

SELF ASSESSMENT OF SEPA COMPLIANCE

TERMS OF REFERENCE FOR THE SEPA

COMPLIANCE OF INFRASTRUCTURES

- January 2010 -

The Eurosystem supports the creation of the Single Euro Payments Area (SEPA), which will enable retail payments in Euro to be made throughout the Euro area under the same basic conditions from a single account, regardless of its location. Infrastructures play an important role in achieving the objectives of SEPA. Acting as a catalyst, the Eurosystem has therefore defined four criteria that infrastructures should fulfill in order to be considered SEPA-compliant in the view of the Eurosystem. Compliance with these requirements should be assessed by the infrastructure providers themselves. The criteria were published in the 5th Progress Report on SEPA and represent the Eurosystem's long-term vision for the processing of payments, interoperability among infrastructures, sending and receiving capacity and choice for banks. The Eurosystem foresees that relevant infrastructures in the Euro area will gradually develop towards compliance with all four criteria, but neither expects nor requires all infrastructures to do so.

Infrastructure providers that offer interbank funds transfer systems to banks and that intend to become SEPA-compliant in accordance with these criteria should publish self-assessments to demonstrate their compliance. The Eurosystem does not expect entities to undertake self-assessment if they offer this service in a limited scope only (i.e. an intra-bank and/or intra-group clearing and settlement arrangement, typically where both the originator/creditor and beneficiary/debtor have their accounts within the same bank or group), or if SEPA-compliance by infrastructures is not relevant (i.e. in the case of a form of purely bilateral non-structured clearing and settlement, such as correspondent banks)

This document provides terms of reference, i.e. questions to be answered by infrastructure providers in their self-assessments. The terms of reference relate directly to the four criteria already published. To be SEPA-compliant according to these criteria, an infrastructure would

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need a positive answer (i.e. a 'yes') for all applicable numbered questions. As some infrastructures may not be SEPA-compliant in the short term, the sub questions are intended to bring transparency to the market during the migration phase.

To achieve the desired transparency, the Eurosystem expects major infrastructure providers aiming to meet the SEPA compliance criteria to conduct self-assessments on a regular basis and make them publicly available. The terms of reference in this document provide guidance for this purpose.

Criterion 1 – Processing capabilities

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: Our SEPA services have been operational since January 2008 for the SEPA Credit Transfer and since November 2009 for the SEPA Direct Debit Core and B2B.

STET sent a Disclosure Letter to the EPC in September 2007, committing to offer clearing and settlement services that support full compliance with the SEPA Credit Transfer Scheme. A similar disclosure of intent was sent to the EPC in October 2009, confirming that STET is offering SEPA compliant CSM services for Core and B2B Direct Debit Schemes.

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

Answer: Yes, STET is fully compliant with the principles established by the EPC for a SEPA Scheme Compliant CSM

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3. Are you compliant with the relevant SCT Rulebook?

Answer: Yes, STET is fully compliant with SCT Rule Book and Implementation Guidelines in their current version 3.3. Furthermore, STET is fully committed to ensuring compliance with future versions in line with EPC implementation schedules.

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, STET is fully compliant with SDD Core Rule Book and Implementation Guidelines version 3.4 and with SDD B2B in accordance with Rule Book and Implementation Guidelines version 1.3.

STET is closely following EPC developments in the area of E-Mandates and in the process of assessing market expectations.

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

Answer: Yes, STET is fully compliant with the SEPA subset of the UNIFI (SIO 20022) XML message standard as defined by the EPC relevant Implementation Guidelines.

The STET system uses native XML and is SEPA compliant end-to-end.

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, STET delivers full payment information end to end without any alteration.

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).

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Answer: The STET system has been developed on native XML. Our SEPA services have been implemented with full compliance with SEPA Schemes and Implementation Guidelines, as well as ISO 20022 format for the SEPA services (SCT, SDD, and B2B). The current messaging implemented, in accordance with user requirement, is limited to the exchange of the mandatory fields defined within the EPC IGs.

The STET system messaging schemas can be extended to include optional fields (white fields) as may be required by the user communities from time to time and to meet future evolution of the EPC IGs.

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: STET is not performing data conversion services currently, and all transaction data between participants are exchanged in XLM ISO 20022 format.

However, STET has the capability of providing data conversion to facilitate migration to SEPA if required by certain users.

8. Have you adequately tested your processing procedures?

Answer: Yes, our technical and functional services were implemented after a phase of thorough testing and they are regularly reviewed and improved. The STET system is processing continuously on a real-time basis very high volumes of transactions (i.e. 13 billion payments per year, with peak days at 120 million payments). Performance and built-in resilience are state of the art.

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

Answer: The STET system functionalities are submitted to full testing before operational deployment, including acceptance by STET, bank-CSM and bank-CSM-bank end-to-end comprehensive testing.

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, STET has actively contributed to the design of the EACHA Technical Interoperability Framework.

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

Answer: For both SEPA Credit Transfers and Direct Debit payments for the bank to infrastructure interoperability STET has adopted interface specifications and business procedures defined in the EPC Rule Books and Implementation Guidelines.

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For the interoperability between infrastructures STET has adopted the EACHA Technical Interoperability Framework for SEPA payments, which was agreed upon by all EACHA members.

- 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 practices which aim at ensuring interoperability (e.g. the “CSM Market Practices”)?

Answer: STET SEPA services comply with the EPC PEACH/CSM Framework and have followed recommendations for best practices collected in the CSM Market Practices document.

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

Answer: STET has assessed interoperability links with other SEPA compliant CSMs and the technical layer was tested successfully.

However, prior to actual link-ups, STET migrated French national payments to its new CORE system in 2008. In 2009, STET developed and implemented additional SEPA services and comprehensive enhancements to its systemic risk mechanisms, in compliance with Euro-system expectations for systemically important payment systems (SIPS).

Simultaneously, STET assessed bank requirements in terms of service content as well as related risk controls, which are an essential feature of interoperability.

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

Answer: In progress.

- 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: Each party bears its own costs for implementation, testing, communication and maintenance

- 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: The STET processing procedures deliver end-to-end straight-through processing on a real time basis for very high volumes. These processes have been fully satisfactory to all European banks using the STET system. Depending on business requests STET stands ready to accommodate certain changes, if and when warranted.

- d. How are the transfers between CSMs settled?

Answer: In line with the EACHA Interoperability Framework, transfers between CSMs are to be settled through TARGET2.

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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)

1. 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, STET is able to send and receive payments in euro exchanged directly or indirectly.

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

Answer: Banks participating in the STET system currently about 500, may be directly reached. Others would be reached indirectly.

- 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: Issuing banks express preferences in terms of their routing. STET has a technical infrastructure that may support pan-European reach. Expanding reach is an ongoing business development endeavour. STET plans to leverage reach through interoperability among other possibilities.

- 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?

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Answer: STET's routing table is updated on a monthly basis according to the information provided by Participants in SEPA Schemes and information available from other CSMs.

- d. 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: Issuing banks express their preferences based on available data.

- e. 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: STET processes and forwards payments on a real time basis. Hence, the constraint is only what each payment scheme has established in terms of exchange and settlement date.

In order to reach every SEPA Scheme participant in the Euro area within one business day by 2012, intermediaries may need to adapt their processing and forwarding procedures accordingly.

- f. 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: As mentioned, we are working on this objective that may be attained through different means including direct reach or interoperability along certain strategic links.

Criterion 4 – Choice for banks

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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: Our terms and conditions are based on open access with the customary risk controls for financial creditworthiness and operational reliability. Our pricing is well-known to be very competitive.. Pricing structure is transparent and fair to all participants irrespective of their business volume.

13. Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?

Answer: Yes, access conditions pertain only to customary checks pertaining to compliance and risk controls (financial and operational)

14. Do you refrain from obliging your participants to process certain SEPA payments in a specific infrastructure?

Answer: Yes, there are no such obligations on Participants

15. Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?

Answer: Yes, STET SEPA services are compliant with EPC standards and ISO20022.

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- a. If no, please describe the proprietary standards for SEPA payments that you oblige your participants to use.

Answer: N/A

16. Do you refrain from imposing participation obligations on the users of other infrastructures when another CSM is requesting a link?

Answer: There are no such obligations.