

TIPS & ACH – 2 IP models

Impact of co-existence

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In cooperation with

- The Dutch Liquidity managers group
- DNB

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TIPS & ACH – Impact of Co-existence

Background:

- With TIPS the Eurosystem is introducing a new and different model for the processing of Instant Payments in Europe.
- TIPS is providing Instant Payment settlement in central bank money.
- You could also say that TIPS is combining Clearing and Settlement in the same process – this is mainly a definition question, but clear is that TIPS supports exactly the same Instant Payment product as per SEPAinst
- ACH IP solutions make use of the ASI6 model and hence the IP payments are processed in Commercial bank money.

Questions:

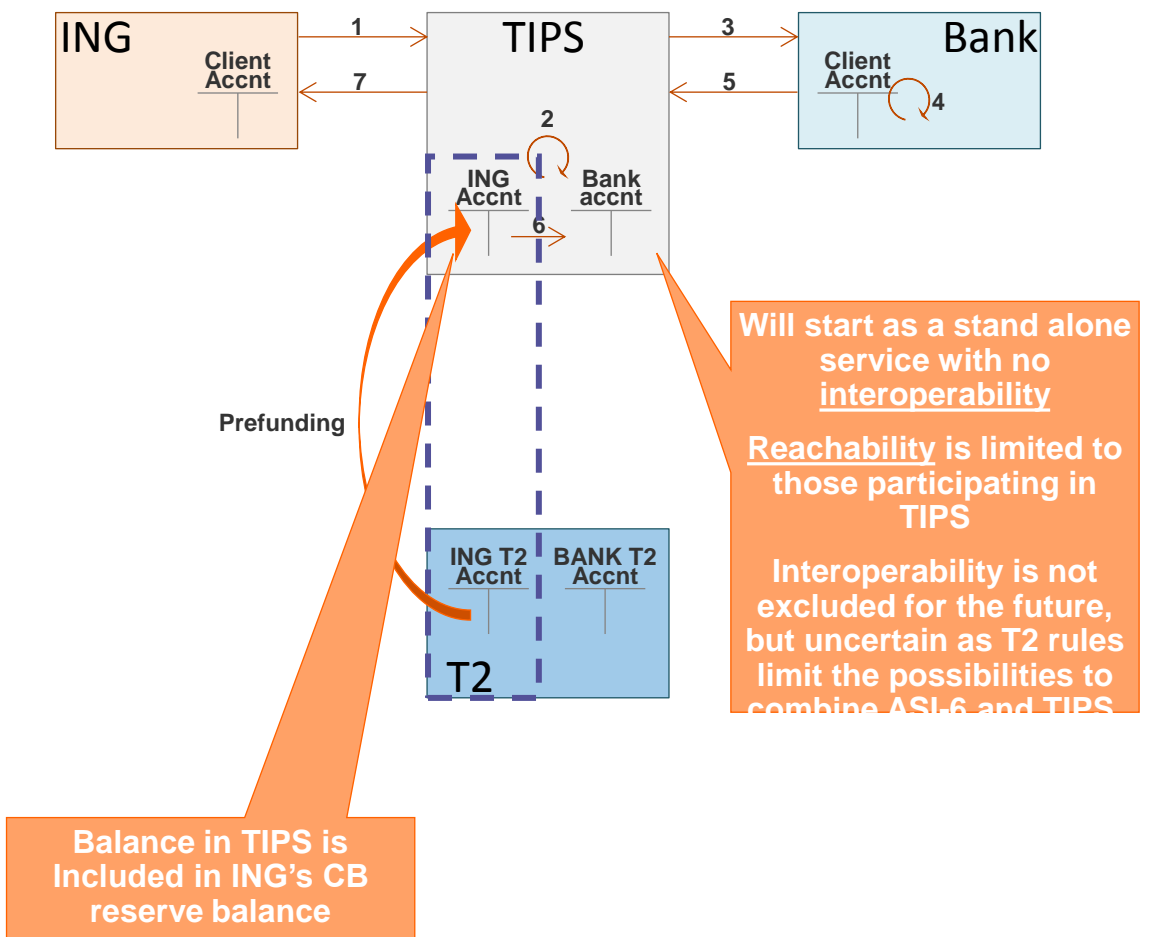
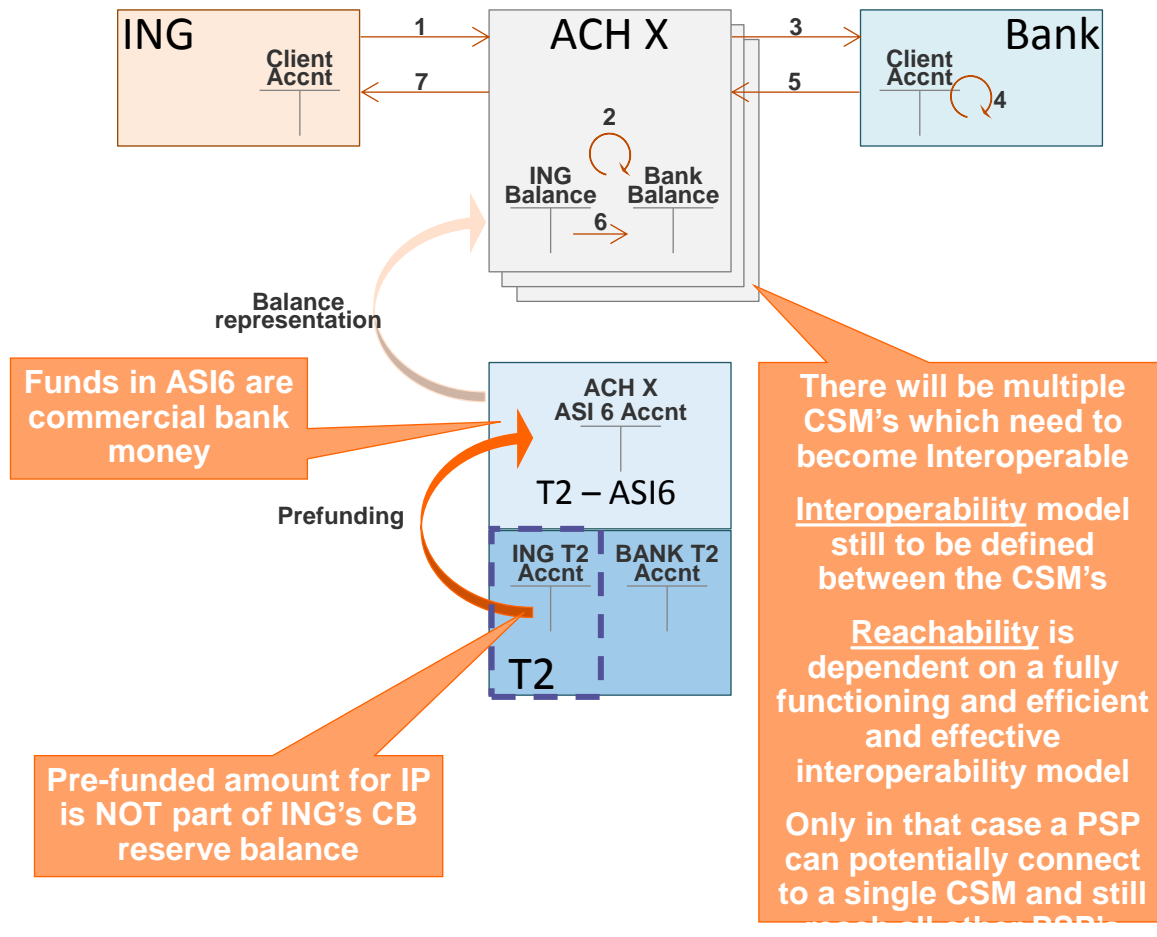
- How would co-existence of TIPS and ACH solutions work?
- How is interoperability, reach and liquidity impacted by TIPS and ACH's solutions?
- What is the impact of co-existence of these models?

Goal of these slides:

- Bring clarity in the models and differences
- Bring clarity in the interoperability and reachability aspects between TIPS and ACH
- Give an overview of some co-existence models possible & bring clarity in the impact of these.

TIPS model vs ACH Model

Interoperability, Reachability and Liquidity

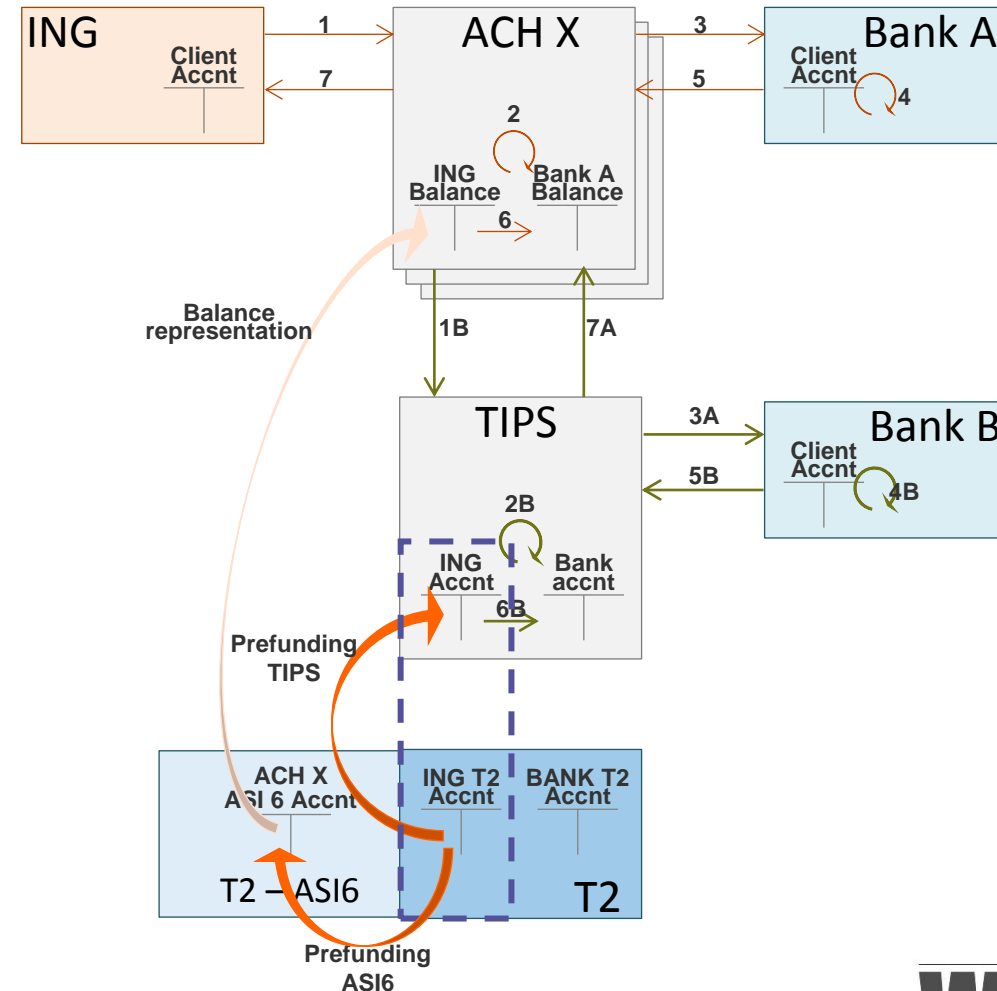


TIPS model & ACH Model

Co-existence model – ACH acting as service provider, instructing TIPS on behalf of PSP

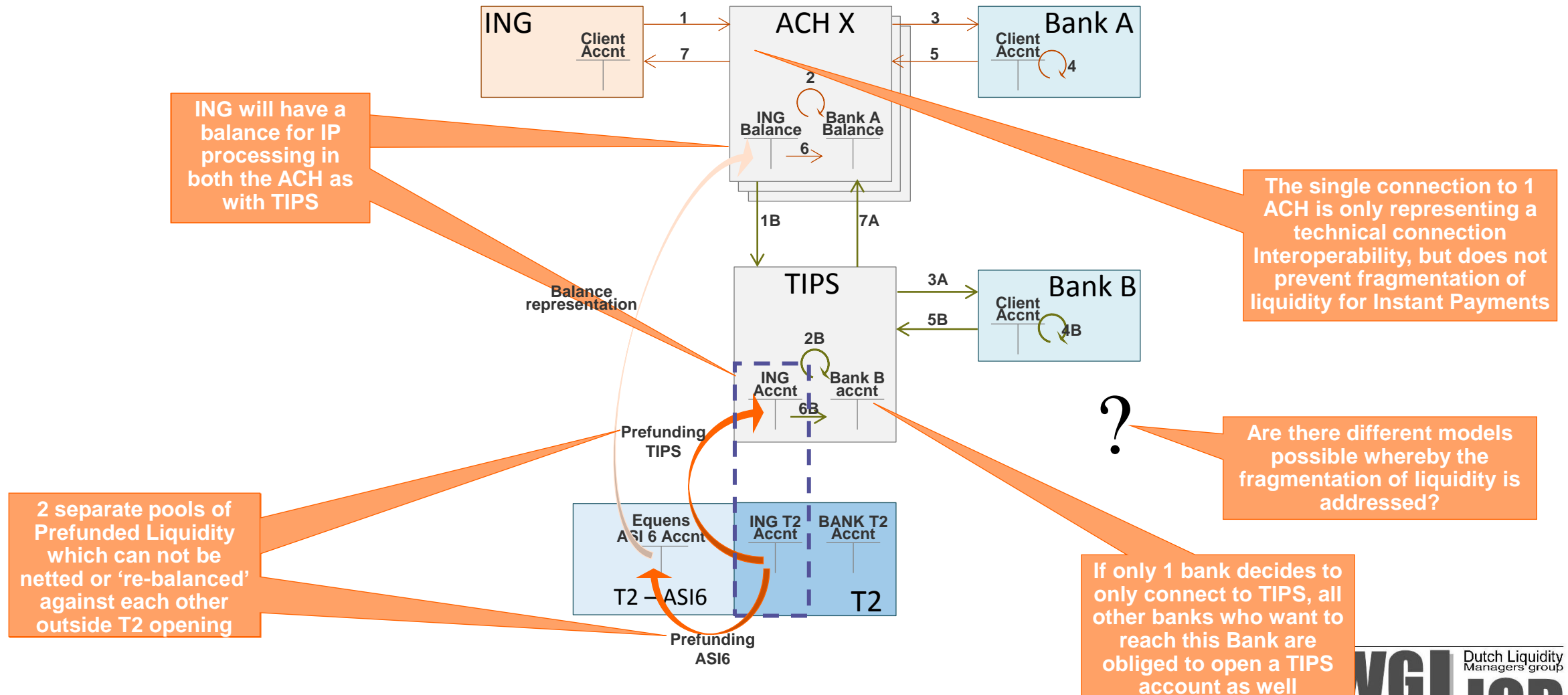
Explanation:

- ING only connects to 1 ACH
- ING sends IP instruction to ACH X (1)
- ACH X examines the reachability of the IP instruction against the receiver bank
 - If within ACH X (Bank A):
 - a reservation is made on ING account (2)
 - Instruction forwarded to receiver bank A (3)
 - Etc for steps 4-7
 - If within TIPS (Bank B):
 - IP instruction is forwarded to TIPS (1B).
 - Reservation is made within TIPS (2B)
 - Instruction routed by TIPS to receiver bank B (3A)
 - Etc for steps, 4B, 5B, 6B, 7A and 7.



TIPS model & ACH Model

Co-existence model – ACH acting as service provider, instructing TIPS on behalf of PSP - IMPACT

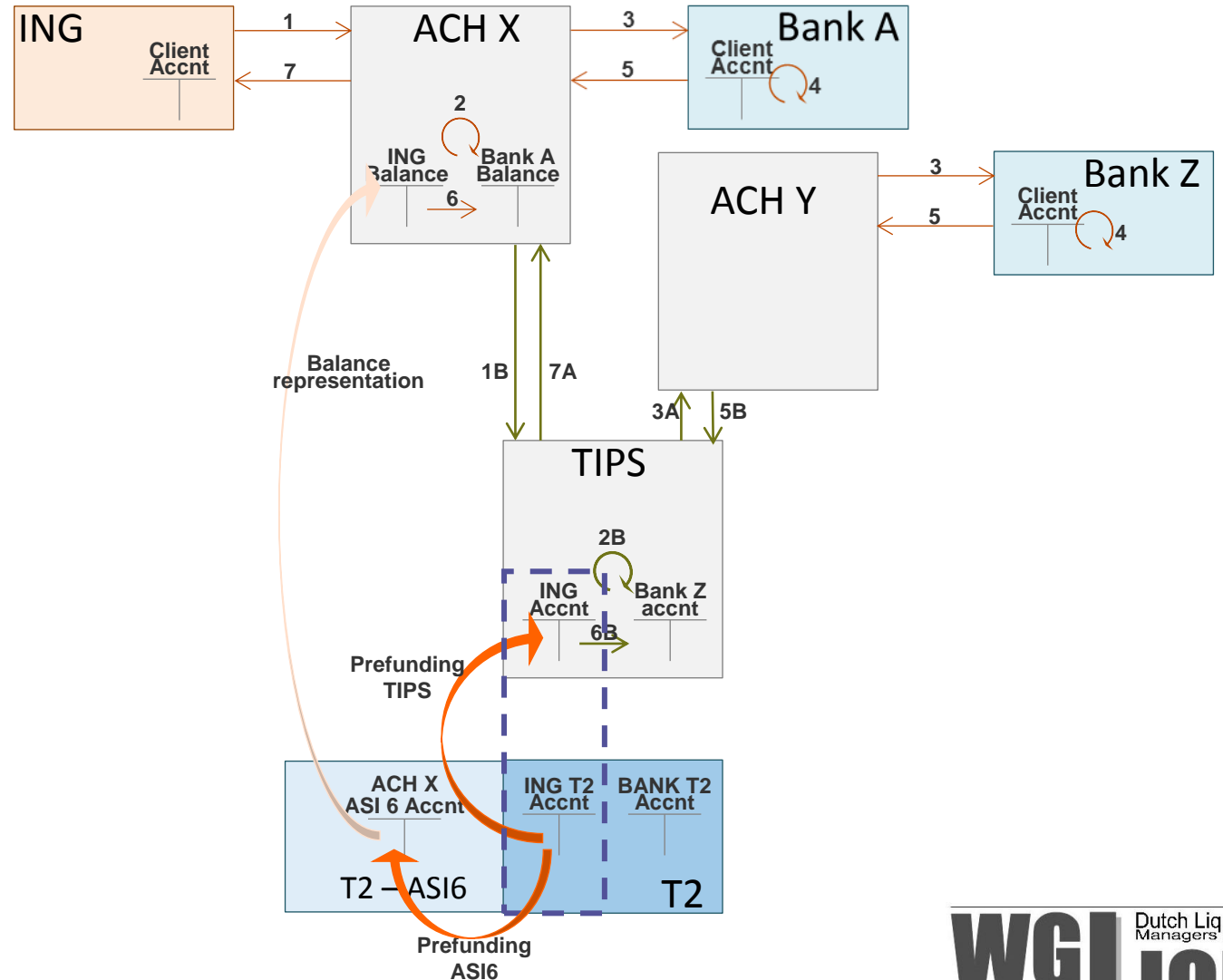


TIPS model & ACH Model

TIPS acting as ACH Connector instead of ACH interoperability?

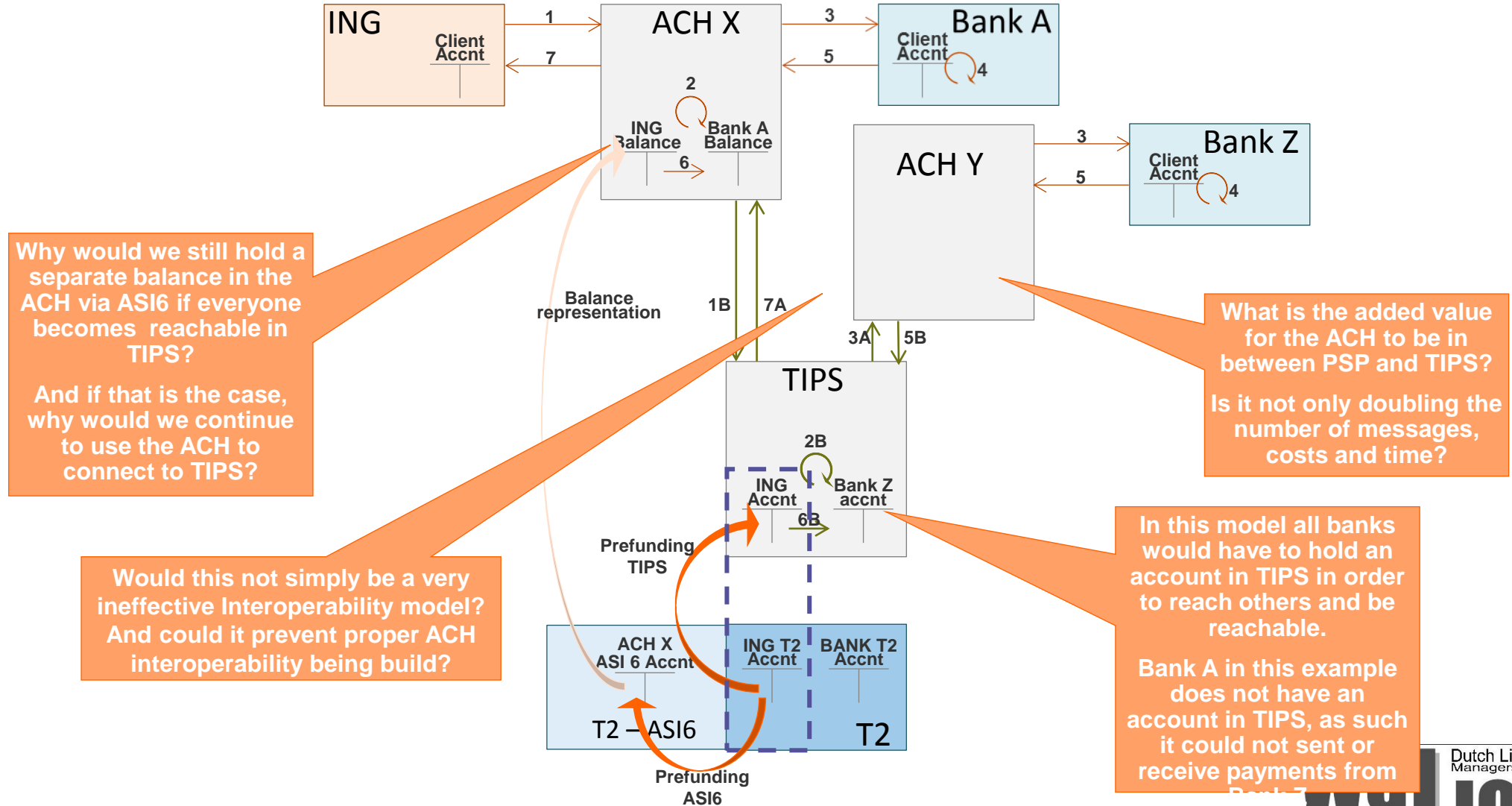
Explanation:

- ING only connects to 1 ACH
- ING sends IP instruction to ACH X (1)
- ACH X examines the reachability of the IP instruction against the receiver bank
 - If within ACH X (Bank A):
 - a reservation is made on ING Balance within ACH X (2)
 - Instruction forwarded to receiver bank A (3)
 - Etc for steps 4-7
 - If within ACH Y (Bank Z):
 - IP instruction is forwarded to TIPS (1B).
 - Reservation is made within TIPS (2B)
 - Instruction routed by TIPS to ACH Y (3A)
 - ACH Y forwards to Bank Z (3)
 - Etc for steps, 4B, 5B, 6B, 7A and 7.



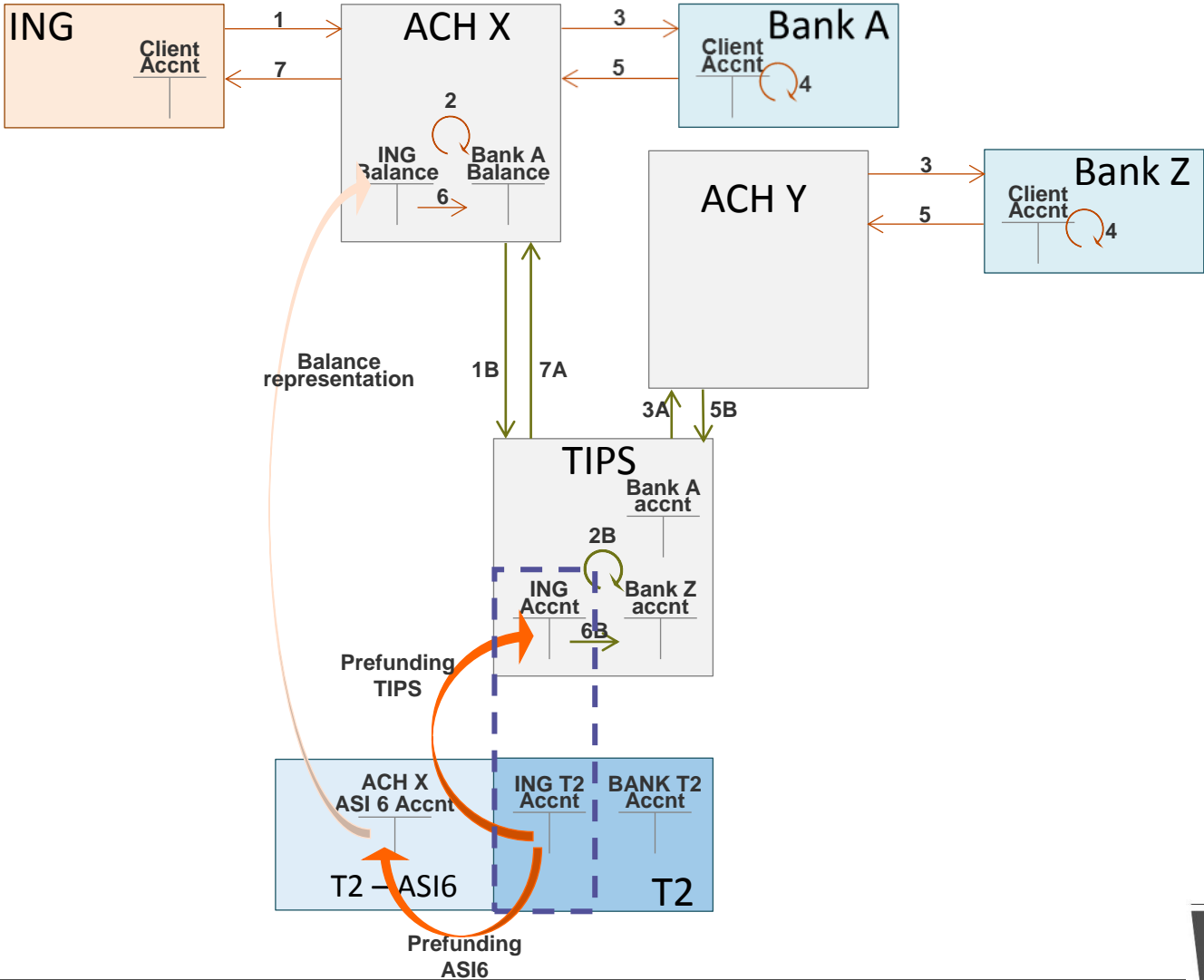
TIPS model & ACH Model

TIPS acting as ACH Connector instead of ACH interoperability: Raising more questions than providing answers.



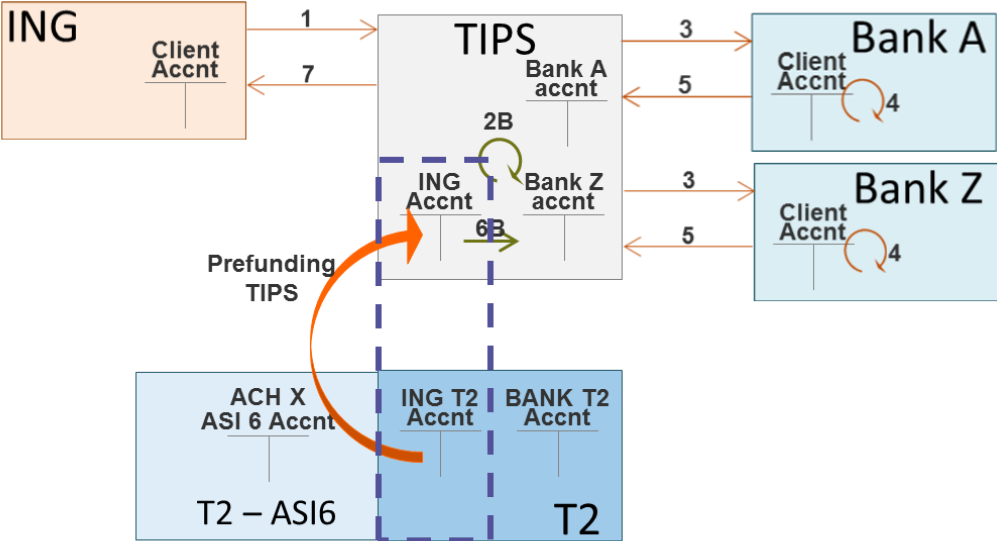
TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... TIPS?



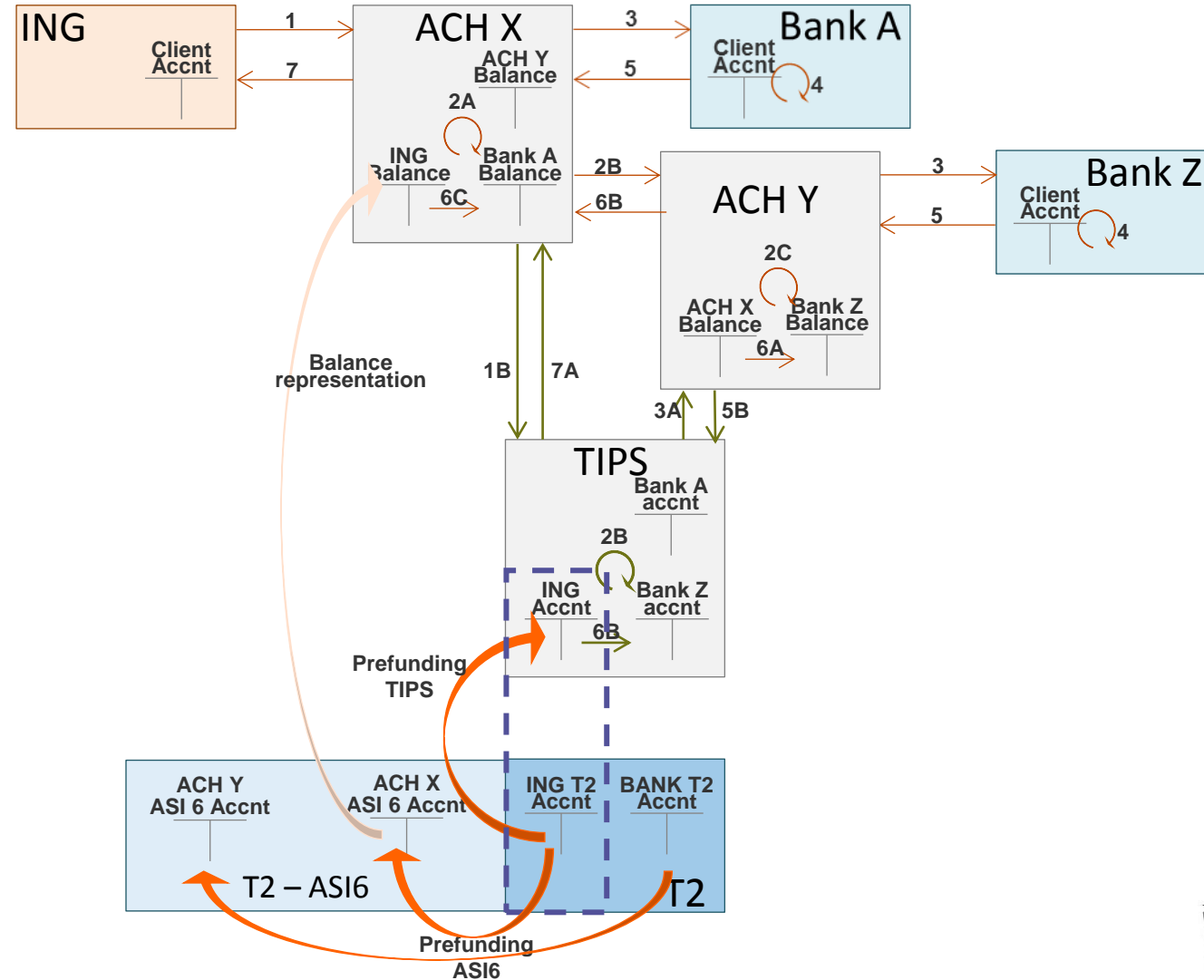
TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... TIPS?



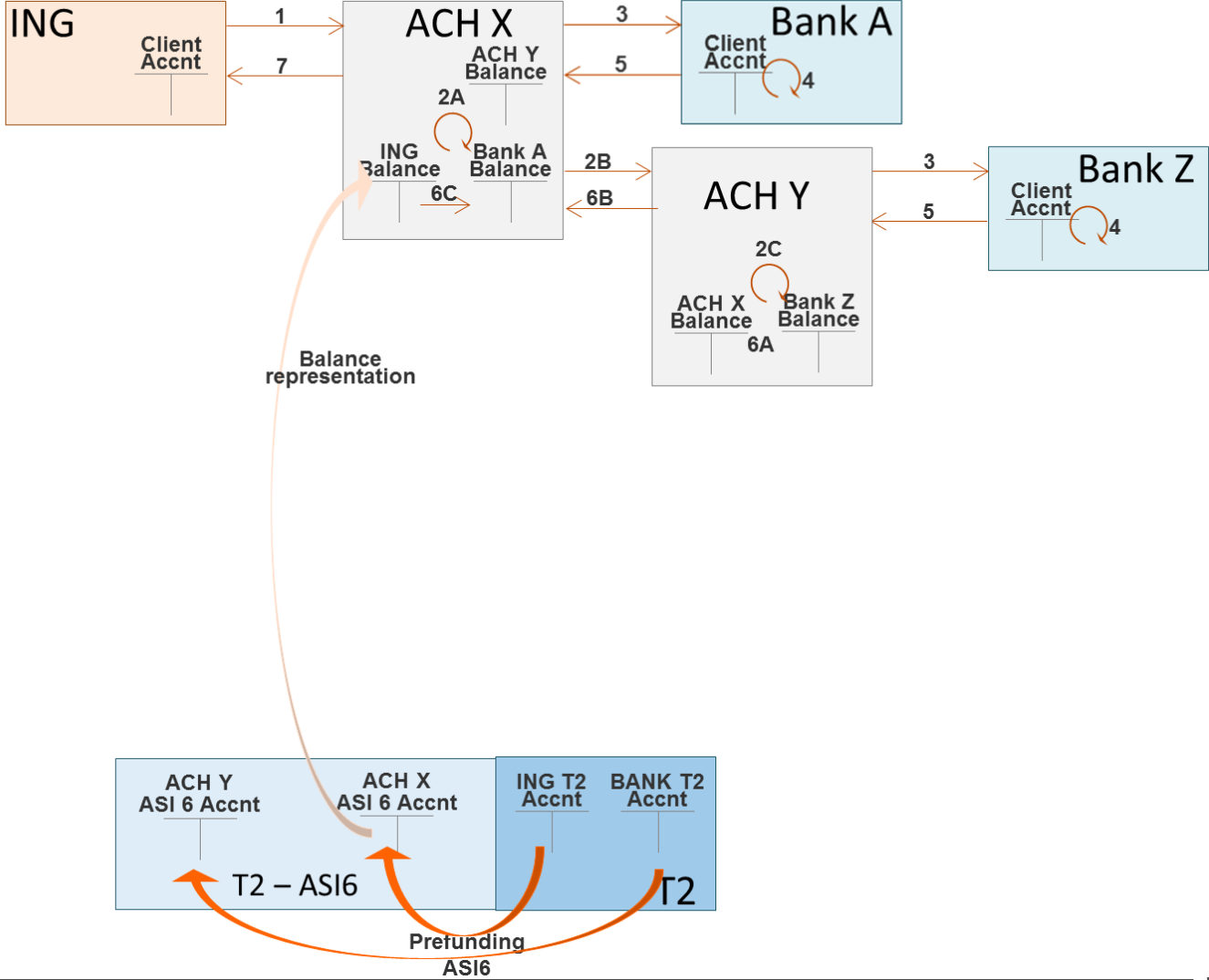
TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... Full interoperable ACH model?



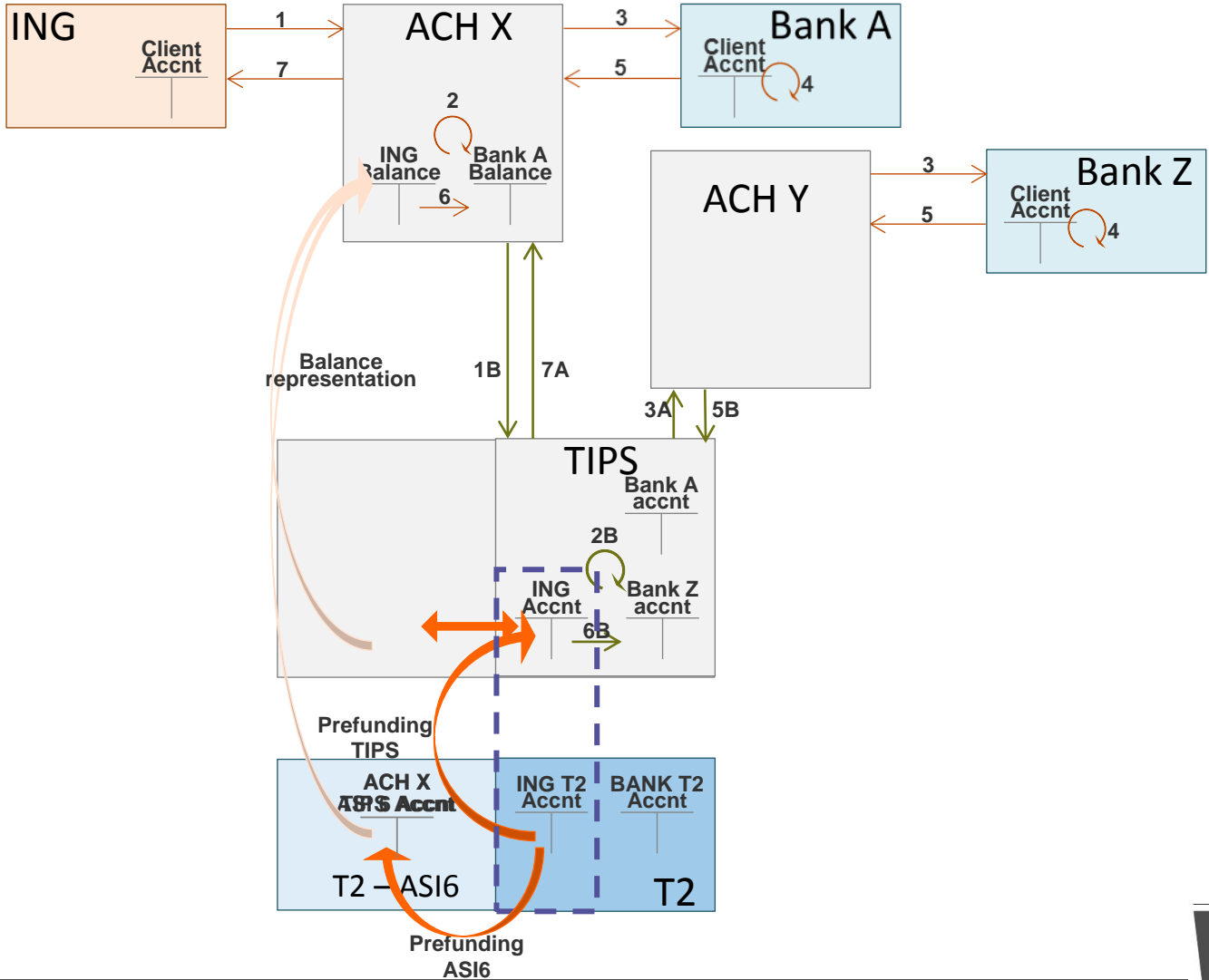
TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... Full interoperable ACH model?



TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... Integrated TIPS-ACH Model?



TIPS model & ACH Model

Is Co-Existence model a Migration path towards..... Integrated TIPS-ACH Model?

