TIPS Reconciliation Enhancements
New Change Request proposal

TIPS-CG MEETING

4TH OCTOBER 2021

<u>Currently:</u>

- A2A Report are produced at the end-of day, or during the day with a fixed frequency:
    - <u>Statement of Account</u> (camt.053) - Full or delta mode
    - <u>Statement of Account Turnover</u> (camt.052) – Full mode

<u>With the **TIPS-0032** – lot 3 for Riksbank – envisaged for **TIPS R4.1**</u>:

- Besides the existing reconciliation method, based on reports, a new real-time reconciliation process will be deployed
- New tags into the *AddInfo* property developed at MEPT protocol level will contain:
    - Number of postings after the business date change occurred on a given account
    - Balance on the account resulting after any successful settlement

- The new reconciliation process could be used by any TIPS Actor, i.e. it was not developed only for Riksbank community

- The **new reconciliation method** will take into consideration, for the calculation of the balance, any concurrent Instant Payment transaction in status '*reserved*' or Outbound Liquidity Transfer in status '*transient*' on the same TIPS DCA, by neutralizing their effects.

- This method triggered a functional review of the current method used to calculate the Balance Before (**BFTS**) and Balance After (**FTTS**) settlement for the Statement of Accounts, also taking into consideration some input from the market (e.g. **PBI000000217270**)

- The **overall balance** of a TIPS account is the sum of **three components**, namely the '*available balance*', the '*reserved balance*' and the '*transient balance*'

- Taking into consideration an individual transaction whose amount is equal to 1,000.00 EUR settled on an account having a starting balance of 100,000.00 EUR:

Transaction type	Overall Balance	Available Balance	Reserved Balance	Transient Balance
Standard IP (during conditional phase)	100,000.00 EUR	99,000.00 EUR	1,000.00 EUR	0.00 EUR
Standard IP (after settlement phase)	99,000.00 EUR	99,000.00 EUR	0.00 EUR	0.00 EUR
Single Instructing Party IP	99,000.00 EUR	99,000.00 EUR	0.00 EUR	0.00 EUR
Positive Recall Response	99,000.00 EUR	99,000.00 EUR	0.00 EUR	0.00 EUR
Intra-service LT (debiting the account)	99,000.00 EUR	99,000.00 EUR	0.00 EUR	0.00 EUR
Inbound LT (crediting the account)	101,000.00 EUR	101,000.00 EUR	0.00 EUR	0.00 EUR
Outbound LT (in status 'transient')	100,000.00 EUR	99,000.00 EUR	0.00 EUR	1,000.00 EUR
Outbound LT (after settlement in the RTGS)	99,000.00 EUR	99,000.00 EUR	0.00 EUR	0.00 EUR
Outbound LT (after rejection by the RTGS)	100,000.00 EUR	100,000.00 EUR	0.00 EUR	0.00 EUR

- Assuming three IP transactions (whose amounts are 1,000.00 EUR, 1,200.00 EUR and 1,300.00 EUR respectively) and one Outbound LT (whose amount is 10,000.00 EUR) debiting the same TIPS DCA:

	Entry Timestamp	Amount	Overall Balance	Available Balance	Reserved Balance	Amount for Transient LT
IP1	2021-05-24T08:43:15,931Z	1,000 EUR	100,000.00 EUR	99,000.00 EUR	1,000.00 EUR	0.00 EUR
IP2	2021-05-24T08:43:16,004Z	1,200 EUR	100,000.00 EUR	97,800.00 EUR	2,200.00 EUR	0.00 EUR
IP3	2021-05-24T08:43:16,061Z	1,300 EUR	100,000.00 EUR	96,500.00 EUR	3,500.00 EUR	0.00 EUR
OLT1	2021-05-24T08:43:17,210Z	10,000 EUR	100,000.00 EUR	86,500.00 EUR	3,500.00 EUR	10,000.00 EUR

A practical example: current implementation (2/2)

- After the successful settlement of the four transactions, e.g. in the order below, the following data (balances before and after settlement) highlighted in red are captured in the system for the generation of the corresponding Statement of Account.

	Settlement Timestamp	Amount	BFTS	FTTS	Reserved Balance	Amount for Transient LT
IP1	2021-05-24T08:43:19,931Z	1,000 EUR	87,500.00 EUR	86,500.00 EUR	2,500.00 EUR	10,000.00 EUR
IP2	2021-05-24T08:43:21,004Z	1,200 EUR	87,700.00 EUR	86,500.00 EUR	1,300.00 EUR	10,000.00 EUR
OLT1	2021-05-24T08:43:25,210Z	10,000 EUR	96,500.00 EUR	86,500.00 EUR	1,300.00 EUR	0.00 EUR
IP3	2021-05-24T08:43:29,061Z	1,300 EUR	87,800.00 EUR	86,500.00 EUR	0,000.00 EUR	0.00 EUR

- Assuming the same scenario, after the implementation of the reconciliation enhancements, the outcome will be the one shown below.

	Entry Timestamp	Amount	Overall Balance	Available Balance	Reserved Balance	Amount for Transient LT
IP1	2021-05-24T08:43:15,931Z	1,000 EUR	100,000.00 EUR	99,000.00 EUR	1,000.00 EUR	0.00 EUR
IP2	2021-05-24T08:43:16,004Z	1,200 EUR	100,000.00 EUR	97,800.00 EUR	2,200.00 EUR	0.00 EUR
IP3	2021-05-24T08:43:16,061Z	1,300 EUR	100,000.00 EUR	96,500.00 EUR	3,500.00 EUR	0.00 EUR
OLT1	2021-05-24T08:43:17,210Z	10,000 EUR	100,000.00 EUR	86,500.00 EUR	3,500.00 EUR	10,000.00 EUR

- By neutralizing the effects of the transactions 'in flight' not yet finalized, the calculation of the balances BFTS and FTTS will change as explained in the table below

	Settlement Timestamp	Amount	BFTS	FTTS	Reserved Balance	Amount for Transient LT
IP1	2021-05-24T08:43:19,931Z	1,000 EUR	100,000.00 EUR	99,000.00 EUR	2,500.00 EUR	10,000.00 EUR
IP2	2021-05-24T08:43:21,004Z	1,200 EUR	99,000.00 EUR	97,800.00 EUR	1,300.00 EUR	10,000.00 EUR
OLT1	2021-05-24T08:43:25,210Z	10,000 EUR	97,800.00 EUR	87,800.00 EUR	1,300.00 EUR	0.00 EUR
IP3	2021-05-24T08:43:29,061Z	1,300 EUR	87,800.00 EUR	86,500.00 EUR	0,000.00 EUR	0.00 EUR

Thank you for the attention!