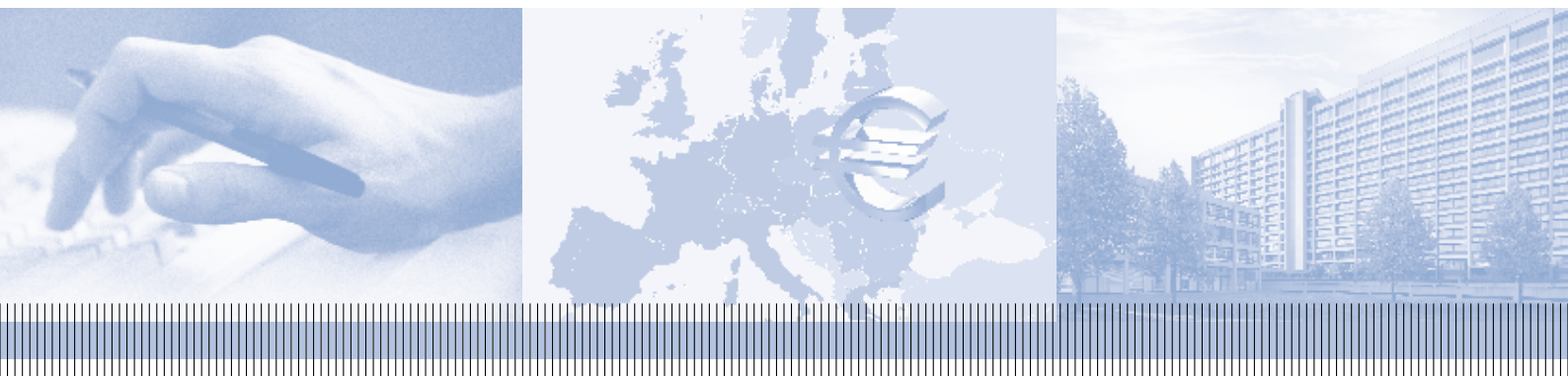


S€PA

SINGLE EURO PAYMENTS AREA



Department Payments and Settlement Systems

Deutsche Bundesbank services in the RPS SEPA clearing system

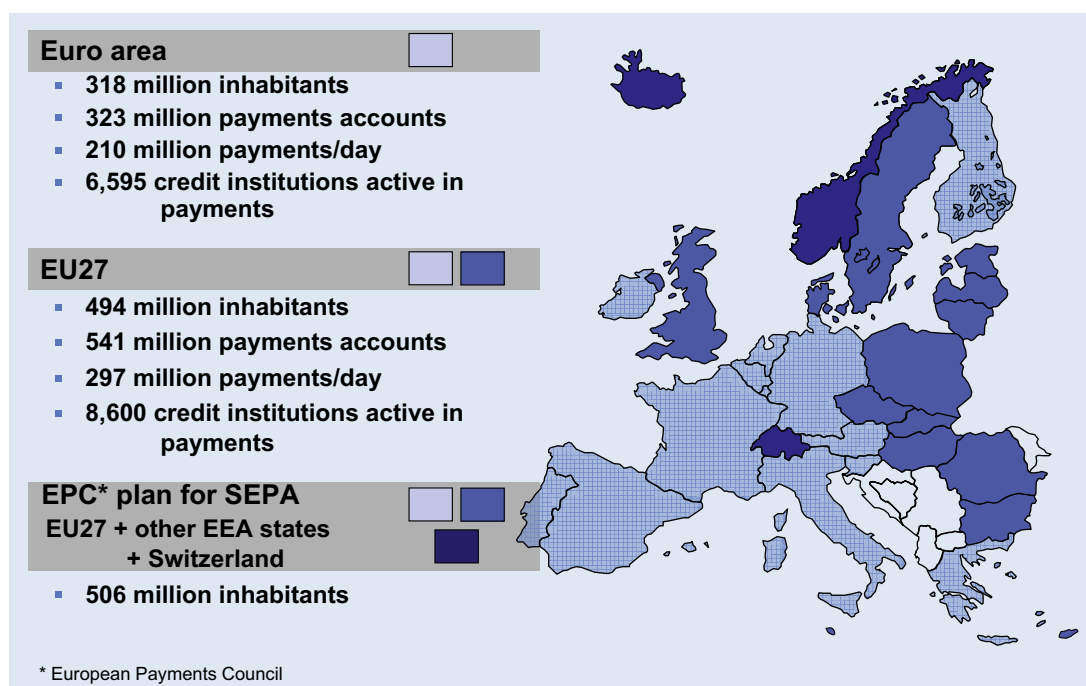
With the introduction of the euro as a single currency, the foundations were laid for a Single Euro Payments Area (SEPA). With SEPA, a common market has been created in Europe in which cross-border euro payments can be settled as easily, inexpensively and securely as national ones, irrespective of the European country or the credit institution where the bank account is held.

The **Payment Services Directive (PSD)** provides a common legal framework for euro payments within the EU. The PSD contains rules on rights and obligations of the payer, the payee and the payment service provider which are uniform for all EU countries. The directive must be transposed into national law by 1 November 2009 at the latest.

A harmonisation of the different national regulations was necessary, particularly for the settlement of SEPA direct debits. The Europe-wide introduction of the SEPA direct debit procedure is not anticipated before the end of 2009, ie not before the directive has been transposed into national legislation. In order to make the market-driven transition to SEPA possible, the rules and regulations contained in the PSD also apply to the national payment instruments already in use.

With reference to the settlement of payments, the directive contains new regulations on the execution period for payment orders, for example. The fundamental aim of the European Commission is to shorten execution periods.

From a technical viewpoint, the European banking industry has developed SEPA data formats based on XML (ISO 20022) for the



transfer of payment messages. In future, these uniform technical standards will form the basis for the interoperability of payment infrastructures within the EU and will thus enable the fully automated settlement of European interbank payment transactions. The new SEPA instruments are, however, also reflected in the standard payment transaction forms and the online banking templates for payment transactions.

Through market-driven migration, the new payment instruments are to account for a "critical mass" of transactions as soon as possible. The integration of the European payment landscape would then have passed the point of no return. The long-term goal of SEPA is the discontinuation of national instruments and procedures.

The eurozone countries are those most heavily affected by the introduction of SEPA, although SEPA includes all euro payments in the other EU27 as well as in Iceland, Liechtenstein, Norway and Switzerland.

Since 28 January 2008, European credit institutions, business enterprises and consumers have been able to carry out cross-border and domestic credit transfers in euro using the SEPA credit transfer system.

The Bundesbank has also further enhanced its range of services in retail payments in view of the new SEPA instruments and, with the SEPA clearer, which is an element of its Retail Payment System (RPS), offers a competitively neutral, high-performance and cost-effective payment procedure for the settlement of

SEPA payments (credit transfers and direct debits from November 2009) in a new XML-based SEPA data format.

Europe-wide accessibility via the SEPA clearer

All credit institutions domiciled in the EEA or in Switzerland are allowed to participate in the RPS SEPA clearer. One condition for participation is that the credit institutions have signed the relevant Adherence Agreements, and have thus accepted the terms and conditions of the SEPA rule books for credit transfers and direct debits.

Payments for credit institutions which are not direct participants in the SEPA clearer will be forwarded by the Bundesbank via the Euro Banking Association's (EBA) STEP2 system or via the systems of other SEPA clearing partners. In this way, the Bundesbank offers its clearing partners optimal and secure access for the settlement of all their retail payments in euro.

Payment processing in the SEPA clearer

Payments settled in the SEPA clearer are subject to the TARGET2 calendar; German national and regional public holidays are not taken into account. Payments are executed in accordance with the applicable cut-off times for the respective submission window. One

processing day consists of two processing cycles for SEPA credit transfers and two processing cycles for SEPA direct debits.

Payments are settled via the participants' accounts held at the Bundesbank. A participant can use another bank which has an account with the Bundesbank as a settlement agent. The SEPA credit transfers and SEPA direct debits are booked in a gross settlement mode on the basis of the submitted and delivered logical files (Bulk).

At the end of every banking business day in the SEPA clearer (approx. 22.00), every participant receives two separate daily reconciliation reports, one for SEPA credit transfers and one for SEPA direct debits. These reports give a summary of the files for credit bookings and direct debits submitted to the SEPA clearer.

When delivering SEPA payments, the SEPA clearer takes account of any routing system based on the Bank Identifier Code (BIC). Separate routings may be set up for SEPA credit transfers and SEPA direct debits.

Settlement of SEPA credit transfers via the SEPA clearer

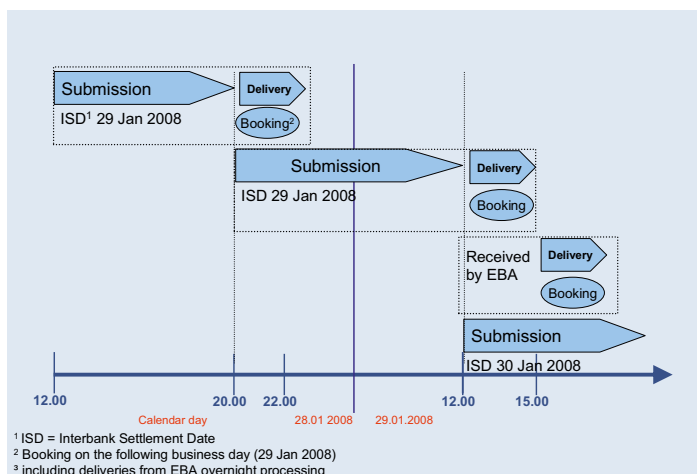
The equivalent values of the order for SEPA transfers, which are submitted after 20.00 of the previous day and by 12.00 of the current banking business day, are delivered and booked on the current banking business day.

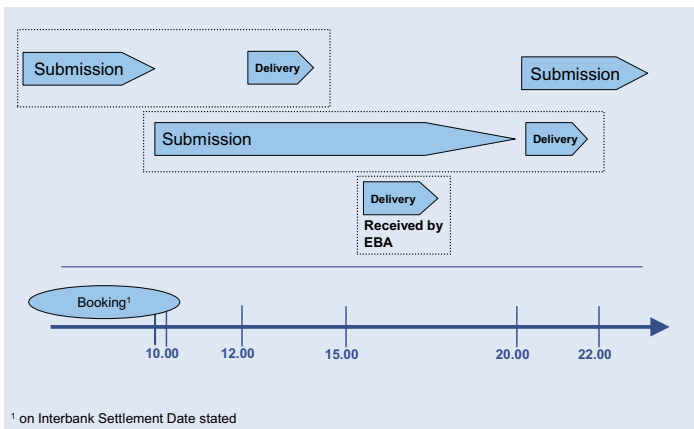
The delivery of SEPA credit transfers, which are submitted between 12.00 and 20.00 of the current banking business day, is carried out during the evening of the current banking business day; however, the transactions are not booked until the banking business day following submission.

Settlement of SEPA direct debits via the SEPA clearer

In the case of SEPA direct debits (from November 2009), it should be noted that, owing to the design of the SEPA direct debit procedure, the delivery and booking procedures are usually handled separately.

SEPA direct debits submitted between 10.00 and 20.00 of the current banking business day, are delivered on the current banking business day from around 20.15 onwards. SEPA direct debits submitted after 20.00 of the preceding business day and by 10.00 of the current business day, are delivered on the current banking business day from around 12.15 onwards.

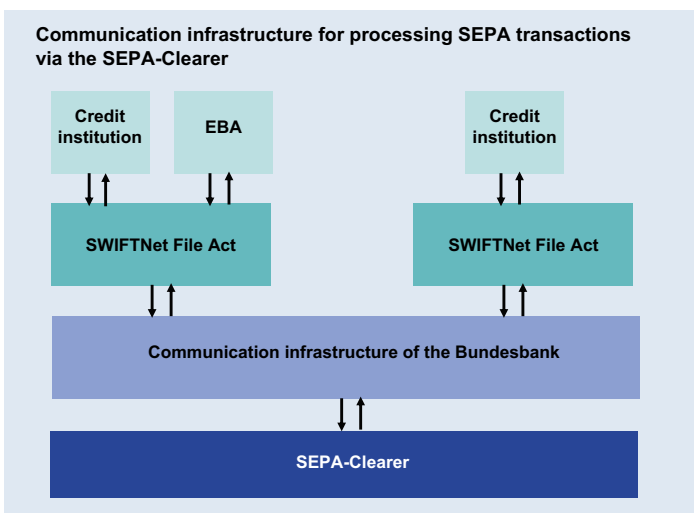




By contrast, the equivalent values of the order for SEPA direct debits are not booked until around 10.15 on the banking business day specified in the data record (Interbank Settlement Date).

Communication channels

Both inbound and outbound communication with the SEPA clearer occurs exclusively via SWIFTNet FileAct by means of data telecommunication or on the basis of the internet-based EBICS (Electronic Banking Internet Communication Standard).



Fees

The Bundesbank charges a fee of € 0.0025 per data record for SEPA payments that are submitted by credit institutions. Until further notice, this charge is also applicable if payments in SEPA format have to be forwarded from the SEPA clearer to recipients in the Euro Banking Association's (EBA) STEP2 system. Charges for participation and registration for indirect participation via the EBA are – as is currently the case in the EBA's STEP2 procedure – passed on to the respective submitter. The fee structure will be revised in 2009 to take account of the migration path that will have been achieved by then and the overall situation in European interbank clearing.

Benefits at a glance

- | SEPA-compliant Clearing and Settlement Mechanism (CSM)
- | Settlement of payments in accordance with the SEPA rule books for credit transfers and direct debits
- | Europe-wide accessibility
- | Use of modern communication procedures
- | Fast settlement owing to two processing cycles
- | Reasonably priced fees, especially for banks submitting low volumes