

# **IBOS BOARD PAPER**

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BOB LYDDON – IBOS ASSOCIATION



## **CROSS-BORDER PAYMENT INDUSTRY INITIATIVES**

**Summary of Current Status**

**October 2010**

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## Introduction

This paper summarises the status of new and emerging cross-border payment industry initiatives that are likely to impact the manner in which payments and transactions effected cross-border are handled in the future.

The paper provides summary information on each initiative under the following headings: -

- Background
- Industry time-scales (Mandatory and/or Peer Group)
- IBOS Assessment and Positioning
- Current Status
- Product Areas Impacted/Key Areas Involved

In line with the Audit process in the Board in September 2010, the following developments have been taken out of the paper – as IBAN and BIC before have been - since they pertain to the previous round of developments that led to today’s marketplace status and are no longer considered as new or evolving:

- Gresham Real Time Nostro
- SWIFTNet Cash Reporting
- TARGET2
- SEPA testing – STAG
- SEPA Incentives
- Sarbanes-Oxley/8<sup>th</sup> European Directive on Company Law (from “Sarbanes-Oxley”)
- SAS70
- TWIST (no separate existence from ISO20022 justifying own stream)
- RosettaNet (no separate existence from ISO20022 justifying own stream)
- EBA-PEDD (now SEPA Direct Debit – Core as well as B2B)

The information on these initiatives resides in v2.6.

The resulting new, renamed or widened initiatives are:

- SWIFT Vendor Partnering
- The SCORE variant of SWIFT Corporate Access
- SWIFT Corporate Access Service Bureau
- SWIFT MT to MX Migration
- Standards Coexistence IR 535
- SWIFTNet Exceptions & Investigations
- EBAM (Electronic Bank Account Management)
- Bank Payment Obligation
- International Payments Framework
- SEPA Core Direct Debit Scheme (as opposed to SEPA Direct Debit Scheme)
- SEPA Business-to-Business Direct Debit Scheme
- SEPA Mandatory End Date for Migration (SMED)

- Basel III
- EU Reg 924/2009
- Revised eMoney Directive
- Common Global Implementation

The IBOS assessment of each initiative includes:

- Implications for our business
- Our preferred approach or stance
- Current Status

This paper is produced in accordance with the action agreed at the IBOS Board in Turin in December 2003 and will be debated at subsequent sessions, and in any Product Managers' seminars and SEPA Workshops. The objective is to identify the key initiatives that will drive change in the handling of payments, agree and assess the impact in relation to IBOS, agree our collective stance and take action as appropriate.

**This is a live paper for debate and comment and it will be maintained on an on-going basis.**

## General Summary

These Industry Initiatives have lagged behind in terms of both take-up and timescales. Innovation appears to have become the preserve of a limited number of organisations, individuals or departments. There is a strong element of self-selection. Whether it is the structure of the collaborations, the build-up of ambitious expectations, the lack of challenge or just the shortage of funding within banks themselves to launch private initiatives, there has to be a question mark over whether Industry Initiatives pursued in the way they have been over the last 10 years are getting anywhere.

The main issues for IBOS in all of this are, on one level, the potential for IBOS' being rendered unnecessary in the Eurozone by SEPA, and on a global level by SWIFT Corporate Access enabling each corporate to arrange and manage their own version of IBOS themselves.

The ongoing discussion in the Board is how likely these developments are, when they might take place, and which types of corporate are likely to remain IBOS users. Set against that and given the total cost of ownership of IBOS and its position as a niche (rather than centre-of-plate) offering, is there still a Business Case for IBOS?

On another level there is a challenge here to IBOS's development model. The current IBOS development model is to build on top of established and adopted industry-wide approaches. Those approaches have not have established themselves at a level as IBOS' platform for response to emerging client needs. In brief, we are still stuck with MT.

Since the last edition of the paper the initiatives have increasingly grouped themselves around three foci:

- SWIFT-based initiatives generally
- SWIFT Corporate Access and related services (E&I. EBAM)
- SEPA

Three out of four "Other Infrastructure Initiatives" are related to SEPA, and could be grouped under that heading too.

Independent Corporate Initiatives have all but been choked off: only "Common Global Implementation" remains. The main players there are banks and SWIFT, but it is the only initiative in which corporate has an independent seat at the top table. CGI is related to ISO20022, into which the payment-related efforts of TWIST and RosettaNet have been channelled. The very existence of the "Common Global Implementation" is a reaction to the limited progress made by ISO20022, TWIST and RosettaNet towards harmonisation so far.

The recent Financial Services Club survey showed a weakening belief in the progress towards harmonisation over the last year:

- The implementation of PSD has not brought harmonisation, due to the derogations
- SEPA realisation is not expected before the time period 2014-2017 (even if an End Date is set)
- ISO20022 is not considered yet to be mainstream

A disappointing picture – a point made elsewhere in the AGM preparation papers is that the disappointing adoption of SEPA and ISO20022 so far are very much intertwined. Nevertheless SWIFT and SEPA are even more central to the "Initiative" space than they were in 2007.

SWIFT is ramping up its commitment by partnering with key vendors – hence the section "SWIFT Vendor Partnering".

The areas of Mobile and Remittances are touched upon here only via International Payments Framework. Those areas are not deemed to involve corporate payments. To what extent should they be covered in the next edition?

Indeed, how often should this paper be updated?

## SWIFT Vendor Partnering

### BACKGROUND

SWIFT's new approach - to develop much closer relationships with key vendors such as Sungard, with the aim of cooperating to package offerings to SWIFT users.

Departure from previous business model that derives from the LEAN programme:

- Previous model: SWIFT Network Services, Access Services and Partner Programme
- Cooperation with fewer vendors to co-develop software products that contain SWIFT Access services.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- New, not a formally announced strategy but a real one all the same.

### IBOS ASSESSMENT & POSITIONING

A concentrated strategy by SWIFT to partner with select members of the vendor community to offer services that banks have traditionally either bought direct because of a recognised need or to differentiate their proposition to their market.

There is an issue here in that banks who buy services from vendors (reconciliation, payment tracking, e-services) and are also funding SWIFT to acquire/partner with the same community to offer competing solutions. Is this right? Is it recognised? What are the cost benefits? What is the value?

There is another concern which is that SWIFT and the vendors could go with a package to a corporate and position themselves as "Your ICM Coordinator", circumventing the banks. This risk is one of the reasons for IBOS Office to stress the need to make IBOS services available via SWIFT Corporate Access and for all banks to adopt DZero: a service that non-banks like SWIFT and Sungard cannot replicate.

### CURRENT STATUS / ISSUES

- See above

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

Global Transaction Banking Strategy  
SWIFT Board Members  
SWIFT User Group Members

## SWIFT Corporate Access

### BACKGROUND

- SWIFT's strategy to ramp up usage of the network by having corporates as direct participants in the network for more than the Treasury Confirmations services (MT3nn)
- MACUG was the original framework
- This was matched by Standardised Corporate Environment
- The variants differ as contracts and have different service scopes, but once in production the day-to-day operation is the same
- Tied in with the expectation that corporates will adopt ISO20022 for Corporate-to-Bank communication.
- Originally a corporate would have a BEI – Business Entity Identifier. In the meantime that has been changed to their having a BIC; the term BEI has been dropped

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Original plan was for this initiative to result in 10,000 new endpoints on the SWIFT network by 2010, which was understood to mean 10,000 corporates
- So far about 800 corporates have committed to it
- It is a little unclear to IBOS whether a corporate takes just one BIC and arranges its legal entity structure behind that, or takes several BICs. That would significantly affect any judgement as to how much the plan has been fulfilled
- 80% of the 800 corporates are reported to be connecting through a Service Bureau and not direct

### IBOS ASSESSMENT & POSITIONING

- This initiative has gained sufficient momentum to be regarded as a platform for an IBOS development.
- IBOS never had a consistent front-end system so this could be it, as long as each bank encloses this within a Host Bank approach meaning “my bank is your ICM Coordinator”
- IBOS services should be accessible under a bank's own eb systems or SWIFT-based ones
- This maintains the basis of competition is banking issues, and precludes vendors or SWIFT as positioning themselves as ICM Coordinator

### CURRENT STATUS

- The initiative has established itself but there are uncertainties such as:
  - How many customers really fit into the category of being able to act as their own ICM Coordinator, either in full or with whatever support SWIFT or vendors themselves provide
  - How many will continue to look to their bank and just regard the access channel as convenience and not the driver of choice of banks
  - How many customers will retire other eb systems aka what these customers will use Corporate Access for – the current favourite is to use the FileAct service to transmit files to banks in the same format as before, but making use of the consistent channel and security of SWIFT
  - This does not necessarily make other eb systems redundant
  - Whether the result really will be bank-independence and a higher propensity for customers to switch banks: so far the banks that implemented it have observed a greater concentration of business on themselves

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Electronic banking
- ICM Strategy.

## **SCORE – Standardised Corporate Environment**

### **BACKGROUND**

- One of the two contractual structures for SWIFT Corporate Access.
- The widening of the MACUG structure so that there is one group to which all SWIFT banks and eligible corporates can belong.
- More of a contractual difference than one that affects how business is done in production.
- A corporate contracts with each bank individually, rather than with a bank group coordinated by its Service Administrator.
- However the service range is more limited; it is:
  - the main MT messages for Cash Management (101, 94n...)
  - the EBAM and E&I services on InterAct
  - FileAct for a corporate that qualifies in its own right.
- Qualification criteria are:
  - In own right - the company's shares are listed on a regulated stock exchange in an FATF country
  - Bank introduction – a SCORE bank introduces the customer. Note that under this variant the corporate is not allowed access to the FileAct service

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Approved at SWIFT's 2006 AGM.
- Full rollout after SIBOS 2007 in Boston.
- Not being monitored separately from MACUG

### **IBOS ASSESSMENT & POSITIONING**

- No difference compared to MACUG from a strategic perspective
- On a tactical level the issue of access to FileAct is interesting. There is no RMA service available for FileAct but it is being introduced in SCORE
- At that point the bank-introduced users will be allowed to use it – but the others will also have to use it. In both cases it is subject to their banks being ready. The complexity of the RMA deployment for the banks means some may not be ready and may have to force their customers to sign up for their MACUGs to continue to use it
- That would be seen as a retrograde step
- One of IBOS' values in SCORE is that the Host Bank can bring on “bank-introduced” corporates and ‘guarantee’ that other banks will deal with them on SCORE
- The default setting is that the corporate has to go to the other banks itself and see if they are willing: the corporate's just signing up to SCORE does not oblige the banks to do that

### **CURRENT STATUS**

- Partially resolved issue on pricing where the corporate's costs are based on their own traffic volume under SCORE, but on the price-tiering of the bank under MACUG (meaning a customer of the Citibank MACUG would pay a far lower cost than for the same traffic in SCORE)

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Electronic banking.

## **MACUG - Member Administered Closed User Group**

### **BACKGROUND**

- The SWIFT Board approved the MACUG concept in 2002 as a component of SWIFT's strategy to expand in a controlled fashion into the Bank/Customer space.
- The key characteristics are:
  - Ability to leverage the FIN and SWIFTNet infrastructure between the bank and its customers organised as a closed user group, allowing hub and spoke communications.
  - Customer-to-customer connection within the CUGs is not allowed.
  - Customers who use more than one bank must join more than one CUG.
- The entirety of FIN messages, EBAM and E&I on InterAct, and FileAct are available should the bank choose to offer them
- SWIFT provides the infrastructure and has no involvement with the services/applications offered by banks; however it is working more closely with vendors and by setting up its own consultancy to ease the implementation for corporates.
- Banks have to obtain SWIFT Board approval to form a MACUG. The organizing bank is known as the "Service Administrator". It can include its subsidiaries and branches in its MACUG as "Service Administrator Related Participants" or SARPs: the corporate can then send SWIFT traffic direct. Partner Banks cannot be part of the MACUG.

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Not being monitored separately from MACUG
- However, the introduction of RMA for FileAct in SCORE is a milestone

### **IBOS ASSESSMENT & POSITIONING**

- No difference compared to SCORE from a strategic perspective
- On a tactical level the issue of RMA in SCORE for FileAct is interesting (see previous section).
- IBOS banks have expressed the desire to have access to one another's MACUGs in the IBOS arrangements so that the narrowness of the SCORE offering and/or the RMA issue do not become impediments

### **CURRENT STATUS**

- MACUG stalled because of the need for a corporate to join several of them, and because corporates may not have realised they had to deal with differences by bank in terms of data and service range (each Service Related Participant in a MACUG did not maintain the entire FIN message set, and different SARPs in the same MACUG might offer variations of scope, pricing and service level)
- The SCORE arrangement addresses some of these issues but not all of them. The Corporate Access banks say they want to reduce the amount they themselves spend on eb development – but Corporate Access is not a one-for-one replacement for eb systems unless STP and information reporting definitions are published and consistent

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Entire Cash Management Product set potentially, but initially Electronic Banking.

## SWIFT Corporate Access Service Bureau

### BACKGROUND

- SWIFT Service Bureaux have existed for many years, catering for the smaller FIs.
- The basic service proposition is to manage the BIC and map traffic between it and the FI's internal systems.
- The bureau might even run some of those systems such as Nostro Reconciliation.
- This enables the FI not to have to install and maintain the SWIFT interface equipment, or to acquire and refresh the skills.
- Corporates have the same drivers. It transpired that the time/cost/skills to go directly onto SWIFT deterred many corporates.
- Service Bureaux have widened their own scope to embrace corporates.
- Allegedly 80% of users of Corporate Access do so through a bureau.
- One the customer is in production, it is invisible to the banks whether a corporate has connected direct or via a bureau.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Now - ongoing.

### IBOS ASSESSMENT & POSITIONING

- Bureaux providers include SMA, Simplex, Sterci, Steria (acronyms where the first S stands for SWIFT?). Under this model does the bank have a contractual relationship with the bureau?
- Banks, such as RBS, have also started a bureau of their own, RBS' being operated by Simplex.
- IBOS' view is that IBOS member banks will have several channels that they offer to a customer, the bank's own SWIFT Bureau being one of them.
- Corporates may choose to use a non-bank bureau or connect direct; either way the IBOS service should be accessible at the back end in order for the IBOS member bank to act as the customer's ICM coordinator under every access option

### CURRENT STATUS

- Bureau is growing quicker than direct access. It can cut the cost and time-to-live.
- But it does not necessarily make the integration with the bank easier for the bank: it is just that there are more skilled resources involved in the project at the corporate end. In other words there is someone at the corporate who knows what to do, is being paid and has time.
- Corporates have shown a willingness to compromise on the objective of bank independence and use a bank-owned bureau, thus reducing to IT independence but not contractual independence
- Corporates have been concerned about the financial reliability of non-bank bureaux and their ability to meet a large claim.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Electronic banking.

## ISO 20022

### BACKGROUND

- Originally a stream of work in SWIFT to foster convergence of standards for payments and information exchanges in XML between corporates and banks.
- The aim was to create an 'esperanto' for the banking industry – a data language that can facilitate interfacing to any application on the customer or bank side.
- The initiative started in earnest with a Memorandum of Understanding between SWIFT, TWIST RosettaNet, OFX and OAU.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Non-mandatory in theory, but SWIFT's aims were (a) to retire FIN and have the industry migrate to XML and (b) to create standards in areas where there were no FIN messages
- SWIFT wants to offer both customer-to-bank and bank-to-bank XML messages – called SWIFT MX messages – that support the entire financial operation
- Hundreds of financial messages have been registered in the ISO200222 process; SWIFT is the Registration Authority
- EPC has adopted SWIFT MX as the mandatory physical data language for SEPA messaging in the bank-to-bank space, within the framework of the SEPA Data Model
- The migration plan from FIN to MX has stalled (see IR 535)

### IBOS ASSESSMENT & POSITIONING

- The very large number of new messages being registered in the ISO20022 process mismatches the pace of industry-wide adoption of the messages and of the business models that the messages operate within
- Those models – written in Universal Modelling Language - now appear to be more significant than the physical messages themselves
- SWIFT has received major pushback on its migration plans, and now Standards Co-existence is the watchword
- ISO20022 has seemed to be the province of a very few corporates and banks, other than when it comes to SEPA
- But banks seem to have taken the position in the short term that XML is an input/output format and not the language of core processing, e.g. many just convert SCT into MT103.
- That will not work for SDD so we are in a curious position: SEPA ought to push this forward but a few months before the SEPA watershed date (obligatory reachability for Core SDD) SWIFT makes a major revision to its position

### CURRENT STATUS / ISSUES

- Continued push to write standards in areas with no MT predecessor.
- Continued rolling out of services that only exist in the XML form – EBAM and E&I.
- Ramping up the advantages of ISO20022 (e.g. SWIFT's book called 'ISO20022 for Dummies')
- But no compulsion (or prohibition)

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Big SEPA tie-in.
- Payments Product Management, Cash Management, and Treasury.

## SWIFT MT to MX Migration

### BACKGROUND

- SWIFT's plan, which is the logical follow-on from the move off the X.25 network onto the SWIFTNet-IP network, is to have all FIN messages migrated to using the MX messages defined within the UNIFI/ISO20022 framework. SWIFTNet-FIN could then be shut down.
- The standards migration issue has been on the table for a decade now. During that period the new standards have been defined and registered but largely not adopted.
- SWIFT announced a policy initially of coalescence until FIN retirement: FIN messages would remain in production but the annual standards releases would be for mandatory issues only, not for product enhancements.
- However, the 2007 release introduced a series of new ways of identifying the Payer for traceability along the payment chain so as to meet mandatory FATF requirements mainly for Worker Remittances (where the Payer has no account at the sending bank). Many banks do not handle these payments and as such the release was non-mandatory.
- The 2008 release defined new enquiry message standards for easier handling of FATF-related issues deriving from what was delivered in 2007
- The 2009 release centred on MT202 COV which was a derivative of the Wolfsberg Group recommendations, and was mandatory: a large effort to implement
- The result has been major ongoing spend on FIN for the banks, for no product enhancement, whilst swallowing up any budget that might have been available to spend on MX

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Migration is non-mandatory but the costs of maintaining both sets of infrastructure are unacceptable.
- In retrospect it appears unwise of SWIFT to have perceived the onset of the internet age and its data languages as compelling a retirement of MT – which had not been in production very long for a standard in such wide usage.
- Given the \$\$\$ investment by banks in using FIN on SWIFT and in the related internal processing, the useful life of FIN should have been classified as 50 years: 1980-2030.

### IBOS ASSESSMENT & POSITIONING

- IBOS' view is that FIN is currently adequate for supporting the Association's services and that we can increase geographical coverage more quickly if we ask new banks to adopt the IBOS add-ons to FIN: FIN is already being used for core processing and the IBOS-specific additions are not a ground-up build. They also correlate to client value.
- As well the IBOS proposition is attractive to companies that are not fully centralised; the ISO20022-related proposition is most attractive to companies that are fully centralised
- However, at some point IBOS may have to bite the bullet – but we have no control over the timing for banks to transition
- We would have to confront a long period when some banks were running the IBOS service on FIN and some on MX

### CURRENT STATUS / ISSUES

- As per 2011 Business Plan – we are stuck with FIN as the default data standard.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

All IBOS payment messages, advices and statements

## Standards Co-existence IR 535

### BACKGROUND

- Change of policy by SWIFT confirmed at their June 2010 Board Meeting, where the paper from SWIFT Standards called IR 535 was adopted
- They will still recommend the benefits of ISO20022 (SWIFT MX) and develop all new standards in MX, but FIN will be supported without an end date (but not enhanced other than for regulatory reasons)
- IR 535 also introduces a certain spin on what ISO20022 is: ISO20022 consists in the first instance of the Business Models written in UML (Universal Modelling Language), identifying actors, messages flow, message content, actions by each actor etc. That forms the 'logical layer'
- The data language used for the 'physical layer' can be any language that can convey the data - although MX is recommended.
- So IR 535 introduces the concept of a distinction between ISO-compliance and usage of XML, which contradicts the SEPA Data Model, for example
- The promotion of the workflow (logical layer) over the physical layer as the main definition of compliance mirrors SWIFT's message regarding Exceptions & Investigations: adoption of E&I must 'encapsulate' the workflows, not just 'support' them
- Likewise a case management system like Pega must 'encapsulate' the workflows, not just 'support' them – meaning they are unchangeable and rigid

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Literally none: this is about the removal of timescales in general, and specifically about the suppression of the de-commissioning in November 2012 of the FIN messages for payments Exceptions & Investigations – MTs 192, 195, 196, 292, 295 and 296
- That de-commissioning would have compelled the adoption of SWIFTNet Exceptions & Investigations

### IBOS ASSESSMENT & POSITIONING

- The change is good for IBOS in a selfish sense – we do not have to invest time and effort on MX migration while we are trying to expand the network geographically.
- At the same time there are concerns:
  - On what basis would we develop new services that are not supported by FIN?
  - How do we handle MT-MX migration when it does become necessary, without adopting an 'apres moi le deluge' approach?
  - Would we use FIN if we were to go into a geographical area where FIN was not so much adopted for our business e.g. Africa?
  - Might we not then take the opportunity of developing an MX-based set of services in a place where they would be greenfield, as a test bed, and then adopt that as Europe's and the Americas' MX version?

### CURRENT STATUS / ISSUES

- MX is dead in the water as regards replacing FIN services.
- ISO20022 messages are being registered at a quick pace. By whom? What for? What is the connection with the existing usage?
- Frankly it looks rather chaotic and liable to lead to proliferation and divergence.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

All IBOS payment messages, advices and statements

## **SWIFTNet Exceptions and Investigations (E&I)**

### **BACKGROUND**

Initiative to streamline payments processing in banks by automating the handling of exceptions and investigations.

SWIFT has made this initiative a focus for the deployment of its XML Query and Response messages in combination with InterAct, in order to spur take-up down this channel, whereas SWIFTNet Cash Reporting and RTN have been disappointing.

The basis is that, while many banks' processing units achieve impressive STP rates, it has become clear that the cost of handling each customer enquiry resulting from a payment has a multiplier effect on the total payment cost. Management of exceptions and investigations remain one of the most resource-intensive activities for a payments institution.

SWIFT hope that the combination of new SWIFT Standards XML with a SWIFTNet messaging service and a rule book will answer the need for a streamlined, automated exceptions and investigations process. This will translate for the whole banking industry into large savings.

In addition, customers will benefit from shorter turnaround times made possible by a new generation of on-line "customer-self-service" offerings incorporating the highest level of security.

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Now non-mandatory after the decommissioning of the FIN messages n92 in the 1nn and 2nn series – scheduled for November 2012 – has been dropped
- All solution components are available and registered in ISO20022.
- E&I was in pilot phase as from Q4 2005 until the end of Q2 2006; success of the pilot was announced at SIBOS 2006.
- The focus now seems to have shifted to E&I in Corporate Access; it is a service available in both SCORE and MACUG

### **IBOS ASSESSMENT & POSITIONING**

- Would have added little compared to our existing 192 and 195 GSL, and would have caused us to deploy our efforts on a major migration project at the same time we are trying to widen the service
- That does not mean it is a worthless service but its added value over an existing and automated FIN service is not great

### **CURRENT STATUS**

- Major issues for E&I adoption are firstly, as ever, it is only good if others are also using it. Otherwise it is an extra cost.
- Secondly the workflows are obligatory and there is no space in the messages for free text.
- This means that existing case management software has to be at least given a major upgrade if not replaced. Secondly all data to go into E&I messages has to be recorded and available in another IT system – not just visible in a screen where an operator can copy-type it
- Thirdly E&I would have to be implemented globally i.e. at every location where 192, 195 etc are used now, and even 198 and 199 for E&I purposes (those messages being used frequently for free text)
- This is a 2-3 year project for a bank

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Processing, Customer Service, Investigations

## **EBAM - Electronic Bank Account Management**

### **BACKGROUND**

- SWIFT's initiative to design and roll out a set of messages for handling the opening of bank accounts and the signature mandates. A set of ISO20022 messages and workflows have been registered
- A successful pilot has taken place between BoNYMellon and Axa
- They key point is that mandators should be established between bank and customer by the issuance of digital certificates, rather than paper documents
- The mandators can then ask for new accounts to be opened, existing accounts closed, addition and deletion of signatories and changes of signatory powers and limits
- The bank would then be able to change the system-held static data on signatory powers at its end
- Big saving of time and effort both ends; enhanced accuracy and transparency
- The corporate's auditors would have a cleaner view of the signing authorities in place at the corporate and grater assurance that the bank had the same version

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Sungard has announced that EBAM has been built into their AvantGarde platform
- Pega, as one of the vendors of the back end applications at the banks, is a major sponsor
- Identrus is seeing EBAM as a major sales channel for its Trust Prime service
- Pega, Identrus and Sungard have sponsored a Finextra survey – results to be unveiled at SIBOS – as to whether corporates would like to see any improvements in banks' Bank Mandate Management support
- SWIFT have made EBAM available in SCORE and MACUG

### **IBOS ASSESSMENT & POSITIONING**

- The issues are adoption and relevance. We would want to see a clear signal from our banks that adoption really is rising and that the results are relevant to what IBOS does: where the customer is new to the bank concerned, needs to pass all initial KYC/KYB, will have a low volume of signatory changes (maybe not even one per annum), and where signatory changes have to be signed off in several places in the corporate (Audit, Tax, as well as Treasury).
- In that scenario the KYC/KYB papers authorising the mandators (whether the mandators were using Identrus or manual methods to identify themselves) could fail the test of recency and have to be brought up-to-date on a manual (paper) basis, defeating the object of the exercise

### **CURRENT STATUS / ISSUES**

- Is this just another initiative launched by SWIFT, its vendors and a tiny number of banks and corporates, which gets high publicity for a while but then bogs down in practical issues? Does it solve enough problems for enough people, or just replace one set of issues with another?
- Does EBAM change the papers needed by each bank for KYC/KYB? IBOS is more focussing on getting harmonisation of papers.

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

IBOS Account Opening procedure

## Supply Chain Finance

### BACKGROUND

- Since the implementation of ERP by corporates and the rise of e-Commerce, e-Billing, e-Invoicing etc., banks have been looking to facilitate their customers' trading and to integrate the payment process with the Order-to-Receiveable cycle and Purchase-to-Payable cycle
- Originally Eleanor and e-payments Plus were proposed as payments industry schemes intended to provide banks with sets of standards and specifications designed to facilitate the delivery of B2B e-payment solutions to customers
- Neither took off but the issue still remains and has become critical for banks: how to add value and therefore make revenue in these activities when payment pricing is falling, and when the payments may be created in e-Commerce engines (perhaps using card techniques and bulking many individual payments into a settlement and paid without reference to bank relationships)

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Work on Eleanor and e-payments Plus began in 2000 but stalled in 2002
- However, the corporates' and banks' issues have been resurfaced, as much as anything else, by TWIST and RosettaNet. EACT has also raised the profile with the EU and put this onto the SEPA agenda, as has EBA through its e-Invoicing research. eSEPA appears on agendas.
- There are successful examples of e-Commerce/e-Invoicing but not delivering end-to-end STP or using a cross-industry model. Large corporates or individual industries often have their specific solutions
- These initiatives are not mandatory but banks have responded, for example, by specifying a B2B Direct Debit in SEPA and by having e-invoicing discussed both within EPC and EBA.

### IBOS ASSESSMENT & POSITIONING

Streamlining of AP/AR processes should cause the major benefits of SEPA:-

1. for corporates to get the benefits of their investments in ERP.
2. for buyers to be able to "lend" their creditworthiness to their suppliers and thus allow the suppliers to give extended terms and finance themselves from banks.
3. Remittance information, whether or not it accompanies the payment, transporting full and accurate Remittance information can be held either in an engine from which Buyer and Seller can retrieve it, or else it is moved by one party to a warehouse from which the other party can retrieve it – using a reference key contained in the payment.

### CURRENT STATUS

- EBA eInvoicing has not really resulted in new services. eInvoicing has been successfully adopted on a country level (Denmark) or on a bank level (Intesasanpaolo has launched an eInvoicing service to SME's that integrates the "ricevute bancarie" for supplier financing)
- But not much has been seen to promote single-country or single-bank solutions to a multibank and multicountry level - Abbey launched a simple service in the UK in 2007 based on the longstanding Spanish service: 'pagos certificados', allowing suppliers to discount their receivables
- On the other hand the Powertrack service linked to Visa in the enterprise Syncada has made more impact
- Commercial banks seem still to be struggling to identify services in this space that (a) banks are better at than existing IT suppliers (b) customers will buy from banks (c) are new and go beyond FX, LC, Doc Collection, Payments, and (d) which are well-priced and do not just open up new risks

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Lending – if more/cheaper credit can be provided
- Commercial services – if SCM is a new product line

## Trade Services Utility

### BACKGROUND

- Project agreed at SIBOS 2004 in Atlanta to enable re-entry of banks into supporting the corporate supply chain for open-account trade
- TSU is a centralised matching facility. Banks/corporates input data to it from trade documents – meaning a subset of the contents of those documents. A buyer’s bank might input a customer’s purchase order and direct it to the bank of that customer’s supplier; when the supplier’s bank inputs their record of the transaction, a match can be made, and reports in XML sent out to both banks, allowing confirmation, financing etc.
- The documents can relate to the entire order-cash cycle (likewise purchase-pay for the buyer), including documents required under Trade Letters of Credit and Documentary Collections
- Response to the perceived issue of Bolero being a facilitation of existing trade services (L/C, Doc Collection) rather than supporting expanded Open Account trade
- Response to perceived issue of Bolero service only kicking in after an export or import order has been placed, i.e. when the exporter comes to ship, and having little in place to support the exporter getting the order to begin with – or getting pre-shipment finance to help deliver the order
- Sponsored by SWIFT with input from many major Trade Services banks

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Commercial environment went live on 2<sup>nd</sup> April 2007; Sales ramp-up by SWIFT in 2009
- The TSU is meant to allow banks to increase revenues and share the costs when engaging in the provision of services such as in sourcing of payables and receivables, finance and risk mitigation, and insourcing of trade data checking
- TSU only connects banks, so user banks have to build connectivity, feature and function themselves to “productise” the facilities of TSU

### IBOS ASSESSMENT & POSITIONING

- Could become relevant to IBOS – even though the end-user would still be in the Purchasing or the Sales department – if it makes inroads into Open Account trade and becomes a vehicle for or facilitator of Supply Chain Finance
- Might also become a vehicle within which Working Capital Finance becomes more readily available – because banks would be able to have one-view of L/C, Doc Coll and Open-Account payables and receivables of a client, and see counterparties

### CURRENT STATUS / ISSUES

- It works and it is in production but TSU is not a product and there are other offerings into this market space. TSU sponsors will need to consider how far the collaboration needs to go in order for TSU to be successful
- Progress appears quite slow and not to yet have resulted in services that mean that the customer wants to operate the entire Order-to-Cash and Purchase-to-Pay cycles on it – meaning also through its bank
- The Credit Crisis has also challenged some of the fundamentals behind TSU i.e. that customers do not value the coverage of certain risks that a Letter of Credit deals with
- Credit risk on buyers, political risk on buyers’ countries have become greater concerns; likewise the financial and performance risks on sellers
- Not least the viability of banks’ financial undertakings
- So the external situation has been less supportive of TSU when it was conceived and launched

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Trade Services Product Management.
- Loans Product Management

## **Bank Payment Obligation (BPO)**

### **BACKGROUND**

- A new service within the TSU where, after a document matching is achieved and a future payment obligation of a buyer is confirmed, the buyer's bank can add its guarantee to the future payment in a legally binding way – just as if the payment had been evidenced by a Bill of Exchange accepted by the buyer, and the bank had avalised it
- The bank then pays out as its primary payment obligation (just like an aval) and reimburses itself on the buyer (if it can).
- The goods have been released to the seller: the buyer's bank has no claim in the seller or the goods.

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Launched in early 2010; major focus in the Trade stream of SIBOS 2010

### **IBOS ASSESSMENT & POSITIONING**

- A payment that needs to be secured like this is not being done on Open Account and so it contradicts TSU's basis.
- Despite being a payment deriving from a sale of goods/services, the bank has no title over the goods and services and so cannot dispose of them elsewhere if the buyer fails to pay.
- In consequence the payment obligation would not count as related to trade and qualify for a discounted Capital Adequacy treatment (Basel I weighting of 20%; same for Basel II Standard Methodology)
- It counts the same as a Financial Guarantee or a Loan

### **CURRENT STATUS / ISSUES**

- In a time of scarcity of bank capital, this is not a good service to be launching.
- In addition the yardstick for the possible size of the obligation is the buyer's gross purchases (i.e. if they bought all their supplies through TSU at 45 days' usance and every supplier wanted to get a BPO).
- That contrasts with the size of an overdraft limit – the net of deficit of payables over receivables at any one time.
- The "payment obligation fee" would have to meet hurdle rates (e.g. 25% p.a. on 4% of face value), and the credit allocation could freeze up other lines.
- Better to press Button 2 for "Letter of Credit"

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Trade Services Product Management.
- Loans Product Management

## International Payments Framework (IPF)

### BACKGROUND

- Defines rules, standards and operating framework to simplify non-urgent cross-border credit transfers so that the order can be sent to a bank that can then direct it into its local ACH clearing, which can then pass it on
- Leverages existing payment networks and international standards e.g. ISO 20022
- Enables interoperability between domestic and regional non-urgent payments systems and banks

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- **2007:** Envisioned the development of the IPF within 3-5 years as a member organization which would be able to send multi-currency, non-urgent payments to any other member organization – whether through a CSM or between member banks – utilising the same standardized process and operating procedures. It was hoped that this would allow member organizations to implement new countries and/or currencies in a quick and efficient manner, lowering processing costs and eliminating the complexities in international non-urgent payments.
- **July 2010:** Commencement of live traffic between 2 IPFA members. The Federal Reserve Bank of Atlanta, USA (FED) and Equens in Europe will start with exchanging both USD and EUR credit payments between the USA and Europe. Thereafter these members will expand the processing to other European currencies as well.
- **2010/2011:** IPFA members have commenced planning for the inclusion into the framework of transactions between members in the following countries and currencies: Brazil, Canada, Mexico and South Africa.

### IBOS ASSESSMENT & POSITIONING

- The aim of including cross-border ACH transfers within the same business processes, for banks and originators, as domestic ones, is at the heart of IPF
- These could be Workers Remittance payments, or insurance or pension payments
- A declared intention of IPF was “to reclaim what has been lost to Western Union and MoneyGram”
- As such it may not sit within the IBOS market but could be of interest to IBOS banks
- Its aim is similar to that of IBOS in the sense of enabling banks to have Global Reach within a Business-as-usual framework (back-office simplification, certainty of service)
- Benefits for corporate originators could include the ease of executing payments around the world, cost-effectiveness, standard formats and ease of integration with accounts payable and receivable systems

### CURRENT STATUS / ISSUES

- Progress is somewhat opaque in terms of business volumes: getting banks to join IPF is not the same as having them in production and having a service that is competitive and compelling
- A similar issue to IBOS exists where one may have many Account-Holding Banks in place (in IPF’s case that would be Entry Point banks into a given country) but what are the Host Banks doing to get volume? Are too many banks sitting and waiting for volumes to come their way?
- And is the service better than Western Union and MoneyGram and why?

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Cross-border payments

## Faster Payments (FP)

### BACKGROUND

- Not strictly a cross-border initiative but a domestic one
- A new infrastructure supported by Vocalink in the UK to enable near-real-time transfers between accounts at different banks. The topology of the infrastructure is not unlike IBOS1
- The accounts must be 'Faster-Payments-enabled': that means not all UK-based GBP accounts are accessible
- The initiative derives from two main sources:
  - The Bank of England's desire to see payments that the parties regard as urgent but which are not 'systemically important' to be taken out of the CHAPS RTGS system
  - The Cruikshank report that stated that normal payment timframes were too slow and that this inhibited UK small business in particular
- The driver that gave rise to the creation of Voca out of BACS Limited (namely the automation of the payment of UK benefits payments) was not connected to this one; ironically the new Voca system built for this purpose could have accommodated the acceleration of BACS from D+2 to D+1, made Mr Cruikshank happy, and avoided the banks spending GBP80million+ each on Faster Payments

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- FP went live with a soft launch in 2008 with an amount limit of GBP10,000.
- This was raised in 2009 to GBP100,000
- Bank did not necessarily commercialise the service and their approach was uneven: in some banks a payment below the limit destined for a 'Faster-Payments-enabled' would simply be sent via FP without the remitter knowing; in other banks the customer would be offered a choice
- Still today not all sort codes are accessible e.g. accounts held at Intelligent Finance, a subsidiary of HBOS, are not 'Faster-Payments-enabled' even though the first digits in the sort code are those of HBOS which is

### IBOS ASSESSMENT & POSITIONING

- The initiative is interesting because it is near-real-time and for low-value payments. It proves that this can be done, even if the motivators in this case were a little disconnected
- FP is currency-independent: it could be done for EUR, SEK...
- The implementation was expensive and the reach is incomplete
- Banks have not known whether to see it just as a routing option to be used by themselves, a default channel, or a service to be offered to clients
- Whichever they decide upon, FP is a substitute for both CHAPS and BACS and cannibalizes the revenue of both, which not enabling a bank to retire either of those other infrastructures

### CURRENT STATUS / ISSUES

- Why is there an amount limit of GBP100,000? Is it really the case that the Bank of England views amounts above that level as systemically-important?
- When does FP become the default channel instead of BACS?
- When will all sort codes be accessible?

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- ACH Payments
- RTGS Payments
- Cross-border payments

## **Pan-European ACH (P-EACH)**

### **BACKGROUND**

- The initial concept for the infrastructure to handle the SEPA Payment Schemes - SCT, SDD, and Card Debit.
- Not considered as a single new piece of infrastructure but as a set of rules to define what can call itself a PE-ACH or not. Rules include that it can carry SEPA traffic and offer EU-wide access and delivery.
- The EC Commission wants to create competition amongst clearing houses and wants to see a rationalisation from today's situation (25+ local infrastructures)
- STEP2 is the default P-EACH, and was already so for Credeuro payments, but only because it could call on Entry Point or Gateway Banks to connect to banks who had no direct connection of their own.
- The French ACH is gearing up as STET to be a P-EACH; Equens is a major player (10% of Euro volumes of low-value traffic); Vocalink appears to have failed

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- P-EACH as the single template was replaced by the concept of Clearing and Settlement Mechanisms for SEPA, of which PE-ACH is one type
- Another is the SEPA-compliant CSM, which might be a national ACH clearing which can handle all the SEPA instruments and interconnect with other CSMs for cross-border traffic
- CSMs then have to be interoperable and send/receive SEPA messages with other CSMs without any need for translation

### **IBOS ASSESSMENT & POSITIONING**

- P-EACH does not in itself alter the account structure that corporate will hold, or where they manage their payments from, and into which bank they are inserted.
- P-EACH and CSM are part of the EC's vision for the dismantling of the vertically integrated structure of the payments industry and its replacement with horizontal integration
- EPC has issued its 'layered model'
- There should be competition between CSMs, and tension between the CSM layers and the layers above and below, to create competition intra-layer and inter-layer, drive down price and increase performance

### **CURRENT STATUS / ISSUES**

- CSMs, including P-EACHs, sit in the middle of the issue of defining the production versions of the technical specifications of the SEPA Schemes for use in a particular community – and then making them interoperable.
- There is a ISO20222 definition behind them, and the EPC Implementation Guidelines – but there is still room for individual P-EACHs to define:
  - How corporate users and banks interface to them.
  - How country-level differences that are considered vital to a national community are supported
  - Which niche schemes continue because they are outside SEPA's scope.
- These issues will become pressing once an End Date (SMED) is set.

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Product Management.
- IT & Communications

## **EBA STEP 2 – Pan-European ACH**

### **BACKGROUND**

- STEP2 is the default P-EACH in the SEPA environment, because it comprises the major payments banks and because it was the system through which Credeuro was realised.
- All SEPA Schemes upgrades and expansions have been supported in STEP2 from the EPC's designated live date
- STEP2 has not so far really succeeded in becoming the platform for 'domestic' euro ACH payments in replacement of national systems
- STEP2 supports the Slovenian national system – but there was no predecessor national ACH

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- Next key milestone is the full launch of Core SDD in November 2010: it should be possible to test Euro-land-wide reachability through STEP2

### **IBOS ASSESSMENT & POSITIONING**

- Prime purpose of STEP2 was to provide a cost-effective channel through which EU-Regulation payments could be made (Credeuro)
- STEP2 was the default P-EACH on 28/1/08; other CSMs had to have a bridge to STEP2 in order to have reach themselves
- But being the default for small, kickoff volumes is not the same as having 10%+ volume share in a harmonised SEPA market.

### **CURRENT STATUS/ISSUES**

- STEP2 has been key in enabling Regulation-compliant payments to be completed and for SEPA to get into initial production
- STEP2 volumes do rise, but Credeuro volumes are only falling slowly rather than migrating to SCT
- In 2008-9 STEP2 volumes could be viewed as a good surrogate for total SEPA volumes; now this is far less certain, but no other obvious yardstick exists
- Overall volumes are still quite modest: maybe 2 or 3% of total Euro payment volumes
- Equens has much larger volumes, as does Vocalink in GBP; how would EBA get up to a 10% market share?
- The challenge is taking over the volumes of domestic ACH systems to reach commercial critical mass (a) coping technically and operationally with the much larger volumes (b) interacting with the types of banks at a domestic level that are ACH members who would not have been EBA members (c) adapting the EBA governance model such that Italian banks or Spanish banks or whoever would have a greater say over matters pertaining to Italian/Spanish activity than is needed by any national community over EBA or over cross-border activity
- This is in the context of banks looking to their own networks and bilaterals as the main ways of clearing SEPA payments, not to a P-EACH.
- The landscape is further blurred by:
  - The plethora of organisations and arrangements that can call themselves CSMs
  - The issues around achieving reachability for SCT (dependant on Entry Point banks continuing) and for SDD (not possible to map SDD through to types of national Direct Debit)

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments routing and clearing

## **EBA “Priority Payment”**

### **BACKGROUND**

- EBA scheme for a payment completed four-hour end-to-end in EUR, and for which EBA Euro1 would be an eligible carrier (usage of EBA’s infrastructure is not obligatory).
- It is EBA’s service that responds to the Prieuro Payment Scheme, one of the schemes that should exist in the Single Euro Payment Area according to the EC but or which EPC has not picked up the gauntlet because it says it remit is Core+Basic payments in the collaborative space, whereas Prieuro is a high-value/urgent payment, therefore a value-added payment, and one that belongs in the competitive space
- The scheme is also available for use independent of EBA.

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- In production since 2008.
- EBA has a rulebook but the rules have to be translated into a live product for banks to roll out and then banks and customers need to use it. The scheme requires considerable internal development inside the banks so as, for example, to use the codeword SPRI.

### **IBOS ASSESSMENT & POSITIONING**

- Threatened to cut right into IBOS territory – concern that effect of GSL payments could become available to anyone
- However, certain areas of cooperation (pricing, value-dating) that make the GSL fly commercially are not necessarily on the agenda when the banks are disparate, and not committed to working as a coherent group in production, so the prospects of success are reduced.

### **CURRENT STATUS/ISSUES**

- Business case and customer take-up are not proven.
- Not a mandatory part of SEPA according to EPC – still defined by them as a value-added service.
- Even the banks that are part of the production group speak unenthusiastically about it, and did not all launch it to customers as a service.
- Hard to see how critical mass is achieved, even between the core banks.

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Product Management

## Single Euro Payment Area (SEPA)

### BACKGROUND

- A stated objective of the EU, following the introduction of Euro notes and coins, is to eliminate barriers which hamper freedom of movement of trade and goods across the borders of the EU.
- There should be a single 'domestic' payments market whereby money would move as freely and cheaply in the Eurozone as it had done previously within national borders. This borderless environment is known as the Single Euro Payments Area (SEPA).
- In SEPA it should be possible to hold one EUR bank account, to make and receive all EUR payments out of/into it, and to access it using a standard data format and through a common access method across all banks
- In response to this political objective, prior to the EU Reg 2560/2001 being passed, the EPC produced a draft Blueprint for change containing an outline development plan as follows: -
  - **Phase 1 (implemented by end 2002)** - Introduction of the standard STP credit transfer "Credeuro". Development and progressive implementation of new infrastructures (i.e. EBA STEP2 for credit transfers) in combination with the use of existing infrastructures.
  - **Phase 2 (implemented by end 2007)** - Introduction of pan-European market conventions and infrastructure for the SEPA. These will link current domestic payments and cross border Euro payments. Domestic payment services will gradually be opened up to the new conventions and infrastructure.
  - **Phase 3 (implemented by 2010)** - Completion of the SEPA. Existing domestic conventions will be completely replaced.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- It is taking a lot longer. Take-up by ISO20022 generally has been slow, so the SEPA data standards were not already in common usage by the time that the SEPA schemes should have been deployed.
- Lots of other reasons for delay are cited: lack of end-user input, no business case for many types of customer, poor communication, lack of a response to the differences between legacy schemes and the SEPA schemes...
- But four factors have to stand out:
  - Delay in the passage of the Payment Services Directive
  - Knock-on delay in the implementation of the SEPA Direct Debit
  - Uncertainty over whether existing mandates could be "grandfathered" to govern the usage of the Core SDD scheme to process a direct debit
  - Compulsion for Euroland banks to be reachable under Core SDD only in November 2010
- We now stand at a point where it has to start working of its own accord or we are in for a very long haul
- The call for a SEPA End Date for Migration is all very well but it does not remove a core problem – that national environments contain elements vital to STP in back-end systems (at banks and customers) but which do not have a counterpart in the SEPA schemes.
- The safety valve for that is for national communities to define extra fields – known as AOS or Additional Optional Services – but what happens to harmonisation if everyone does that?
- At least AOS will be public; VAS – Value-Added Services - could have the same effect but be kept private.
- Then there are niche schemes that only exist in one country.
- A recent Financial Services Club survey showed a declining level of conviction that SEPA will be realised by 2014, and a growing sense that only a level of harmonisation will be achieved by 2017, notwithstanding the setting of an End Date.

## **IBOS ASSESSMENT & POSITIONING**

- It is a vital strategic question as to whether the existence of SEPA supplants the need for IBOS in the EU or Euroland.
- SEPA is about creating a single EUR payments market with a single set of Payment Schemes
- There are many project risks in SEPA, and National Migration Schemes dictate when – or whether – SEPA is perfected.
- IBOS has to mark itself against SEPA to ensure that there is still value-adding market space for IBOS to operate in.
- More threatening to the need for IBOS would be major changes in terms of trade, corporate law, tax law etc. that currently render it necessary to have a “local” permanent establishment – branch or subsidiary i.e. if there really was a single market for business, it would be possible to trade as a single legal entity EU-wide.
- That still seems to be even further away than SEPA. SEPA is seen as an enabler for a single market, rather than as being needed because a single market already exists.
- Old habits stick – it is convenient for a corporate in order to limit their risk to establish multiple limited-liability subsidiaries, for a geography, a brand...
- It is also the only sure way of sharing risk with a third-party: to set up a limited-liability company and have each owner take a portion of the shares.

## **CURRENT STATUS**

- The 2010 Annual Business Plan lays out a scenario where the acceleration of an End Date causes such a situation of work-arounds, local aggregators, AOS, VAS and niche schemes that a “false SEPA” is created, in which national differences exist under a thin layer of harmonisation and that, without a clear statement in SMED of the target environment for 2013 that accords to reality, there can be no Stage 2 where the anomalies are dispensed with
- Then the “false SEPA” could persist for another 6 or 7 years
- In brief it is a lot longer and a lot less certain than the EC’s vision.

## **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Product Management/Cash Management Product Management

## **SEPA Credit Transfer Scheme (SCT)**

### **BACKGROUND**

- This is the basic credit transfer scheme that should be used for low-value transfers within the EURO member states and for EUR cross-border payments within the EU/EEA.
- It is described in the EPC's Scheme Rulebook.
- The technical definition is an adaptation of the ISO20022 Credit Transfer pacs message (pacs=bank to bank) and this is laid out in the EPC's Implementation Guidelines.

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- SCT came into production on 28.1.08.
- The scheme was upgraded in February 2009 to enable 'on behalf of' payments for Shared Service Centres, and salary payments (although there were instances where the salary payment had, in effect, a BEN charge applied by the receiving bank because it was deemed to be cross-border)

### **IBOS ASSESSMENT & POSITIONING**

- Core and Basic service, operative in the collaborative space
- Many differences between it and the legacy ACH schemes; a single country may have several of those and the national community might have to define AOS - 'Additional Optional Services' – to eliminate them. Such AOS would be in the form of specifics of how to fill a message field where EPC had general guidelines, or the filling of a field that EPC's guidelines left blank.
- Differences could also be eliminated using 'Value-Added Services' or VAS, which then do not have to be publicised

### **CURRENT STATUS**

- There is an annual upgrade in line with SWIFT's annual standards release.
- Mismatch to legacy instruments needs to be bridged – but without creating national versions.
- Shortfall in functionality needs to be addressed – but without creating a new Edifact.

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Product Management.

## SEPA Core Direct Debit Scheme (SDD Core)

### BACKGROUND

- This is the basic direct debit transfer scheme that should be used for debit transfers within EURO member states and for EUR cross-border debits within the EU/EEA.
- It is described in the EPC's Scheme Rulebook.
- The technical definition is an adaptation of the ISO20022 Debit Transfer pacs message (pacs=bank to bank) and this is laid out in the EPC's Implementation Guidelines.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Core SDD went live in 2009 but as a so-called 'soft launch': France did not take part and reachability for all Euro-In banks is obligatory only from November 2010 (under Reg 924/2009)
- Reg 924/2009 has permitted banks to levy a Multilateral Fee (MBP) of EURO.0088 on one another in the SDD Core Scheme, until November 2012
- At that time the MBP is abolished in this scheme and in all other Direct Debit schemes in Euro as well

### IBOS ASSESSMENT & POSITIONING

- Should be attractive for major multi-country DD users (EdF, T-Mobile)
- November 2010 is a watershed as all Euroland should be reachable, including France

### CURRENT STATUS

- There are still many uncertainties...
- Will the MBP act as a deterrent?
- Will banks be reachable only in the sense that they can receive the initial mandate information and the subsequent claims for funds, or will they support all the other messages, fill them in correctly and handle them with the designated timeframes?
- Is the scheme open to fraud e.g. when a 'soft' bank allows a dubious company to become an originator and then is unable to pay back the debit parties and their banks later on? Who back-stops the liability? Note that a debit party's bank is unable to refuse to honour a claim sent through another scheme adherent.
- Resistance raised as well by DD users over differences in terms compared to legacy schemes, lack of supplier financing function, need for IBAN + BIC, need to replace mandates (in Germany)
- Mandate handling needs more attention because the current scheme is based on the Creditor Mandate Flow (CMF) and many communities use the Debtor Mandate Flow (DMF)

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Payments Product Management.

## **SEPA Business-to-Business Direct Debit Scheme (SDD B2B)**

### **BACKGROUND**

- This is an adaptation of the Core SDD but with a much shorter reclaim period for the debit party
- It mirrors the German Direct Debit business model now where there are two legal schemes but only one set of messages and clearing mechanisms
- In Germany the debit party under a 'Lastschrift' has to reclaim immediately through the bank and if it does not, any further dispute has to be submitted to the supplier
- Under the German consumer scheme, the consumer has the same 42 days reclaim period as every other debit party in the EU under PSD

### **INDUSTRY TIMESCALES (Mandatory and/or Peer Group)**

- In production; small volumes so far
- Obligation to be reachable for Euro-In banks under Reg 924/2009 does not extend to this Business-to-Business scheme.

### **IBOS ASSESSMENT & POSITIONING**

- In principle this should be attractive to originators but take-up appears to have been clouded by many of the same issues that have held back the Core scheme.
- Originally IBOS Office thought that the B2B scheme would produce a discountable and negotiable instrument like a RIBA or LCR, so that the tenor could be extended to 90 days and act as a platform for pan-European supply chain finance
- An opportunity was missed there; instead it is an even shorter-term instrument than the Core SDD

### **CURRENT STATUS**

- 'Hard launch' of Core SDD scheme in November 2010 might help to pull a bit more volume through this one.
- On the other hand the basic concept of a business allowing another to debit its bank account with a claim sent from a different country will be hard to gain acceptance for. Businesses may not be quick to accept the scheme assurances on reclaim rights abroad.
- As well the scheme's reputation is vulnerable to cases where the reclaim rights failed for a cross-border claim

### **PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED**

- Payments Product Management.

## SEPA Cards Framework

### BACKGROUND

- Series of principles and rules formulated by EPC to move the Cards market in the EU from its current status to one where:
  - All cards to be EMV-compliant (i.e. use a CHIP card and PIN)
  - The card user can choose the card product on the basis of feature, function and price – not where it can be used and what barriers there are.
  - Merchants can choose their acquirer on feature, function and price.
  - Schemes and infrastructure are separated, and infrastructure (including ATMs, POS, terminals, switches etc.) are configured so as to enable the new market structure.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- The new Market Structure should exist by the end of 2010.

### IBOS ASSESSMENT & POSITIONING

- Customers for the IBOS service have not in the past been users of cards in an IBOS context: the subject rarely surfaces other than when a customer locally wants a debit or credit card from the AHB.
- Under SEPA one could see an altered pattern of usage of SCT, SDD and Cards compared to their predecessors – because they become substitutes for one another and not just their linear predecessors.
- As supply chains alter and retailers go from high-street to online, a take-off in Cards could have a knock-on effect on demand for IBOS' service

### CURRENT STATUS

- There is an on-going EC Competition Directorate focus on interchange fees, and on the status of Mastercard and Visa as a duopoly.
- Reg 924/2009 only permitted interchange fees in direct debits for a transitional period.
- The EC wants the payments market to move closer to the cards market in terms of being horizontally integrated and a layered model
- On the other hand they do not want to see any new duopolies or monopolies arising within any one layer
- The EC has been trying to encourage banks to set up a new pan-European debit card scheme at low cost
- This was triggered by the stop-start Belgian cards migration: strong consumer/merchant resistance where a market proposes to switch off a national debit card scheme and replace it with EMV and with SEPA-compliant cards (usually carrying Visa or Maestro brand).
- Increases in acquiring fees and introduction of (a) ATM usage fee (b) interchange fees on domestic debit cards transactions, are none of them considered acceptable.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Payment Product Management
- Cards Product Management

## Prieuro

### BACKGROUND

- One of the schemes that should exist in the Single Euro Payment Area (SEPA) according to the EU/ECB.
- It is a payment in EUR that will be completed same-day end-to-end in EUR (Priority Payment in EBA terms)

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- In limbo – in the ECB/EU's eyes this is a core responsibility of the EPC Credit Transfer WG, but there is no Prieuro Rulebook
- EPC regard Prieuro as a value-added service and thus outside their scope; the ECB/EU regard it as a basic service, the more so since SCT is a D+3 service
- Should have been designed by mid-2005 and available by 1/1/2008 EU-wide, with EBA Priority Payment functioning as trail-blazer
- EBA Priority Payment has gone into production but gets low volume (see other section)

### IBOS ASSESSMENT & POSITIONING

- Would have cut right into IBOS territory – concern that effect of GSL payments could become available to anyone.
- But banks are not collaborating closely to make that happen: the current service range appears good enough, bigger issues exist in other areas

### CURRENT STATUS/ISSUES

- EBA Priority Payment is low-profile for reasons given in the section pertaining to it
- EPC cannot then rely on EBA Priority Payment acting as trail-blazer: EPC has in a sense usurped EBA's territory and is now in a position of relying on EBA to bail them out

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- Payments Product Management

## SEPA Clearing & Settlement Mechanisms (CSMs)

### BACKGROUND

- Loosening of the terms of the P-EACH Framework to allow several different types of organisation to clear/settle SEPA payments, and not just ones with direct Pan-European reach.
- A CSM can qualify for that definition by achieving reach through interconnection with other CSMs.
- CSMs could include:
  - Single-country ACH systems/processes that adopt the SEPA Schemes.
  - Multilateral arrangements with no central clearing house.
- The fundamental point is that all banks must adhere to the Rulebooks, that CSM's must facilitate this, and that all communications between banks and CSMs must use ISO20022 messaging.

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Conversion of a national infrastructure to a CSMs or to its disbanding would be part of the SEPA Migration Plan of a particular country
- National CSMs could have a vital role in handling AOS and VAS that may be deemed necessary to get their community through the SMED gate
- But at the same time that VAS and AOS may constitute the "false SEPA" which blocks realisation of the real SEPA

### IBOS ASSESSMENT & POSITIONING

- In IBOS' view the role of national CSMs should have been classified as vital to SEPA from the start, as national aggregators
  - to allow SEPA to be realised quickly for cross-border items (interoperability) on SEPA day 1
  - to switch the national clearing onto an ISO20022 basis on SEPA day 2
  - to define the 'white fields' (AOS or VAS) needed to ensure a no-change experience for single country users on SEPA day 2
  - to work with the EPC and other CSMs to identify commonality amongst the 'white fields', integrate those 'white fields' into the SEPA schemes over time on SEPA day 3
  - to work with the EPC and other CSMs to enclose the niche schemes like LCR and RIBA as SEPA Schemes so that all across the piece nothing good is lost, and good schemes available in one country are also available in others, on SEPA day 3
- This has not been the approach and now it is too late.

### CURRENT STATUS

- 'CSM' fudges the P-EACH concept and the possibility of an early rationalisation of infrastructures.
- It allows local ACHs to act as a CSM while also supporting legacy instruments.
- SEPA traffic then becomes de facto limited to cross-border traffic.
- This defeats the objective of SEPA.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

- SEPA Programme Office
- Payments Operations and Product Management.

## SEPA Mandatory End Date for Migration (SMED)

### BACKGROUND

- Slow progress on SEPA realisation has resulted in an EC consultation and a European Parliament Resolution to call for a Directive setting an End Date for SEPA migration

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

A Directive is expected before the end of 2010, and it is expected to stipulate that the migration on credit transfers be completed by the end of 2012, and that the migration on direct debits be completed by the end of 2013.

### IBOS ASSESSMENT & POSITIONING

- The papers issued on this subject have numerous safety valves in them which could allow a diverse market structure to persist whilst on the surface SEPA has been achieved
- This is the “false SEPA” and its features would be:
  - Many legacy payment schemes still exist at national level, not just “niche schemes” like LCR and RIBA but also ‘urgent’ versions of SCT, SCT with ‘special instructions’
  - Each one of those is characterised by special filling of green and yellow fields, and by usage of white fields – all defined as either AOS or VAS
  - Customer-to-bank traffic in each country can be conducted by usage of XML (customer-to-bank recommendations from EPC) or by usage of national data format, where there will be a parallel version to each XML version
  - The local user of national data format will not know SEPA has happened
  - The local CSMS will play a major role in creating this “false SEPA”
- The earlier the End Date is set, the more likely it is that the “false SEPA” is the outcome
- This is because the migration has basically not even started in many countries.

### CURRENT STATUS / ISSUES

- The above scenario is troubling enough, but there is a further angle to it which is “Essential Requirements”. This argument, apparently advanced by the EC themselves, is that if a payment fulfils the “Essential Requirements” of a SEPA payment, it can be regarded as a SEPA payment even if it is not in XML or does not completely meet the terms of the EPC Rulebooks
- This scenario has its echo in SWIFT’s IR 535 and this is most unfortunate timing: where SWIFT are saying that it is possible to comply with ISO20022 on the Business Modelling or UML level and without using XML for the physical messaging, the EC seem to be now saying that it is possible to be SEPA compliant if you get to 90% compliance at the Business Model level – not 100%, and it does not have to be in XML either

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

All IBOS payment messages, advices and statements

## Basel III

### BACKGROUND

- Third iteration of the methodology to ensure bank stability and transparency by having a common framework for capital adequacy standards
- Central bankers desire a thicker capital cushion to absorb losses and control systemic risk
- The BIS are now talking about 7% Tier I capital instead of 4%, with the 7% allowed to fall to 4.5% in times of stress

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Until 2017 for banks to achieve compliance
- Much more detail has to be announced about:
  - What will now be counted as Tier I capital
  - What gets discounted from Tier I and can only count, at best, as Tier II
  - What can remain as Tier II and not be classed a simple liabilities
- What is less clear is whether there is going to be any re-evaluation of the “7% of what?”

### IBOS ASSESSMENT & POSITIONING

- All Business Lines will find larger amounts of capital imputed to their P&Ls and probably at a higher cost, meaning their own P&Ls will be dented
- At the same time banks will find their own expansion plans inhibited by capital being more scarce and more expensive: global visions will have to be downsized
- This supports the case for IBOS as the platform to achieve global reach at lower cost
- Basel III itself is all very laudable but it comes too late, and does little to address certain key factors that led to the credit crisis.
- Already in Basel I any lending on a mortgage qualified for a discount on capital adequacy of 90%. This has led over many years to reliance on the security as the way of discharging a loan, and then not making adequate checks on the borrower (the Ninja problem).
- In Basel II some banks were allowed to adopt the Internal Risk Based methodology, either the Standard one or the Advanced one, in which the bank self-certified its borrower and security checks, and defined for itself the amount of capital it needed
- In the case of specialist lenders like Countrywide Financial and Northern Rock, the answer was “not much because our business is so safe, and even better because it is concentrated on this risk-free area”.
- On the contrary, their loans were highly leveraged on both the property value and the borrower’s income, and what capital cushion they had was quickly wiped out

### CURRENT STATUS / ISSUES

- Basel III seems to focus firstly on just getting a slightly higher capital cushion, and secondly on addressing “high risk” investment banking
- It says little about the high risk “traditional” banking where the crisis was created – and created in part by the over-generous treatment of mortgage lending by Basel I and II...
- ... and by the dispensation within Basel II/IRB whereby banks could use “long runs of data” from providers like Experian to base their capital allocations as a percentage of historical defaults
- Except the figures turned out to be optimistic and the “long run” did not include the most recent recession.

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

Operational Risk  
Credit Risk and Capital Adequacy

## Payment Services Directive (PSD)

### BACKGROUND

- Legal measure in a package aimed at removing the remaining barriers to a single market in financial services (including the Consumer Credit Directive, revised eMoney Directive etc.)
- PSD has now been transposed into Member State law throughout EU and EEA.
- Applies to all electronic payment instruments with both endpoints in the EU. Cheques are specifically excluded.
- There are two important scope restrictions:
  - Powers of opt-out at a country level or by explicit agreement between customer and bank in a Framework Agreement.
  - The payment must be in an EU member state currency or EUR.
- Key areas addressed include :
  - Provision of Alternative Dispute Resolution mechanisms
  - Revocability of payment orders
  - Harmonised information requirements for payment services / transparency
  - Obligation to execute a payment for the full amount
  - Regulation of value dating.
  - Maximum execution times for payments
  - Liability of payment service provider for non-execution of a payment order
  - Liabilities related to unauthorised / fraudulent transactions
  - Payment service provider liability in the event of customer / merchant dispute.
  - All fees to be on SHA basis; coincidence of value =no float

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Now transposed but the maximum execution timescale for a payment only reduces from D+3 to D+1 in 2012
- A recent Financial Services Club survey revealed the opinion that a PSD Part II is needed to iron out issues left by the first PSD
- There is a review anyway in 2012 so proposals for PSD II can be expected to emanate from that.

### IBOS ASSESSMENT & POSITIONING

- PSD profoundly affects all payment services involving the EU, across all market segments, from the bank's point of view
- Long and painful process to bring services into line at the same time as major infrastructures and payment schemes are changing for SEPA
- Less certain is whether customers have perceived positive changes; for the most part the banks simply issued new Terms and Conditions but did not make a major education effort
- That means that customers may be unaware of their rights of redress
- IBOS GSL services were found to be 98% compliant; we have a programme to double check that for both statements, payments and rejections/cancellations.

### CURRENT STATUS / ISSUES

- Delay in PSD transposition directly responsible for delay of SDD until 2009
- Derogation powers written into the Directive have led to differences in transposition and varying law at Member State level, frustrating harmonisation

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

All Payment services across all market sectors

## EU Reg 924/2009

### BACKGROUND

- Passed in 2009 to solidify certain aspects of the regulatory backdrop to SEPA
- Expands scope to Member State currencies if the currency-owning Member State opts in
- Expands scope of obligation to price cross-border business at the same level as national business in the same currency to all electronic payments, certainly including direct debits and arguably including card payments
- Obligation on all banks and their branches in Euro countries to act as debit bank for SDD core scheme from November 2010 – but not for the B2B version
- Obligation on all banks and their branches in non-Euro Member State countries to act as debit bank for SDD core scheme from latest November 2014 – but not for the B2B version...
- Unless that country joins the Euro before November 2013, in which case the latest switch-on date for reachability in the SDD core scheme will be one year after the country adopted the Euro – but not for the B2B version...
- Multilateral interchange fee of EUR0.088 permitted on SDD until November 2012 for cross-border direct debits – but not for national use of SDD
- Interchange fees on national direct debit schemes existing before November 2009 can be preserved until latest November 2012, and then abolished
- Minimum threshold for payment-by-payment Central Bank Reporting raised to EUR50,000 from 1 January 2010
- Member States allowed to continue to collect aggregated/readily available Central Bank Reporting (i.e. on items above or below EUR50,000) as long as this does not impact STP
- Study to be presented latest October 2012 as to whether payment-by-payment Central Bank Reporting should be completely abolished i.e. on payments above EUR50,000

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Key milestones:
  - Minimum CBR threshold in the EU raised to EUR50,000: January 2010
  - Core SDD reachability for Eurozone: November 2010
  - MBPs abolished latest November 2012

### IBOS ASSESSMENT & POSITIONING

- No real issue that these measures were needed to underpin the SDD in particular
- Main price point is EUR50,000
- Other price points (a) payments in Member State currencies that did not opt in to Reg 2560, but which are still subject to PSD (b) payments in other currencies, subject to where leg-out payments were included in a country's PSD scope
- Big loss of revenue to retail banks in certain countries with an interchange fee in their national DD system (i.e. banks with a preponderance of debit parties over originators)

### CURRENT STATUS / ISSUES

- Meaning of 'reachability' for SDD Core Scheme and whether it will be achieved in November 2010
- Whether IBOS should try to agree to multilaterally waive the MBP for 'on-us' items
- Banks would presumably have preferred to see CBR completely abolished for SEPA/PSD area payments from 2012; instead this "corpse of exchange control" continues to obstruct the playing field, causing costs to the banks
- The interchange provisions are a major political defeat for the banks through the EPC process; reputedly the EPC could not fashion an agreement amongst its own members that was acceptable to DG Markets, and the DG Markets has imposed its own solution to its own taste

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

IBOS payment messages and pricing; CBR

## Revised eMoney Directive

### BACKGROUND

- Lowering of minimum amounts of own funds needed to act as an eMoney Institution, to as low as EUR350,000, although the core measure is 2% of the average outstanding electronic money
- Even that can be flexed by 0.4% (by 20% of 2%) up or down by the national regulator
- eMoney Institutions must abide by PSD's 'Conduct of Business' rules
- Reinforcement of passporting rules/no discrimination against local units of an eMoney Institution headquartered in another Member State
- Option for the EC as a whole to make a bilateral agreement with a non-EU country allowing an eMoney Institution headquartered in that country to enjoy passporting throughout the EU
- Option for any Member State to allow an eMoney Institution to operate (i.e. entered into their register of an eMoney Institutions) without the restrictions listed above if:
  - Its average outstanding electronic money is less than EUR5 million (or a lower limit set by the Member State)
  - None of its managers have been convicted of offences relating to money laundering or terrorist financing or other financial crimes (inferring that murder, GBH, war crimes committed in uniform etc might be allowable as convictions)

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Passed in April 2009: now in full force and effect throughout the EU

### IBOS ASSESSMENT & POSITIONING

- Entry of new players mainly into the Retail payments arena to begin with
- The entry barriers are set at a low level and Member States can more or less register any institution as long as it does not engage in deposit-taking, does not pay interest, allows easy redemption, and keeps customer funds in decently-rated bonds
- The EC can mandate that eMoney Institutions headquartered anywhere can be allowed passporting rights into any EU Member State, without the parent eMoney Institution fulfilling the tests that it would have to fulfil were it headquartered in a Member State: one has to rely on the bilateral agreement that the EC would sign with the other country – for which no minimum standards are laid down.

### CURRENT STATUS / ISSUES

- To what extent the EC will sign bilateral agreements with non-EU states and on what terms
- How low the entry barriers will go – the intention is to foster much higher usage of eMoney
- How many new entrants will come into the Payments Business, either as eMoney Institutions or 'Payment Institutions', and who they will try to service (Worker Remittances, general cash replacement..)

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

Cross-border payments

## Common Global Implementation (CGI)

### BACKGROUND

- Group formed in October 2009 from financial institutions, corporates, vendors and SWIFT to review how best to maximise the standardisation of payment initiation messages. During the discussions, participants agreed to work towards a Common Global Implementation (CGI), taking into account different country and regional needs, such as SEPA
- Objective - to try to make the process of corporate-to-bank communications and the formats used between corporates and banks as vanilla as possible. “A corporate should be able to use the same message structure with all of their transaction banks across the globe” (Ian Bryant – HSBC)
- That means a consistent usage of ISO20022 messages for (a) the same transaction type with two banks in the same country (b) the same transaction type with units of the same bank in different countries (c) an analogous transaction type with different banks in different countries

### INDUSTRY TIMESCALES (Mandatory and/or Peer Group)

- Closely tied in with ISO20022 and SMED (the issue of AOS and VAS being needed to replicate existing national functionality)

### IBOS ASSESSMENT & POSITIONING

- The need for CGI to exist at all points to how ISO20022 has been implemented so far – on a point-to-point basis
- When ISO20022 was started (and as IBOS’ workshop pointed out) a key shortcut was made: it was only proven that a few domestic transaction types could be done in it and how. USD CHIPS, Fedwire and ACH, GBP CHAPS and BACS and Sing\$ giro. That is in addition to the SEPA schemes.
- There was no proof that legacy schemes in other countries could be rendered in ISO20022 or how.

### CURRENT STATUS / ISSUES

- CGI features at the SIBOS Standards Forum. The need for it to exist at all is a concern: that fosters the belief that implementation has occurred on a rather random and non-systematic basis so far, repeating the issues of Edifact where every implementation is more or less custom-built and not very ‘vanilla’ at all

### PRODUCT AREAS IMPACTED / KEY AREAS INVOLVED

All IBOS payment messages, advices and statements