

SEPA-Clearer of the Retail Payment System (RPS)

Self-Assessment: SEPA compliance

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1 Background

Infrastructures play an essential role in achieving the objectives of the Single Euro Payments Area (SEPA). The Eurosystem has therefore defined and published four criteria that infrastructures should fulfil to be considered SEPA compliant in the view of the Eurosystem. The criteria were published in the 5th Progress Report on SEPA (July 2007) and represent the Eurosystem's general policy and long term vision for the processing of payments, interoperability among infrastructures, sending and receiving capacity, and choice for banks. The Eurosystem foresees that the clearing and related settlement services of relevant infrastructures in the euro area will gradually develop towards compliance with all four criteria.

The criteria have been complemented with more detailed terms of reference, which have been published on the web site of the European Central Bank, www.ecb.eu. The infrastructures are invited to meet the Eurosystem's SEPA-compliance criteria and to publish self-assessments, for which the terms of reference provide guidance.

Through the SEPA-Clearer, which is part of the Bundesbank's Retail Payment System (RPS), the Bundesbank offers a competitively neutral, high-performance and cost-effective payment procedure for the processing of domestic and cross-border SEPA payments. In a first step, with the launch of the SEPA Credit Transfer Scheme as of 28 January 2008, the SEPA-Clearer supports the SEPA-wide processing of SEPA Credit Transfers. The processing of SEPA Direct Debits (Core/B2B) was successfully launched on 1 November 2009, the day of the introduction of the new direct debit schemes by the European Payments Council. A detailed description of the range of services for processing SEPA payments can be found on the web site of the Deutsche Bundesbank, www.bundesbank.de/zahlungsverkehr.

In line with the expectations of the Eurosystem, Deutsche Bundesbank in its role as operator of the SEPA-Clearer herewith publishes a self-assessment based on the current situation. The self-assessment will be updated when necessary.

2 Self-Assessment

2.1 Criterion 1 – Processing capability

To promote the SEPA-compliance of infrastructures, infrastructures are asked to comply with the requirements of the PEACH/CSM Framework, the SCT Rulebook and/or the SDD Rulebook(s), the Implementation Guidelines and the associated UNIFI (ISO 20022) XML standards, and to be ready to support scheme testing as planned by the EPC.

1. Have you sent a Disclosure Letter to the EPC regarding your intention to become a SEPA scheme compliant CSM?

Answer: Yes with letters of Deutsche Bundesbank to the EPC:

SCT: Letter of 30 October 2007.

SDD-Core: Letter of 31 July 2009

SDD-B2B: Letter of 31 July 2009

2. Are you compliant with the relevant PEACH/CSM Framework?

Answer: Yes. We see our SEPA-Clearer as a SEPA scheme compliant CSM according to section 2.3 of the PE-ACH/CSM Framework.

3. Are you compliant with the relevant SCT Rulebook?

Answer: Yes.

4. Are you compliant with the relevant SDD Rulebook(s), i.e. core service and, if and when adopted, Business-to-Business service and e-mandate service?

Answer: Yes, our SEPA-Clearer is compliant with the rulebooks applicable to the SDD Core Scheme and SDD B2B Scheme. Discussions around the e-mandate service are still ongoing.

5. Are you complying with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard?

Answer: Yes.

6. Are you able to deliver all mandatory payment information (from the so-called yellow data fields) in full and without alteration between the involved scheme participants?

Answer: Yes.

- a. Please provide information on your ability to process the full SEPA-subset of the ISO 20022 XML messages (i.e. the yellow and white data fields).

Answer: To ensure a maximum of interoperability with other clearing infrastructures, we currently only support the SEPA core subset.

7. If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?

Answer: Not applicable. We do not provide any conversion services between XML and other (legacy) formats.

8. Have you adequately tested your processing procedures?

Answer: Yes.

- a. Please describe the framework, the organisation, the scope (national or cross-border) and the reach (CSM-bank, bank-CSM-bank, end-to-end) of the testing.

Answer: We performed our tests with banks in compliance with the “testing concept SEPA” of the Zentraler Kreditausschuss – ZKA (German Central Credit Committee), which was developed on the basis of the SEPA Testing Framework of the European Payments Council (EPC) and enhanced to accommodate domestic needs. In the domestic context we performed end-to-end-tests, cross-border we tested mainly with other clearing infrastructures.

2.2 Criterion 2 – Interoperability

To promote the SEPA-compliance of infrastructures, infrastructures are asked to adopt interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers and SEPA direct debit payment orders between banks and infrastructures, and between infrastructures, that are preferably mutually agreed upon by the relevant CSMs, and undertake to establish a link with any other infrastructure upon request, based on the principle that the cost for establishing the link is borne by the requesting infrastructure.

9. Have you adopted interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers and SEPA direct debit payment orders between banks and infrastructures, and between infrastructures?

Answer: Yes.

- a. If yes, are the interoperability rules you are using mutually agreed upon by the relevant CSMs?;

Answer: Yes, they are. Our interoperability rules have been mutually agreed with the relevant CSMs.

- b. please describe, especially where you are not using mutually agreed interoperability rules, the relevant elements for interoperability (message formats, cut-off times, clearing and settlement procedures, reconciliation and control procedures);

Answer: Not applicable.

- c. are you compliant with other relevant rules, guidelines or practises which aim at ensuring interoperability (e.g. the “CSM Market Practises”)?

Answer: Yes.

10. Would you undertake to establish a link with any other infrastructure upon request?

Answer: Yes.

a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;

Answer: Yes, we have currently established the following links:

- Regarding EBA's STEP2 SCT and SDD services, the SEPA-Clearer is linked as a so-called "technical facilitator". According to the rules of the STEP2 SCT and SDD services, only financial institutions are eligible for participation. Therefore, Deutsche Bundesbank acts as direct participant in the STEP2 SCT and SDD services.
- In addition, we have established bilateral links for the processing of SCT with the STEP.AT system of the Oesterreichische Nationalbank and with the Spanish CSM Iberpay.
- Further links are under consideration.

b. a link would ideally be created on the basis of a mutually beneficial business case. In absence of such a business case, the requesting infrastructure provider would have to bear the costs of the requested link (setting up and maintenance thereof). Who bears the costs of the established link(s)?;

Answer: We so far followed the principle that every infrastructure, being involved in the link, bears its own costs. Additionally, as regards our connection to EBA's STEP2 SCT and SDD services, the relevant EBA membership fees apply.

c. have you considered, either on your own initiative or upon request, changing the internal processing procedures in order to increase the efficiency of a link? Have any such changes been carried out?;

Answer: We always aim at increasing the overall efficiency of our processes. This includes also our CSM links. For example, our cut-off time for the second (daylight) cycle was set to achieve maximum interoperability with other CSMs.

d. how are the transfers between CSMs settled?

Answer: The settlement with other CSMs (STEP2 SCT and SDD services of the EBA, STEP.AT and Iberpay) is effected using TARGET2.

2.3 Criterion 3 – Reachability

To promote the SEPA-compliance of infrastructures, infrastructures are asked to be able to send or receive euro payments to and from all banks in the euro area, either directly or indirectly through intermediary banks, or through links between infrastructures (in other words, to provide full reachability)

11. Are you able to send euro payments from your participants and receive euro payments for your participants, to and from all SEPA scheme participating banks in the euro area, either directly or indirectly through intermediary banks, or through links between infrastructures?

Answer: Yes.

- a. Please describe how many SEPA scheme participating banks you can reach (directly or indirectly) on the basis of contractual arrangements;

Answer: About 4.450 banks with approximately 45.000 BICs can be reached in the SCT Scheme.

In addition, our SEPA-Clearer can reach approximately 2.600 banks in the SDD Core Scheme and 2.400 banks in the SDD B2B Scheme.

- b. how do you ensure that you are able to route a payment to each bank in the euro area that is participating in the SEPA scheme(s)?;

Answer: Deutsche Bundesbank is participating in the STEP2 SCT and SDD services of the EBA and has established the aforementioned bilateral links to ensure maximum reachability of Scheme participants throughout SEPA.

- c. please describe how you obtain the necessary routing information. If you use your own routing database, how do you update it, i.e. how do you obtain the latest information from all SEPA scheme participating banks in the euro area? How do you address possibly conflicting information if a SEPA scheme participating bank is reachable via several payment channels? How is routing decided where there are several possibilities for reaching a SEPA scheme participating bank?;

Answer: We provide our own routing directory, the SEPA-Clearer directory, to our direct participants. The data for this directory is delivered from internal databases and enriched by the EBA regarding their STEP2 SCT and SDD services data and the CSMs of the aforementioned bilateral links regarding their data.

The routing of payments is made up according to the following rules:

- (1) Direct routing to direct/indirect participants of the SEPA-Clearer.
- (2) Routing to direct/indirect participants of other CSMs linked to the SEPA-Clearer.
- (3) Routing via EBA's STEP2 SCT and SDD services.

- d. how much time (in days) do you need to reach every SEPA scheme participating bank, respectively be reached by every bank in the euro area that is participating in the SEPA scheme(s)? Will you be able to reach every SEPA scheme participating bank within one business day at the latest by 2012?;

Answer: Our service enables our participants to observe the timelines for the processing of SEPA credit transfers, as outlined in the rulebook. The effective execution time of a SEPA credit transfer is dependent on several factors, such as the processing cycles of other CSMs and the parties involved (indirect/direct participants). Our service will be en-

hanced in due course to allow our participants to meet the timelines that will be requested in the future.

- e. if you currently do not offer full reachability to your participants, do you intend to offer it at a later point in time? If so, how will you achieve this and by when?
Answer: Not applicable.

2.4 Criterion 4 – Choice for banks

To promote the SEPA-compliance of infrastructures, infrastructures are asked to enable financial institutions to make infrastructure choices based on service and price, and therefore not to apply undue access restrictions, nor to set obligations for users to process certain types of payment in a specific infrastructure, or via specific proprietary standards, nor to impose participation obligations on users of other infrastructures, and to ensure full transparency of services and pricing

12. Have you made your retail payments clearing service offerings and your fee structure (including information (and amounts) about all types of applicable fees, such as admission fees, periodical fees, transaction fees or package fees) publicly available?
Answer: Yes. Detailed information has been published on our web site www.bundesbank.de in the section “payment systems”.
13. Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?
Answer: Yes. We apply a single set of access criteria. Every participant in our system has to be a SEPA scheme participant, a credit institution within the meaning of article 4 (1a) of the 2006/48/EC directive and needs to fulfil the necessary technical requirements. Apart from this there is no differentiation.
14. Do you refrain from obliging your participants to process certain SEPA payments in a specific infrastructure?
Answer: Yes. There are no such obligations for participants.
15. Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?
Answer: Yes. Our participants have to use the standards that are in line with the SEPA Implementation Guidelines.
- a. If no, please describe the proprietary standards for SEPA payments that you oblige your participants to use.
Answer: Not applicable.
16. Do you refrain from imposing participation obligations on the users of other infrastructures when another CSM is requesting a link?
Answer: Yes.