

Change Request form

General Information (Origin of Request)		
<input checked="" type="checkbox"/> User Requirements Document (URD) <input checked="" type="checkbox"/> User Detailed Functional Specification (UDFS) <input type="checkbox"/> User Handbook (UHB) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Eurosystem	Institution: ECB	Date raised: 28/04/2024
Request title: Enhanced Linked Transaction (LKT) settlement model for cross-currency in TIPS		Request ref. no: TIPS-0065-URD
Request type: Change Request		
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter – Stakeholder impact: Medium	
3. Operational impact: High	4. Financial impact parameter: High	
5. Functional/ Technical impact: High	6. Interoperability impact: High	
Requestor Category: ECB	Status: Registered	

Reason for change and expected benefits/business motivation:

The current change request focuses on the enhancements of cross-currency feature, i.e. the implementation of the so called “*Enhanced Linked Transaction*” (LKT) settlement model that primarily exploits the currencies hosted in TIPS.

The enhanced LKT settlement model aims at reducing the complexity for the involved Entry/Exit-leg PSPs, that no longer need an “out-of-band” orchestration of the payment, while contemporarily (i) guarantees that the payment is instant end-to-end and (ii) offers certainty of the delivery of the funds to the ultimate beneficiary. Thus, the enhanced LKT represents a more sophisticated model for TIPS hosted-currencies compared to the basic cross-currency features introduced within the CR TIPS-0064-URD (“Adaptation of TIPS for the settlement of cross-currency transactions (based on OCT Inst scheme)”).

Furthermore, the usage of this new settlement model can also be extended to an inter-CSM scenario, by relying on an harmonised protocol for the adaptation of the existing Instant Payment Systems (IPS) interfaces while keeping the technical complexity relatively low.

This change request shall rely, to the maximum extent possible, on the ISO20022 message specifications and the application logic being rolled out in the context of the CR TIPS-0064-URD.

Description of requested changes:

The change request shall introduce a new settlement model in TIPS to support a more effective management of end-to-end cross-currency transactions. The envisioned technical solution primarily copes with the scenario of TIPS hosted currencies while contemporarily shall pave the way for future establishment of bilateral and/or multilateral links with external Instant Payment Systems connected to TIPS.

The enhanced LKT settlement model processes a cross-currency payment by means of two transactions (i.e. mono-currency legs), the former between the Originator PSP and an Exit-leg PSP (in the currency of the originator), the latter between an Entry-leg PSP and the Beneficiary PSP (in the currency of the beneficiary). When processing a cross-currency payment, TIPS shall ensure that the two relevant transactions are technically settled in an atomic way, i.e. following the concept of “all transactions are settled or none of them is settled”.

This shall be guaranteed by some internal communication steps between the components of the TIPS platform (e.g. the TIPS euro and non-euro component¹) each one delegated to the linked settlement of the corresponding mono-currency leg.

Regardless of the model used for identifying the exchange rate to be applied for the payment, the selected exchange rate is included in the cross-currency payment message sent for settlement by the Originator PSP and it is checked and validated by the Entry/Exit-leg PSPs during the settlement process. For this reason, TIPS shall not perform any check or validation on the exchange rate.

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Besides the settlement and investigation flows, that are already part of TIPS-0064-URD, no business cases such as (i) the recall request and (ii) positive/negative recall answers will be taken into consideration in the current CR. If necessary, a new CR will cover any additional business case deemed compulsory for a fully-fledged set of instruments for the management of abnormal scenarios.

It shall be possible for a participant to opt-in/opt out the enhanced LKT settlement model based on a configuration parameter.

Moreover, for any pair of TIPS hosted currencies, it shall be possible to decommission² the usage of the TIPS-0064-URD and rely on the more efficient cross-currency solution after the roll out of the current CR.

From a billing perspective, each sub-transaction falling under the enhanced LKT settlement model shall be charged separately according to the same policy rules in place for the corresponding domestic flow.

TIPS GUI shall be adapted to guarantee that authorised users can easily access the cross-currency transactions information (e.g., such as the mono-currency linked transactions, FX-rate, intermediaries involved, etc.) for operational activities and reconciliation.

Submitted annexes / related documents:

Proposed wording for the Change request:

High-level description of Impact:

Impacts on other projects and products:

Outcome/Decisions:

¹ Similarly, a cross-currency payment can be triggered within the same component (e.g. the non-euro component) between two different currencies (e.g. DKK and SEK).

² Prior to implementation of TIPS-0065 a cross-currency payment between two TIPS hosted currencies, e.g. EUR and SEK, shall be handled following the model proposed with TIPS-0064-URD (i.e. settlement of the two sub-transactions is managed in sequence, one after the other). As of the implementation of TIPS-0065-URD, it shall no longer be possible to use the old model for any combinations of the TIPS hosted currencies, by setting up an ad-hoc configuration.