



EUROPEAN CENTRAL BANK

EUROSYSTEM

Value dating TIPS DCA in T2 non-business days

AMI-Pay Meeting

7 December 2023

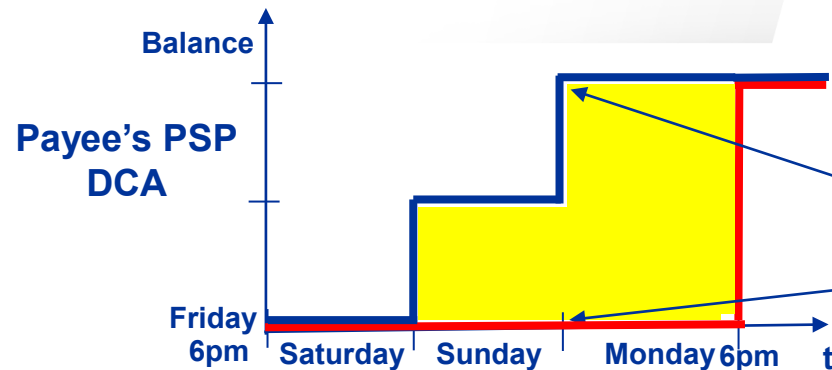
ECB – DG MIP/Market Innovation and Integration



TIPS accounts book entries are value-dated in T2 business days only

- TIPS updates the availability of funds in TIPS accounts 24/7 but a T2 non-business day (for instance, a Saturday) cannot be the value date of transactions settled in a TIPS account that day.
 - Snapshots of balances are not taken in T2 non-business day. This affects the remuneration/interests of TIPS accounts
 - The interest calculation and the fulfilment of Minimum Reserve on T2 non-business days are coherent with the monetary policy framework
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- ❖ In December 2022, a member of AMI-Pay proposed an alternative approach: snapshots of DCA balances and value dates every day of the year; interest calculated on 30/31-days of the month.
 - ❖ Some members supported conducting further analysis of this possible alternative noting however the need to carefully assess its potential impact.

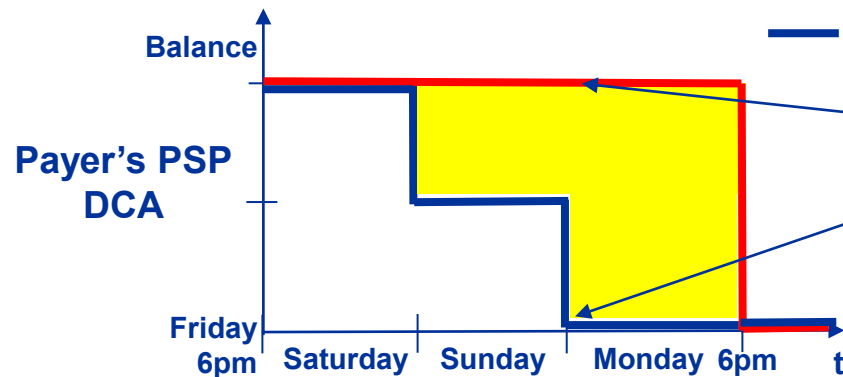
Effect on interests of payer's and payee's PSP – Illustrative example



In the weekend the two snapshots of the PSP's DCA balances are taken on Friday and on Monday at 6 pm

In a weekend a **net receiver** of funds PSP **does not earn** interests for the increased balance in DCA and **pays** interests to customers

— EoD balances used for interests
— Actual EoD available balances



In a weekend a **net sender** of funds PSP **continues to earn** interests for the balance which is actually decreased in DCA

Options

- Counted and uncounted funds in TIPS DCAs for the Minimum Reserve Requirement are currently¹ remunerated at 0%.
- **At the current conditions, the application of T2 calendar in the calculation of interests does not affect the PSPs**

Theoretical options to be assessed against costs, benefits and potential broader implications:

- a. To seek for a corrective approximate adjustment mechanism of the interests based on the variation of the balances in T2 non-business days
- b. To adopt a single 365-calendar to value date and calculate interests in the whole set of Target services, not only in TIPS.

The AMI-Pay is asked to provide preliminary feedback that the ECB would take into account in the further analysis

¹ "ECB adjusts remuneration of minimum reserves"
Press release 27 July 2023