

TIPS pricing structure

At the end of January 2017, ECB launched a market consultation on the volumes and interest in TIPS (TARGET Instant Payment Settlement). To explore the interest of the market, a first indication of the range of the potential unit cost (0.5 - 1 euro cents) for the TIPS service was included in this market consultation.

In order to provide further clarity to the market participants, this note presents the Market Infrastructure Board's (MIB) considerations on what the main features of the pricing structure of the TIPS might be.

The main tenets of the TIPS pricing policy are to favour reachability (i.e. favour the maximum number of banks being reachable via TIPS) and simplicity (i.e. make it easy for any TIPS participant to anticipate how much they will pay for TIPS). To achieve this:

- Neither entry fees nor fixed fees are planned to be applied in TIPS in order to allow easy access for the market participants without any additional cost burden.
- TIPS full cost recovery is targeted to be achieved mainly through the transaction fee, which will be charged, in principle, only to the TIPS participant who is the originator (some exceptions in cases of timeout due to non-confirmation by the beneficiary may apply). This should create a level playing field for all market participants and enable them to participate in TIPS and pay fees only for their proportion of the transactions sent to TIPS.
- It is planned to have an account management and information services fees initially set at zero, assuming that the standard use of those services could be covered by the transaction fee.
- No volume discounts are planned for the launch of TIPS. Instead, an annual review and rebate process will be defined so that if revenues exceed the costs, the price would be lowered moving forward. This would allow that all TIPS Participants benefit from any surplus in proportion to their usage.

The table below shows the summarised information on the main features of the TIPS pricing structure.

Potential billable items	Indication of the pricing policy
Entry fees	0
Fixed fees	0
Transaction fee	A fixed amount per transaction, charged to the originator TIPS participant – further details may be provided by end-April
Account management fee	0
Information services fee	0
Volume discounts	Not applicable;
Annual review and rebate process	To lower the price if revenues exceed costs

The MIB considers that these indications will allow TIPS Participants to anticipate accurately how much they may expect to pay to TIPS for its services. Connectivity services to TIPS are to be negotiated separately between each Participant (or Instructing Party) and the respective Network Service Provider it selects.

The MIB will further progress in the definition of a price list for the ECB Governing Council to be approved in June 2017. By end-April, it is expected to provide an indication of the amount for the transaction fee, on the basis of the offer from an internal service provider and the volume expectations received from market participants. The price will be set in any case in accordance to the full cost recovery objective of TIPS.

Clarification requests on the TIPS Pricing Structure may be sent to TIPS@ecb.europa.eu.