



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Pan-European reachability/Pricing

AMI-Pay in extended  
composition

03 May 2022

target | TIPS  
services



# Agenda

- 1 SCT Inst – take-up and development
- 2 Pan-European Reachability and inter-CSM settlement
- 3 Pricing: how it changed? Rationale

# 1

## SCT Inst – take-up and development

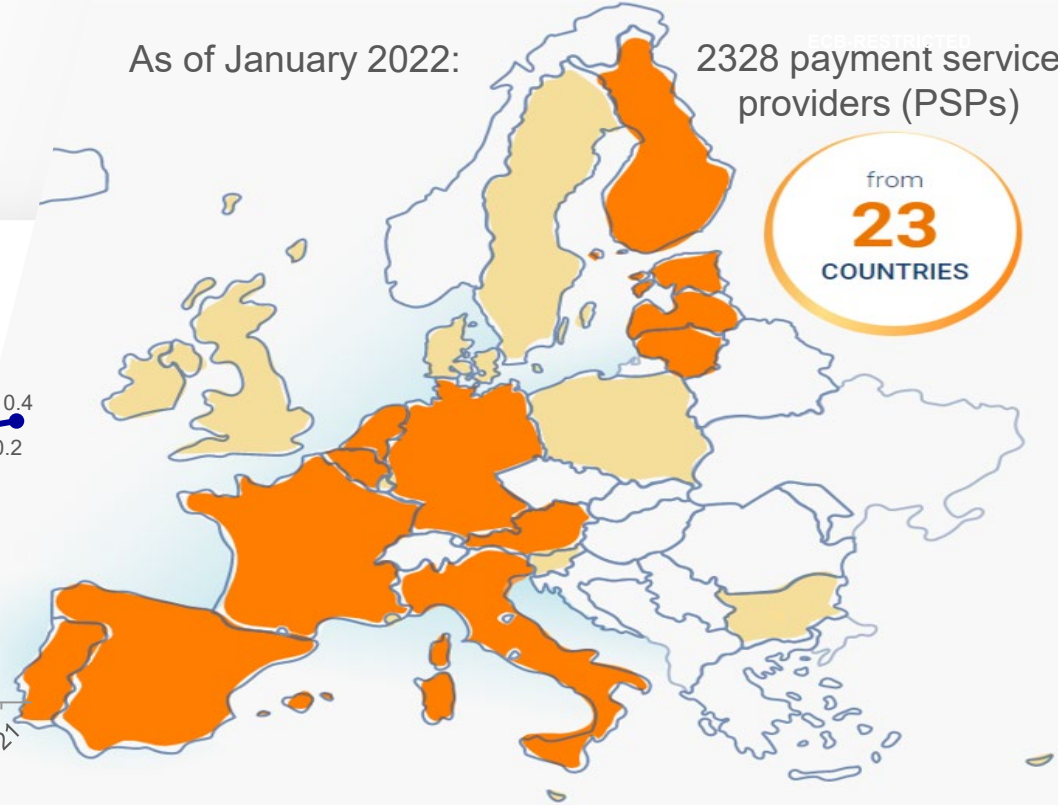
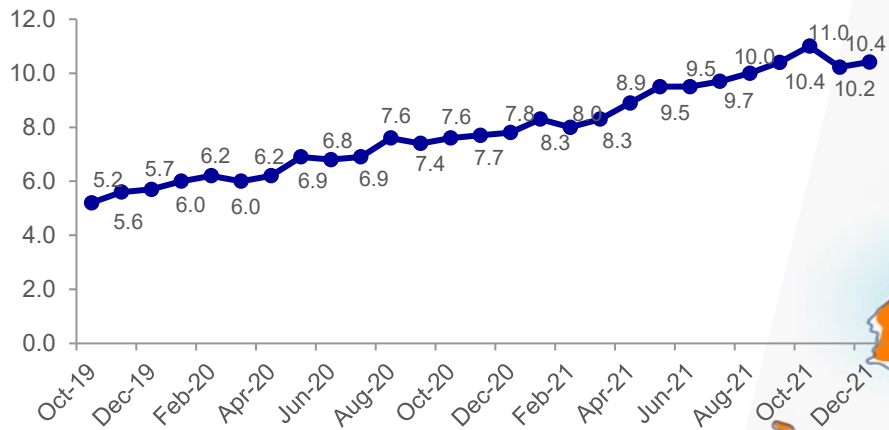
# Where we are: SCT Inst take-up

As of January 2022:

2328 payment service providers (PSPs)

from  
**23**  
COUNTRIES

The percentage of SCT Inst in all SCT



ECB calculations based on data collected from clearing and settlement mechanisms

The total SCT Inst transactions grew from about 940 M in 2020 to 1,454 M in 2021

- At least 1 SCT Inst participant and a majority of payment accounts in the country
- At least 1 SCT Inst participant but no majority of payment accounts in the country
- No SCT Inst scheme participants in the country

Source: EPC

# Impetus coming from European retail payments strategy

- Full deployment of instant payments is part of the Eurosystem's and European Commission retail payments strategies
- Our strategy states that instant payments should be made available to all citizens and businesses across Europe under attractive conditions but also to have available additional pan-European functionalities that support the provision of end user solutions

# 2

## Pan-European Reachability and inter-CSM settlement

# Pan-European Reachability

## Problems shared by market participants and the case for Eurosystem action (1/2):

- × Lack of interoperability between Clearing and Settlement Mechanisms (CSMs) which prevented some SCT scheme participants from the take-up of the SCT Inst scheme and from benefiting from its potential across the EU
  - Whichever CSM a PSP chose to participate in, it could not ensure it was reachable on a pan-European basis. Most PSPs which had adhered to SCT Inst did not comply with EU law (SEPA regulation)
- × Cross-border SCT Inst transactions were inefficient and costly as the participants had to connect to several CSMs and set aside multiple liquidity pools
  - Fragmented liquidity (not possible to have one single liquidity pool)

→ **Reachability was an issue for market participants**

# Pan-European Reachability

## Problems shared by market participants and the case for Eurosystem action (2/2):

- Need for efficiently allowing the cross CSM instant payment settlement
  - Market participants recognised that without action from the Eurosystem, no global and satisfying solution for PSPs and for CSMs at the same time could be put in place
  - In addition, the European Commission required that 100% of SCT Inst adhering PSPs should be reached
- **Both market participants and the European Commission expected the Eurosystem to act to ensure pan-European reachability for instant payments**



# Pan-European Reachability

The steps on the Pan-European Reachability measures and the migration waves:

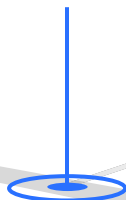
## 2020 Decision

Set of measures to reach pan-European reachability approved by the Governing Council



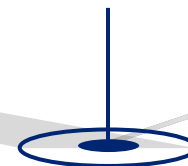
## 2021 First wave

- Wave 1: 09-13/12/2021 (EBA, DIAS, EKS, CENTRO, IBERPAY, STET)



## 2022 Last waves

- Wave 2: 21/01/2022 (CEC)
- Wave 3: 25/02/2022 (SIBS)
- Final Wave:
  - 11/03/2022 (equensWorldline)
  - 25/03/2022 (Bankart)
  - 26/03/2022 (NEXI)



# Pan-European Reachability

## The waves and the effects of the Measures on TIPS:

- ✓ The migration of ACHs to TIPS was organised in waves
- ✓ The waves **went smoothly** while the implementation time was quite tight
- ✓ The Eurosystem provided an enhanced level of **assistance** and **no major operational disruptions** occurred
  
- ✓ PSPs have also participated in the effort and joined the TIPS platform
- ✓ There are now 168 dedicated cash accounts (DCAs) and 16,000 reachable BICs in TIPS
- ✓ 99% of PSPs who adhere to the SCTinst scheme are reachable in TIPS

→ **Payments between TIPS and an ACH or between two different ACHs are regularly settled in TIPS, though market is still adapting (e.g. BIC8 VS BIC11)**

# Current TIPS Participation

Current Participation by Country	
Austria	19
Belgium	11
Estonia	4
Finland	10
France	9
Germany	18
Greece	9
Italy	22
Latvia	2
Lithuania	2
Luxembourg	4
Netherlands	8
Portugal	13
Slovakia	3
Slovenia	15
Spain	19
<b>TOTAL</b>	<b>168</b>

11 ACHs have moved their Technical Account to TIPS:

- Bankart, Slovenia;
- CEC, Belgium;
- CENTRO, Lithuania;
- DIAS, Greece;
- EBA Clearing;
- EKS, Latvia;
- equensWorldline, the Netherlands;
- Iberpay, Spain;
- Nexi, Italy;
- SIBS, Portugal;
- STET, France

# Inter-CSM settlement

- With the implementation of the Pan-European measures, a new Business Case was provided to the market participants; what was not possible before is now available to them, they can choose:
  - TIPS / ACH settlement, or
  - ACH / ACH settlement
- ✓ **Benefits in terms of cost-savings:** the interoperability provided by TIPS is significantly cheaper than the costs for every PSP to participate in every ACH. At the same time, it is also significantly cheaper than if every ACH would need to establish a link with every other ACH.
- ✓ In some communities, this is the gateway to all cross-border payments

# How to measure the success of Pan-European reachability

## Before the implementation of the Pan-European reachability measures:

### For banks...

- Compliance with SEPA regulation was not possible
- Participants reachability was not guaranteed even for banks participating in multiple CSMs
- Multiple interfaces with different technicalities were needed to connect to multiple platforms
- Liquidity was fragmented in many “pots” and they had no freedom to choose which position to use for their own instructed instant payments

### For ACHs...

- 24/7 access to central bank money was not possible
- Relevant investment to interlink with other ACHs was required and did not guarantee full SEPA coverage
- They could not present themselves as pan-European
- They had no interoperability in place with other ACHs and with TIPS
- There was no participation in TIPS Governance

# 3

Pricing: how it  
changed? Rationale

# TIPS pricing

## The principles:

- TIPS operates on a **not-for-profit** basis;
- TIPS pricing aims at **reaching** the cost-recovery, with all TIPS Actors contributing to it in a fair and balanced way
- The pricing scheme is designed to support **high reachability** (e.g. same price for all PSPs and same price for all ACHs): at the same time, PSPs have the **freedom to decide** where to instruct and where to settle, regardless of what other PSPs do

# AS Pricing from TARGET2 to RTGS/TIPS

AS fees are set to double  
from TARGET2 to T2/RTGS

## TARGET2



## T2/RTGS

## TIPS

- 1) Fixed fee I of **EUR 1,000** per month
- 2) Fixed fee II based on **gross underlying value settled in the AS: EUR 417**  
(lowest band due to value limit of up to 999.9 million EUR/day)
- 3) Transaction fee (two options)
  - a) **EUR 150 + EUR 0.80** per transaction (LTs for liquidity adjustment/funding/defunding purposes each day) OR
  - b) **EUR 1,875 + degressive fee < EUR 0.60** per transaction (LTs for liquidity adjustment/funding/ defunding purposes each day)

- 1) Fixed fee I of **EUR 2,000** per month
- 2) Fixed fee II based on **gross underlying value settled in the AS: EUR 833**  
(lowest band due to value limit of up to 999.9 million EUR/day)
- 3) Transaction fee (two options)
  - a) **EUR 300 + EUR 1.60** per transaction (LTs for liquidity adjustment/funding/defunding purposes each day) OR
  - b) **EUR 3,750 + degressive fee < EUR 1.20** per transaction (LTs for liquidity adjustment/funding/ defunding purposes each day)

- 1) No fixed fee I
- 2) No fixed fee II
- 3) **EUR 0.002** for any instant payment settled in TIPS
- 4) **ACH fee based on size proxy**, being **instant payments settled internally in an ACH**, equivalent to **EUR 0.0005** for such payment

**TARGET2 pricing was not revisited following the implementation of ASI6RT**

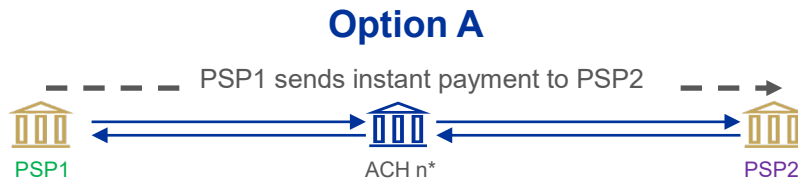
**External component**



# Options for IPs following the pan-European reachability

## Instruct in ACH and settle in ACH

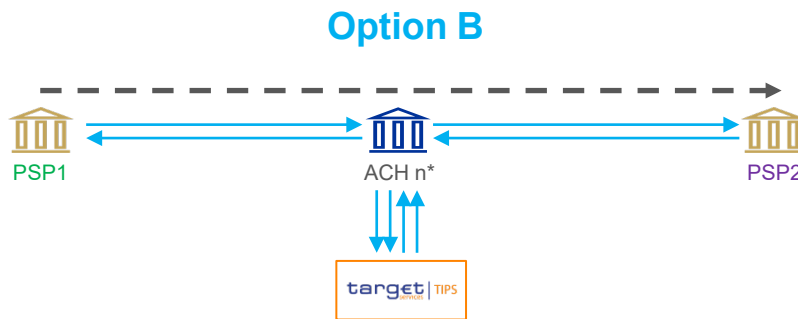
ACH provides finality in its own books fully backed by CeBM guarantee



Size proxy (instant payments settled internally in ACH backed by a guarantee in CeBM\*) times EUR 0.0005 to calculate ACH fee

## Instruct in ACH and settle in TIPS

PSP instructs in ACH and ACH instructs in TIPS

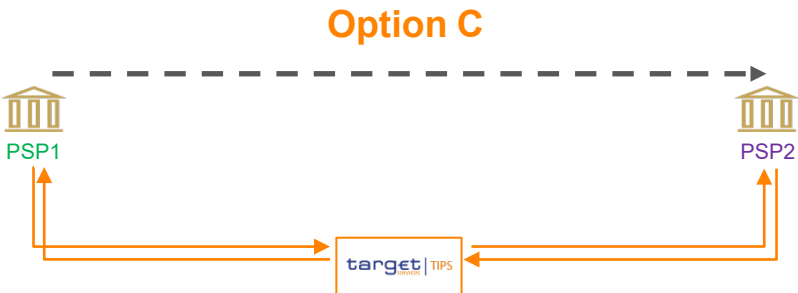


**EUR 0.002**

For any instant payment settled in TIPS

## Instruct in TIPS and settle in TIPS

No ACH involvement for sending PSP



**EUR 0.002**

For any instant payment settled in TIPS

\* If PSP1 and PSP2 use different ACHs, the ACHs' technical account in TIPS is used.

Note: The arrows represent instructions. Bookings across accounts are not displayed.

# Pricing for pan-European reachability

ACH fee (proportional to transaction volumes)  
0.0005 EUR/Transaction

TIPS settlement fee  
EUR 0.002

## Option A

## Option B

## Option C

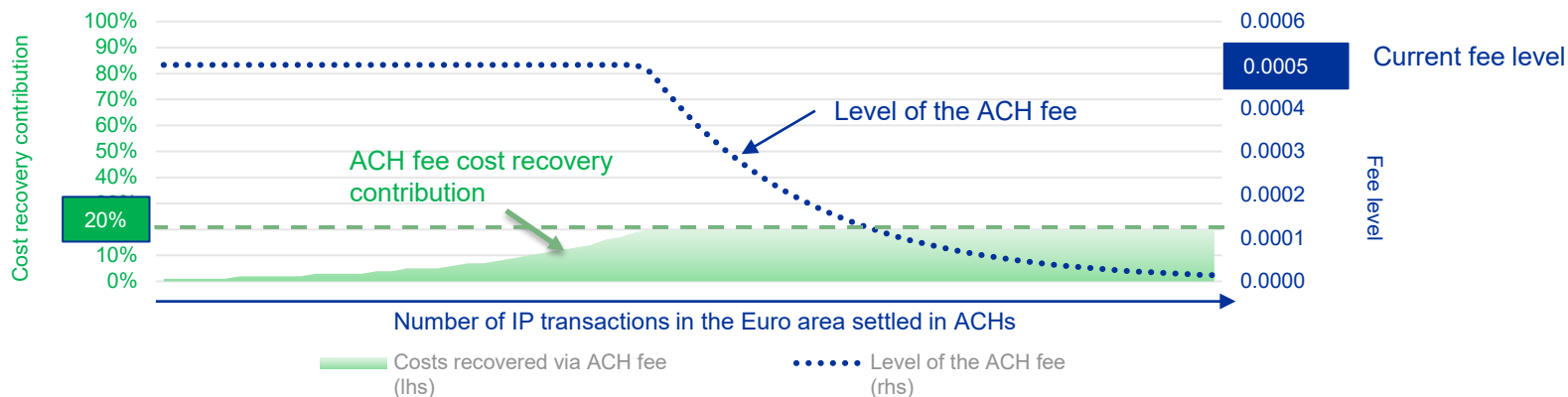
- ✓ **Contribution** of ACHs to cost recovery; it also reflects value of **providing access to CeBM 24/7/365** for instant payments and pan-European reachability.
- ✓ The price level **may be reviewed on an annual basis** once SCT Inst volumes **have grown significantly**.
- ✓ Targeted contribution to cost recovery **similar to AS fees** share in T2.
- ✓ **The volume settled within the ACH is a proxy to achieve a simple and proportional way of sharing the cost contribution** amongst ACHs – alternatives are not excluded for the future, such as degressive elements.

- ✓ For **any transaction being settled in a TIPS account**, irrespective of whether ACH technical account or DCA is used.
- ✓ The fee is charged to the **account holder of the debited account**.

**Decision to keep the migration timing financially neutral → ACH fee only applied from 03/22 onwards**

# TIPS – ACH fee concept recap (1/2)

Level of the ACH fee and cost recovery contribution for increasing IP transaction volumes



Using the currently available figures (Mar-22) to project the amount that will be recovered from the ACH fee over the entire cost recovery period, the total ACH fee contribution to the full TIPS cost to be recovered is not likely to reach 20% (as explained in the next slide)

# TIPS – ACH fee concept recap (2/2)

- According to the available data, a total of **~127 millions** transactions were settled internally across ACHs in March 2022 (first and only available monthly figures, after the ACHs' migration from TARGET2 to TIPS)
- It would require very favourable assumptions of growth rates of instant payments for the 20% cost recovery share of the ACH fee to be exceeded. While not totally excluded (e.g., if instant payments use at the POI becomes widespread, such a scenario might materialise), **it seems premature to conclude, at the present juncture, that the ACH fee can be reduced**
- This does not mean that the exact ACH contribution could not be changed, as also **degressive elements** might be introduced. However, in such a case, this would likely imply the increase of the ACH fee for some ACHs

**Thank you for your attention!**

 **TIPS@ecb.europa.eu**

[www.ecb.europa.eu/paym](http://www.ecb.europa.eu/paym)

 **ECB: market infrastructure and payments**