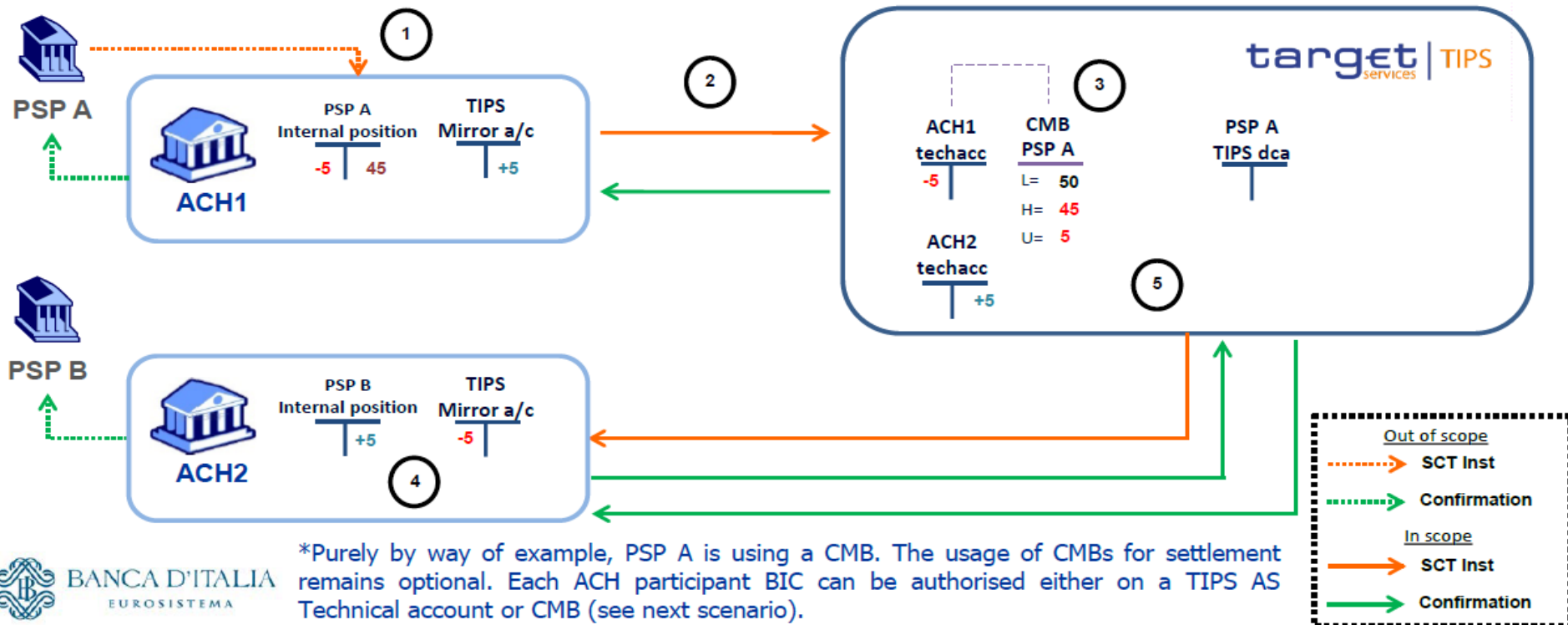
Funding/defunding of ACH technical accounts (4/4)

Intra-service liquidity transfer from a TIPS Technical account to a TIPS Account – Internal position of the ACH participant reachable in TIPS using a CMB



Settlement scenarios (1/4)

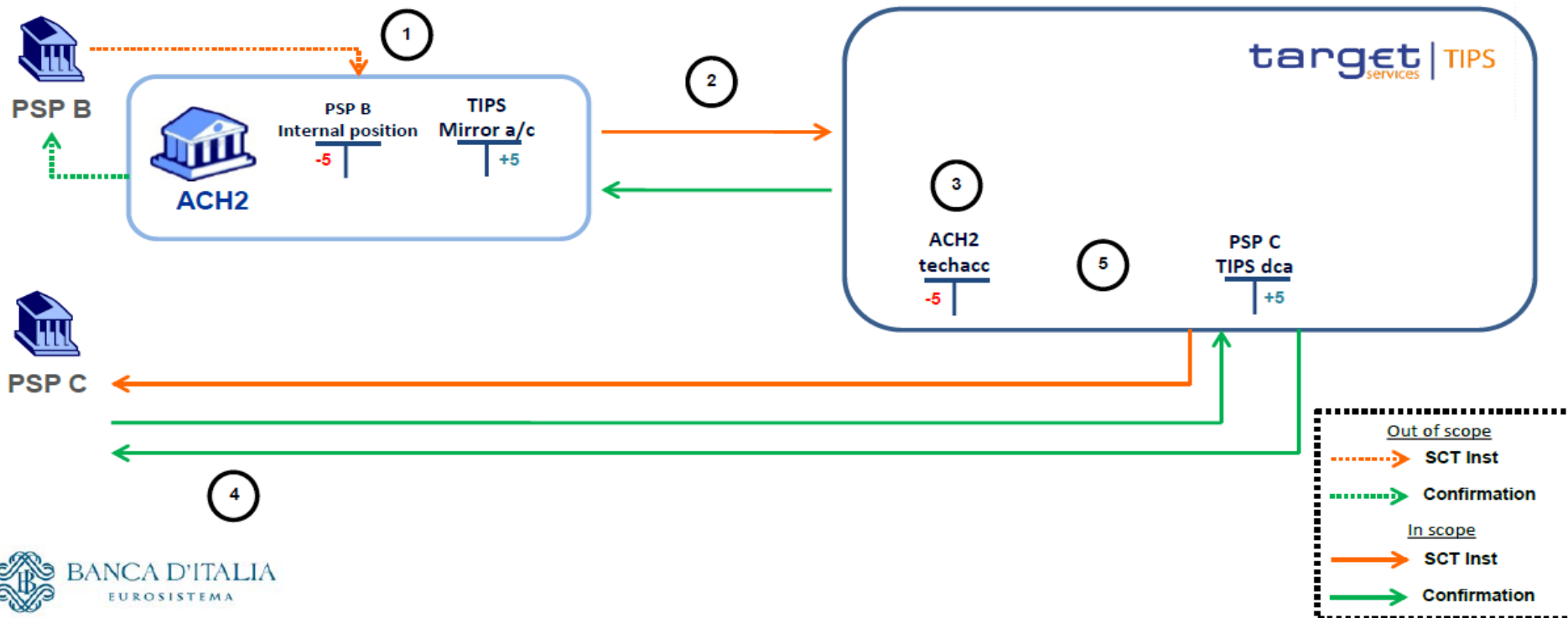
Processing of instant payment in TIPS between two parties in two different ACHs (reachable in TIPS through TIPS AS Technical account*)



*Purely by way of example, PSP A is using a CMB. The usage of CMBs for settlement remains optional. Each ACH participant BIC can be authorised either on a TIPS AS Technical account or CMB (see next scenario).

Settlement scenarios (2/4)

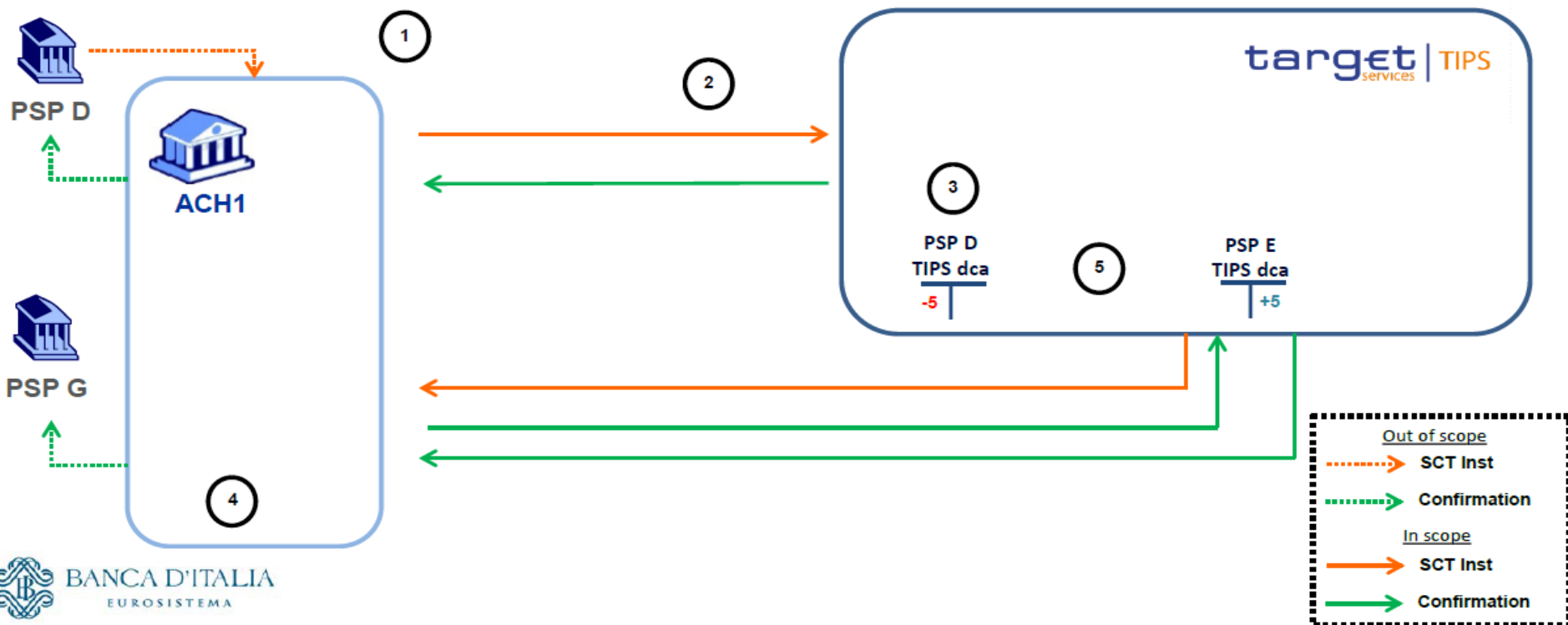
Processing of instant payment in TIPS between an ACH participant (reachable in TIPS through TIPS AS Technical account) and a TIPS Participant



Settlement scenarios (3/4)

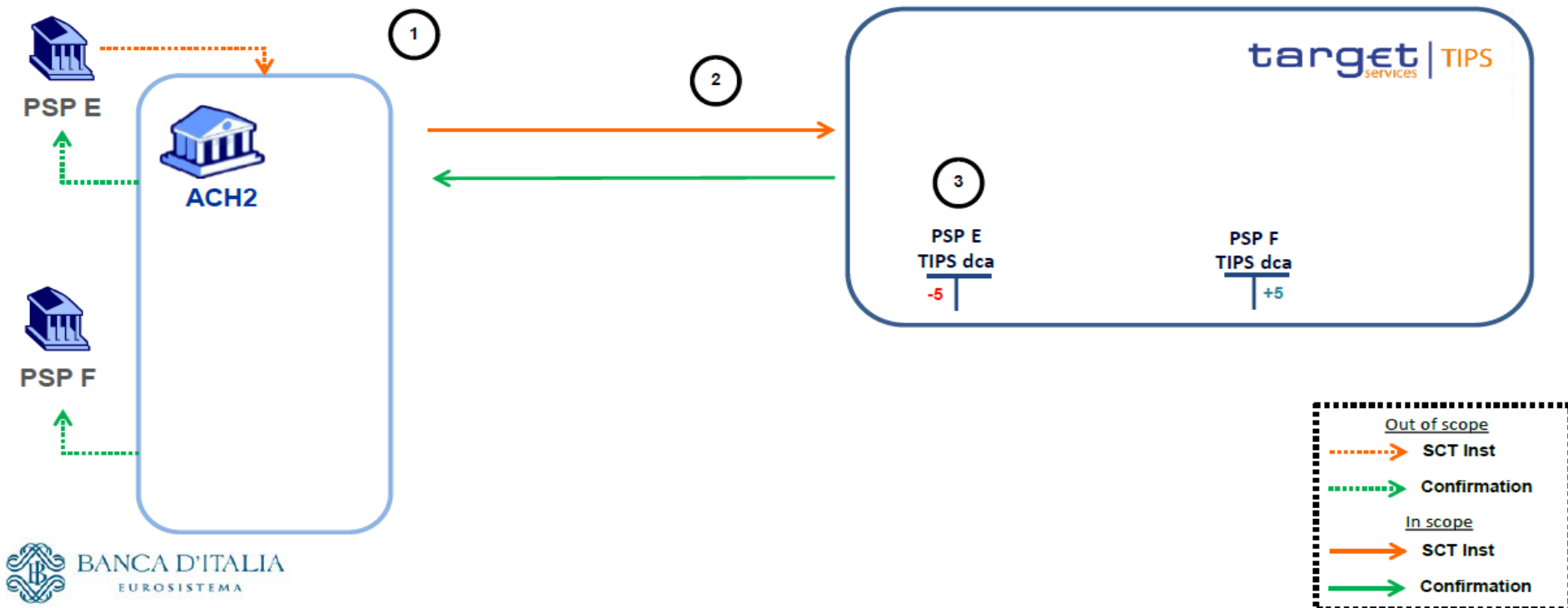
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Processing of instant payment in TIPS between two participants of the same ACH acting as Instructing Party



Settlement scenarios (4/4)

Processing of instant payment in TIPS between two participants of the same ACH acting as Single Instructing Party (SIP)



End-of-day reporting

No change foreseen in the structure of the EOD Reports.

Information about AS Technical Accounts will be reported in addition.

In particular:

- *TIPS Directory* will include authorised BICs on AS Technical Accounts;
- *General Ledger* will include TIPS AS Technical Accounts under the CB scope and related to the currency managed by the RTGS;
- *Reports (camt.052/camt.053)* will be sent also to ACH in order to obtain information on AS Tech. Accounts (upon subscription); camt.053 usage will be adapted to report Intra-service LTs.

Changes in TIPS messages

In order to make available the Payment Transaction Status query also in A2A mode for monitoring and reconciliation purposes, *camt.005* and *camt.006* messages will be supported by TIPS as for TIPS 0039 URD.

No changes on xsd for messages currently managed by TIPS. Only message usages will be updated in order to correctly manage the ACH business cases related to AS Technical Accounts.

In particular:

- *camt.050/camt.025*, for the usage in Intra-service liquidity transfer scenario;
- *camt.054*, to correctly report information related to Intra-service LTs;
- *camt.003/camt.004*, to allow the query functionality also to ACH for their Account/CMBs balances;
- *camt.011*, to allow the modify limit functionality to ACH;
- *acmt.015/acmt.010/acmt.011*, to allow the change of the blocking status of an AS Technical Account;
- *reda.022/reda.016*, to allow the change of the blocking status of an ACH.

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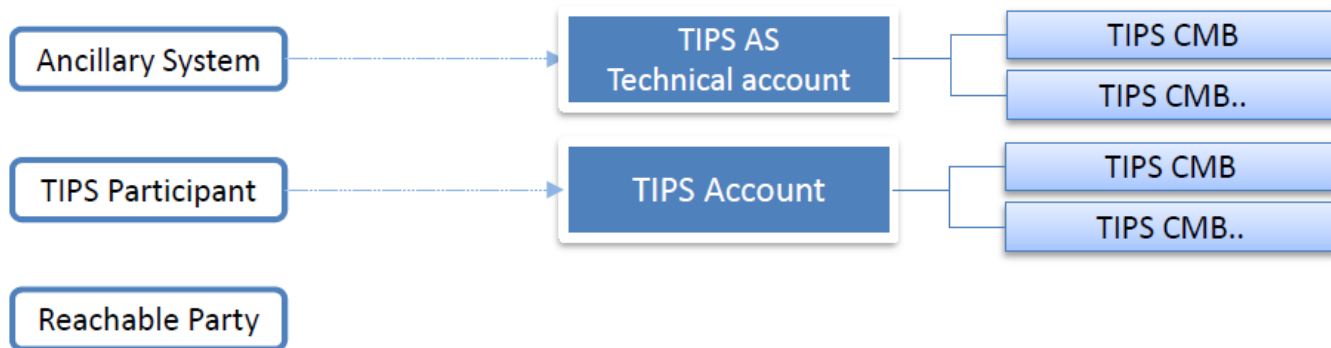
- Entities that interact with the TIPS service are generally known as TIPS Actors.
- Currently, the TIPS participation model envisions the following types of Actor, with different roles and responsibilities:
 - Central Bank
 - TIPS Participant
 - Reachable Party (only provided as background slides in the Annex)
 - Instructing Party
- By implementing Change Request TIPS-0033, a new type of Actor (i.e. **Ancillary System**) and type of account (i.e. **TIPS AS Technical Account**) will be introduced in TIPS.
- The following slides intend to help TIPS Actors to reach a better understanding of the 'new' TIPS participation model and the impact the change request will have on the way they interact with TIPS. In particular, for each type of Actor, the following business processes will be covered:
 - Reference Data management
 - Instant Payment settlement
 - Liquidity Management
 - Queries and Reports

Reference Data management

- As for TIPS Participants and Reachable Parties, Central Banks will be responsible for the setup of the Ancillary Systems, and that includes:
 - Create Ancillary System Party, Party Service Link
 - Create Party Administrator Users and manage their access rights.
 - Propagate privileges in order to grant access to the following specific TIPS functions:
 - Send a settlement instruction on behalf of a given TIPS Participant/Reachable Party;
 - Order an intra-service liquidity transfer;
 - Adjust CMB limit and modify its blocking status;
 - Query data related to TIPS AS Technical account owned by them.
 - Identify the technical address the Ancillary System can use for the receipt of specific messages and reports from TIPS (Party Technical Address)

Central Bank (2/6)

- Central Banks create TIPS AS Technical accounts for Ancillary Systems belonging to their community.
- Each Ancillary System may own only one TIPS AS Technical account.
- Furthermore, Central banks may define Credit Memorandum Balances (CMBs) linked to TIPS AS Technical accounts under their data scope.



Central Bank (3/6)

- Central Banks can create Authorised Account Users (AAU) for TIPS AS Technical accounts and related CMBs within their own system entities. Each AAU specifies a BIC which is allowed to use the related TIPS AS Technical account or CMB for settlement.
- Each AAU can be linked to one and only one TIPS Account, TIPS AS Technical account or CMB; each CMB can have no more than one AAU, while TIPS Accounts and TIPS AS Technical accounts may have any number.
- The BIC of an Ancillary System cannot be authorised to settle on any account in TIPS, including CMBs.

- With regard to Ancillary Systems and TIPS AS Technical Accounts, the following high-priority settlement relevant reference data changes can be performed by the Central Bank directly in TIPS via the TIPS interface (available 24 hours a day):
 - Blocking/unblocking of an Ancillary System;
 - Blocking/unblocking of a TIPS AS Technical account or CMB;
 - Update of a CMB limit (and adjustment of the related headroom).

Instant Payment settlement

- No impact.

Liquidity Management

- Central Banks will be able to act on behalf of one of their Actors (i.e. TIPS Participants and Ancillary Systems) to allow the transfer of liquidity between AS Technical Accounts and TIPS Accounts denominated in the same currency (intra-service liquidity transfer).
- The intra-service liquidity transfer can be initiated in TIPS in A2A using the Liquidity Credit Transfer message (camt.050) or in U2A. As for Inbound and Outbound Liquidity Transfers, in the intra-service liquidity transfer scenario, a camt.025 will be sent by TIPS to the sender to report about the execution of the liquidity transfer. No dedicated messages or specific requirements for A2A messages are foreseen by Change Request TIPS-0033.

Queries and Reports

- When the relevant RTGS system starts its End-of-Day process and after the finalisation of the pending liquidity transfers, TIPS generates and provides to it a general ledger file. The RTGS system uses the data to build and provide general ledgers to the Central Banks.
 - The general ledger data provided by TIPS will contain the balances of all accounts held in TIPS and denominated in the same currency, including the Transit Account, the TIPS Accounts and the TIPS AS Technical Accounts (No changes to the file format).
- The responsible Central Bank can check the status of previously submitted Intra-service Liquidity Transfer orders and Payment Transactions affecting TIPS Accounts and TIPS AS Technical accounts belonging to its data scope.
- The responsible Central Bank can query the system in order to obtain information belonging to the balance and the status of TIPS AS Technical Accounts or to the limit and the status of CMBs linked to them. No dedicated messages or specific requirements for A2A messages are foreseen by Change Request TIPS-0033.

Reference Data management/Instant Payment settlement

Option 1

- Under the current structure, any already existing participant in TIPS can send (and receive) payments to (or from) TIPS to be settled on its own TIPS Account. TIPS Participant can define and authorise a third party (including an Automated Clearing House - ACH) to act on its behalf.
- This is fully compliant to Measure 1.
- No impact is foreseen on TIPS Participants who plan to start/keep using their TIPS Accounts for the settlement of Instant Payments.

Option 2/3

- By implementing Change Request TIPS-0033, TIPS Participants may choose between the following two options.
- Both options embody the effective application of Measure 2 on top of Measure 1.

Option 2 (settlement of IPs based on *measure 2* only) – TIPS Accounts would serve:

- I. to fund/defund TIPS AS Technical accounts:
 - To provide the guarantee available for ACHs to provide instant finality (as is the case in TARGET2 today);
 - To settle instant payments on the TIPS AS Technical account. Payments are sent and received in TIPS by the ACH acting as Instructing Party.
- II. to be reachable (i.e. at least to receive instant payments) in TIPS, according to *measure 1*.

Option 3 (settlement of IPs based on *measure 1 and measure 2*) – TIPS Accounts would serve:

- I. to fund/defund TIPS AS Technical accounts:
 - To provide the guarantee available for ACHs to provide instant finality (as is the case in TARGET2 today);
 - To settle instant payments on the TIPS AS Technical account. Payments are sent and received in TIPS by the ACH acting as Instructing Party.
- II. to send and receive instant payments in TIPS.

TIPS Participant (3/7)

The following provides indications and remarks on how to correctly configure CRDM Data for a TIPS Participant that intends to apply for either Option 2 or Option 3:

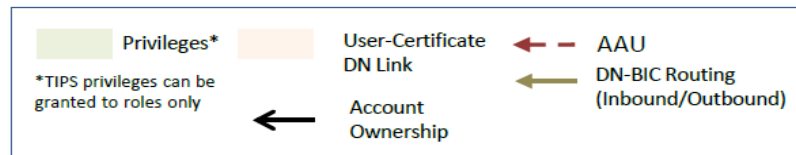
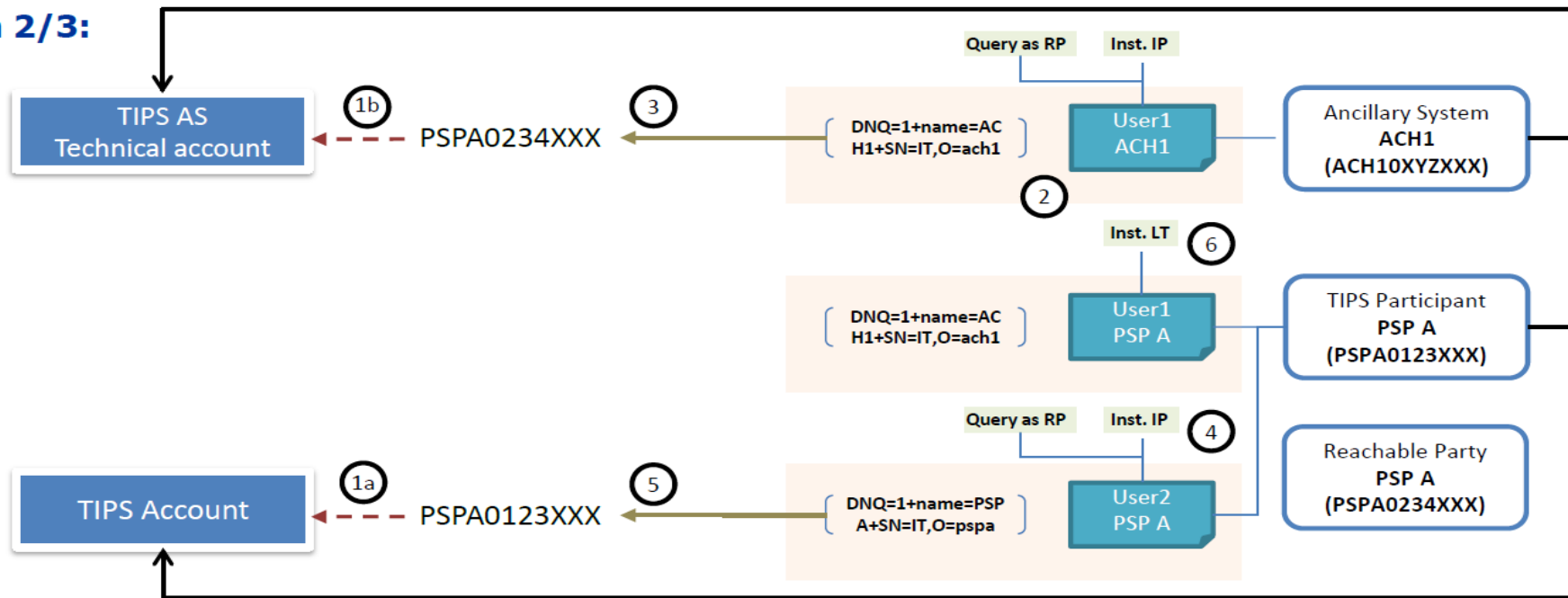
1. The financial institution would use two different accounts in TIPS to settle Instant Payments (i.e. its own TIPS Account and a TIPS AS Technical Account), and therefore it needs to be defined in CRDM as two different parties, identified by two different 11-character BICs.
 - a) One BIC should be assigned to the financial institution defined as a TIPS Participant owner of a TIPS Account. The BIC should be authorised to use the TIPS account (Authorised Account User).
 - b) A different BIC should be assigned to the financial institution defined as a Reachable Party. The BIC should be authorised to use the TIPS AS Technical account (Authorised Account User).
2. The DN of the ACH should be linked, via User-Certificate DN Link, to a user belonging to the Ancillary System. The user should be then granted a Role containing the Privilege to instruct and query instant payments.

3. The DN of the ACH should be authorised to send payments as Originator on behalf of the BIC of the Reachable Party (Inbound DN-BIC Routing) and to receive payment messages as Beneficiary (Outbound DN-BIC Routing).
4. The DN of the financial institution should be linked, via User-Certificate DN Link, to a user belonging to the TIPS Participant. The user should be then granted a Role containing the Privilege to instruct and query instant payments.
5. The same DN should be authorised to send payments as Originator on behalf of the BIC of the TIPS Participant (Inbound DN-BIC Routing) and to receive payment messages as Beneficiary (Outbound DN-BIC Routing).
6. In case the TIPS Participant wishes the ACH to act on its behalf for the funding of the TIPS AS Technical account, the DN of the ACH should be linked to a user belonging to the TIPS Participant. The user should be then granted with a Role containing the Privilege to instruct liquidity transfer (Inbound, Outbound and Intra-service Liquidity Transfers).

TIPS Participant (5/7)

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Option 2/3:



Liquidity Management

- No impact is foreseen on TIPS Participants who plan to keep using their TIPS Accounts for the settlement Instant Payments (Option 1).
- Those who consider possible alternatives arising from the implementation of CR TIPS-0033 (Options 2 and 3) should consider the following:
 - TIPS will be adapted to allow TIPS Participants to send intra-service liquidity transfer orders from a TIPS Account to a TIPS AS Technical account – that are denominated in the same currency.
 - The Intra-service Liquidity Transfer can be initiated in TIPS in A2A using the Liquidity Credit Transfer message (camt.050) or in U2A. A camt.025 will be sent by TIPS to the sender to report about the execution of the intra-service liquidity transfer. No dedicated messages or specific requirements for A2A messages are foreseen by Change Request TIPS-0033.
 - It will not be possible for a Payment Bank participating in TIPS to transfer liquidity from accounts located in other TARGET Services to TIPS AS Technical accounts.
 - Only the Ancillary System (i.e. the ACH) owner of the AS Technical account keeps record of the individual positions held by the TIPS Participant in the technical account.

Queries and Reports

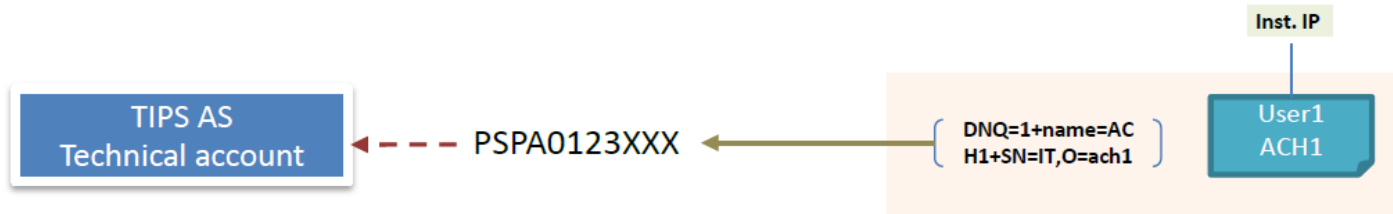
- No impact is foreseen on TIPS Participants who plan to keep using only TIPS Accounts for the settlement Instant Payments without relying on TIPS AS Technical account (Option 1).
- Those who consider possible alternatives arising from the implementation of CR TIPS-0033 (Options 2 and 3) should consider the following:
 - The TIPS Participant can check the status of a previously submitted Intra-service Liquidity Transfer order by using the Liquidity transfer status query.
 - TIPS Directory: The 'Account Owner BIC' field will show the BIC of the ACH owning the technical account for which the BIC of the financial institution (as Reachable Party) has been authorised.

User BIC	[...]	Account Owner BIC	[...]	Maximum IP Amount
PSPA0234XXX	[...]	ACH10XYZXXX	[...]	15,000.00
PSPA0123XXX	[...]	PSPA0123XXX	[...]	100,000.00

Different Max IP Amounts can be set for the same financial institution, depending on its configuration in TIPS (i.e. TIPS Participant or Reachable Party)

Reference Data management/Instant Payment settlement

- The role of Instructing Party allows to send (or receive) Instant Payments to (or from) TIPS on behalf of TIPS Participants and Reachable Parties. Instructing Parties are not defined as Parties, but as DN that participants in TIPS can define and authorize to act on their behalf.
- By implementing the CR TIPS-0033, a DN can be authorised to act on behalf of TIPS Participants and Reachable Party whose BICs are allowed to use a TIPS AS Technical account for settlement.



- An Instructing Party acting on behalf of an Ancillary System may block/unblock CMBs (or update the related limits) owned by the relevant Ancillary System.

Liquidity Management

- By implementing the CR TIPS-0033:
 - A DN linked to a user belonging to an Ancillary System and granted with the proper privilege can initiate and query liquidity transfers from the TIPS AS Technical account owned by the Ancillary System to TIPS Accounts.
 - A DN linked to a user belonging to a TIPS Participant and granted with the proper privilege can initiate and query liquidity transfers from the TIPS Account owned by the TIPS Participant to TIPS AS Technical accounts.
 - A DN configured as "Party Technical Address" for an Ancillary System owner of a TIPS AS Technical account will receive (if subscribed):
 - Floor/Ceiling notification on the TIPS AS Technical account, and related CMBs;
 - Credit/Debit notification on the TIPS AS Technical account.

Queries and Reports

QUERIES:

- A DN linked to a user belonging to an Ancillary System and granted with the proper privilege can obtain the following information by using the relevant query type:
 - Balance and Status of the TIPS AS Account owned by the Ancillary System;
 - Limit and Status of a CMB linked to the TIPS AS Account owned by the Ancillary System;
 - Status of Payment Transactions which involve either as originator BIC or as beneficiary BIC the Participant/Reachable Party the Instructing Party is acting on behalf for.

REPORTS:

- If the DN is configured as "Party Technical Address" or as a receiver technical address (Routing Configuration) for an Ancillary System, TIPS will provide (if subscribed), the following report types:
 - TIPS Directory;
 - Statement of Account Turnover;
 - Statement of Accounts.

Instant Payment settlement

By implementing Change Request TIPS-0033:

- A TIPS Participant may decide to receive liquidity on its TIPS Account from the relevant RTGS system and transfer it to a TIPS AS Technical account:
 - To fund the guarantee available for the relevant ACH to provide instant finality (as is the case in TARGET2 today);
 - To settle instant payments on the TIPS AS Technical account.

[\[see section 3 dedicated to TIPS Participant\]](#) – Option 2 and 3

- A Reachable Party may opt to rely on the liquidity made available by a TIPS Participant and transfer it to a TIPS AS Technical account:
 - To fund the guarantee available for the relevant ACH to provide instant finality (as is the case in TARGET2 today);
 - To settle instant payments on the TIPS AS Technical account.

[\[see section 3 dedicated to Reachable Party\]](#) – Option 2 and 3

Liquidity Management

- The liquidity available on TIPS AS Technical Accounts is provided by TIPS Participants through intra-service liquidity transfers.
- In case a TIPS Participant wishes the ACH to act on its behalf for the funding of the TIPS AS Technical account, the DN of the ACH should be linked to a user belonging to the TIPS Participant. The user should be then granted with a Role containing the Privilege to instruct liquidity transfer (Inbound, Outbound and Intra-service Liquidity Transfers).
- The Reachable Parties cannot own accounts in TIPS, therefore, they will rely on TIPS Participants for the provision and management of the liquidity to be transferred to TIPS AS Technical accounts.
- Ancillary Systems are responsible for the configuration of Instructing Parties acting on their behalf for sending intra-service liquidity transfers and for the blocking/unblocking and update limits of CMBs linked to their TIPS AS Technical accounts.

Queries and Reports

QUERIES:

- The DN of an ACH which is linked to a user belonging to an Ancillary System and granted with the proper privilege can obtain the following information by using the relevant query type:
 - Balance and Status of the TIPS AS Account owned by the Ancillary System;
 - Limit and Status of a CMB linked to the TIPS AS Account owned by the Ancillary System;
 - Status of Payment Transactions which involve either as originator BIC or as beneficiary BIC the Participant/Reachable Party the Instructing Party is acting on behalf for.

REPORTS:

- To the DN of the ACH that is configured as "Party Technical Address" or as a recipient technical address (Routing Configuration) for an Ancillary System, TIPS will provide (if subscribed), the following report types:
 - TIPS Directory;
 - Statement of Account Turnover;
 - Statement of Accounts.

Scope Defining Documents (1/2)

- The official version of the TIPS SDDs for R4.0 will be published in **April 2021**, including the changes from the pan-European Reachability change requests.
- However, all the functional and technical detailed information will be available in substance to all the stakeholders in advance:
 - The baseline reference documentation is the already available SDD delivery for **R3.0**, issued on 24 April 2020
 - All the changes provided with the Detailed Assessments for **TIPS CR-0033**, **TIPS CR-0038** and **TIPS CR-0039** have to be taken into consideration on top of the aforementioned SDD baseline. This additional information will be available before the end of 2020.

TIPS-0033-URD: TIPS adaptation to migrate ACH technical accounts in TIPS

TIPS-0038-SYS: Billing-related changes to include ACHs in the pricing model

TIPS-0039-URD: Payment Transaction Status query in A2A mode

Scope Defining Documents (2/2)

- Moreover, it is worth mentioning the following remarks:
 - Existing TIPS XSD schema files and examples are not impacted by the DA of the TIPS CR-0033 (the latest version has been published as an Annex of R3.0). This implies they can already be used today for software development on the users' side.
 - Two new XSD schema files only will be introduced (i.e., camt.005 and camt.006) in the context of DA of the CR-0039. They will be made available together with the DA of the CR, i.e. before the end of 2020.
 - In the course of 2021, ad-hoc TIPS User Training sessions can be organized to manage the onboarding of the ACHs and new participants.

Agenda

DNB PUBLIC

09:30 – 09:35 Introduction

09:35 – 10:00 Recap of the pan-European reachability package

10:00 – 10:45 Technical Details of Implementation

10:45 – 11:30 Impact on TIPS Actors

11:30 – 12:00 Questions and Answers

Question 1 - Measure 1

Q: When will SCT Inst reachability become mandatory for the banks that are not currently participating in SCT Inst?

A: The measures to facilitate pan-European reachability ensure that by the end of 2021 all PSPs which have adhered to SCT Inst scheme and are reachable in TARGET2 become also reachable in TIPS via a central bank money liquidity account, either as participants or as reachable parties. Therefore if a bank not has adhered to SCT inst it is not subject to this measure. But the moment that a bank adheres it must also be reachable in TIPS.

Question 2 - Measure 1

Q: If an O-PSP supports initiation, then that O-PSP is obliged to actually send a bank that is only reachable via TIPS to TIPS?

A: Instant payment transactions only contain BICs and IBANs of the two counterparties. These are the only details that TIPS uses to identify the relevant accounts/CMB involved. Based upon the registration of the BIC the transaction is credited to the TIPS account (could be a TIPS DCA or a TIPS Technical Account).

Question 3 - Measure 1

Q: Suppose we are reachable as a B-PSP in equensWorldline and soon also in TIPS. A customer of an O-PSP who participates in EBA Clearing and is reachable in TIPS, must that O-PSP also send that customer transaction to us in TIPS?

A: If your BIC mentioned in the instant payment transaction is linked to your TIPS DCA as Authorised Account User, then this instant payment will be credited to your TIPS DCA. But, if the BIC mentioned is linked as Authorised Account User of equensWorldline's Technical Account, then this Technical Account will be credited.

Question 4 - Measure 1

Q: Is it necessary for a reachable party through an ACH to open a TIPS DCA just for funding/defunding? Now it is possible to use our TARGET2 payment account for funding/defunding of the technical account in ASI6 RT.

A: For measure 1 a PSP must be reachable in TIPS, which means that at least it is able to receive instant payments on its own TIPS DCA or on the TIPS DCA of another PSP. This TIPS DCA can also be used for making a liquidity transfer to the TIPS technical account of the ACH. The TARGET2 account cannot be used for funding/defunding the TIPS technical account of the ACH.

Question 5 - Measure 1

Q: The current IP processing via TIPS will be not affected by the changes, which are implemented in November 2021. This is applicable for PSP which have a direct connection to TIPS as well as for PSP which are indirectly connected to TIPS (e.g. an ACH is uses as 'instructed' party).

Can you confirm this statement? We want to make sure that no changes are required/mandatory for this IP flow.

A: Yes, we can confirm that for PSPs that are already using TIPS for instant payments, their current processing of these instant payments will not change in November 2021.

Question 6 - Measure 2

Q: In case an ACH is not ready for migration by November 2021, what will happen? Can the ACH continue the processing of IP's based on the current implementation (as fallback scenario), so business continuity is guaranteed? Or will IP processing be terminated by the ECB/DNB?

A: The ECB considered that a short transition period of max 3 months may be needed for risk mitigation purposes. This subject is under discussion with ACHs.

Question 7 - Measure 2

Q: Currently the PSP's fund or defund their balance amount used for IP processing via TARGET2. Knowing that the 'technical account' or 'joint account' of the ACH will be migrated to TIPS; can PSP's continue to fund their balance amount via TARGET2, or is (de-)funding only possible via the TIPS account of the PSP's after November 2021?

A: After the migration of the Technical Account from TARGET2 to TIPS, funding/defunding is only possible via the TIPS DCA of the PSP.

Question 8 – Measure 2

Q: Is go-live foreseen for 15 December 2021? Normally all changes are in the yearly release end of November and 15 December is very close to our frozen period.

A: 15 December 2021 is the currently envisaged deadline for the completion for the pre-migration activities for the on-boarding of ACHs, and does not refer to the on-boarding of banks. However, discussions are on-going on whether ACHs might have a delayed start of operations and/or migrate to TIPS in waves.

Question 9 - Measure 2

Q: Is a link with the ACH AS Technical Account required from the TIPS DCA bank for funding / defunding the ACH AS Technical Account in TIPS, or is it also possible without a link?

A: Any TIPS DCA can make a liquidity transfer to the Technical Account of an ACH.

Question 10 - Measure 2

Q: How workable do you think an Inter-ACH settlement will be in practice, given that there actually have to be 3 settlements and a multitude of messaging is required compared to a settlement within TIPS or within an ACH? Considering costs and payment timelines?

A: A testing campaign will be put in place to ensure that cross-ACH payment transactions will be processed in accordance with the timeline foreseen in the SCT Inst scheme. This entails that both TIPS and the ACHs will review their internal processes in order to meet the requirements.

Question 11 - Measure 2

Q: For a bank, the ACH model is an option but not an obligation. But is an ACH required to support the inter-ACH model?

A: In the decision of the Governing Council there was a strong emphasis on the need for all actors to support cross-ACH settlement. Logically, the revision of the TARGET2 Guidelines shall require that ACHs are capable of coping with cross-ACHs transactions. The same obligation shall exist towards TIPS DCA holders.

Question 12 - General

Q: What are the differences between a TIPS DCA and a TIPS AS technical account in terms of funding/defunding, usage and pricing?

A: There is no difference between a TIPS DCA and a TIPS AS technical account in terms of funding/defunding, usage and pricing.

There are however differences:

- Funds on the TIPS DCA will be taken into consideration for calculation of minimum reserves, remuneration of overnight balances and automatic recourse to marginal lending facility.
- TIPS DCAs shall either be remunerated at 0 % or the deposit facility rate, whichever is lower, unless they are used to hold required minimum reserves
- Funds on the ACH technical account will not be taken into consideration for minimum reserve but will be remunerated at the deposit facility rate.

Question 13 - General

Q: When will the TIPS pricing be published?

A: The TIPS pricing will be presented in the AMI-Pay on 2nd of December. Afterwards the pricing will be published on the ECB website.

A wooden signpost with two directional signs. The top sign is a light-colored wooden arrow pointing to the right, with the word 'QUESTIONS' in bold black capital letters. The bottom sign is a light-colored wooden arrow pointing to the left, with the word 'ANSWERS' in bold black capital letters. The signpost is made of a dark wooden pole. The background is a bright blue sky with scattered white clouds.

QUESTIONS

ANSWERS

Where to find more information

Websites:

- www.dnb.nl under Payments / Tasks DNB / TARGET2 and T2S
- www.target2.eu under TARGET Services

TARGET2-NL National Helpdesk:

- Telephone: +31 20 524 3564
- E-mail: target2@dnb.nl

Annex

Settlement scenarios for recall (1/2)

Processing of recall answer between two participants of two different ACHs (1)

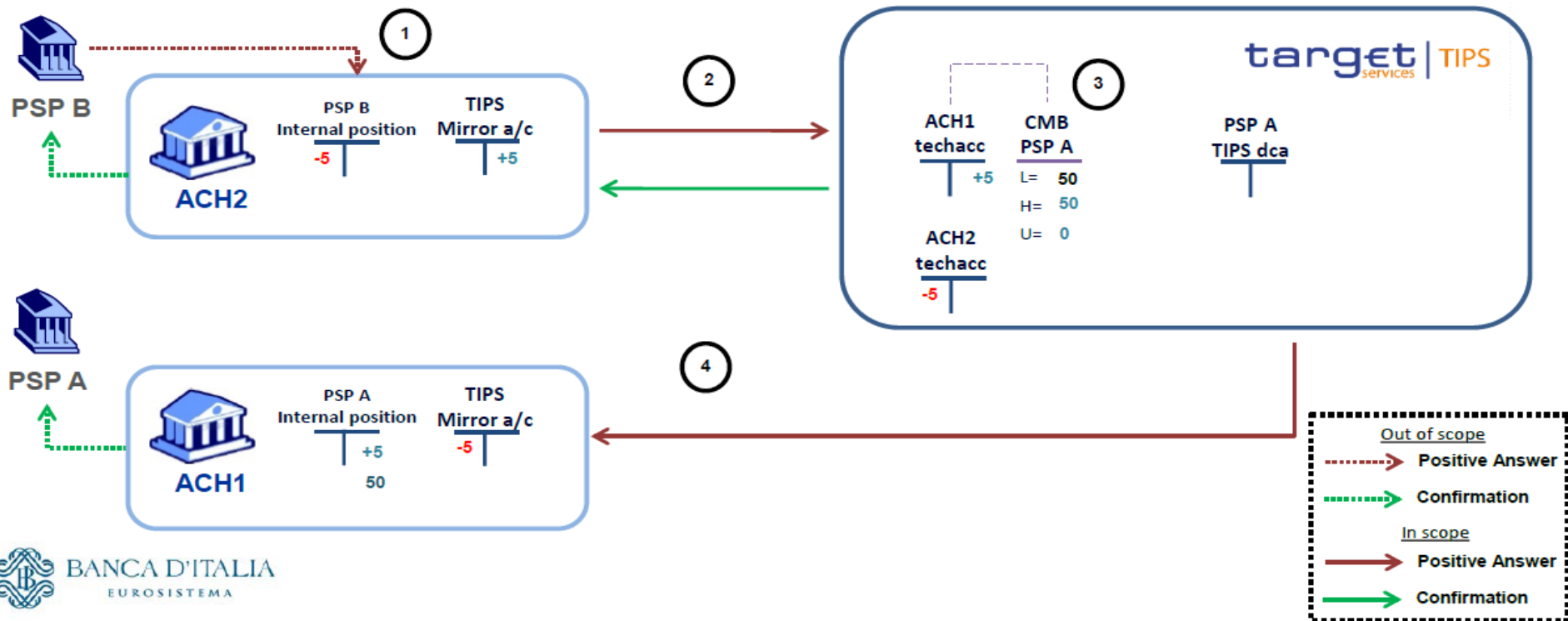


TIPS receives a recall request sent by ACH 1 on behalf of PSP A. PSP A is the Originator Bank of a previously settled transaction that requests the refund of the amount of that said transaction. The request is forwarded by TIPS directly to ACH2 (acting as Instructing Party on behalf of PSP B, which is the relevant Beneficiary bank).

Settlement scenarios for recall (2/2)

DNB PUBLIC

Processing of recall answer between two participants of two different ACHs (2)



Reference Data management/Instant Payment settlement

Option 1

- Under the current structure, a Reachable Party has to rely on a Participant's account to settle payments in TIPS. They can interact directly with TIPS (by sending and receiving instant payments) but also authorise a third party (including an ACH) to act on its behalf.
- This is fully compliant to Measure 1.
- No impact is foreseen on Reachable Parties who plan to start/keep using TIPS Accounts for the settlement of Instant Payments.

Option 2/3

- By implementing Change Request TIPS-0033, Reachable Parties may choose between the following two options.
- Both options embody the effective application of Measure 2 on top of Measure 1.

Reachable Party (2/7)

Option 2 (settlement of IPs based on *measure 2* only) – The Reachable Party would use a TIPS Account:

I. to fund/defund TIPS AS Technical accounts:

- To provide the guarantee available for ACHs to provide instant finality (as is the case in TARGET2 today);
- To settle instant payments on the TIPS AS Technical account. Payments are sent and received in TIPS by the ACH acting as Instructing Party.

II. to be reachable (i.e. at least to receive instant payments) in TIPS, according to *measure 1*.

Option 3 (settlement of IPs based on *measure 1 and measure 2*) – The Reachable Party would use a TIPS Account:

I. to fund/defund TIPS AS Technical accounts:

- To provide the guarantee available for ACHs to provide instant finality (as is the case in TARGET2 today);
- To settle instant payments on the TIPS AS Technical account. Payments are sent and received in TIPS by the ACH acting as Instructing Party.

II. to send and receive instant payments in TIPS.

Reachable Party (3/7)

The following provides indications and remarks on how to correctly configure CRDM Data for a Reachable Party that intends to apply for either Option 2 or Option 3:

1. The financial institution would use two different accounts in TIPS to settle Instant Payments (i.e. a TIPS Account and a TIPS AS Technical Account), and therefore it needs to be defined in CRDM as two different parties, identified by two different 11-character BICs.
 - a) One BIC should be assigned to the financial institution defined as a Reachable Party. The BIC should be authorised to use a TIPS account (Authorised Account User).
 - b) A different BIC should be assigned to the financial institution defined a second time as Reachable Party. In that case, the BIC should be authorised to use the TIPS AS Technical account (Authorised Account User).
2. The DN of the ACH should be linked, via User-Certificate DN Link, to a user belonging to the Ancillary System. The user should be then granted a Role containing the Privilege to instruct and query instant payments.

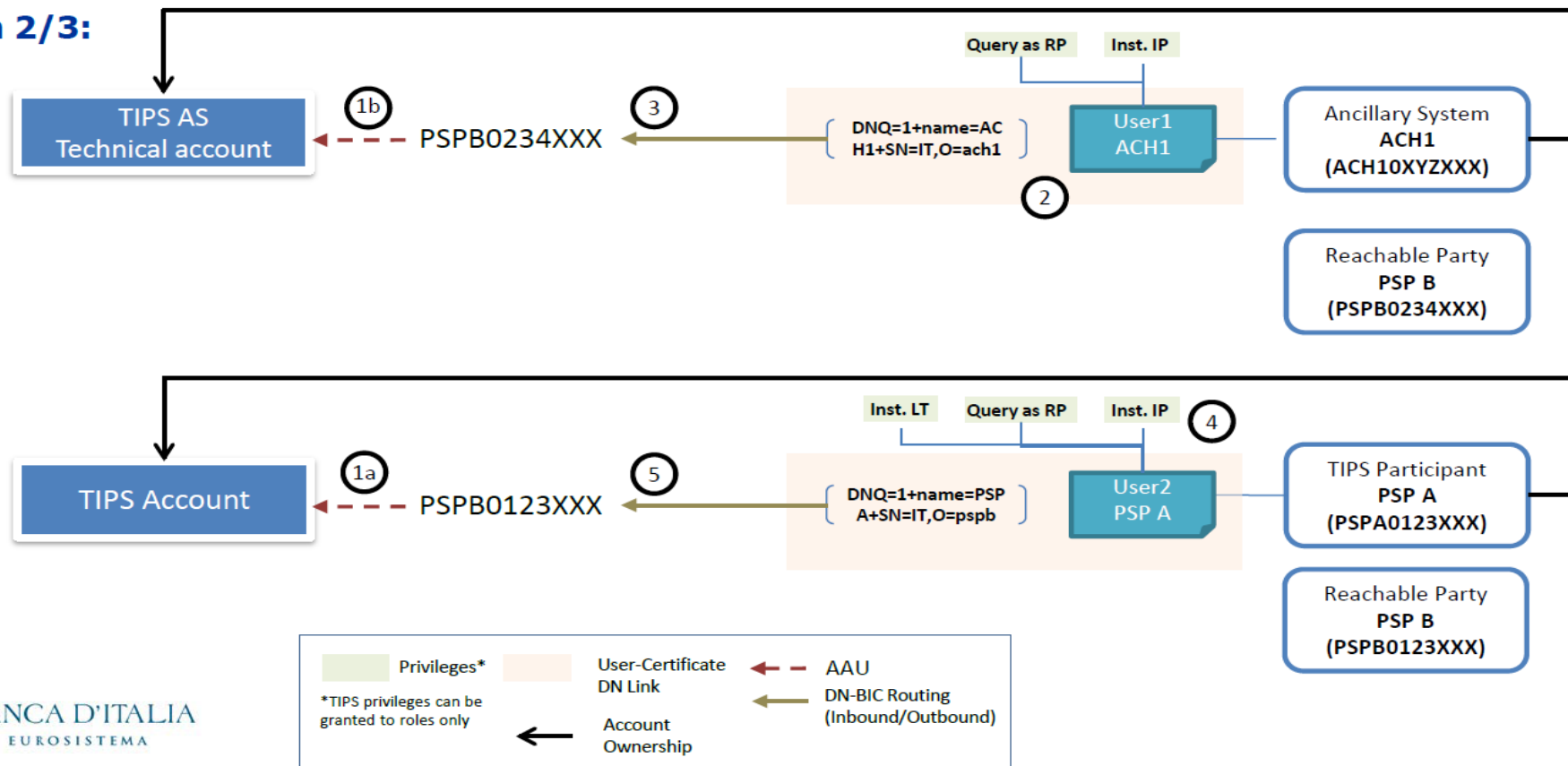
Reachable Party (4/7)

3. The DN of the ACH should be authorised to send payments as Originator on behalf of the BIC of the Reachable Party (Inbound DN-BIC Routing) and to receive payment messages as Beneficiary (Outbound DN-BIC Routing).
4. The DN of the financial institution should be linked, via User-Certificate DN Link, to a user belonging to the TIPS Participant owner of the TIPS Account. The user should be then granted a Role containing the Privilege to instruct and query instant payments.
5. The same DN should be authorised to send payments as Originator on behalf of the BIC of the Reachable Party (Inbound DN-BIC Routing) and to receive payment messages as Beneficiary (Outbound DN-BIC Routing).

Reachable Party (5/7)

DNB PUBLIC

Option 2/3:



Liquidity Management

- No impact is foreseen on Reachable Parties who plan to start/keep using only TIPS Accounts for the settlement of Instant Payments.
- Those who wish to start using the liquidity provided by a TIPS Participant to settle Instant Payments on a TIPS AS Technical account, should consider the following:
 - It will not be possible for a Payment Bank participating in TIPS to transfer liquidity from accounts located in other TARGET Services to TIPS AS Technical accounts.
 - The Reachable Party will rely on the TIPS Participant for the provision and management of the liquidity to be transferred to the TIPS AS Technical account.
 - Only the Ancillary System (i.e. the ACH) owner of the AS Technical account keeps record of the individual positions held by the Reachable Party in the technical account.

Queries and Reports

- No impact is foreseen on Reachable parties who plan to start/keep using only TIPS Accounts for the settlement of Instant Payments.
- Those who wish to start using the liquidity provided by a TIPS Participant to settle Instant Payments on a TIPS AS Technical account, should consider the following:

REPORTS:

- TIPS Directory: The 'Account Owner BIC' field will show the BIC of the ACH owning the technical account and the BIC of the TIPS Participant owner of the TIPS Account for which the BICs of the financial institution have been authorised.

User BIC	[...]	Account Owner BIC	[...]	Maximum IP Amount
PSPB0234XXX	[...]	ACH10XYZXXX	[...]	15,000.00
PSPB0123XXX	[...]	PSPA0123XXX	[...]	50,000.00

Ancillary System data model (1/3)

Reference Data management

- Under the current structure, ACHs can act in TIPS only as Instructing Parties. By implementing CR TIPS-0033, it will be possible for them to be configured in CRDM and then in TIPS as Ancillary Systems.

Ancillary System Party Reference Data

Attribute	Description
Party BIC	11-character Business Identifier Code (BIC11) to uniquely identify the Party in TIPS.
Party Type	Ancillary System
Country	Country code of the Central Bank the party belongs to.
Party Technical Address	Distinguished Names defined for the receipt of messages relevant for the Party as account owner, such as reports and floor/ceiling notifications.
Blocking Status	Possible values: <ul style="list-style-type: none">- Blocked for credit;- Blocked for debit;- Blocked for credit and debit;- Unblocked.

Ancillary System data model (2/3)

- Each Ancillary Systems can hold one TIPS AS Technical Account:
 - to fund/defund the guarantee available for ACHs to provide instant finality;
 - to settle instant payments in TIPS where the Originator/Beneficiary BIC is allowed to use the TIPS AS Technical account or a CMB linked to it.

TIPS AS Technical account Reference Data

Attribute	Description
Account Number	It specifies the unique number of the account.
Account Type	TIPS AS Technical account
Currency	It specifies the currency of the account.
Floor Notification Amount	It specifies the lower threshold for notifying the account owner.
Ceiling Notification Amount	It specifies the upper threshold for notifying the account owner.
Credit Notification Flag	Boolean attribute specifying whether the account owner must receive a credit notification after the settlement of intra-service liquidity transfer.
Debit Notification Flag	Boolean attribute specifying whether the account owner must receive a debit notification after the settlement of intra-service liquidity transfer.
Blocking Status	Possible values: <ul style="list-style-type: none">- Blocked for credit;- Blocked for debit;- Blocked for credit and debit;- Unblocked.

Ancillary System data model (3/3)

- Ancillary Systems may define CMBs linked to their TIPS AS Technical Accounts.
- Each TIPS AS Technical Account may have any number of CMBs, each CMB representing a credit line for a TIPS Participant/Reachable Party in TIPS.

CMB Reference Data

Attribute	Description
CMB Number	It specifies the unique number of the CMB.
Floor Notification Amount	It specifies the lower threshold of the CMB headroom for notifying the owner of the account which the CMB is linked to.
Ceiling Notification Amount	It specifies the upper threshold of the CMB headroom for notifying the owner of the account which the CMB is linked to.
Limit	It specifies the limit amount for the CMB.
Blocking Status	Possible values: <ul style="list-style-type: none">- Blocked for credit;- Blocked for debit;- Blocked for credit and debit;- Unblocked.

Question 14 - Measure 1

Q: In the Netherlands we are using Instant Payments Non Time Critical. Will it still be possible to use it within in the Netherlands within the same ACH and settling through our TIPS DCA or the TIPS AS technical account of our ACH?

A: In TIPS the settlement of Non Time Critical Instant Payments is not possible. It is still possible to fund the payment capacity in the local ACH by making a liquidity transfer to the TIPS technical account of the ACH and to process Non Time Critical Instant Payments within the local ACH.

Question 15 - Measure 1

Q: Currently, the majority of banks have implemented IP by using an ACH as processor. Settlement is managed by the ACH via a 'technical account' or 'joint account'. Also this operating model can still be supported after November 2021. So, no changes required at PSP's/banks?

Can you confirm this statement? We want to make sure that no changes are required/mandatory for this IP flow.

A: On top of the existing operating model using ACH as processor, due to measure 1, it shall be possible to manage at least incoming instant payments on the TIPS DCA.

Question 16 - Measure 2

Q: Is more detailed information already known about the linking of the banks to the ACH AS Technical Account in TIPS?

A: When you want to make use of the Technical Account of an ACH for sending and receiving of instant payments, a BIC of your bank must be registered as Authorised Account User under this Technical Account. Also a DN must be registered of your bank (or your Instructing Party) to send/receive payments.

Question 17 - Measure 2

Q: Are new BIC11s needed for this?

A: Every Authorised Account User must be identified with an unique BIC11. So if you want to be registered as Authorised Account User of the Technical Account of an ACH, then this BIC must be a different BIC than the one used under a TIPS DCA as Authorised Account User.

Question 18 - General

DNB PUBLIC

Q: What impact do you foresee for the banks in the period November 2021 until go live of T2 consolidation in November 2022?

A: During this period the processing of IP's will not change. A PSP that already participates in TIPS should not need to implement any substantial changes. However, the PSPs are invited to liaise with their selected network service provider (NSP) to discuss the details.

Question 19 - General

Q: What are the pro's en con's for an own ESMIG instead of using the ESMIG of the ACH?

A: A PSP could send all its Instant Payments to the ACH, and the ACH processes these Instant Payments either in its own local system or in TIPS. As a PSP you than make use of the ACH as Instructing Party.

For consolidation you have to have your own ESMIG if you want to have an account in T2.

Question 20 - General

Q: Will the normal SCT scheme be phased out over time?

A: The Eurosystem is not in a position to provide an answer for this question. It should be addressed by other European institutions.

Question 21 - General

Q: Can banks see TIPS positions?

A: The account owner can query the balance and status of its TIPS DCA. Also the account owner can query the limit, headroom and status of the CMBs linked to its TIPS DCA.