

TARGET Instant Payment Settlement

CMB Limit Utilization Reset

TIPS Contact Group #7

Summary

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Introduction

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- A CMB limit in TIPS represent a payment capacity granted to a Reachable Party which can be modified either by updating the CMB limit or by increasing or decreasing liquidity by means of instant payment transactions.
- The current requirements and specifications do not envisage a functionality to reset the CMB limit utilization (e.g. on a daily basis).
- Upon request of some TIPS-CG members, some possible implementation options for a new functionality aiming at resetting the CMB limit utilization have been considered.

Overview of the potential implementation options

Option 1 – Automatic limit utilization reset

Option 1-A:

- When TIPS receives the End-of-Day trigger from the RTGS, it resets the limit utilization of all the CMBs denominated in the relevant currency (i.e. euro for T2).
- As a consequence, the headroom of each interested CMB is reverted back to the original value of the corresponding CMB limit.

Option 1-B:

- When TIPS reaches one of the point in time by when delta reports are generated (e.g. at 9:00 pm or at midnight), it resets the limit utilization of all the CMBs (regardless of their currency).
- As a consequence, the headroom of all CMBs in TIPS is reverted back to the original value of the corresponding CMB limit.

Option 2 – Limit utilization reset upon request

Option 2:

- At any time, a TIPS participant may submit to TIPS a CMB limit utilization reset request, either via A2A or U2A.
- The camt.011 message (and the TIPS GUI) would be modified in order to convey the above mentioned request, e.g. by using a new 'HDRM' limit type.
- With this approach, each TIPS participant may decide individually if and when resetting the limit utilization.

Option 3 – Automatic reset with opt-out option

Option 3-A:

- All CMBs in TIPS are initialized with a default setting that implies the automatic limit utilization reset (according to option 1-A or 1-B).
- At any time, a TIPS participant may decide to opt out by changing (in the local reference data of TIPS) the default setting of a given CMB so that it is not subject to the automatic reset anymore.
- The setting may be changed again later on, in case the TIPS participant decides to activate the automatic reset again.

Option 3-B:

- This option consists in implementing the opposite logic of option 3-A, i.e. to consider the exclusion of the CMB from the automatic limit utilization reset as default setting and to provide TIPS participants with an opt-in option.

Conclusions and proposed way forward

Conclusions and proposed way forward

- The presented options can be ranked, in terms of increasing complexity (and therefore implementation effort and cost), as follows:
 - Option 1-A
 - Option 1-B
 - Option 2
 - Option 3-A and 3-B
- From an architectural viewpoint, 4CB support option 2.
- Once the consensus within the TIPS-CG on the preferred option is reached, a new Change Request should be drafted and assessed by the 4CB.
- This first analysis of the different options confirmed this functionality may be implemented only after the go-live.