

# Self-Assessment of SEPA Compliance for Bankart in view of Eurosystem's Terms of Reference

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## Purpose

Bankart is a leading Slovenian processing center, providing banks with various services such as ATM network management, POS terminal network management and servicing, payment card processing and Collection center management. In 2007, Bankart started the project of providing a SEPA-compliant infrastructure to Slovenian banking community. The infrastructure was named SIMP and went live on March the 4th 2009, enabling a migration of credit transfers from national (legacy) formats to SEPA CT 3.2 standard. Since then it has been processing large volumes of payment instructions.

The Eurosystem has defined four criteria which infrastructures should fulfill in order to be considered SEPA compliant in the view of the Eurosystem. These criteria, published in the Eurosystem's 5th Progress Report on SEPA, were further clarified in the Eurosystem's subsequent document "Terms of Reference for the SEPA-compliance of infrastructures". The infrastructures were invited to meet the Eurosystem's SEPA-compliance criteria and to publish self-assessments, for which the Terms of Reference provide guidance.

The Terms of Reference as defined by the Eurosystem are grouped into four criterions:

- Criterion 1 – Processing capabilities
- Criterion 2 – Interoperability
- Criterion 3 – Reachability
- Criterion 4 – Choice for banks

The remainder of this document provides Bankart's specific answers to questions defined by the Terms of Reference and is a self-assessment of Bankart's SEPA Compliance. This self-assessment will be updated when necessary.

## Conventions in this document

This document uses certain typographical conventions:

- Explanation of each criterion as provided by the Eurosystem is *italicised*.
- The terms of reference are **bolded**.
- Bankart's answers are shown in **blue text** immediately following a Term of Reference.

## 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?**  
**Yes. Bankart sent the Disclosure letter to the EPC on August 28<sup>th</sup>, 2007.**
2. **Are you compliant with the relevant PEACH/CSM Framework?**  
**Yes.**
3. **Are you compliant with the relevant SCT Rulebook?**  
**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?**  
**Bankart's SIMP infrastructure does not yet support the SDD service. It will be compliant with the SDD**

- Rulebook(s) and is ready to guarantee the service mentioned in coherence with the dates, defined by the banking community in Slovenia.
5. **Are you complying with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard?**  
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?**  
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).**  
At the moment, Bankart's SIMP infrastructure processes yellow data fields only. Bankart is able to process full subset of ISO 20022 XML messages (yellow and white data fields), should white fields also be required by the banking community.
  7. **If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?**  
We do not provide any conversion services between XML and other (legacy) formats.
  8. **Have you adequately tested your processing procedures?**  
Yes.
    - 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.**  
Tests with the banking community were performed in compliance with the testing framework as defined by Bankart and approved by the banking community. The framework included end-to-end test for national environment, including settlement in TARGET2 test environment. For cross-border, tests were performed by sending payments to EBA STEP2-SCT test environment. Tests included individual testing of each member bank, several instances of integral testing and performance tests. Migration to SIMP infrastructure tests were also performed.

## 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?**  
Yes.
  - a. **If yes, are the interoperability rules you are using mutually agreed upon by the relevant CSMs?;**  
Yes. For domestic system interoperability rules have been mutually agreed upon by relevant entities (banks, settlement agent). For cross border system see 9.b..
  - 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);**  
The interoperability rules for EBA STEP2-SCT system are not mutually agreed upon. The established link is based on specifications and requirements published by EBA. They define message formats and settlement procedures. Bankart's infrastructure is fully compliant with EBA rules and formats.
  - c. **are you compliant with other relevant rules, guidelines or practices which aim at ensuring interoperability (e.g. the "CSM Market Practices")?**  
Yes. Bankart is compliant with the guidelines defined in the EPC document "CSM Market Practices". Bankart complies with the guidelines according to the model "centralized Automated Clearing House".
10. **Would you undertake to establish a link with any other infrastructure upon request?**  
Yes. Bankart is prepared to evaluate any request as soon as it is made.
  - d. **Have one or several links been established? If yes, please provide the names of the participating infrastructures;**

Yes. Link to EBA STEP2-SCT system is already established. Links with other CSM infrastructures are under consideration.

- e. **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)?;**

The link to EBA STEP2-SCT is established by utilizing an existing connection to SWIFTNet previously established by the Central bank of Slovenia. Bankart covers only a part of the maintenance cost of said connection, since it is also used for other purposes by the Central bank of Slovenia. With regards to the link with EBA's STEP2-SCT service, the relevant EBA membership fees apply. The costs of said fees are borne by member banks.

- f. **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?;**

Should a change of internal processing procedures be necessary in order to increase the efficiency, we are prepared to comply.

- g. **how are the transfers between CSMs settled?;**

The settlements with EBA are settled in the TARGET2 system.

### 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?**

Yes, by assuming that the banks, direct or indirect participants of EBA's STEP2-SCT system, represent the vast majority of SEPA scheme participating banks in the Euro area.

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

Currently, 4.156 direct or indirect participants of EBA STEP2-SCT service can be reached via our cross-border system. With our domestic payments service, all of the banks in Slovenia can be reached.

- 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)?;**

Routing is enabled with the use of routing tables. For domestic payments, the routing table is managed by Bankart and is refreshed as soon as any changes occur. For cross-border payments, a routing table of STEP2-SCT participants is used. Both tables are sent to banks on daily basis or in case of domestic payments even during the day, should any changes occur.

- 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?;**

The routing table is updated with information from connected CSMs. Separate routing tables exist for domestic and for cross-border payments. In case a bank is reachable via both systems, banks are able to decide which route to use. Because of a higher number of clearing and settlement cycles, the domestic system is used for domestic payments. Optionally the cross-border system can also be used to send payments to a domestic 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?;**

Maximum time needed to reach every SEPA scheme participating bank is one business day. For all domestic payments sent to Bankart's system, same day-settlement is possible. For cross-border payments, same-day settlement is also possible, when payments are processed in the second EBA STEP2-SCT settlement cycle.

- 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?

We already offer full reachability.

## 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?

Yes.

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

Yes.

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

Yes.

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.

Not applicable.

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

Yes.