

Terms of reference for the SEPA-compliance of infrastructures¹

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 fulfil 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)².

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 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 subquestions 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?
2. Are you compliant with the relevant PEACH/CSM Framework?
3. Are you compliant with the relevant SCT Rulebook?
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?

¹ Infrastructure providers in this context are entities offering an interbank funds transfer system (IFTS). An IFTS is a formal arrangement based on private contract or law, with multiple membership, common rules and standardised arrangements, for the transmission, clearing, netting and/or settlement of monetary obligations arising between the members, in which all (or almost all) participants are credit institutions.

² These two categories of infrastructures correspond to CSM (Clearing and Settlement Mechanism) categories 4 and 5 in the European Payments Council's (EPC) "Framework for the evolution of the clearing and settlement of payments in SEPA" (January 2007).

5. Are you complying with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard?
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?
 - 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).
7. If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?
8. Have you adequately tested your processing procedures?
 - 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.

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?
 - a. If yes, are the interoperability rules you are using mutually agreed upon by 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);
 - c. are you compliant with other relevant rules, guidelines or practises which aim at ensuring interoperability (e.g. the “CSM Market Practises”)?
10. Would you undertake to establish a link with any other infrastructure upon request?
 - a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;
 - 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)?;
 - 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?;
 - d. how are the transfers between CSMs settled?

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

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?
13. Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?
14. Do you refrain from obliging your participants to process certain SEPA payments in a specific infrastructure?
15. Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?
 - a. If no, please describe the proprietary standards for SEPA payments that you oblige your participants to use.
16. Do you refrain from imposing participation obligations on the users of other infrastructures when another CSM is requesting a link?