EUROPEAN CENTRAL BANK

EUROSYSTEM

TIPS Project Team

TIPS: Outcome of the discussion on TARGET2-TIPS topics
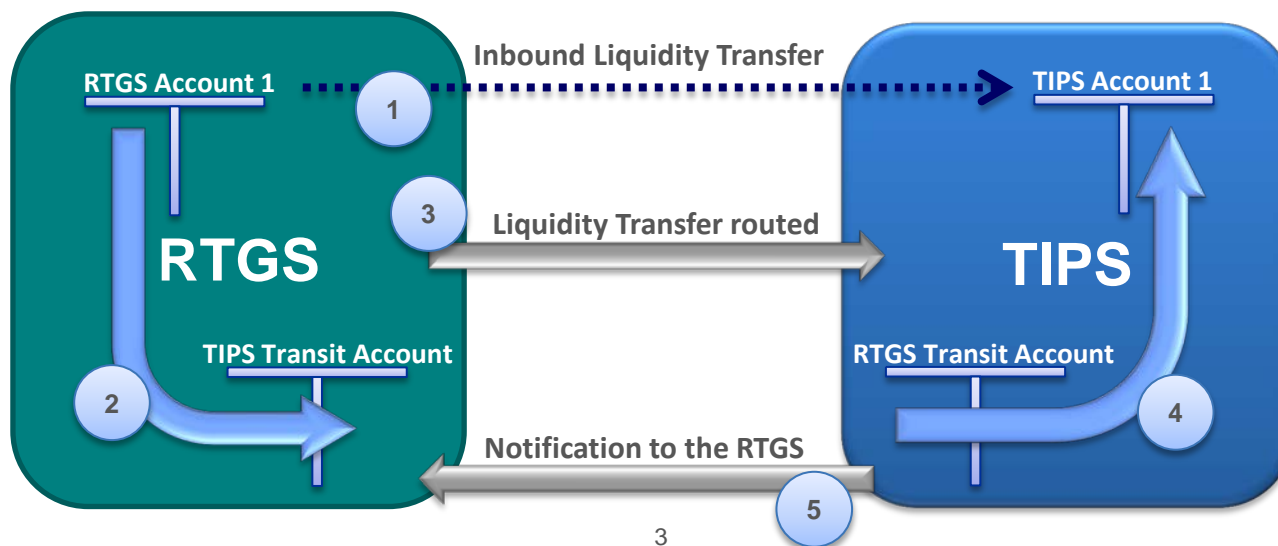
TARGET Instant Payments Settlement

Liquidity Transfers

- The topic has been presented and discussed during the last WGT2

- The outcome of the discussion was that TIPS shall foresee the following functionalities:

    - The process in TIPS shall be the same as it is for the T2S-TARGET2 interface

    - TIPS participants and Central Banks, on behalf of their TIPS participants, shall be able to move liquidity from/to TIPS during the opening hours of the RTGS

    - TIPS shall be able to automatically transfer back the liquidity to the originator participant account in TIPS in case of a rejection in TARGET2

- TIPS shall raise an alarm if no answer to an outbound liquidity transfer is received from the RTGS within a configurable timeframe

- TIPS shall prevent the sending of an outbound liquidity transfer if the corresponding RTGS is closed (i.e. the status of the related RTGS shall be stored in TIPS for each currency, based on the information sent by the RTGS)

Inbound Liquidity Transfers

- The functionality should be aligned with the one available already for T2S

- The **Inbound Liquidity Transfer** from TARGET2 to TIPS is executed based on the following steps:

    1. The liquidity transfer is initiated in TARGET2
    2. The liquidity transfer is validated and settled in TARGET2
    3. The liquidity transfer is routed to TIPS
    4. The liquidity transfer is validated and settled (or rejected) in TIPS
    5. TIPS shall send a confirmation to TARGET2 either (i) to confirm the transfer or (ii) to notify the error so that TARGET2 can revert back the liquidity to the originator RTGS account

Outbound Liquidity Transfers

- The **Outbound Liquidity Transfer** from TIPS to TARGET2 is executed based on the following steps:

    1. The liquidity transfer is initiated in TIPS
    2. The liquidity transfer is validated and settled in TIPS
    3. The liquidity transfer is routed to TARGET2
    4. The liquidity transfer is validated and settled (or rejected) in TARGET2
    5. Upon reception of the confirmation from TARGET2 , TIPS shall either (i) route the settlement confirmation to the originator or (ii) transfer back the liquidity and notify the originator participant
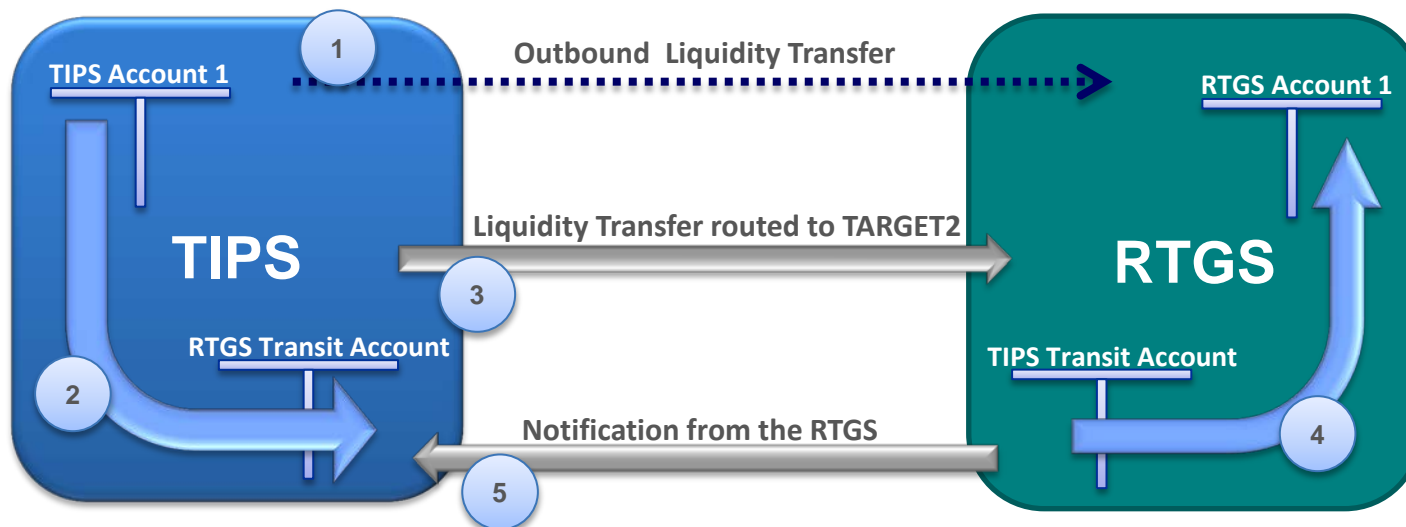
Reporting

- The topic has been presented and discussed during the last WGT2

- The outcome of the discussion is that TIPS shall produce the general ledger of each Central Bank

    - for the purpose of accounting requirements vis-à-vis the balance sheets,
    - the calculation of the TARGET2 balances and
    - the calculation of the Minimum Reserve

- TIPS shall include in the report the following data:

    - The TARGET2 business date
    - TIPS account identifiers
    - Opening and closing balances
    - Sum of debits and sum of credits

- TIPS shall rely on a trigger from TARGET2 after the start of end of day at which point the general ledger (and other reports/raw data) will start to be generated

- TIPS shall allow sending the same GL file to different technical addresses for the same actor

Blocking functionality (1/2)

- In the previous TIPS TF, participants discussed the need for having a blocking facility in TIPS

- The blocking functionality in TIPS for Central Bank allows to block:

    - TIPS participants

    - TIPS accounts

    - Credit Memorandum Balances

- Blocking a TIPS participant implies the blocking of all its TIPS accounts and linked CMBs

- Blocking of a TIPS account implies the blocking of all the linked CMBs

- The blocking could be applied separately for

    - a TIPS account from being debited or credited

    - a CMB from being increased and decreased

Blocking functionality (2/2)

- The blocking functionality can be triggered

  - by the responsible Central Banks (during the standard support hours) or

  - by the TIPS service desk (during the non-standard support hours)

- During the discussion in the TIPS Task Force some members requested to extend the blocking functionality to participants in order to suspend:

  - TIPS accounts

  - Credit Memorandum Balances

- The Task Force members are invited to share the business cases which may require the functionality to block their own TIPS accounts, i.e. is it really required?

TIPS Actors

- In the previous TIPS TF and WGT2, the participation structure was discussed

- TIPS differentiates between at least the following actors:

  - Central Banks

  - Participants

  - Reachable parties

  - Instructing parties

- Central Banks hold TIPS accounts in their books

- Participants are eligible to own TIPS accounts and can define CMBs for their reachable parties

- A reachable party is an entity which could be addressed via a BIC but it does not own TIPS accounts

- Instructing parties have a contractual agreement with a participant to instruct on its behalf, or on behalf of its reachable party

Graphical User Interface

- The topic has been presented and discussed during the last WGT2

- The outcome of the discussion was that there is a need to have a TIPS GUI available on 24/7 basis

    - for the purpose of querying CMB, TIPS account balance and TIPS account status

    - for blocking/unblocking of a participant

    - for blocking/unblocking of a TIPS account

    - for increasing/decreasing a CMB

- Additionally, based on the feedback from the TF and the Central Banks, TIPS shall provide the possibility to initiate Liquidity Transfers via GUI, during the opening hours of the RTGS

Transit account

- The topic to have one transit account or many (i.e. one for each Central Bank) has been raised during the last WGT2

- The Central Banks agreed upon the current working assumption to use a single transit account per currency in TIPS for the following reasons:

  - Re-using the same approach already used for the TARGET2-T2S interface, i.e. to avoid differing operational procedures and implementation efforts in TARGET2 than current T2S/T2 interface

  - The concerns raised on T2S billing aspects, in the case of TIPS, should be potentially addressed by improving the implementation of TIPS billing data (compared to T2S)