



# Instant Payments

10th Conference on Payments and Securities  
Settlement Systems, Ohrid, 5-7 July 2017

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DeNederlandscheBank

EUROSYSTEEM



# Agenda



- Instant Payments
- Instant settlement vs Instant clearing
- Euro system TIPS Project
- Dutch IP Project

# Instant Payments

## Definition 1/2

Instant payments, or fast payments, are payments in which

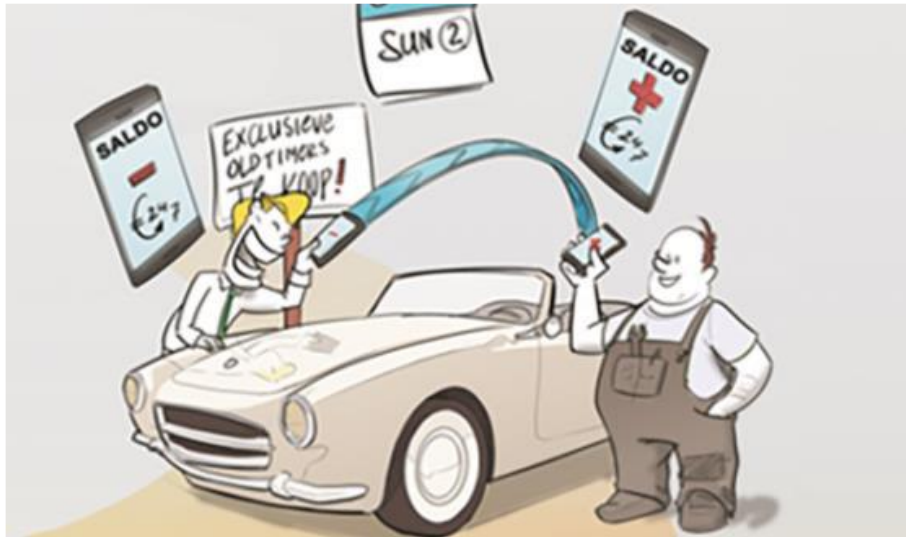
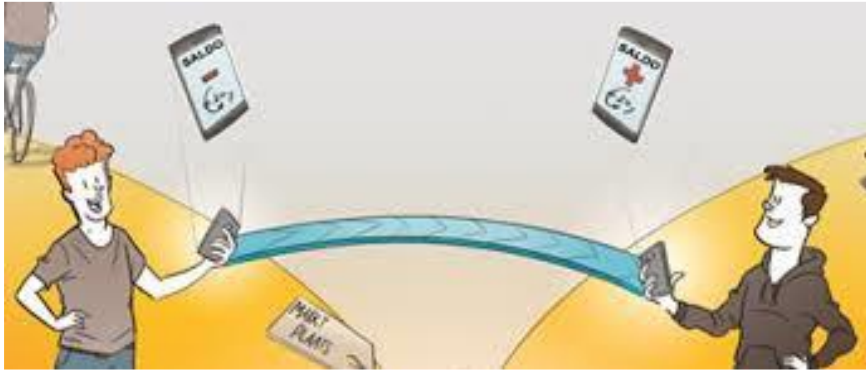
- the transmission of the payment message and
- the availability of the “final” funds to the payee occur in (near) real time
- on a 24 hour/7 days basis.

# Instant Payments

## Definition 2/2

### Differences from today:

- Moment of availability of the “final” funds
- Available on a 24 hour/7 days basis
  
- >> instant settlement
- >> deferred (net) settlement



# Instant Payments

## IP initiatives around the world

- Western Europe
- Sweden
  - United Kingdom
  - Finland
  - Denmark
  - Norway
  - Ireland
  - italy

Central & Latin America

- Brazil
- Chile
- Mexico
- Colombia

Africa

- Nigeria
- South Africa

Central & Eastern Europe

- Poland
- Switzerland

Asia Pacific

- India
- Japan
- Indonesia
- Singapore
- S-Korea
- Taiwan
- Australia
- Hongkong

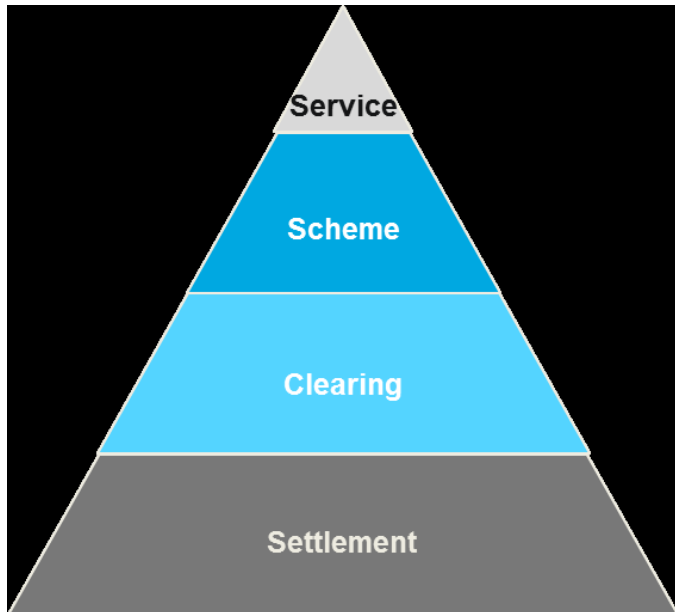
Middle-East

- Turkey
- Saudi Arabia



# Instant Payments

## EU status



1. Scheme layer:  
develop SCT Inst
2. Clearing layer:  
interoperability
3. Settlement layer:  
risk mitigation

# Agenda

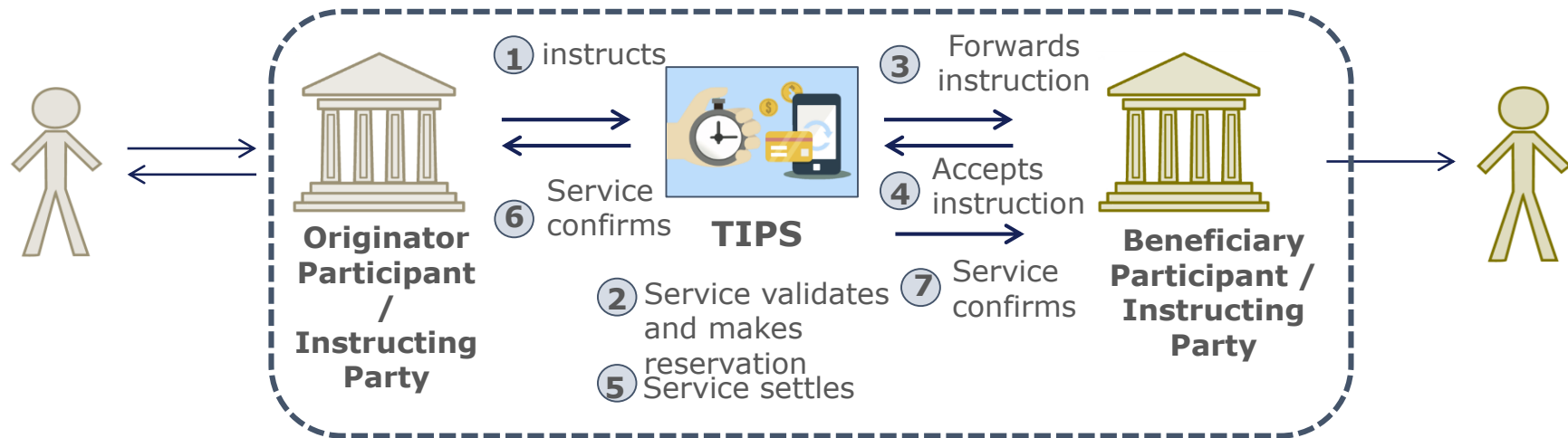


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# (TARGET) Instant (Payment) Settlement

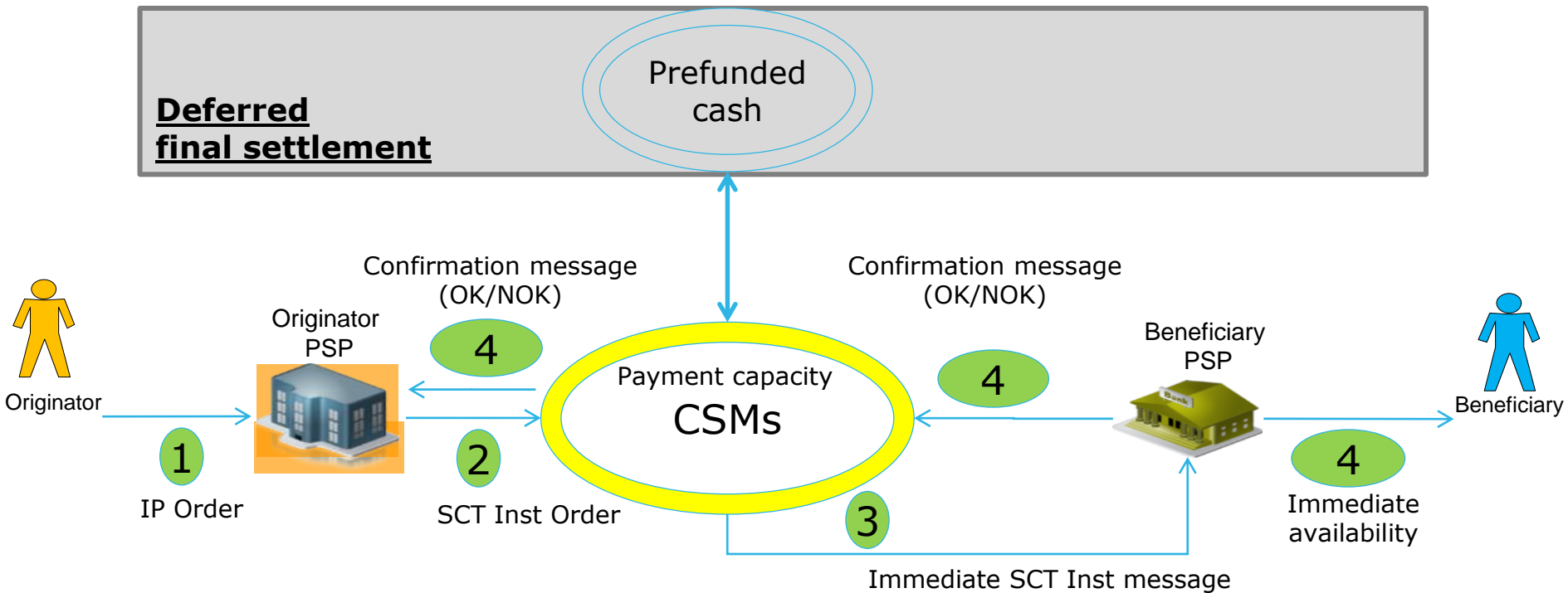
## Process flow



1. TIPS receives an instant payments instruction
2. TIPS validates and reserves the amount (conditional settlement)
3. TIPS forwards the instruction for acceptance to the beneficiary participant or the party acting on its behalf
4. TIPS receives a positive confirmation
5. TIPS settles the payment
6. TIPS confirms the settlement to originator participant or the party acting on its behalf
7. TIPS confirms the settlement to beneficiary participant or the party acting on its behalf

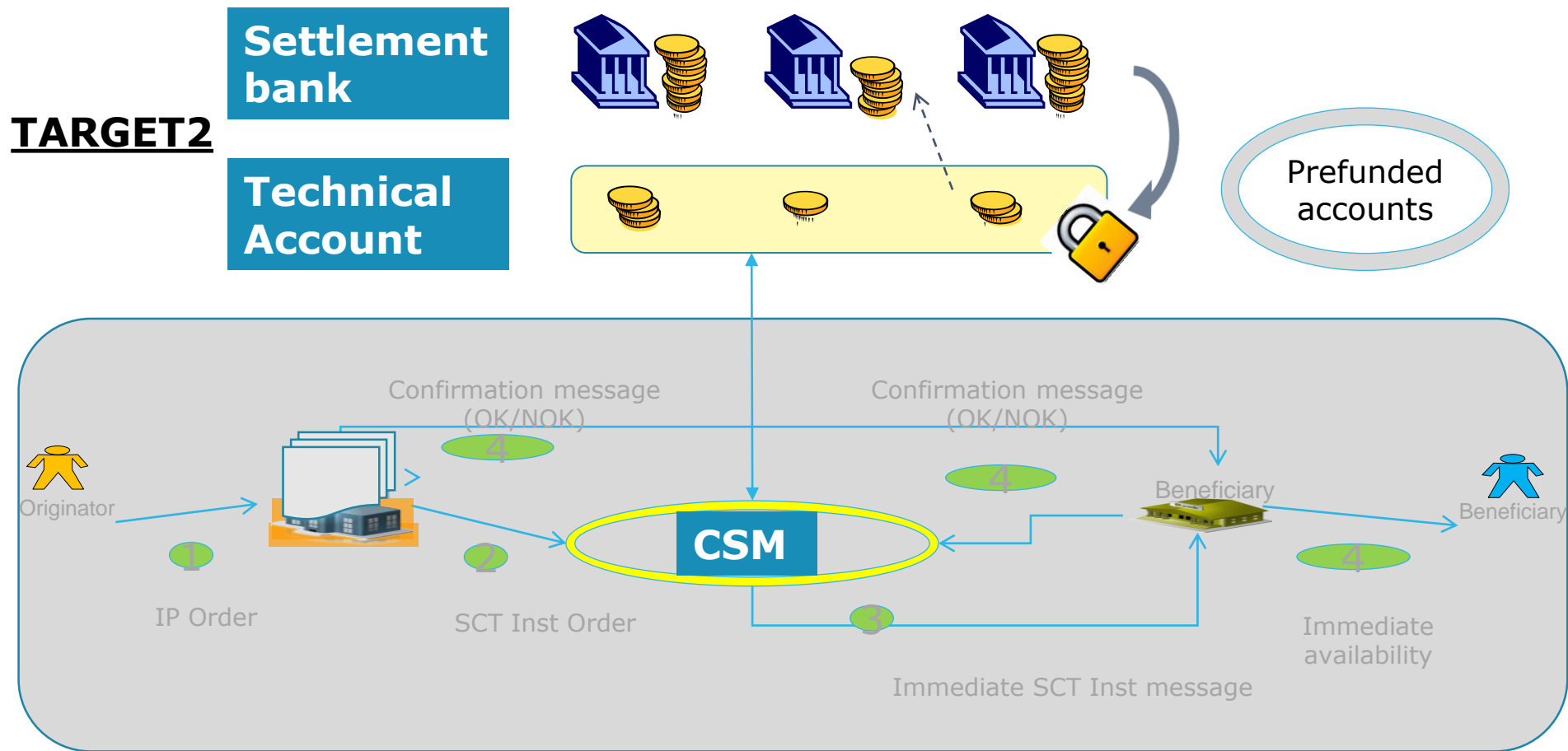
# Instant Payments via clearing

## Process Flow



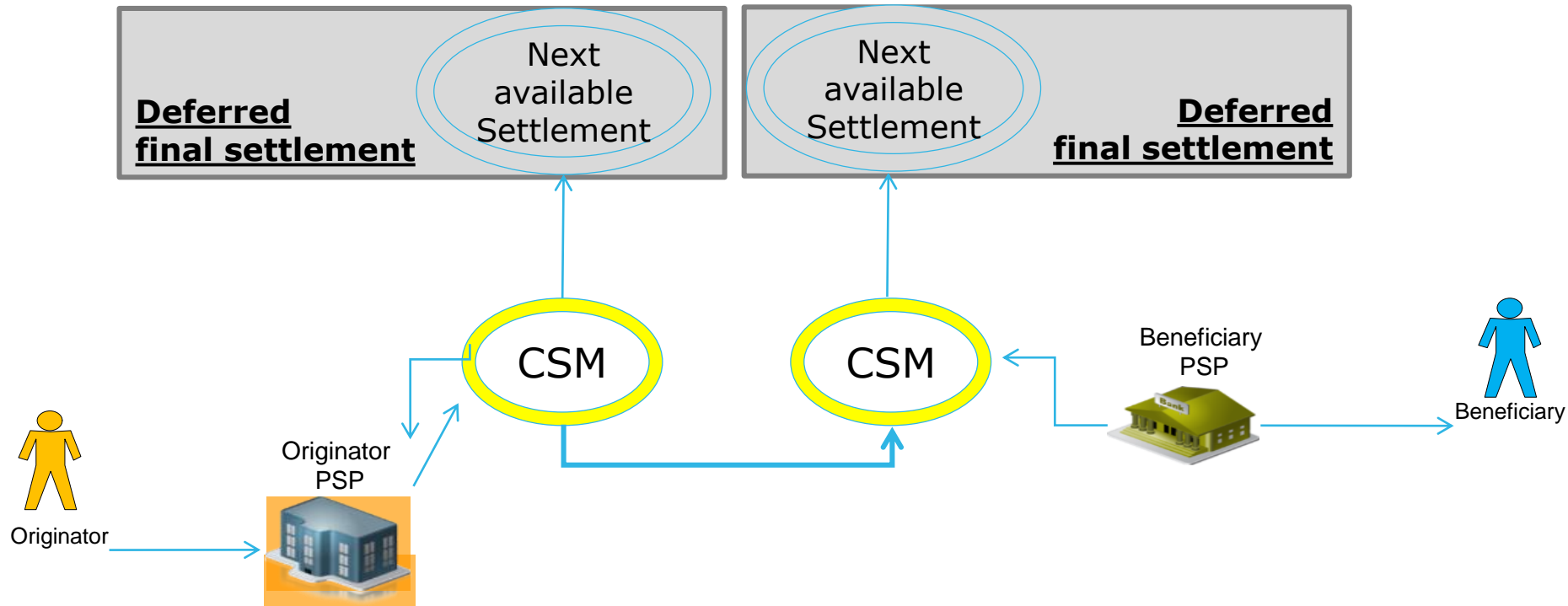
# Instant Payments: instant clearing

## Process Flow using ASI6 - RT



# Instant Payments

## Multiple CSMs



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# TARGET Instant Payment Settlement

- Decision of the Governing Council 22 June 2017
- TARGET2 will have to be upgraded in order to properly interact with TIPS from November 2018 onwards
- Several areas of TARGET2 would be affected:
  - *Liquidity transfers between TARGET2 and TIPS*
  - *End of day procedure alignment between TARGET2 and TIPS*
  - *Reserve Management (RM) Module*
  - *ICM screens*
- The go-live of TIPS will not affect the operating times of TARGET2, which remain unchanged

# TARGET Instant Payment Settlement

**SCT Inst - scheme compliant settlement services for participants to allow the transfer of funds instantly from an originator to the beneficiary**

- ✓ Routing services to forward the SCT Inst instructions from originator participant to the beneficiary participant
- ✓ Instant settlement of the SCT Inst instructions accepted by the beneficiary participant
- ✓ Immediate transmission of status messages after settlement
- ✓ Liquidity transfers between RTGS systems and TIPS using camt.050 messages

# TARGET Instant Payment Settlement

## Principles: foundation of the service



Same **participation criteria** as TARGET2



Instant payments settlement in **Central Bank Money**



**24/7/365**  
operating hours



Operated on a **full cost-recovery** basis



Supports participants to comply with **SCT Inst** scheme



**Multi-currency**  
technical capability

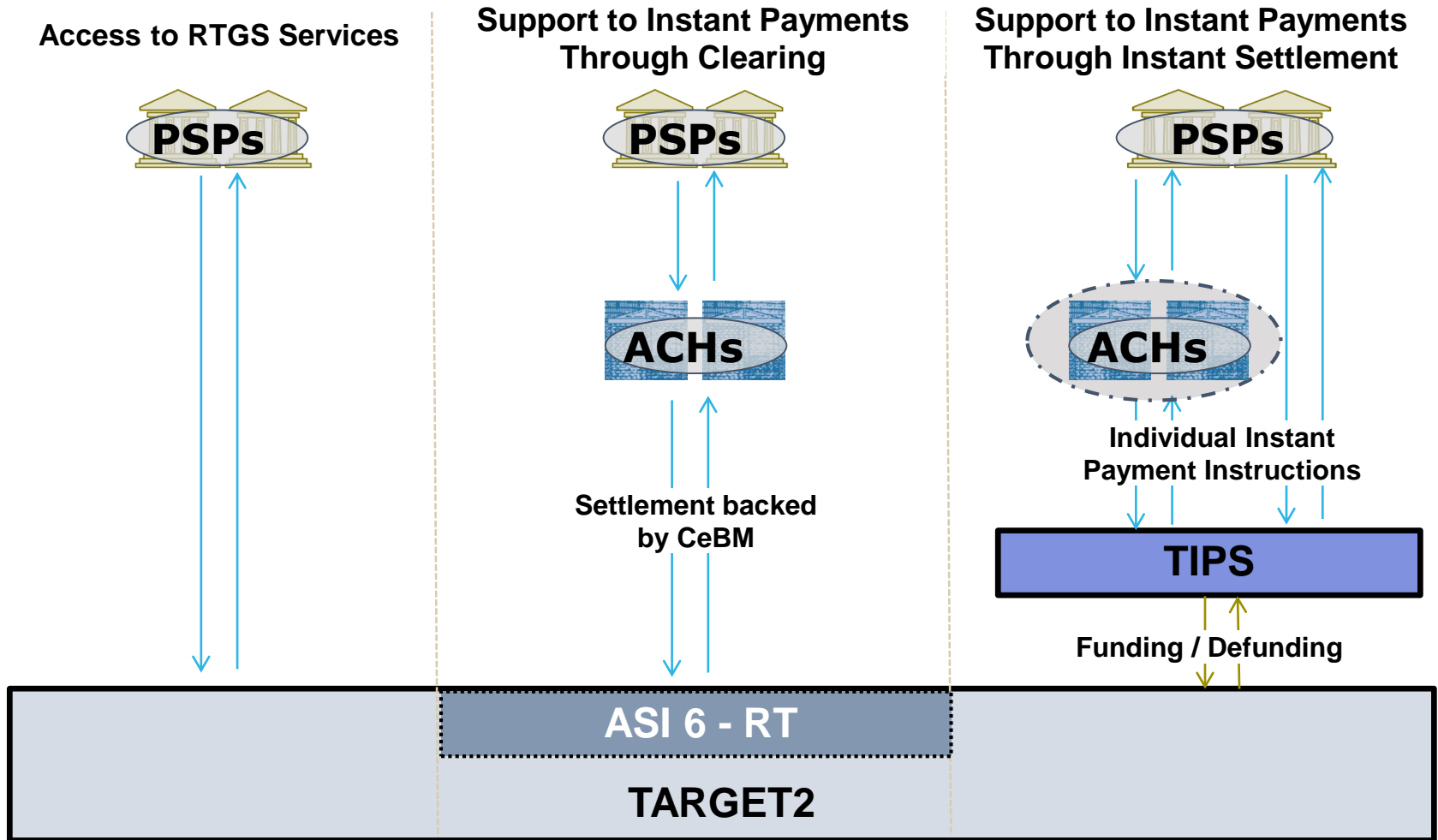


# Additional principles

- ✓ Technical solution for providing instant payments settlement services
- ✓ Offers final and irrevocable settlement
- ✓ Participation in TIPS not mandatory
- ✓ To be developed and operated by Eurosystem assuming full ownership
- ✓ Lean, harmonised and standardised pan-European service



# Co-existence of payment services



# Agenda

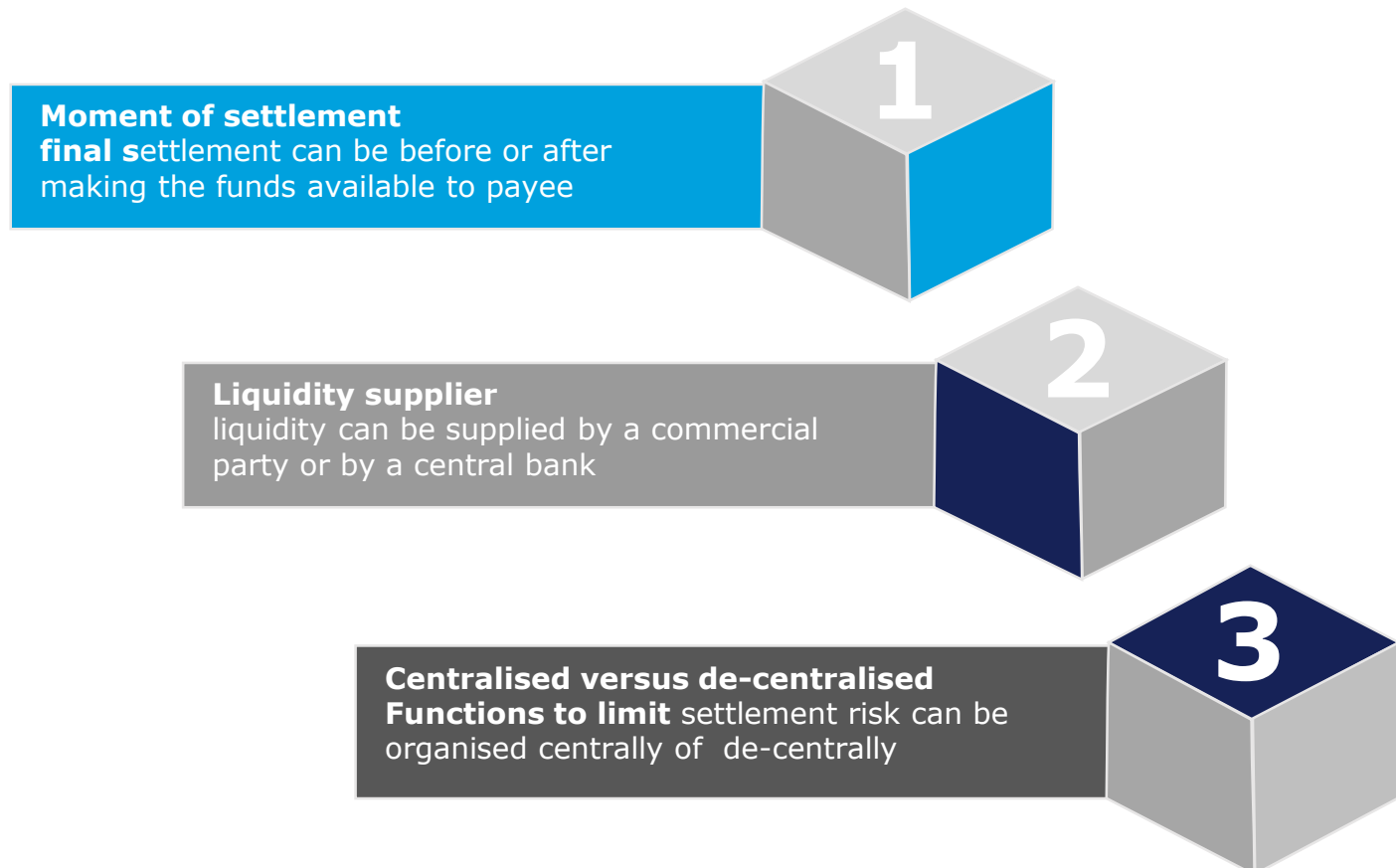


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# Instant Payments

# Dutch project

## Building blocks to choose a settlement model



# Instant Payments

# Dutch project

Criterion	Description
National ambition	<ul style="list-style-type: none"><li>The Dutch banking community formulated the following ambitions: (1) availability of funds within 5 seconds; (2) all year 7 days a week availability and (3) implementation within four years (so no later than 2019).</li></ul>
SEPA standards	<ul style="list-style-type: none"><li>The model must be able to process all (chosen) products via SEPA standards, fitting within the standards as described in the SEPA Rulebooks.</li></ul>
Safe, reliable, future proof	<ul style="list-style-type: none"><li>The model must be safe and reliable. Moreover, it must be secured that the model can even be used after 2019, e.g. scalable to specific volumes.</li></ul>
Level playing field	<ul style="list-style-type: none"><li>Every entity, fulfilling separately to be determined access criteria,, must be able to settle with comparable accessibility via this model.</li></ul>
European connection	<ul style="list-style-type: none"><li>The settlement model must be able to connect to or replaceable by a model that will be developed on a European level in due course.</li></ul>
Multiple clearing processors possible	<ul style="list-style-type: none"><li>The solution must be able to work with multiple clearing processors.</li></ul>
Development and running costs (including liquidity costs)	<ul style="list-style-type: none"><li>As far as possible a quantitative estimation of costs for development and exploitation of the model. Specific attention for any costs related to the provision of liquidity.</li></ul>
Settlement risk	<ul style="list-style-type: none"><li>A qualitative estimation of any settlement risk present (credit and/or liquidity risk) including the possibilities to mitigate or even eliminating those risks.</li></ul>

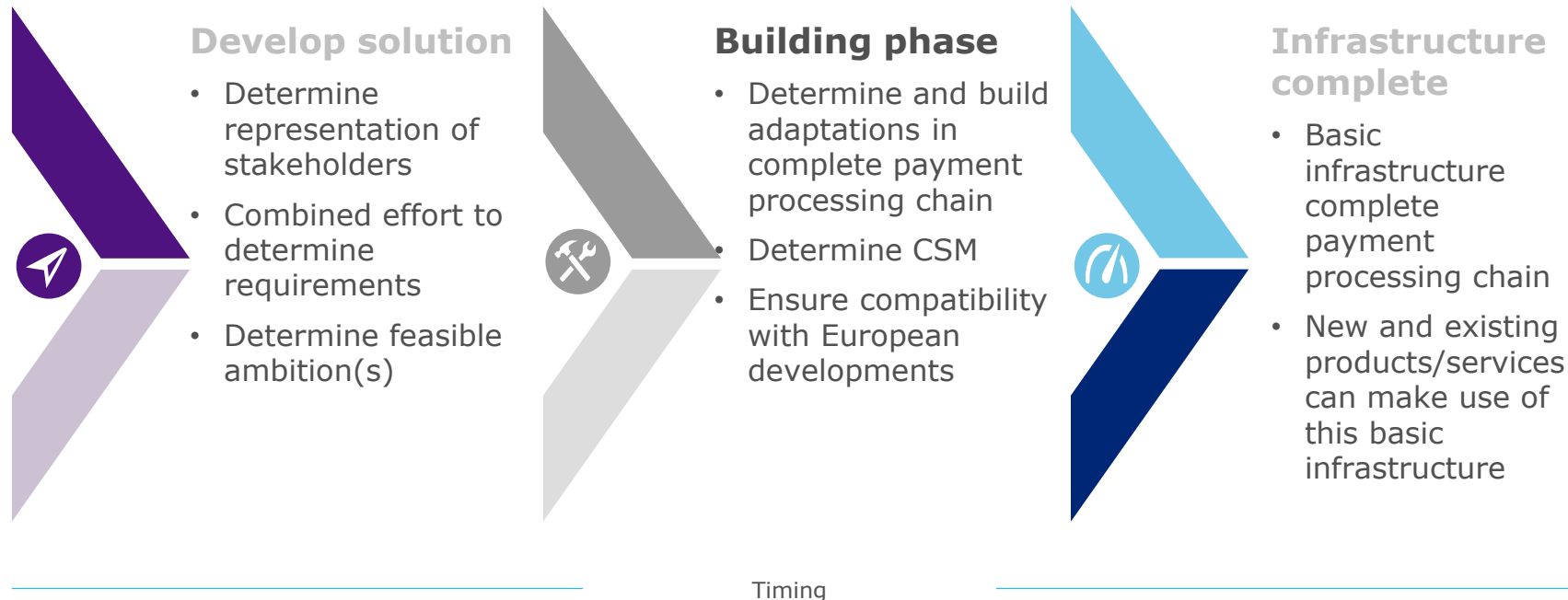
# Instant Payments

# Dutch project

Instant settlement	Deferred settlement
A system which could only be built by DNB	A system which can be built and/or supported by several parties
A system should fulfil specific conditions: e.g. PFMI Principle 9; ECB Oversight Regulation (designated system)	
No credit risk with instant settlement	There is a credit risk, because the beneficiary PSP makes funds available to the beneficiary before final settlement
	As a leading principle for participating PSPs, credit risk for the beneficiary PSP should be fully mitigated by collateral or cash
	Collateral has an opportunity cost, as a PSP can only use its collateral for one goal
During the processing of a payment transactions, the system should check the underlying limit. Reaching the limit will cause the payments to stop (liquidity risk). For both kinds of settlement a buffer is necessary: a higher settlement frequency will have a positive effect on the amount to be reserved for this buffer.	
There is an impact on the use of liquidity because of gross settlement of the payment transactions.	There is an impact on the use of liquidity because of the necessary buffer on top of the expected position to be settled.

# Instant Payments

# Dutch project



# Thanks for your attention

## Any questions?





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