

TARGET INSTANT PAYMENTS SETTLEMENT: PRINCIPLES AND HIGH-LEVEL PROPOSALS

1. Introduction

In the investigation phase, TF-TIPS shall define and specify the functional and non-functional user requirements for the TIPS service. Principles and proposals will be the basis for User Requirements

- Principles
 - Define the nature and scope of the TIPS service
 - Provide the general framework in which the proposals should be reviewed and commented on
- Proposals
 - The Task Force members are expected to review the proposals and provide their comments on appropriateness, completeness and relevance during the meeting
 - Current wordings do not indicate the final state: they are intended to serve as a starting point for discussions within the Task Force
 - Proposals serve as an entry point for defining and drafting the User Requirements of the TIPS service

2. Glossary

- **TIPS:** The new TARGET Instant Payments Settlement service
- **Direct/Indirect Participants:** Entities using the new TIPS service
- **Originator/Beneficiary:** The payer/payee of an instant payment order (generic term: **End-User**)
- **Third Party Providers (TPP):** Provider of payment initiation or account information services; neither direct nor indirect participants

3. Principles

- **Principle 1:** TARGET Instant Payments Settlement (TIPS) shall serve as a technical solution for providing instant payments settlement services to participants without the provision of clearing services

- **Principle 2:** The primary objective of TIPS is to provide efficient settlement services in euro; however the service shall be technically capable of settling currencies other than the euro
- **Principle 3:** TIPS shall settle exclusively in central bank money
- **Principle 4:** The settlements performed by TIPS shall be final and irrevocable
- **Principle 5:** TIPS shall allow operations up to 24/7/365 basis
- **Principle 6:** TIPS shall be a lean, harmonised and standardised pan-European system with common functionality across different countries and jurisdictions
- **Principle 7:** TIPS shall be open to participation from PSPs and ACHs which have access to TARGET2
- **Principle 8:** Participation in TIPS shall not be mandatory
- **Principle 9:** All eligible participants shall have equal access conditions to TIPS
- **Principle 10:** TIPS shall be based on the current ISO message standards and aligned with the SCT^{inst} scheme
- **Principle 11:** The Eurosystem shall take on the responsibility of developing and operating TIPS by assuming full ownership
- **Principle 12:** TIPS shall operate on a full cost-recovery and not-for-profit basis

4. Proposals

1. **Proposal Service 1:** There are two proposed business models
 - i. In the first business model, both the originator participant and the beneficiary participant interact with TIPS for the settlement of an instant payment instruction
 - ii. In the second model, the originator participant interacts with TIPS for the settlement of an instant payment instruction, whereas the beneficiary participant only receives a settlement confirmation after the settlement of the relevant instruction took place on TIPS
2. **Proposal Service 2:** TIPS shall support credit transfers (push payments)
3. **Proposal Participants 3:** RTGS rules for direct and indirect participation shall apply
4. **Proposal Account Structure 4:** Every participant may hold either one account or many accounts for the settlement of instant payments

5. **Proposal Settlement 5:** TIPS shall validate and settle payment instructions as soon as they are received; there will be no queuing or prioritisation
6. **Proposal Settlement 6:** TIPS shall settle fully, the beneficiary will receive the full amount in the originator instruction
7. **Proposal Settlement 7:** While TIPS shall be technically capable of settling currencies other than the euro, the amounts debited from or credited to the end-user accounts shall be expressed in the same currency
8. **Proposal Interface 8:** TIPS shall use ISO 20022 standards in payments processing and other interactions with its participants
9. **Proposal Interface 9:** TIPS interfaces shall allow only for application-to-application (A2A) interaction
10. **Proposal Interface 10:** Participants shall be responsible for providing tools for end-users to connect to TIPS
11. **Proposal Interface 11:** TIPS shall perform the authentication and authorisation of users
12. **Proposal Interface 12:** TIPS shall identify end-user accounts using IBAN
13. **Proposal Interface 13:** The technical connectivity to TIPS shall be network service provider agnostic with low latency and foresee that the connectivity could be established via different network providers
14. **Proposal Limits 14:** TIPS shall store maximum allowed amounts for each settlement currency as configurable parameters
15. **Proposal Liquidity 15:** Every participant will provide liquidity to its TIPS account (or accounts) from an account (or from different accounts) opened in a RTGS system. These accounts may not necessarily belong to the same participant
16. **Proposal Queries 16:** TIPS shall provide queries allowing participants to extract the status of the instant payment orders they submitted, the cash balances in their accounts and the status of the service
17. **Proposal Reports 17:** TIPS shall provide daily reports for data on all instant payment orders settled during the operating day of the corresponding RTGS system and data on all accounts where settlement took place during the operating day of the corresponding RTGS system
18. **Proposal Reference Data 18:** TIPS reference data shall comply with the relevant ISO standards, where applicable
19. **Proposal Billing 19:** TIPS shall provide detailed billable items raw data required for billing to the RTGS billing module

20. **Proposal Non-Functional 20:** TIPS shall ensure a value for Recovery Point Objective equal to zero
21. **Proposal Non-Functional 21:** TIPS shall ensure a value for Recovery Time Objective equal to 15 minutes
22. **Proposal Non-Functional 22:** TIPS shall provide an archiving facility for audit and law or regulatory requirements which stores the relevant settlement and reference data for a given period of time and allows TIPS participants to retrieve previously archived data upon request
23. **Proposal Non-Functional 23:** TIPS shall not offer non-repudiation for low-value payments
24. **Proposal Non-Functional 24:** TIPS shall support incoming payment instructions both as single messages and as bundles of messages
25. **Proposal Non-Functional 25:** TIPS provides raw data files on a daily basis