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Market consultation on TARGET instant payment settlement

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European Central Bank

Focus session, 28 March 2017, Frankfurt

TARGET instant payment settlement (TIPS)

Promote **efficiency** and ensure **market integration** in the settlement of instant payments



Extend the availability of **Central Bank Money** settlement to **24/7/365** to facilitate the emergence of instant payments



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Principles: foundation of the service



Same **participation criteria** as for TARGET2



Instant payments settlement in **Central Bank Money**



24/7/365 operating hours



Operated on a **full cost recovery** basis



Support compliance with **SCT Inst scheme**



Multi-currency technical capability



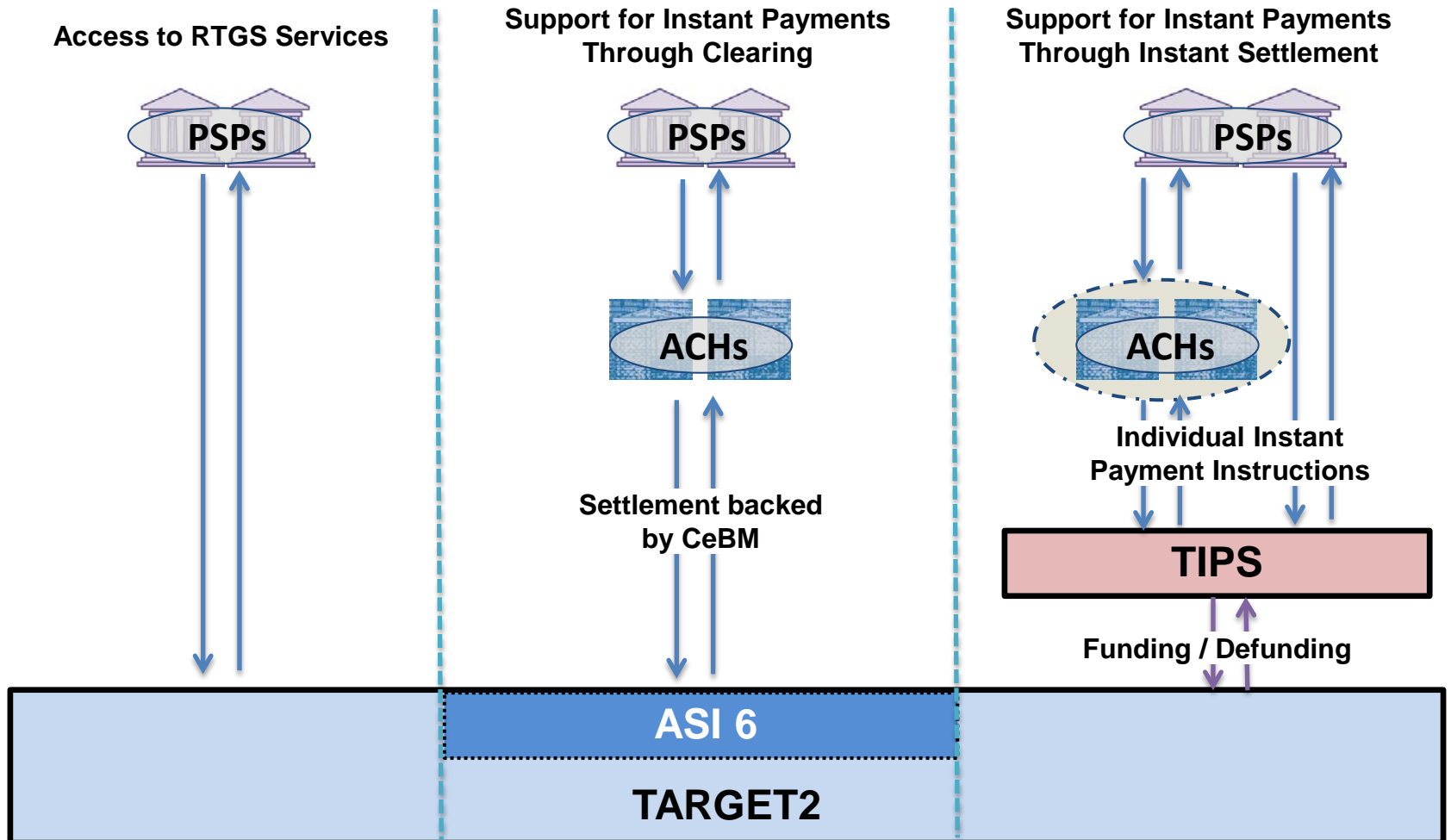
Additional principles

- 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

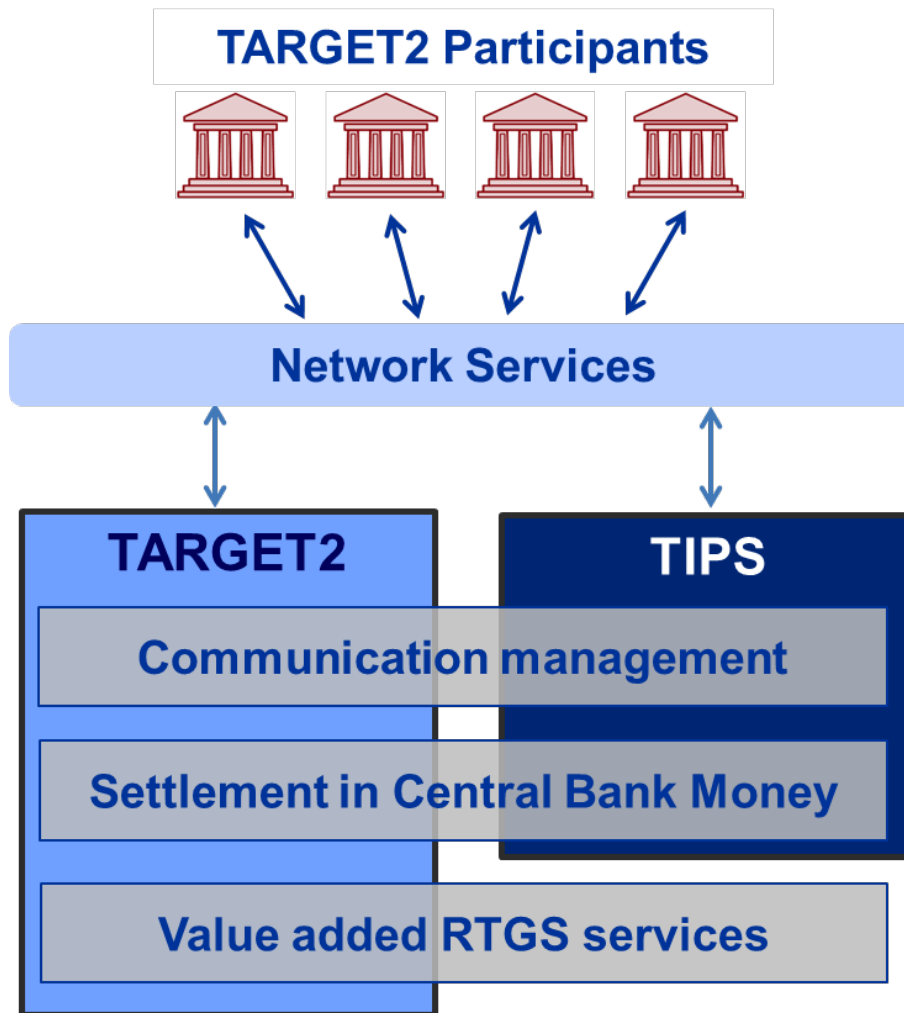
Co-existence of Payment Services



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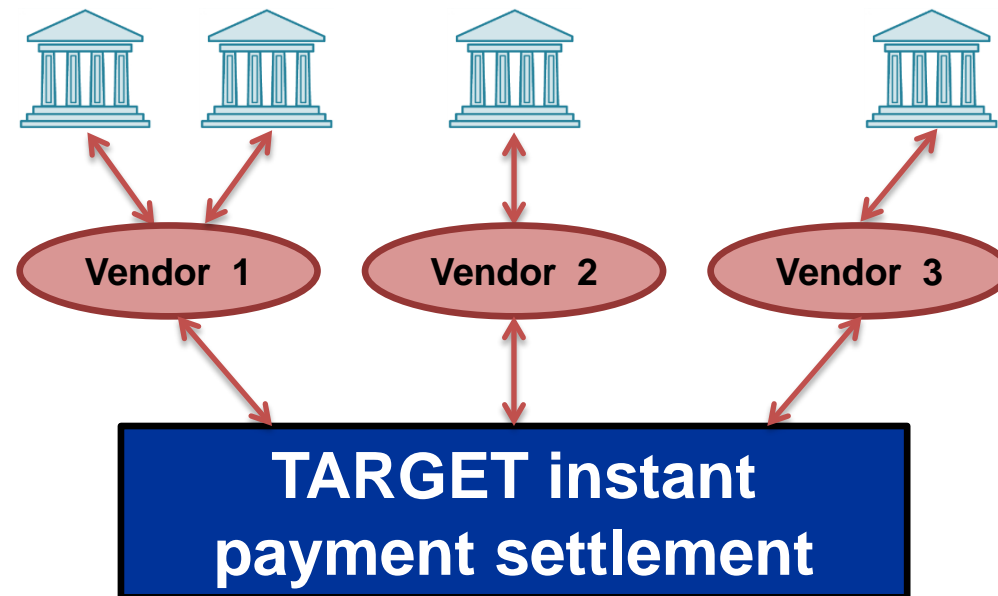
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Integrated TARGET services



Connect to TIPS

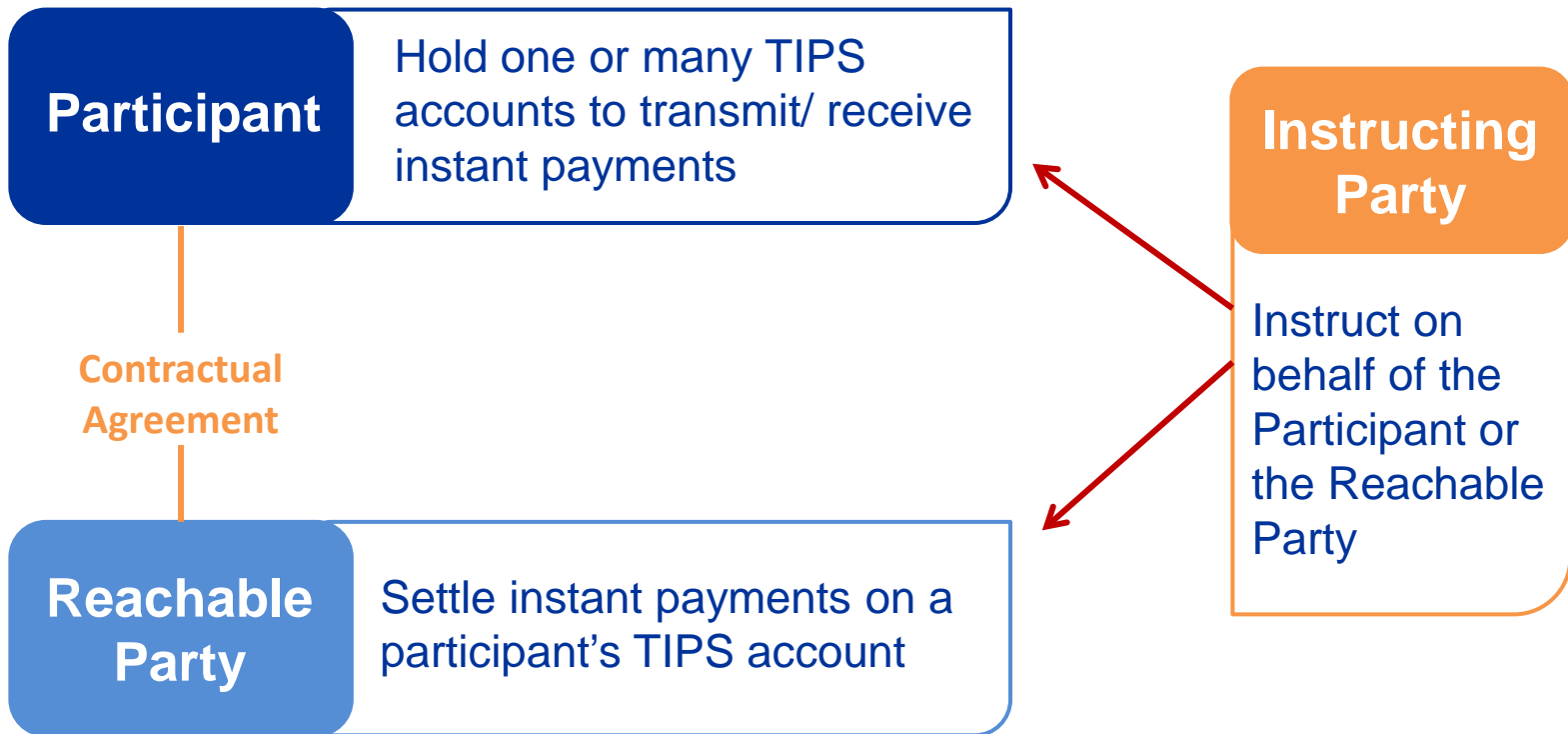
- TIPS will be a network **vendor agnostic** service
- Participants can decide which network vendor they intend to use as long as this network vendor adheres to the requirements



Actors in TIPS

Same participation rules applied in **TARGET2**

(i.e. eligibility for accessing Central Bank Money)



TIPS – assessing the market needs

The Eurosystem decided in September 2016 to launch the **investigation phase** to assess the market needs for the service



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



June 2017 – Decision to develop the project

Market consultation on User Requirements

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Responses from European financial institutions and infrastructures

- Good response on the service, in particular:
 - Model of settlement in **CeBM**
 - **Network connectivity**
- Points that have been clarified:
 - **Interoperability** with instant clearing infrastructures
 - Pan-European **reachability** within TIPS
 - Potential role of Automated Clearing Houses (ACHs) in TIPS
 - **Liquidity** management implications
- Request to extend **TARGET2 operating hours**

Market consultation on volume expectations

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Responses from European financial institutions and infrastructures

1. Estimated overall **% volumes** of instant payments:
 - 12% of total payments by 2020
 - 22% of total payments by 2023
2. **% instant payments** expected to be processed in TIPS:
 - 20% expects to process 100%
 - 39% expect to process some
 - 14% expect to process none
 - Others not able to estimate

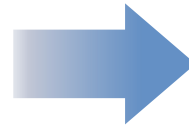
Volumes expected in TIPS are a multiple of the volumes which the Eurosystem had initially estimated

Service costs

Principle



**Full cost
recovery**



Suggested unit cost



**0.5 to 1 cent
per instruction**

- ❖ We have explored the interest of market participants in using the service at this cost
- ❖ If the volumes in TIPS are in line with the feedback received, the price would be a fraction of 0.5 cents

Time plan

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

Investigation phase

- ✓ **January '17**
Submission of a 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

- **May – June '18**
Start of Eurosystem internal system testing
- **August – September '18**
Start of pilot testing involving users
- **November '18**
TIPS Go-live



Thank you for the attention!

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