| Institution name | | Dutch Payments Association | [Please provide the name of your institution] |
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| Deliverable Name | | TARGET Instant Payments Settlement User Requirements | **How to use this document:** |
| Version No. | | final | 1 - Please fill in your Institution name |
| Document sent for review on | | 9 January 2017 | 2 - Select a Section for your comment |
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| 1 | Dutch Payments Association | 1 | 1.3 PROJECT SCOPE AND DESCRIPTION | General | General Comment | Last paragraph: The support of the Participants with respect to EPC SCT Inst compliance should also include any Additional Optional Services. Reference that these AOS's, to be expected, will be supported by TIPS is something that is missing in this paragraph. |
| 2 | Dutch Payments Association | 2 | 1.4 GENERAL PRINCIPLES | General | General Comment | Principle 1: According to the definition of clearing as provided in the glossary at the end of the document, the described services of TIPS also include a basic clearing service, hence this principle is partly incorrect. |
| 3 | Dutch Payments Association | 5 | 2.1 ACTORS | General | General Comment | The following phrasing seems to be missing namely that the TIPS service assumes that all Actors in TIPS must be compliant with the EPC SCT Inst scheme, at the required level (either as a adhering PSP or as a EPC compliant processor). A sentence along this line is now included in paragraph 2.4, but this seems out of place in paragraph 2.4 and better place in paragrpah 2.1. |
| 4 | Dutch Payments Association | 5 | 2.2 SETTLEMENT OF PAYMENT TRANSACTIONS | General | General Comment | Please make clear that when referring to Originator participant and Beneficiary participant, that this can also be a reachable party. |
| 5 | Dutch Payments Association | 5 | 2.2 SETTLEMENT OF PAYMENT TRANSACTIONS | General | General Comment | Diagram step 4 should state that TIPS receives either a positive or negative confirmation. Diagram step 6 should state that TIPS forwards the positive or negative confirmation to the originator participant (or reachable party/instructing party) |
| 6 | Dutch Payments Association | 5 | 2.2 SETTLEMENT OF PAYMENT TRANSACTIONS | General | General Comment | Diagram step 7: it is unclear if step 7 is only the confirmation of the settlement or also functional implementation of the technical confirmation of receipt of the confirmation message by TIPS Given that the latter is clearly out of scope of the EPC SCT Inst rulebook, and introductin should be avoided to limit costs, please be specific (reference to step 7 in 3.1) |
| 7 | Dutch Payments Association | 6 | 2.3 LIQUIDITY MANAGEMENT | General | General Comment | With regards to taking the snapshot for reserve requirement purposes a wider debate and agreement is needed within Europe on how to deal with IP in practice in relation to monetary operations and balance sheet management. In todays environment we have a commercial payment COT in T2 of 17.00 in order to allow banks to manage their position (balance sheet and reserve balance) between 17.00 and 18.00. Result is that any commercial payment af ter 17.00 is deemed to take place on the next value day. This situation will change as a result of the introduction of IP (as the technical COT wil disappear) and will need to be discussed and addressed in the European market. As such, it would be adviseable to remain flexible from a TIPS development perspective with regards to taking (or providing) a snapshot for reserve management purposes. |
| 8 | Dutch Payments Association | 8 | 3.1 OVERVIEW | General | General Comment | Step 2: at the end of the description: funds will be reserved. Add: 'on the originator participant account' |
| 9 | Dutch Payments Association | 8 | 3.1 OVERVIEW | Figure 1 | Payment process | Step numbers in this section do not match the steps in the high level process in section 2.2, this can cause some confusion. One of the steps 7 is actually step 4. |
| 10 | Dutch Payments Association | 8 | 3.1 OVERVIEW | General | General Comment | Step 5: The 'Beneficiary Participant reply message' is known as positive/negative confirmation, please use same terminology if this message of the EPC SCT Inst scheme is meant here |
| 11 | Dutch Payments Association | 8 | 3.1 OVERVIEW | General | General Comment | Step 6: When receiving the positive confirmation, and the CSM of the Beneficiary Bank has not rejected the transaction due to a time-out, I would not expect that at this point the transaction can still be rejected, especially if TIPS is technically only the CSM of the Originator Bank, it is not even allowed to reject the transaction for this reason! |
| 12 | Dutch Payments Association | 8 | 3.1 OVERVIEW | General | General Comment | Step 7: it is unclear if step 7 is only the confirmation of the settlement or also functional implementation of the technical confirmation of receipt of the confirmation message by TIPS Given that the latter is clearly out of scope of the EPC SCT Inst rulebook, and introduction should be avoided to limit costs, please be specific (reference to step 7 in 2.2) |

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| 13 | Dutch Payments Association | 8 | 3.1 OVERVIEW | General | General Comment | The description of the positive answer to a recall is not really clear, but the assumption is that TIPS does not create a new payment transaction, instead TIPS processes the Return message and uses the BICS from this message to determine the TIPS accounts or CMBs |
| 14 | Dutch Payments Association | 10 | 3.2 PAYMENT PROCESSING | General | General Comment | On the investigation message it is stated that TIPS provides a query that covers this functionality and not dedicated additional messages are defined. This is contrary to what the rulebook states, in which the scheme obliges the Beneficiary Bank and the parties in the Interbank Space to Instantly process the investigation and to respond as soon as possible to this investigation procedure. |
| 15 | Dutch Payments Association | 13 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.030 | Business validation of payment transactions | The description uses the word should, where it is assumed that 'shall' or 'must' needs to be used |
| 16 | Dutch Payments Association | 13 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.050 | Authorisation to send payment transactions | The description uses the word should, where it is assumed that 'shall' or 'must' needs to be used |
| 17 | Dutch Payments Association | 16 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.100 | Detection of blocked Originator Participant or Reachable Party account | It seems the word 'defaulted' is incorrectly used. |
| 18 | Dutch Payments Association | 16 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.120 | Timeout validation for payment transactions | Remaining point that it is not good to always reject transactions with a future time. Even though network time and processing time accounts for some time-lapse, it is never 100% sure that this is enough to counter a small variation in the time as maintained by the originator participant. i.e. deviation of 50 ms and networklag of 20 ms and processing of 20ms would still lead to a rejection. A small margin would be advisable, especially in a start situation where parties may still need to get adjusted to the new workings of the Instant payments |
| 19 | Dutch Payments Association | 10 | 3.2 PAYMENT PROCESSING | General | General Comment | The validation is missing that the transaction currency is in the currency in which TIPS operates (i.e. at the start in EUR) |
| 20 | Dutch Payments Association | 18 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.210 | Beneficiary Participant reply timeout | A reachable party can indirectly be connected to a Beneficiary participant. In case a Beneficiary participant acts both as TIPS account holder and as instructing party for this reachable party, by definition this Beneficiary participant is a CSM for the reachable party. This makes TIPS the CSM for the Originator Bank and therefore TIPS in this case would not be allowed to reject the transaction due to a time-out, as that is only for the CSM of the beneficiary bank to do, according to the EPC SCT Inst rulebook |
| 21 | Dutch Payments Association | 22 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.320 | Beneficiary Participant notification in case of a validation error | This requirement seems to indicate that a validation error of a positive/negative confirmation results in a negative confirmation to both the Beneficiary participant and the Originator participant. If this were to happen, chaos could occur, because when a Beneficiary participants knows that the positive confirmation has been received on time by the CSM of the Beneficiary bank, it is allowed to credit the beneficiary, whereas the originator will be informed of the failure |
| 22 | Dutch Payments Association | 22 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.340 | Un-reservation of funds on TIPS accounts due to rejection | Unreservation of funds is not allowed to happen if the Beneficiary participant already credited the beneficiary, as then the funds on the account of the Beneficiary are not covered in settlement |
| 23 | Dutch Payments Association | 23 | 3.2 PAYMENT PROCESSING | TIPS.UR.03.360 | Originator Participant notification in case of un-reservation of funds | This is a negative confirmation rather than a rejection message. |
| 24 | Dutch Payments Association | 32 | 3.4 INVESTIGATIONS | TIPS.UR.03.900 | Investigation functionality | This requirement does not make it clear whether TIPS will support the mandatory investigation messages as described in the EPC SCT Inst rulebook |
| 25 | Dutch Payments Association | 38 | 4.2 LIQUIDITY TRANSFERS | General | General Comment | In this section various detailed processes are described with regards to liquidity transfers to and from TIPS. However, it is not clear how it is safeguarded that an 'in transit' liquidity transfer could result in liquidity being lost around the time when the reserve amount balance snapshot takes place. F.e. a transfer out of TIPS was taken out of the balance in TIPS, but could not be applied in T2 in time at the moment the snapshot for the reserve balance is taken (and the return message to TIPS did not result yet in re-applying the balance in TIPS). |
| 26 | Dutch Payments Association | 43 | 5.1 OVERVIEW | General | General Comment | The description of the participation model clashes with the ECB statements on CSM interoperability. Based on the definitions of clearing and settlement in the glossary and the definition of the TIPS system, TIPS needs to be categorized as a CSM, therefore TIPS should allow access to the service to CSMs, without the need to register their participants as participant within TIPS. Furthermore as central banks are allowed access to TIPS and TIPS accounts and some central banks perform a CSM function for their community, this challenges the level playing field in the CSM market, where central banks are provided with more options by the ECB than other CSMs |
| 27 | Dutch Payments Association | 59 | 5.4 REFERENCE DATA | TIPS.UR.05.360 | Eleven digit BIC | 8 digit BIC's in SCT Inst transactions should be allowed and be recognized by the TIPS system |

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| 28 | Dutch Payments Association | 70 | 7.3 QUERY NAMES | TIPS.UR.07.080 | Payment Transaction Status Query | The described functionality does not match the rulebook requirements, furthermore the TIPS payment transaction reference may not be known by the Originator Participant and therefore there would be no way for initiating such query |
| 29 | Dutch Payments Association | 76 | 8.3 A2A MESSAGES | TIPS.UR.08.150 | Beneficiary Participant Status message | The time-out of a beneficiary participant reply is something that has not been described before and therefore it is unclear what is meant here. If this is the case of a rejection due to time-out of the SCT Inst transaction by the CSM of the beneficiary bank, then the dataset DS-03 is defined for this in the rulebook. In any case it is best to stay as close to DS-03 as possible |
| 30 | Dutch Payments Association | 76 | 8.3 A2A MESSAGES | TIPS.UR.08.160 | Confirmation message | The confirmation of settlement to the Beneficiary participant is explicitly out of scope of the rulebook and should not be introduced here. Please make a clear split between the confirmation of settlement and any optional service that TIPS wishes to provide to interested participants (reference to 2.2 and 3.2 step 7 remarks). |
| 31 | Dutch Payments Association | 83 | 9.2 LIST OF PARTICIPANTS | TIPS.UR.09.100 | List of Participants in TIPS | The update fequency of this list does not match with the update frequency of the partipant register in TIPS, which can be updated within 24 hours. The list of participants should always be able to reflect the current status of TIPS, so either the list should be available  more frequently or updates should happen less quick. |
| 32 | Dutch Payments Association | 84 | 10.1 AVAILABILITY | TIPS.UR.10.030 | Planned downtime | The requirement as currently listed should be explicitly split in two:<br>- emergency situations, where a clear description of what an emergency situation entails is required.<br>- planned downtime to allow for software updates: we would expect the TIPS service to cater for 99.9% availability inclusive of unplanned (and planned) down time, to ensure that no downtime takes place at peak times and is generally limited to an absolute minimum. Current market experiences are in place that already cater for such limited planned downtime, these quality standards should be the target for the TIPS service so as to safeguard the end user experience. |
| 33 | Dutch Payments Association | 88 | 10.7 VOLUMETRIC ASSUMPTIONS | TIPS.UR.10.120 | Instant payments processing throughput | Indicative timelines are missing as to how quick scalability of the system can be ensured, should the TIPS service participants grow to more than the current listed volumetric assumptions. |
| 34 | Dutch Payments Association | 88 | 10.7 VOLUMETRIC ASSUMPTIONS | TIPS.UR.10.130 | Instant payments execution time | The current execution time requirement is considered insufficient to support the EPC SCT Inst scheme which aims to deliver the service in 10 seconds end to end (i.e from originator to beneficiary and back). The 99% within 5 seconds should be reduced to the market practice and standard of 99.8% within < 1.5 seconds in order to deliver an acceptable qualitative customer experience to the market. (99% would indicate that 1% of all transactions takes place much longer than 5 seconds at the TIPS service, therefore likely to be rejected due time out and as such every 1 out 100 transactions is rejected. While the SLA may be deemed acceptable for the wholesale or securities market, such an SLA would be considerer  'underperforming'  and  be perceived as a step back  in the retail payments market, difficult to explain to consumer organisation and other end-user bodies. It would sincerely damage the innovation the ECB is trying to achieve. |
| 35 | Dutch Payments Association | 89 | 10.9 SERVICE DESK | General | General Comment | Further attention should be given to Service desk availability especially with regards to the 'on-call service' provided  during outside standard hours and especially during weekends and T2 closings days. Good support is key given the IP volumes are mainly expected outside standard T2 hours. Furthermore it is not detailed what the different service levels are. |
| 36 | Dutch Payments Association | 90 | 10.10 CLOCK SYNCHRONISATION | TIPS.UR.10.200 | Clock reference | It is not specified how fequent allignment is to the atomic clock time and what the maximum allowed variation is until such synchronisation takes place |