



Basis for decision

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DEPARTMENT: Payments Department

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Agreement to enable the settlement of instant payments in central bank money

Proposed decision

It is proposed that the Executive Board decide:

- that the Riksbank enters into an agreement with the Eurosystem (ECBS) on using the TARGET Instant Payment Settlement (TIPS) platform that enables the settlement of instant payments in Swedish kronor (SEK) in central bank money in accordance with the terms and conditions of the appended draft agreement, and
- to instruct the Governor of the Riksbank to sign the agreement.

Background

Instant payments mean that bank customers can move funds in seconds from one bank to another, round the clock, every day of the year (24/7/365)¹. In the longer term, a considerable share of the payments currently settled aggregately or individually in RIX can be expected to migrate to instant settlement. The choice of platform used for settlement of payments is therefore a key issue for the Riksbank in light of its remit to safeguard a safe and efficient payment system.

Central banks have a key role in the settlement of payments among financial institutions by providing risk-free means of payment on competitively neutral terms. Risk-free means of payment are a prerequisite for financial institutions to be able to settle payments without risks arising that jeopardise financial stability. If the central bank did not supply risk-free means of payment, financial institutions would have been able to pay by exchanging claims on one another. But, if a central bank can itself provide a cost-

¹ Instant payments in Sweden are initiated via a mobile application ("Swish") while the settlement of instant payments takes place on a platform owned and operated by a private company.



effective platform for settlement, there is no need for private platforms that have to be regulated, overseen and subject to complex financial arrangements, only to ultimately still not achieve the same level of security as settlement in central bank money.

The Riksbank can provide scope for settling instant payments in three ways: (i) the Riksbank develops or procures a platform itself, (ii) the Riksbank tasks a private company to administrate Riksbank accounts or (iii) the Riksbank shares a platform with another central bank. Platforms for instant payments are expensive and time-consuming to develop. For these reasons, a feasibility study has looked into the possibility of sharing a technical platform with the Eurosystem. The conclusion of the feasibility study was that platform-sharing with the Eurosystem would be the fastest and most cost-effective solution. The Eurosystem has developed a platform for the settlement of instant payments. The platform is called TIPS and has been in operation since November 2018. TIPS has the technical capacity to settle payments in currencies other than the euro, for instance, Swedish kronor (SEK).

On 4 June 2019 (dnr 2018-00960) the Executive Board of the Riksbank tasked the Head of the Payments Department with negotiating a draft agreement with the Eurosystem in order to make SEK available for settlement on TIPS, giving particular consideration to the Riksbank's requirements with regard to security protection.

Considerations

The Riksbank has conducted negotiations with the Eurosystem on an agreement to use the TIPS platform to be able to offer a settlement service for instant payments in SEK in central bank money. The Riksbank's requirement with regard to security protection has been taken into account via a special clause in the agreement. The Riksbank should therefore enter into an agreement with the Eurosystem in accordance with the appended draft agreement. The Executive Board should instruct the Governor of the Riksbank to sign the agreement.