



EUROPEAN CENTRAL BANK

EUROSYSTEM

Summary of the pan-European reachability package

MMCG



1 December 2020

News item on pan-European reachability

PREMISE

- PSPs participating in multiple CSMs indicated that they **hardly saw any chance to achieve full 100% reachability** in the near future.
- In its Retail Payment Strategy, the **GovC** decided to explore options to ensure pan-European reachability. The resulting package was approved for **November 2021**.



On 24 July 2020 the ECB communicated the **Governing Council decision** 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.

Summary of measures (1/2)

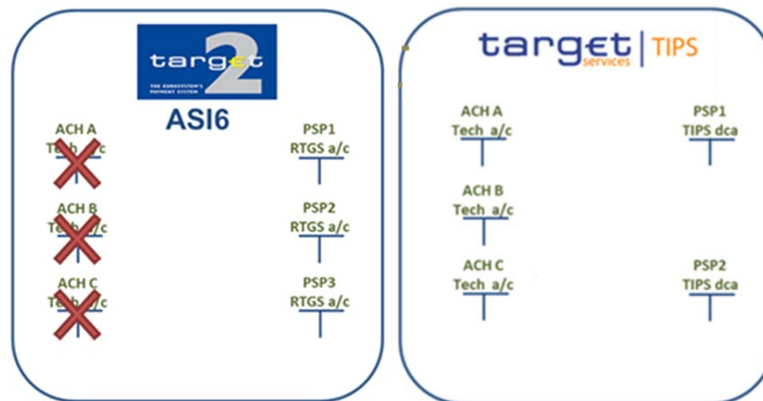
All **PSPs** which have adhered to the **SCT Inst scheme** and are reachable in **TARGET2** should also become **reachable in a TIPS central bank money** liquidity account, **either as a participant or** as reachable party (i.e. **through the account of another PSP** which is a participant).

- 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.
- This applies to both **direct and indirect** SCT Inst compliant TARGET2 participants. Hence, it is **foreseen** that the **TARGET2 Guideline** will make this point explicit.

Summary 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**.



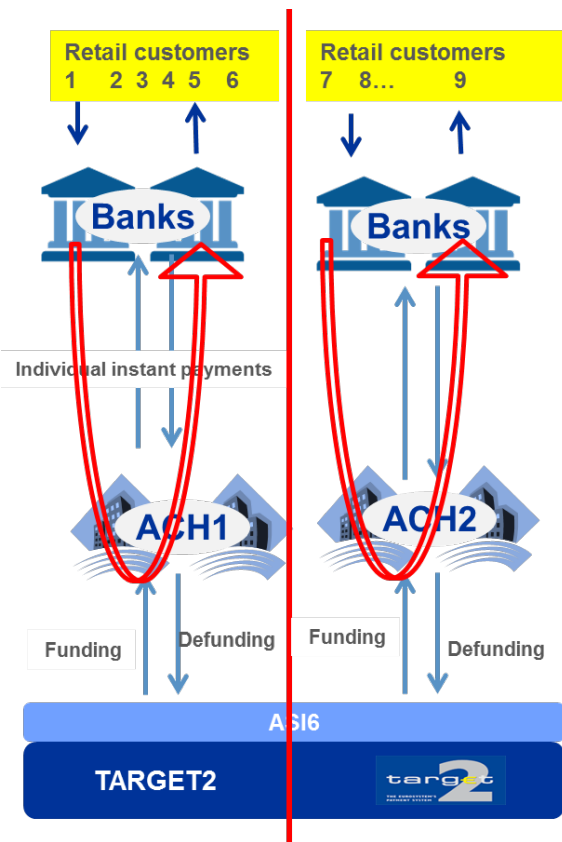
Summary of main benefits

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**.

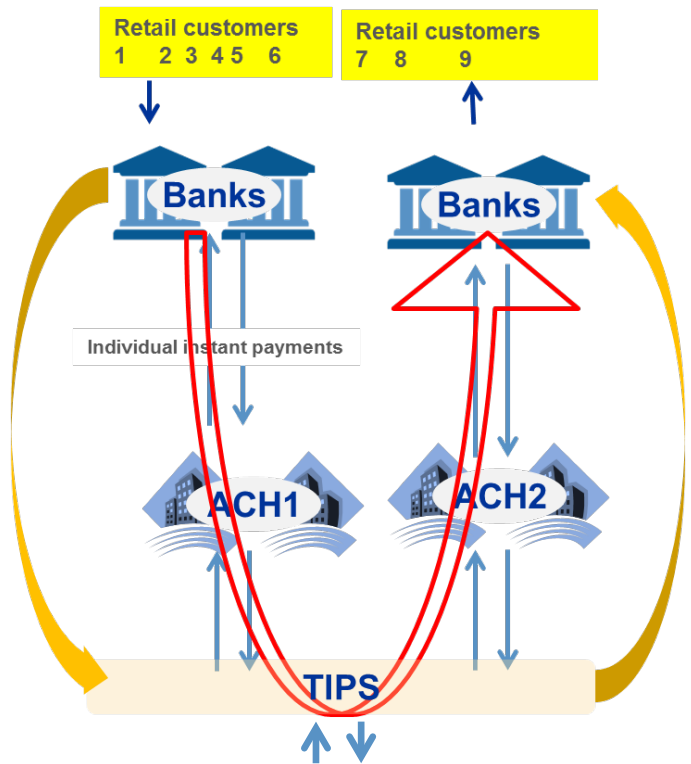
Today INST payments cannot cross the line



Today, INST payments from one bank account holder to another can only settle if the accounts are both with banks connected to the same ACH.

But they do **not** work cross-ACH.

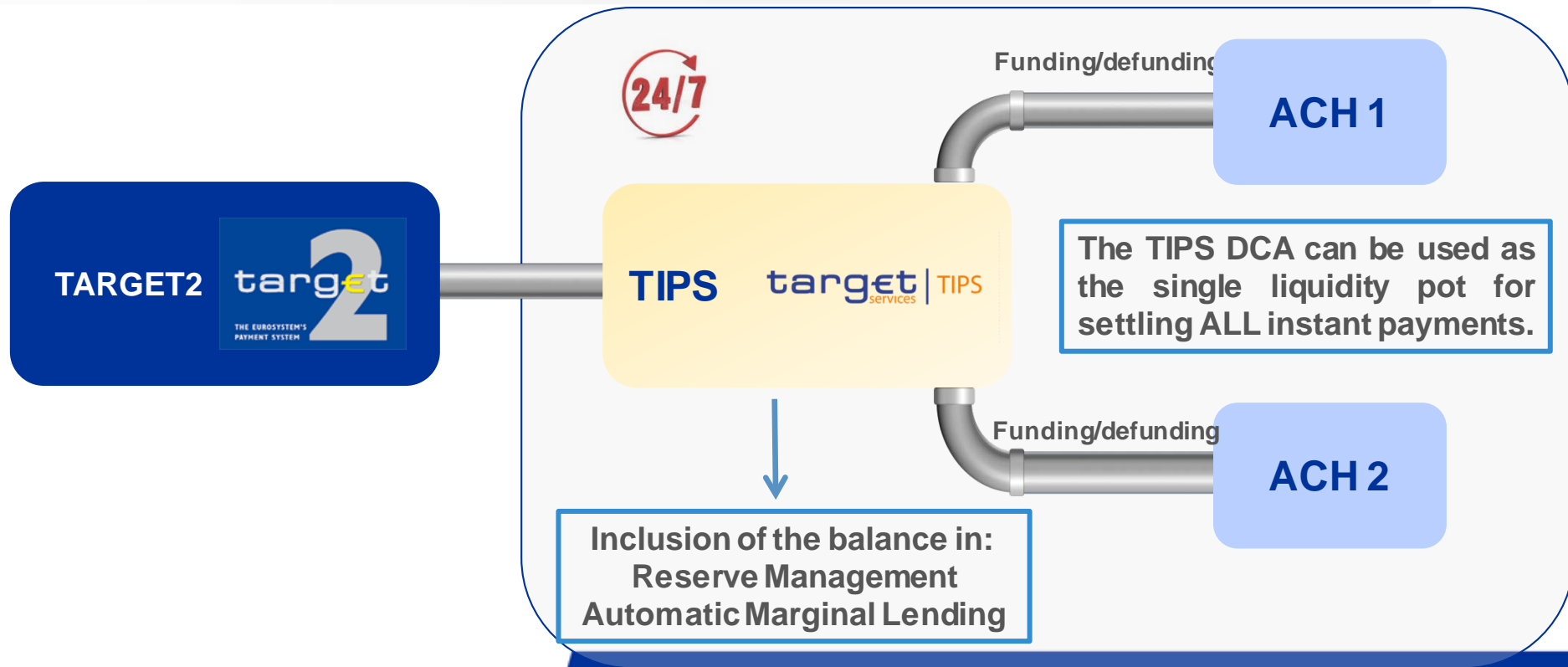
In future, account location does not matter



With the second measure, INST payments from one bank account holder to another can also settle **across ACHs**, because the ACHs settle directly cross-ACH payments via TIPS.

Across the entire euro area, accounts can be in **any ACH or in TIPS** and they will be able to reach each other.

Exemplary set-up in the future



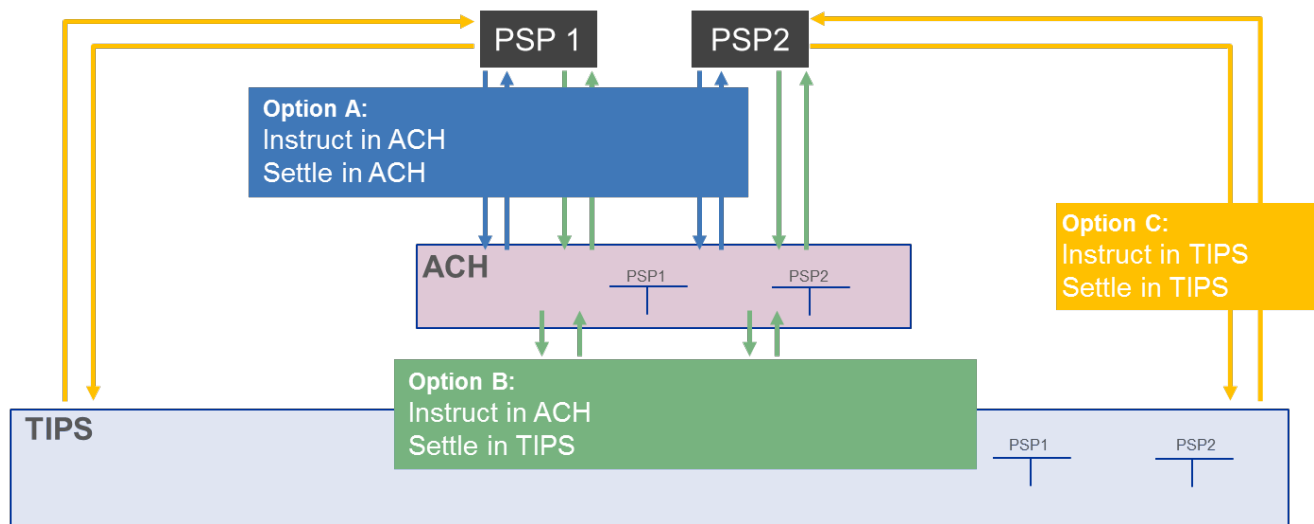
The options for PSPs in future

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**



Novel business cases

The pan-European reachability enables several **new business cases**:

- Intra-service liquidity transfer from a **TIPS DCA** to an **AS Technical account** and **vice versa**.
- Processing of **instant payments** between two participants of two **different ACHs**.
- Processing of **instant payment** between a participant of an **ACH** and a **TIPS participant**.
- Processing of **recall answer** between two participants of two **different ACHs**.
- Processing of **recall answer** between a participant of an **ACH** and a **TIPS participant**.

Thank you for the attention!

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 **ECB: market infrastructure and payments**