

PROPOSAL FOR A NEW T2/TIPS
INTEREST CALCULATION &
REMUNERATION METHOD

AMI-PAY

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AGENDA

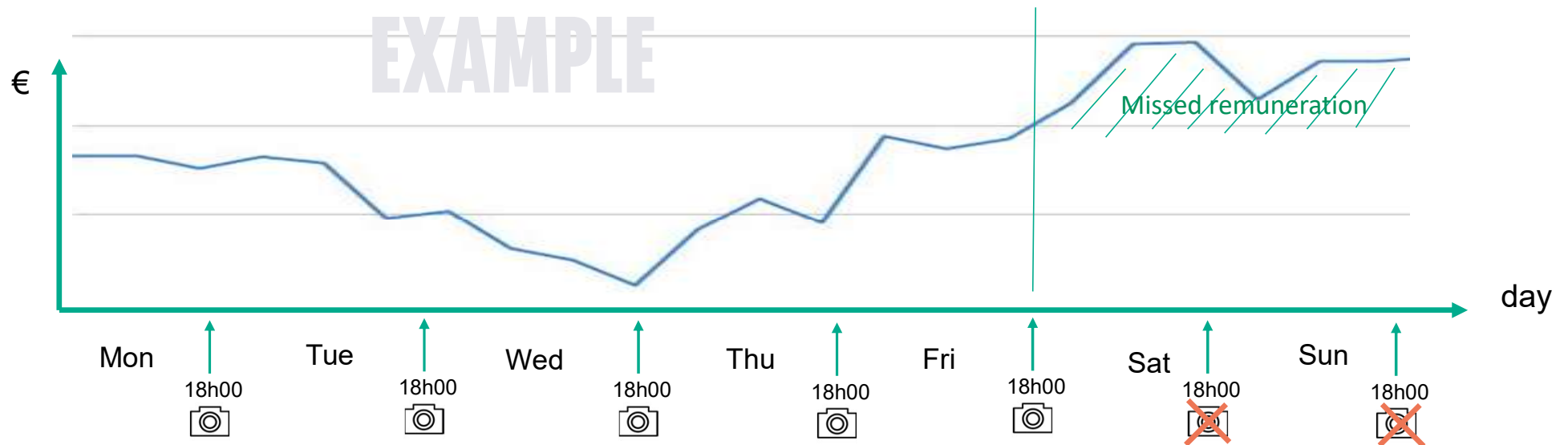
- The current T2/TIPS Interest calculation method.
- The PSD2 requirements.
- The current mismatch of the interest remuneration method
- Rationale of the current interest calculation & the need for change
- Proposal



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THE CURRENT T2/TIPS INTEREST CALCULATION METHOD



- The current interest remuneration is based on the balance in the TIPS account at 18h00 of the T2 opening days.
- There are no snapshots taken at 18h00 of the T2 closing days
Ex. Variations in the balance during the T2 closing days are not taken into account until the end-of-day of the first next T2 opening day.
- This was a logic principle given the fact there was no interbank activity on the central bank accounts during the T2 closing days.
- However, since the launch of TIPS and SCTinst this is no longer a reality.

THE PSD2 REQUIREMENTS

Banks have to comply with the PSD2 for the value dating of transactions on the client accounts, typically by the articles 83§2 and 87.

IMPACT:

- Transactions need to be booked on the clients' account the same day as it arrives in the books of the bank.

Art.87 "...Member States shall ensure that the credit value date for the payee's payment account is no later than the business day on which the amount of the payment transaction is credited to the payee's payment service provider's account..."

- Transactions are always immediately booked on the clients' bank account with as value-date the same date as the booking-date. As from this moment the funds do start to produce interest.

Art.83 §2 "...Member States shall require the payment service provider of the payee to value date and make available the amount of the payment transaction to the payee's payment account after the payment service provider has received the funds in accordance with Article 87..."

The Proposal of the Commission of 26/10/2022 amending Regulations (EU) No 260/2012 and (EU) No 2021/1230 as regards instant credit transfers in euro reads in article 5a (d):

"...after having received an instant credit transfer, they shall immediately make the amount of that transaction available on the payee's payment account...."

CURRENT MISMATCH IN INTEREST REMUNERATION

- The issue is the non-alignment between the T2/TIPS account remuneration and the PSD2 value-dating obligations that commercial banks must respect vis a vis their clients.
- When transactions happen during a T2 closing day (such as during the week-end) the ECB does not remunerate the credited funds on the T2/TIPS account, the remuneration only starts after Monday 18h00 when the next T2-snapshot is taken.
- TIPS-SCTinst Bene-banks do miss interest remuneration on T2 closing days.
and the other way around:
TIPS-SCTinst Debtor banks do receive an interest remuneration on funds they do no longer have
- This is not a fair principle and may hinder transactions, certainly the larger ones.

RATIONALE OF THE CURRENT INTEREST CALCULATION METHOD AND THE NEED FOR CHANGE

THE CURRENT INTEREST CALCULATION METHOD

- The current value dating model was agreed after some AMI-Pay meetings in order to have at the launch of SCTinst “something reasonable” at the start up;
- It was not a ‘real solution’ but a good decision at the time of the go-live of real time payments;
- At that time the amount of the transactions was still limited to 15.000€ max and there was no volume.

THE NEED FOR CHANGE

In the meantime, the situation has profoundly changed and it is time to reconsider the calculation method.

- The SCTinst volumes in Europe have already increased up to 12% of all SCT;.
- The max. amount has been raised to 100.000€ and are reconsidered regularly by the EPC;
- The interest rates are going up again.

PROPOSAL

The proposition towards the ECB:

- To take 'intermediary pictures' of the T2/TIPS accounts on Saturday and Sunday evening and any other T2 closing day;
- To calculate at the end of the month a 'fair' interest remuneration of the banks' T2/TIPS accounts, taking into account the balances of the 30/31-days of the month instead of the current 22-picture-days.

It is NOT requested from the ECB to open on T2 closing days, neither to open its T2-books on T2 closing days.

THANK YOU !



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