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Deliverable Name **TARGET Instant Payments Settlement User Requirements**
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No	Commented by	Page	Section	Requirement ID	Name	Comment
			<i>[Please provide a Section by the use of the 'drop-down' list]</i>	<i>[Please provide a requirement ID by the use of the 'drop-down' list]</i>		<i>[Please provide your input]</i>
1	ABI	0	General	General	General Comment	<p>Thanks to the efforts made by the EPC and the European PSPs after being urged by the Euro Retail Payments Board (ERPB) chaired by the ECB, a harmonised pan-European instant credit transfer scheme (SCT Inst) will be fully operational as early as the end of 2017. It has been created by the EPC at the request of the ERPB within a short period of time, more quickly than other similar projects in the past, to the benefit of consumers and businesses in SEPA.</p> <p>A substantial part of the Italian banking industry is intensively engaged in implementing activities in order to enable the exchange of SCT Inst payments from the launch of the new scheme, or in the months immediately following. While these works – including those relating to operations with the private clearing and settlement infrastructures (CSMs) – are proceeding apace, the TIPS project proposed by the ECB and the Eurosystem has made the context for strategic decisions more complicated for PSPs. Although it is easy to grasp the intentions behind the initiative, and the advantages that a settlement system exclusively in central bank currency would bring, the nature of TIPS as an alternative to private clearing services – as declared by Y. Mersch at Sibos in September 2016 "It is true that they are also alternative services (since instant clearing may replace the need for instant settlement and vice versa)" - raises new, unexpected issues for PSPs, during implementation.</p> <p>1. TIPS is designed to remedy the CSMs' possible low propensity to activate the interoperability links that are needed to cover the whole of SEPA. However, participation in TIPS is (rightly) optional for PSPs and therefore not even TIPS, in itself, can guarantee the participants full reachability of the PSPs joining the SCT Inst scheme. That is the case, unless an unusual regulatory intervention makes TIPS participation mandatory, or unless mechanisms are put in place (which are currently not envisaged among the TIPS user requirements) for the interoperability between TIPS and the CSM. As full reachability cannot be guaranteed, a patchy participation of the PSPs in the CSMs and/or in TIPS would force a PSP who is hoping to offer services throughout the whole of SEPA, to link to both a CSM and TIPS. This would fragment the planned or ongoing implementations, and will duplicate the investments. For SCT Inst ,PSPs would be forced to deal again with issues that the completion of SEPA allowed to overcome, and to directly bear the costs of non-interoperability. PSPs would have to manage two platforms in parallel, decide on the best way to route transactions to one platform or the other, monitor and supply liquidity with two different methods, carry out two sets of accounting reconciliations and so on.</p> <p>2. The programme for launch in 2018, which is later than the date for the SCT Inst scheme and SCT Inst-compliant CSMs, together with uncertainty about the number of participants, is already, understandably, leading to a "wait and see" attitude among the PSPs. The delaying and/or postponement of decisions by PSPs introduces another element of uncertainty about the sustainability of the business cases constructed by the PSPs themselves and by the ACHs, and may lead to a lower take-up of the scheme within SEPA. This would jeopardise the success of the project and the rapid diffusion of instant payments, which is in straightforward conflict with the ERPB and Eurosystem guidance mentioned above.</p> <p>In the light of these reflections, we consider that it would be preferable for the ECB and the Eurosystem, in their role as a catalyst of an integrated, innovative and competitive market for euro retail payments in the EU, to respond to the shared concerns about the lack of reachability of PSPs, by monitoring the interoperability among the CSMs. If the efforts made by the private operators proved to be insufficient to meet market needs, the CSMs should be encouraged to set up the links required to provide full coverage of the SCT Inst scheme in SEPA, as declared by Y. Mersch on 6 January 2017 ("In this regard, the Eurosystem encourages the industry to establish operational links between ACHs by the November 2017 deadline"). In this context, ECB and the Eurosystem could also consider planning and designing infrastructure tools and solutions that, when made available to the CSMs, would facilitate and enable full interoperability within SEPA.</p> <p>From the PSPs point of view, the attractiveness (and therefore the market demand for broader take-up) of participation in the SCT Inst scheme is also related to the availability of interconnection of P2P solutions which, based on experience, are the primary use case for instant payments. The implementation, which has been encouraged by the ERPB, of a standardised proxy lookup (SPL) service between the IBAN and the mobile phone number is therefore particularly important to this end. It is hoped that the ECB and the Eurosystem can act as an active catalyst in this area, so that a solution can effectively be made available concurrently with the operational launch of the SCT Inst scheme.</p>
2	ABI	1	1.1 BACKGROUND	General	General Comment	<p>In accordance with Principle 12, regarding full cost recovery, it is of primary importance to limit the cost of the TIPS service as far as possible. In this regard, we ask for clarification as to whether there will be any additional, one-off or recurring costs for the direct participants and reachable parties, beyond the cost-per-transaction in the range indicated in the executive summary</p>

3	ABI	2	1.4 GENERAL PRINCIPLES	General	General Comment	From reading this section, we deduce that TIPS will not be able to interoperate with other SCT Inst-compliant CSMs. We are aware that given the characteristics of TIPS it is difficult to apply the interoperability scheme between CSMs as enabled by the policies agreed between the clearing services operators and the ECB (common access policy, single model for risk mitigation and single settlement procedure) to the relationship between TIPS and the CSMs. However, a specific operational scheme should be identified so that interoperability between TIPS and the CSMs is enabled. For example, the CSMs may be allowed to open TIPS technical accounts, where they would be authorised to operate on behalf of the participants, and individual payments could be settled instantly, on a gross basis, among those technical accounts.
4	ABI	6	2.3 LIQUIDITY MANAGEMENT	General	General Comment	We ask for clarification as to the specific time of day when the snapshot of the TIPS accounts will be taken, in order to fulfil the minimum reserve requirement. The document refers to "at closing time of TARGET2" but it would be preferable to identify the cut-off time clearly.
5	ABI	13	3.2 PAYMENT PROCESSING	TIPS.UR.03.030	Business validation of payment transactions	We agree, in general, with the requirements as stated. However, we consider that the business control should also include a check of the scheme threshold – currently €15,000 – and any other threshold that can be freely agreed (in accordance with the EPC SCT Inst Rulebook) among the various groups of participants. It would be advisable for all the participants in the chain (payer's PSP, TIPS, beneficiary's PSP) to have this check carried out by TIPS, and that consideration is given to agreements that derogate from the SCT Inst scheme. The TIPS requirements should also include a commitment to support the definition and implementation of AOS among the participants that directly impact TIPS.
6	ABI	40	4.2 LIQUIDITY TRANSFERS	TIPS.UR.04.080	Liquidity transfers between RTGS accounts and TIPS accounts	If PSPs have to participate in a CSM and simultaneously in TIPS in order to optimise liquidity management, we request that transfers between the technical accounts held by the CSMs in T2 and the accounts of the TIPS participants (who are participants of the respective clearing system) are enabled. In other words, a TIPS participant must be able to credit or debit the TIPS account by drawing not only from its own RTGS account but also from the technical RTGS account of the CSM of which it is a member. We therefore propose the following amendment to the Requirement: "TIPS shall ensure that a TIPS Participant, or an authorised party acting on behalf of a TIPS Participant, is able to fund or defund liquidity from its TIPS account(s) from/to any RTGS technical account defined in the RTGS for the given currency".
7	ABI	47	5.2 ACTORS	General	General Comment	As the role of "instructing party" relates to the connection and communication between the TIPS system and a TIPS participant/reachable party, it would be more useful to use a name that is closer to its role (e.g. Technical Facilitator), as "Instructing Party" could be misunderstood.