



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

T2 and TIPS Multi-Currency Capabilities

15th Conference on Payments and Market
Infrastructures

SHAPING PAYMENTS INNOVATION

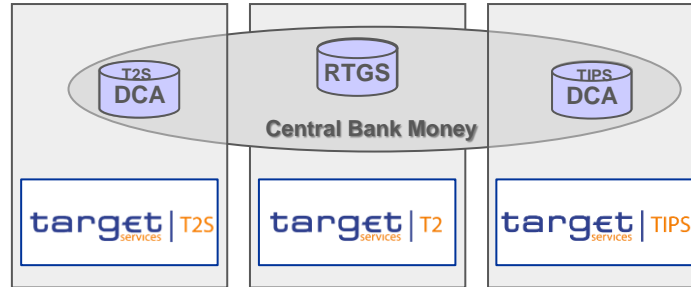
29 June 2023

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European Central Bank



Topology of the TARGET Services

T2S: Securities
Settlement

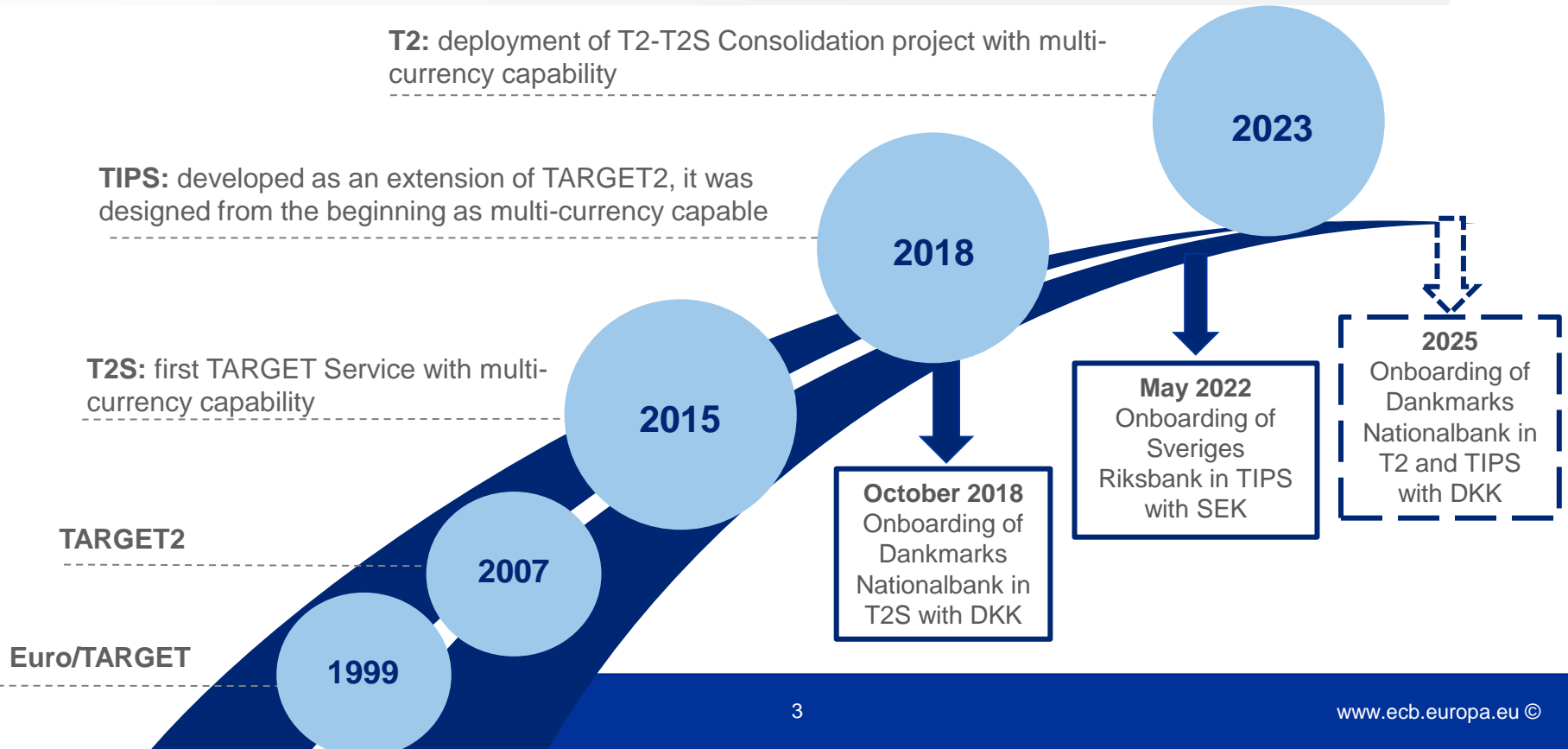


TIPS: Instant
Payments

T2:
Central Bank Operations
and High Value Payments

TARGET Services – Multi-Currency Roadmap

ECB-PUBLIC

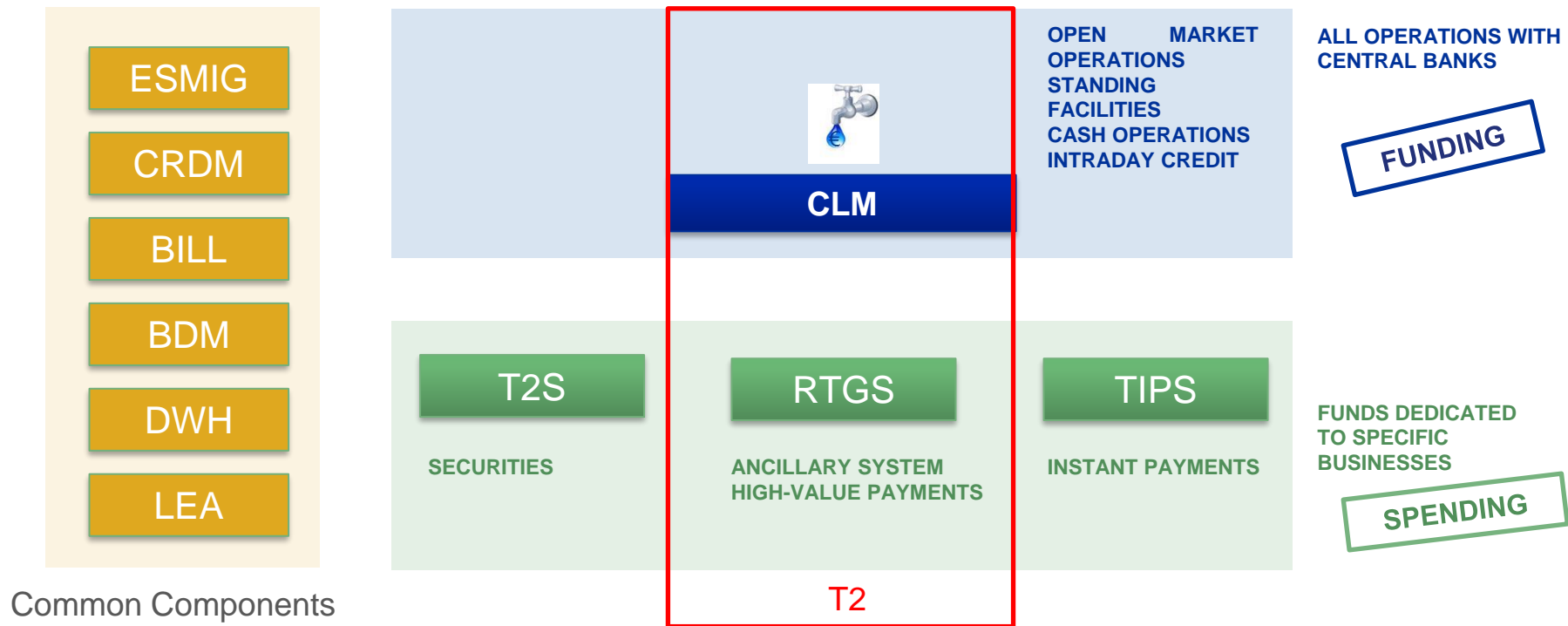


Why do we do Multi-Currency?

- ❑ Creating **bridges between euro area market and non-euro markets**
- ❑ Ambition of the Eurosystem to **provide more than just other market infrastructures**, but to ultimately help promoting a **deeper level of cooperation also with non-euro central banks within the EEA**
- ❑ [Retail Payments Strategy](#) (approved by ECB Governing Council) supports the **improvement of cross-border payments beyond the EU**
- ❑ Technical viewpoint: **alignment of standards, workflows and schemes**
- ❑ Supporting **market harmonisation**
- ❑ Supporting market's **request for enabling multi-currency services**

T2

- Overview
 - T2-T2S Consolidation project and rationale for multi-currency objective
-



T2-T2S Consolidation project

- The **objectives/benefits** of the project were:
 - ✓ Reduced operational cost
 - ✓ Common reference data management across services
 - ✓ Enhanced liquidity management
 - ✓ Full migration to ISO 20022 standard
 - ✓ Network-service provider agnostic
 - ✓ **Multi-currency capability for RTGS services and common components**
- The project went live **in March 2023**.



- RTGS services **support settlement in different currencies** according to domestic calendars
- RTGS services **do not offer conversion** between currencies

TIPS

- TIPS for euro
 - TIPS for non-euro
 - The value of joining the platform
 - TIPS benefits and new developments under consideration
-

What is TIPS?

TIPS is a service for the settlement of instant payments

TIPS enables citizens and firms to transfer money between each other in real time, 24/7 and 365 days a year



The pillars of TIPS



(For €) Same
**participation
criteria** as for
TARGET2



Operated on a
**full cost-
recovery** basis



Instant payments
settlement in
**Central Bank
Money**



Supports
participants to
comply with the
**SCT Inst
scheme**



24/7/365
operating
hours



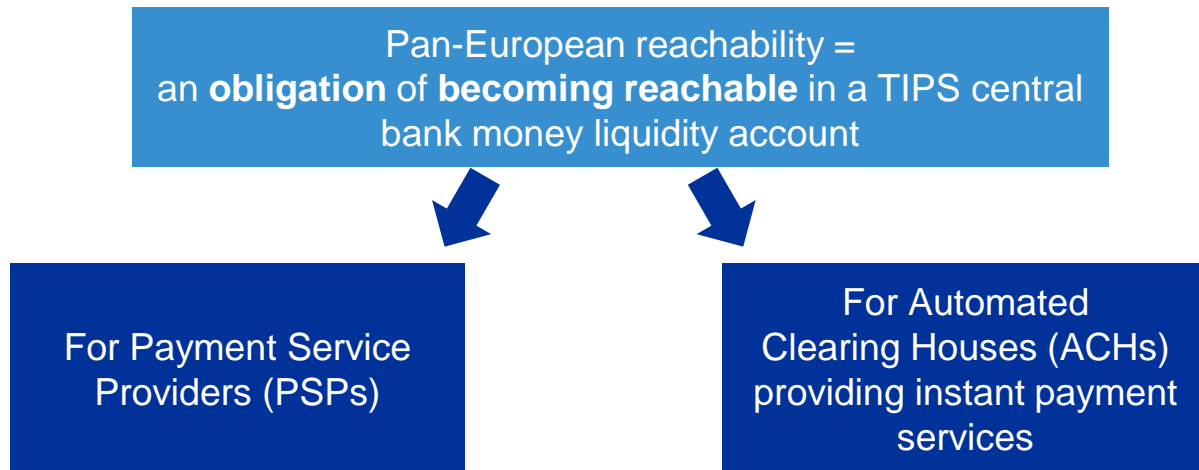
**Multi-currency
technical capability**



Pan-European Reachability: measures

Objective → to extend the reachability in TIPS to a pan-European scale by the end of 2021

Decided by the Governing Council in July 2020, the dossier envisions the following package of measures:



Pan-European Reachability entails that all actors are reachable across the chain, irrespective of which CSM* they are using for instant payments

* Clearing and Settlement Mechanism

Pan-European Reachability: benefits

All CSMs/PSPs are **pan-European**: every bank is able to reach every counterpart

Elimination of **credit risk** exposure and **instant finality** for cross-ACH transfers

PSPs can decide to send payments either **ACH internally**, from an **AS technical account**, or using their **TIPS account/CMB**



No need for fragmentation of banks' **liquidity pool** and removal of liquidity traps

Optimised liquidity management with **24/7** availability for funding and defunding

Pan-European Reachability: effects

Realisation of a viable interoperability framework across European CSMs

- ✓ Each bank is reachable, regardless of the entry point (TIPS or an ACH)
- ✓ Over 200 dedicated cash accounts (DCAs), over 13,000 reachable parties in TIPS
- ✓ More than 99% of PSPs who adhere to the SCT Inst scheme are already reachable in TIPS DCAs - the few remaining are reachable via ACHs' technical accounts



European Commission (EC) Regulation on Instant payments

TIPS allows to easily meet this requirement.

In addition to being compliant, banks would benefit from all the services offered by TIPS

The Eurosystem is involved in discussions to see whether a solution should/could be provided

A Change Request is under consideration to see what/how this could be provided

Obligation on EU PSPs that already offer credit transfers in euro to offer also their instant version within a defined period

Obligation on providers to verify the match between the bank account number (IBAN) and the name of the beneficiary provided by the payer in order to alert the payer of a possible mismatch or fraud before the payment is made

Where a PSP provides the option of submitting multiple payment orders for credit transfers packaged together in bulk, it must offer the same service for euro IPs.

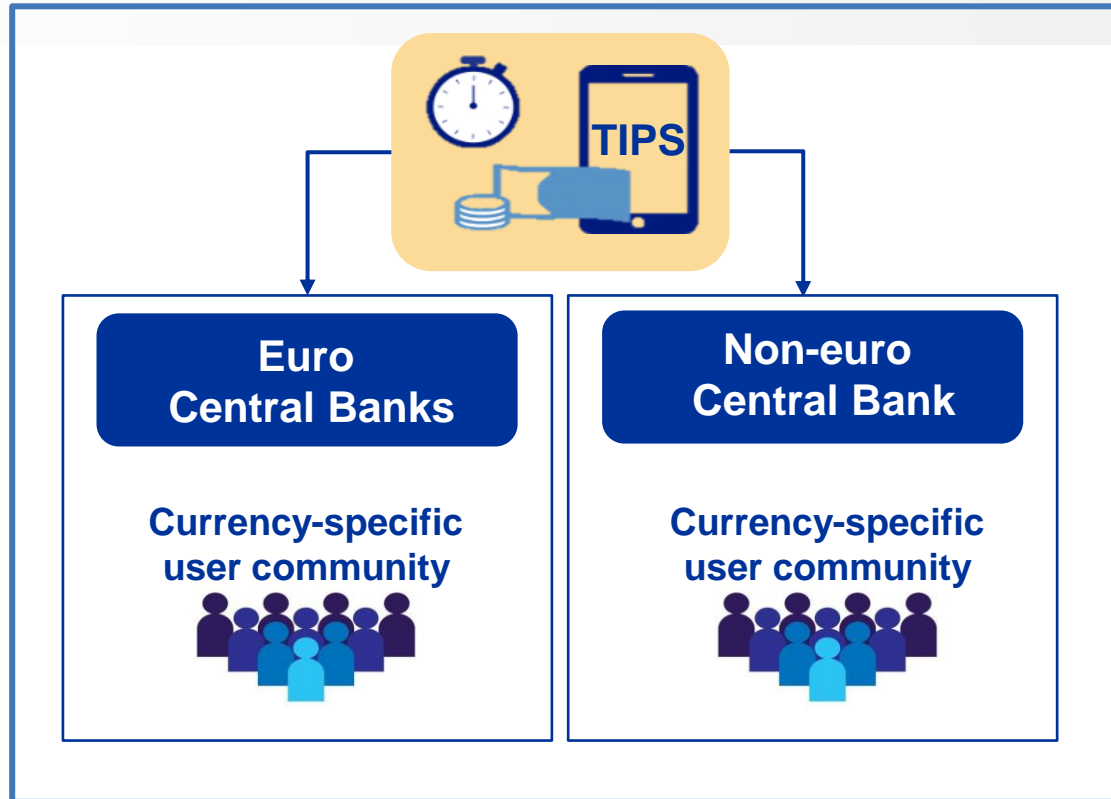
Obligation on PSPs to ensure that the price charged for instant payments in euro does not exceed the price charged for traditional, non-instant credit transfers in euro

Screening of persons that are subject to EU sanctions, through a procedure whereby payment service providers will verify at least daily their clients against EU sanctions lists, instead of screening all transactions one by one against those lists

TIPS pricing is very cost-effective

Not in the hands of Eurosystem /TIPS but in the hands of the PSPs

TIPS for non-Euro currencies



- Upon agreement with Eurosystem, TIPS can be offered as an instant payment service to the non-euro Central Bank
- The non-euro Central Bank would offer the service to its banking community
- All banks would keep their legal relationship exclusively with their Central Bank

TIPS for non-Euro currencies

Governance

Non-euro central banks:

- ✓ Maintain full control over their currency
- ✓ Jointly decide on TIPS future evolution with the Eurosystem

Users:

- ✓ Associated in the user group foreseen in the TIPS governance
- ✓ Can propose changes requests



TIPS for non-Euro currencies

| Own calendar | | Change of business date | |
|--------------|----------|-------------------------|---------|
| December | December | October | October |
| 26 | 25 | 12 | 11 |
| € | Non-€ | € | Non-€ |

- Participation criteria (i.e. access to central bank money)
- Operational decisions on own accounts (e.g. block upon insolvency)
- Possibility for currency-specific changes (at own cost)

Timeline for start of operations



*The window
is always
open to
access TIPS!*

Value of collaboration for on-boarding markets

- Strengthening relationships while respecting sovereignty
 - Achieving process **harmonisation** across EU and EEA markets
 - Non-euro Central Banks **remain the only authority over their currency**
 - Possibility to **implement currency-specific change requests**
- Economy of scale
 - Sharing an existing system (**bringing “project risk” to zero**); no investment costs for joining beyond own integration
 - **Sharing of investments expenditure** for general payment market developments (e.g. migration to ISO 20022 and upgrades of cyber resilience)
 - **Sharing of operational cost and testing effort** for new functionalities
- Evolution of TIPS contributed by its diverse community

TIPS Cross-Currency functionality

In 2020, following signing the agreement to connect RIX-INST to TIPS, the ECB and Riksbank initiated work to explore a possible **TIPS-based service to settle instant payments across currencies**

The involved central banks (Riksbank, the ECB and Banca d'Italia) are:

- Analysing the business case and policy implications for such a service
- Investigating legal aspects concerning the offering of cross-currency instant payments
- Working on the technical [design of a possible cross-currency instant settlement service](#)

“Offering cross-currency settlement services in real time in central bank money under European auspices could make an important contribution to the modernisation of European retail payments”

One-Leg Out Instant Credit Transfer Scheme

A One-Leg Out **(OLO)** Transaction is **a transaction in any possible currency, under the condition that at least one of the two legs is denominated in euro (Euro Leg):** it is an incoming or outgoing account-to-account-based credit transfer, which will be processed instantly on a 24/7/365 basis in the Euro Leg

Which EPC instant credit transfer payment scheme to use?

Note: apart of the currency in which the instant credit transfer itself is expressed, under the OCT Inst and SCT Inst schemes the payment account of the Payer and/or of the Payee can be in euro or in any other currency.

To Payee with an account held in

SEPA

non-SEPA

For Euro --> Euro trx
(i.e. no currency conversion)

From Payer
with an account
held in

SEPA

SCT Inst

OCT Inst

non-SEPA

OCT Inst

Other non-EPC
scheme

For Euro --> other currency trx or
for other currency --> Euro trx

From Payer
with an account
held in

SEPA

OCT Inst

OCT Inst

non-SEPA

OCT Inst

Other non-EPC
scheme

Examples of specific benefits for on-boarding markets

TIPS-0030-URD

TIPS adaptation stemming from Riksbank requirement

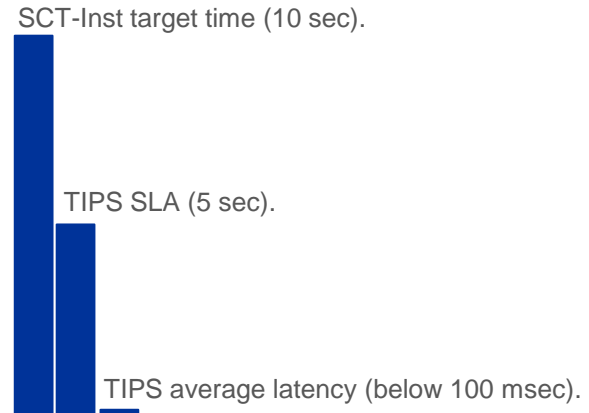
- Introduction of Single Instructing Party (SIP) settlement model for Swedish community

TIPS-0042-SYS

TIPS Resilience And Continuity Enhancement

- Addition of a third TIPS site installation
- Allows for automatic recovery without service interruption
- Lowers Recovery Time Objective (RTO) to zero

End-to-end execution time



Comparing the average TIPS latency with the prescriptions of the Service Level Agreement and of the EPC instant payment scheme.

**Thank you for your
attention!**

