



Workshop on Instant Payment Regulation and Liquidity Management



Commerzbank Tower, Kaiserplatz, 60311 Frankfurt am Main
18.09.2024, 11am – 1pm



1. Welcome

Andreas Biewald

2. Results of Slido Questionnaire

3. Presentation on Instant Payment Regulation

Stefanie Plagemann

4. Discussion

5. Wrap up


Andreas Biewald



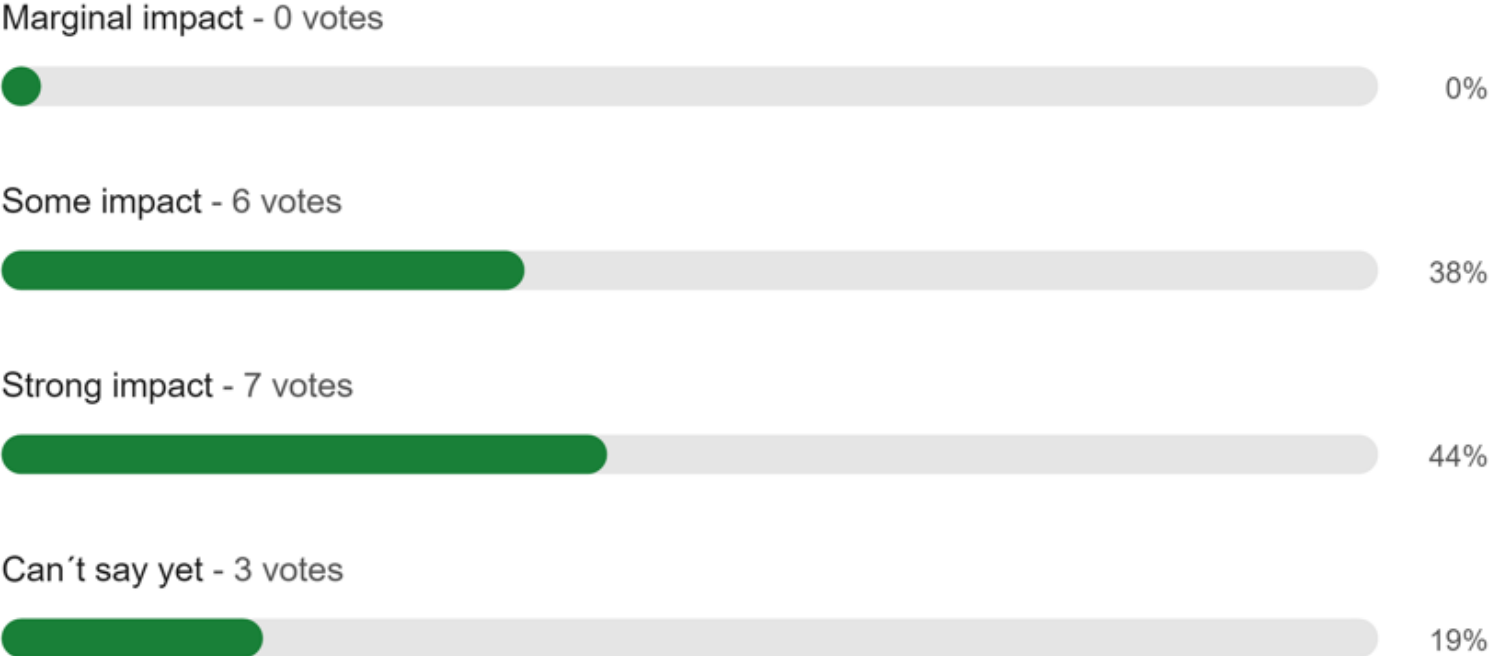
Agenda

Results of Slido Questionnaire



 Upcoming Instant Payment Regulation (IPR): How do you see the impact for Treasury departments with regards to Liquidity Management?

Multiple Choice Poll  16 votes  16 participants



Results of Slido Questionnaire



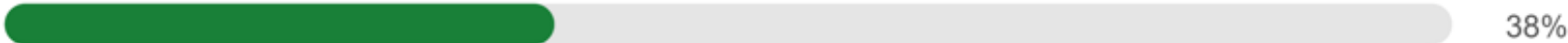
How is Treasury involved in your internal implementation process for IP Regulation?

Multiple Choice Poll 16 votes 16 participants

No involvement - 2 votes



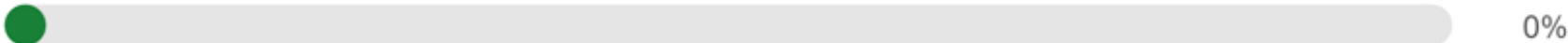
Some involvement - 6 votes



Part of the decision-making process - 8 votes




Leading role and driving the process - 0 votes

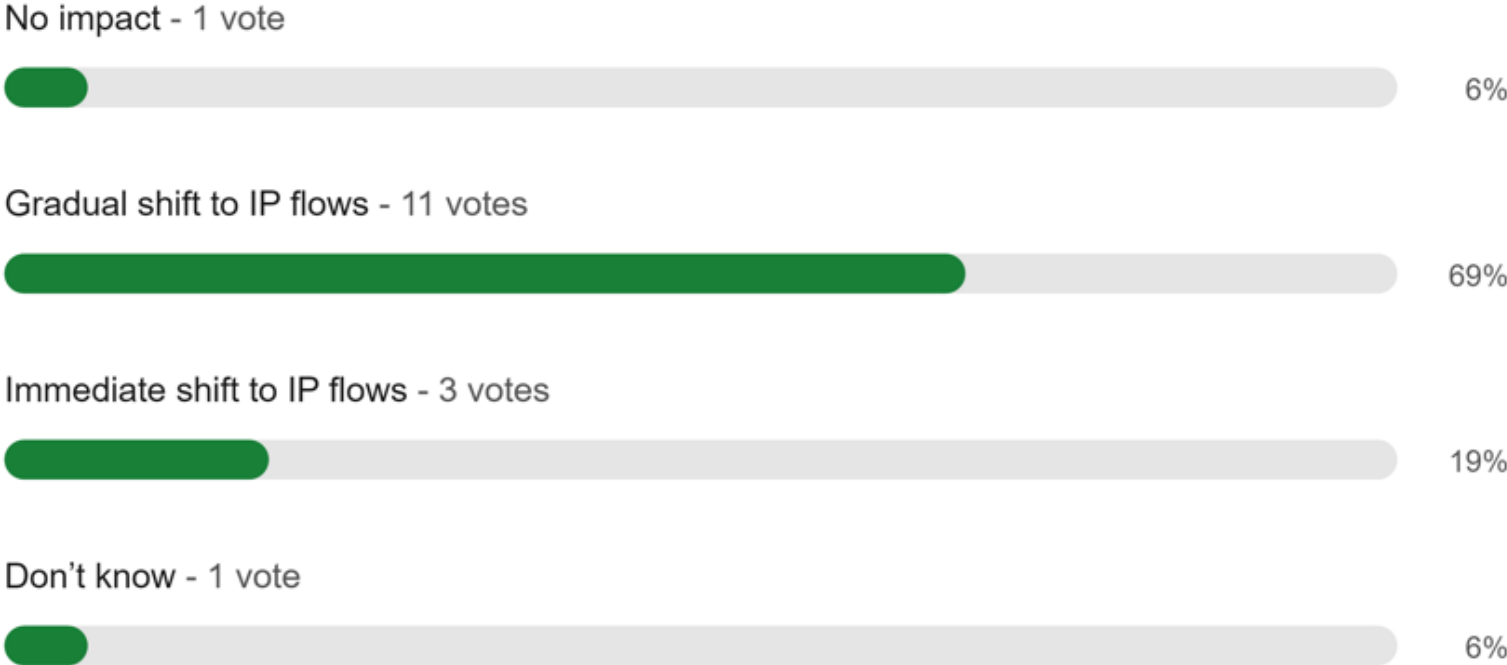


Results of Slido Questionnaire



 How do you assess your customer's appetite for Instant Payments once IPR is live in October 2025?

Multiple Choice Poll  16 votes  16 participants

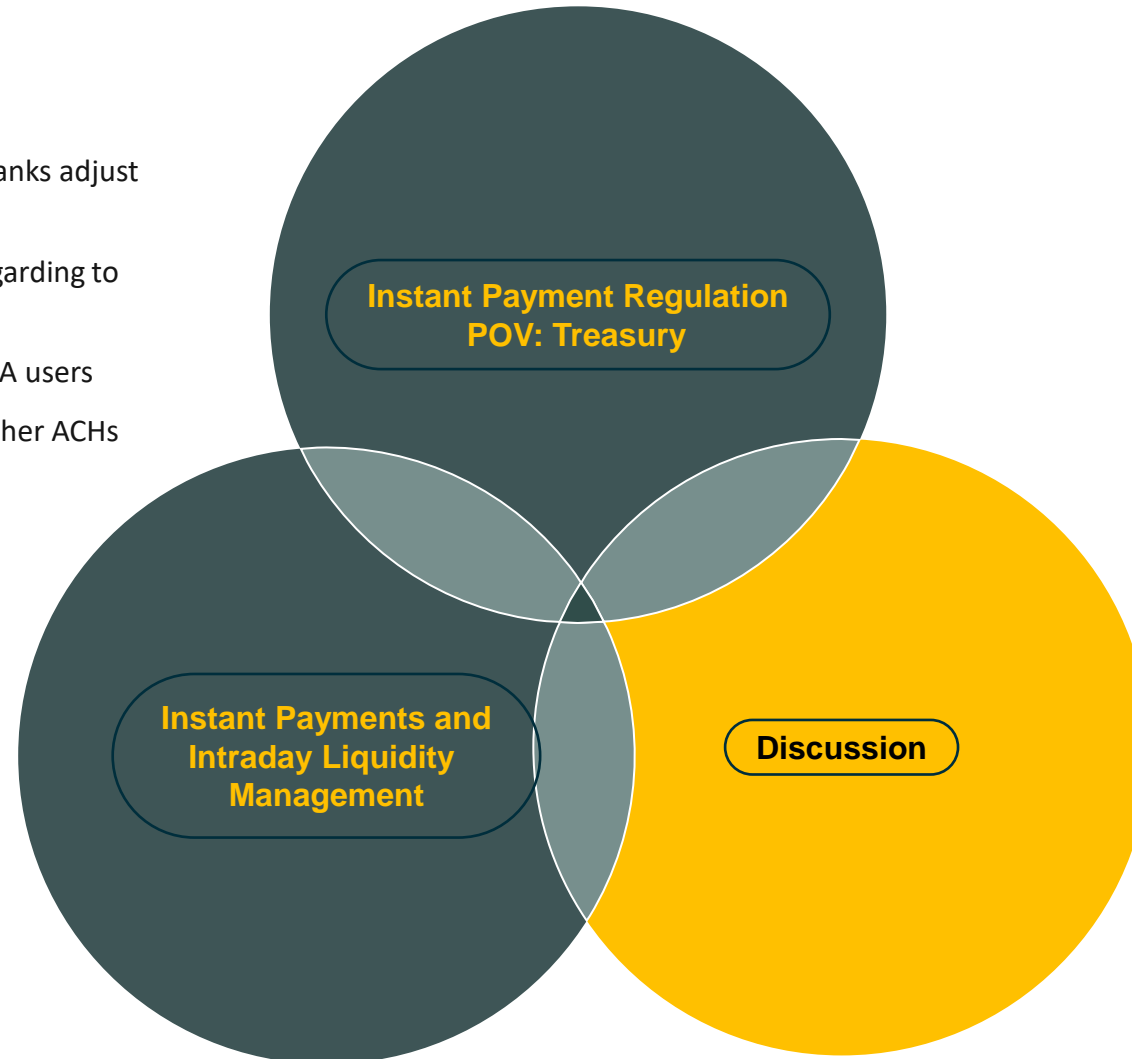




Slido: Is there any aspect of IPR which you particularly would like to see covered in the workshop?

- Customers choices and Banks choices - will Banks adjust control of routing towards IP ?
- Estimates on future volumes in particular regarding to corporate clients (CCU Payments).
- Key drivers supporting IP adoption within SEPA users
- Participants' views on Strategic positioning other ACHs vs. TIPS.

- Automatic remuneration beyond minimum reserve requirement
- Liquidity fragmentation and operational burdens (ECB accounts)
- Overnight and weekend account balance and buffer handling



- Management of intraday liquidity risks across 24/7, non-clearing days (regulatory support ?)
- Forecast Management
- Costs related to necessary liquidity buffers
- 24/7 problem on value dating

Slido: Workshop expectations – keyword





Instant Payment Regulation POV: Treasury

Stefanie Plagemann, Commerzbank Tower, Frankfurt,
18 September 2024

Legal background

Instant Payment Regulation (IPR)

The Instant Payment Regulation proposed by the European Commission was adopted by the European Parliament and the Council on 13 March 2024. It will make instant payments fully available in euro to consumers and businesses in the EU and EEA countries.

PSPs located in the euro area will be required to provide a payment service of **sending instant credit transfers in euro by 9 October 2025** and a payment service of **receiving instant credit transfers by 9 January 2025**.

- Link to the IPR:
 - [Regulation - EU - 2024/886 - EN - EUR-Lex \(europa.eu\)](#)
- Q & As on IPR implementation:
 - [Clarification of requirements of the Instant Payments Regulation - European Commission \(europa.eu\)](#)



Instant Payment Regulation: Nothing to do if you already offer instant payments?



Receiving instant payments



Our customers are already receiving instant payments

- via TIPS and/or
- via other ACHs

Sending of instant payments



We already send instant payments

- via TIPS and/or
- via other ACHs



Why you still need to pay attention to the Instant Payment Regulation:

- The IPR comes with several **additional requirements** which will have significant impact on the funding of TIPS and other Instant Payment System accounts in euro.



Instant Payment Regulation: Impacts on the liquidity management of Instant Payment accounts

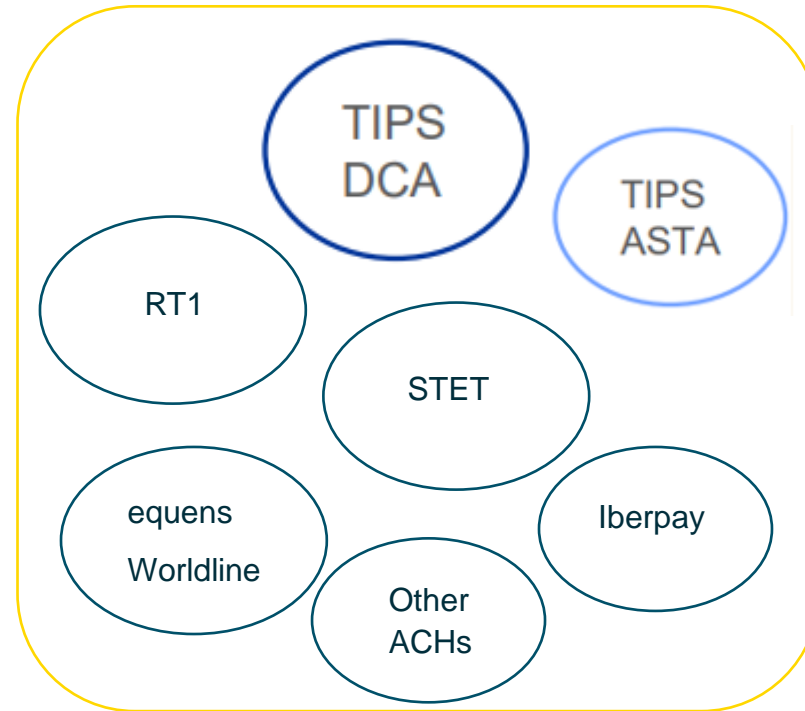
(((€)) Increase in volume

- Same price for instant and regular SEPA credit transfers/payments
- All customer facing channels need to offer IP (online banking, mobile banking, branches)



Corporate Customer Decisions

- Bulk payments via IP
- Customer in- and out-flows outside TARGET T2 operating hours
- Instant Payments are 24/7/365



Increase in value

- No more transaction limits for instant payments!



Internal decisions

- Implementing Customer's Choice: Deciding on the default setting
- Switching to IP only for certain products?
- Future use of SEPA CCU (Customer Credit Transfer Urgent) payments /same day SEPA urgent payments?
- ...?

Internal IP routing decisions can have the most significant impact on future liquidity management!



Backup



Q&A: Offer only instant credit transfers



4. Question (Article 5a(1) IPR)

We would appreciate the confirmation that the Regulation does not require a transfer in euro to be made specifically as an instant payment, but the customer still has a choice (SEPA, T2, SCT Inst.)? What will be the primacy of the provisions of the IPR over the provisions of the SEPAR, which also forces payments in euro to be directed to SEPA?

Answer

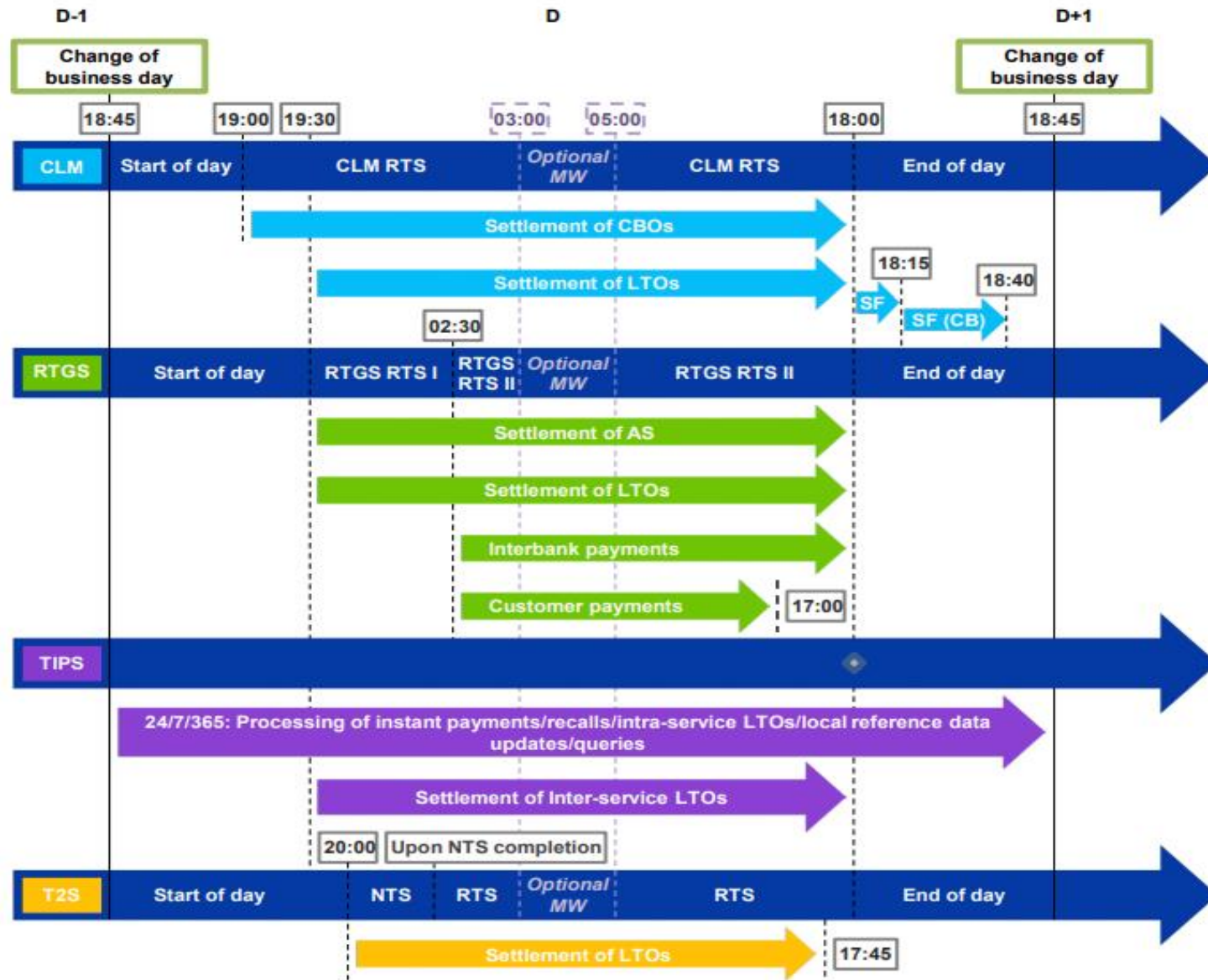
The IPR amends the SEPAR, so there is no hierarchy whatsoever between the provisions already laid down in the SEPAR and those that will be inserted into the SEPAR by the IPR. The amendment (via the IPR) to the SEPAR does not oblige PSPs to offer instant credit transfers only. It merely requires PSPs to offer their PSUs the payment service of sending and receiving instant credit transfers in euro if they offer their PSUs the service of non-instant credit transfers. Where both types of credit transfers are offered, PSUs can freely decide what type of credit transfer in euro they prefer to use. Also, it would not be contrary to the IPR if a PSP decided to offer only instant credit transfers in euro without offering regular credit transfers in euro.



Instant Payments and Intraday Liquidity Management

ECB Money Market Contact Group 12.06.2024

Operational Days - TARGET Services



Status Quo



- Currently no remuneration for MCA and DCA accounts
- Liquidity has to be distributed to where it is needed (MCA \Leftrightarrow DCAs)
- Active monitoring via treasury liquidity management throughout the whole day
- Manual liquidity transfer orders for pooling liquidity in MCA
- Standing orders help to automate distribution of liquidity (Currently used for RTGS and T2S)
- Complex EoD procedures needed in order to achieve remuneration of reserves via standing facilities
 - EoD Snapshot in TIPS is taken around 18:05
- Active minimum reserve steering via internal calculation (TIPS DCA, RTGS DCA, T2S DCA, MCA)
- Active standing facilities usage for optimising surplus liquidity above minimum reserve requirements
 - Transfer to overnight deposit between 18:00-18:15 is only possible from MCA account
- Change of business day at 18:45
- Return of overnight deposit at start of day
- Liquidity transfers from MCA to TIPS start at 19:30 (No TIPS funding between 18:00 and 19:30 possible!)



Consequences of current set-up



- Complex and time critical procedures towards every end of day, especially on last day of minimum reserve period
- Operational risk due to technical or human errors
- Reputational risk in regards to Nonfulfillment of Minimum Reserve Requirements
- Lack of liquidity for TIPS between 18:00 – 19:30 when liquidity is moved into overnight deposit
- Inconsistent treatment of funds (remuneration) in national Instant Payment Systems (e.g. STET, IBERPAY, RT1, etc.) versus funds in TIPS
 - Disadvantage in TIPS from an economical point of view
 - Zero remuneration on TIPS vs Deposit Facility Rate (ESTR from 01.12.24) on ASTA (Ancillary System technical accounts)
 - Funding of ASTA account from TIPS DCA 24/7 vs. funding of TIPS DCA from T2 only during T2 business hours



- Remuneration and minimum reserve calculation directly on MCA and all DCAs
- Avoiding complex and time critical end of day procedures
- Efficient intraday liquidity steering via choosing TIPS as main source of liquidity
- Availability of CB liquidity wherever it is needed (24/7)
- Solving competitive disadvantage (TIPS DCA vs ASTA (Ancillary System technical accounts))
 - Zero remuneration on TIPS vs Deposit Facility Rate (ESTR from 01.12.24) on ASTA
- **Establishing procedures equivalent to what was state of the art in negative interest environment**
 - Charging negative Deposit Facility Rate over all DCA accounts automatically
 - See TARGET Guideline Article 12 Remuneration of Accounts: [CL2022O0912EN0020010.0001_cp 1..1 \(europa.eu\)](https://www.europa.eu/press-room/media/306124/en/target-guidelines-12-remuneration-of-accounts)
- Unlimited availability of Central Bank money via TIPS 24/7/365
- Future source of liquidity for digital Euro funding and defunding via bridge from TIPS DCA
- Future source of liquidity for Private Sector DLT initiatives, aiming for on chain wholesale payments
- Increased Instant Payment volumes (no transaction limit for single transaction) leading to higher CB cash needs in TIPS
- TIPS will become the central funding source in the TARGET Services during non T2 business hours/days (MCA=>TIPS DCA)





Conclusion

The **automatic aggregate calculation** of reserve requirements and the **automated (calculated) remuneration** of the deposit facility are low hanging fruits in making banks' liquidity management more efficient and secure

The ECB is committed to **efficiency and innovation**, and **removing this “sand in the wheels”** seems to be a low hanging fruit which would save significant costs to banks and strengthen the liquidity architecture offered by the Eurosystem to the financial system

The **less favourable remuneration of TIPS disincentivise** settlement in central bank money, despite the general preference for the latter also expressed by central banks (e.g. from financial stability perspective)

Remuneration of Accounts according to the TARGET Guideline



Article 12

Remuneration of Accounts

1. MCAs, DCAs and sub-accounts shall either be remunerated at zero per cent or at the deposit facility rate, whichever is lower, unless they are used to hold any of the following:

- (a) minimum reserves;
- (b) excess reserves;
- (c) government deposits as defined in Article 2, point (5) of Guideline (EU) 2019/671 of the European Central Bank (ECB/2019/7) ⁽²⁾.

In the case of minimum reserves, the calculation and payment of remuneration of holdings shall be governed by Council Regulation (EC) No 2531/98 ⁽³⁾ and Regulation (EU) 2021/378 (ECB/2021/1).

In the case of excess reserves, the calculation and payment of remuneration of holdings shall be governed by Decision (EU) 2019/1743 of the European Central Bank (ECB/2019/31) ⁽⁴⁾.

In the case of government deposits, the remuneration of holdings shall be governed by the provisions relating to those government deposits as set out in Article 4 of Guideline (EU) 2019/671 (ECB/2019/7).

2. Overnight balances held on a TIPS AS technical account or on an RTGS AS technical account for AS settlement procedure D, and guarantee funds, including those held on an AS guarantee fund account, shall be remunerated at the deposit facility rate.

TARGET Guideline

[CL2022O0912EN0020010.0001_cp 1..1 \(europa.eu\)](#)

Remuneration of AS technical Accounts

Change from DFR to ESTR from December 2024



[ECB confirms remuneration ceiling for euro area government deposits and adjusts remuneration of other non-monetary policy deposits \(europa.eu\)](#)

Exceptions will apply particularly for non-monetary policy deposits held in TARGET for guarantee funds and prefunded accounts by financial market infrastructures (FMIs) domiciled in the European Economic Area (EEA). These deposits will be remunerated at the €STR. The Governing Council considers these exceptions necessary given the relevance of these deposits for the smooth operation of payment systems and financial stability in the euro area.



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