

1 September 2008

## **SELF-ASSESSMENT OF THE SEPA-COMPLIANCE OF THE ICBPI/BI-COMP CSM**

With a view to the implementation of the Single Euro Payments Area (SEPA), infrastructures should fulfil the four compliance criteria published by the Eurosystem in the 5<sup>th</sup> Progress Report on SEPA. This should be self-assessed by the infrastructure providers.

The Eurosystem has defined terms of reference, i.e. questions to be answered by infrastructure providers in their self-assessments, which relate directly to the four criteria published.

For the sake of transparency, the Italian CSMs conduct self-assessments on a regular basis and make them publicly available. The terms of reference defined by the Eurosystem provide guidance for this purpose.

The current framework of the clearing and settlement of low-value payments in Italy has been laid down in the Provisions of the Governor of Banca d'Italia of 11 November 2005. According to these Provisions, the operating powers of Banca d'Italia are limited to the phase of calculation of the multilateral clearing balances and their transmission for settlement. The preceding phases (i.e., exchange of instruments and activities preparatory to determining the balances, up to the bilateral netting) are given over to the market for performance in conditions of free competition among market participants.

There are two Italian CSMs, each composed of a combination of separate actors: (i) an entity, either SIA-SSB or ICBPI (ex Seceti), in charge of performing the exchange of information and the bilateral netting (ACHs); and (ii) the BI-COMP system managed by Banca d'Italia, devoted to the execution of the multilateral netting and the transmission to the TARGET2 system for settlement.

Here follows the report on the ICBPI/BI-COMP CSM. It deserves to be flagged that one of the direct participants to ICBPI and BICOMP is ICCREA, the central institute for cooperative banks. Thus Italian cooperative banks exchange payments in the ACH managed by ICBPI and settle their payments in BICOMP via ICCREA.

**CRITERION 1 – PROCESSING CAPABILITY**

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.

<b>Question</b>	<b>Answer</b>
(1) Have you sent a Disclosure Letter to the EPC regarding your intention to become a SEPA scheme compliant CSM?	Yes, Seceti (now ICBPI) sent a Disclosure Letter to the EPC on 4 October 2007; Banca d'Italia, as manager of the BI-COMP system, sent a Disclosure Letter to the EPC on 10 December 2007.
<b>Question</b>	<b>Answer</b>
(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?	The ICBPI/BI-COMP CSM is currently not yet live with SDD service; it will be compliant with the Rulebook SDD and is ready to guarantee the service mentioned, in coherence with the dates established by the EPC.
(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 the ICBPI/BI-COMP CSM carries yellow data fields only; should white fields be required by the banking community, the ICBPI/BI-COMP CSM is able to process the full subset without any alteration.
(7) If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?	The ICBPI/BI-COMP CSM provides conversion services between XML and domestic formats or proprietary /legacy formats and v.v. without losing any data. The conversion map between legacy Italian formats and new SEPA UNIFI (ISO20022) XML, is the result of a joint work with Banca d'Italia, Italian Bankers' Association and the SIA-SSB/BI-COMP CSM.

Question	Answer
(8) Have you adequately tested your processing procedures?	Yes
<p>a. Please describe the framework, the organisation, the scope (national or cross-border) and the reach (CSM-bank, bank-CSM-bank, end-to-end) of the testing.</p>	<p>ICBPI is a certified company and testing processes have to follow the standard. Testing has many different phases that are: test planning, test specification and test reporting. Test plan is the most important phase in the testing process. It documents the strategy that will be used to verify and ensure that the System meets its design specifications and other requirements. It sets the process rolling and describes the scope of the testing assignment, the approach methodology, the resource requirement for testing and the project plan or time schedule.</p> <p>Test planning includes:</p> <ul style="list-style-type: none"> <li>• Design Verification, internal tests to be performed during the development and approval stages of the software,</li> <li>• External Test, performance verification and quality control of all components involved,</li> <li>• Acceptance Test, to be performed as required over the service life of the system</li> </ul> <p>Test specification document helps in refining the test approach that has been planned for executing the test plan. It identifies the test cases, procedures and the pass/fail criteria for the assignment. The test case specification document outlines the actual values required as input parameters in the testing process and the expected outputs of the testing results.</p> <p>The External and Acceptance Test phase involved Direct and Indirect Participants; Banca d'Italia, as manager of the BI-COMP system; ICBPI and SIA-SSB for interoperability among BI-COMP participants.</p> <p>All the activities are documented.</p> <p>According to the same strategy and methodology ICBPI and Banca d' Italia, as manager of the BI-COMP system, tested interoperability with Equens.</p>

**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.

Question	Answer
(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?;	ICBPI subscribed an agreement with SIA-SSB to guarantee the interoperability between Italian ACHs managing SEPA credit transfers for the banks that are operating inside the BI-COMP system; for the interoperability with Equens, the CSM adopted EACHA framework.
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);	SIA-SSB, ICBPI, Banca d'Italia and Italian Bankers' Association have agreed on message formats, cut-off times, clearing and settlement procedures, reconciliation and control procedures. As an high level description message formats are UNIFI (ISO20022) XML, there are 3 settlement cycles, the settlement occurs in TARGET2 via the BI-COMP system and there is a daily reconciliation flow which includes settlement and traffic figures.
c. are you compliant with other relevant rules, guidelines or practises which aim at ensuring interoperability (e.g. the "CSM Market Practises")?	Yes, the ICBPI/BI-COMP CSM is compliant with the rules included in the EPC document "CSM Market Practises", according to the model "centralized Automated Clearing House (clearing and settlement)".

Question	Answer
(10) Would you undertake to establish a link with any other infrastructure upon request?	Yes, the ICBPI/BI-COMP CSM would undertake to establish a link with any other infrastructure upon request, in compliance with the criteria set forth by the Eurosystem.
a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;	<p>The ICBPI/BI-COMP CSM has an interoperability link with the SIA-SSB/BI-COMP CSM, to ensure the reachability of all BI-COMP participants. On 15 January 2008 SIA-SSB and Seceti (now ICBPI) signed an interoperability agreement, entailing settlement in TARGET2 via the BI-COMP system.</p> <p>In addition, the ICBPI/BI-COMP CSM has signed an agreement with Equens, thus being interoperable with the latter since 8 April 2008.</p>
b. a link would ideally be created on the basis of a mutually beneficial business case. In absence of such a business case, the requesting infrastructure provider would have to bear the costs of the requested link (setting up and maintenance thereof). Who bears the costs of the established link(s)?;	The interoperability agreement with the SIA-SSB/BI-COMP CSM and that as yet defined with Equens are based on a mutually beneficial business case; therefore, each infrastructure bears its own costs for the link.
c. have you considered, either on your own initiative or upon request, changing the internal processing procedures in order to increase the efficiency of a link? Have any such changes been carried out?;	The number of clearing and settlement cycles carried out by the BI-COMP system has been increased from one to three so that the processing of payments with connected infrastructures could gain in efficiency.

Question	Answer
d. how are the transfers between CSMs settled?	Settlement of inter-CSM SEPA credit transfers between ICBPI/BI-COMP and SIA-SSB/BI-COMP CSMs is performed in TARGET2 via the BI-COMP system. Settlement of balances between ICBPI/BI-COMP and Equens is carried out according to EACHA Model B. In particular, the funds addressed to Equens participants are credited on a PM account held by the Dutch National Bank; those addressed to BI-COMP participants are credited on a PM account held by Banca d'Italia.
<p><b>CRITERION 3 – REACHABILITY</b></p> <p><b>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)</b></p>	
(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?	The ICBPI/BI-COMP CSM is able to reach almost 600 direct or indirect participants in the BI-COMP system through interoperability with SIA-SSB/BI-COMP CSM and 30 banks through interoperability with Equens. In addition, as a Technical Facilitator, and outside the scope of the CSM, ICBPI offers its services to banks that directly or indirectly participate in the STEP2 system, thus allowing them to be reachable within such a system.
a. Please describe how many SEPA scheme participating banks you can reach (directly or indirectly) on the basis of contractual arrangements;	Please, see above.

Question	Answer
<p>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)?;</p>	<p>For BI-COMP participants, there is a shared routing table between SIA-SSB and ICBPI Clearing Mechanisms, which is monthly updated: the same information is sent to the banks to check in advance the adherence to a specific CSM.</p> <p>In addition, the ICBPI/BI-COMP CSM exchanges routing tables with Equens.</p>
<p>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?;</p>	<p>For BI-COMP participants, an interbank procedure, defined with Italian Bankers' Association (ABI) manages the acquisition and the spreading of the routing information for service "SCT". A company (currently SIA-SSB) collects information from the CSMs, populates a routing table and sends it in advance to the participants.</p> <p>The rules of this collection and divulgation are described in an Interbank document named "Anagrafiche Procedurali".</p> <p>In addition, the ICBPI/BI-COMP CSM exchanges routing tables with Equens according to EACHA standard and bilateral agreements.</p> <p>There are no conflicts between the channels through which payments can be routed, as no bank currently participates in more than one system at the same time.</p>

Question	Answer
<p>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?;</p>	<p>One day. Among BI-COMP participants, same-day settlement is also possible for SEPA payments processed in the second or the third cycle of the BI-COMP system. For payments between ICBPI/BI-COMP and Equens participants, same-day settlement is possible for payments processed in the second cycle.</p>
<p>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?</p>	<p>The ICBPI/BI-COMP CSM is able to connect the entire community of banks participating to the BI-COMP system. The CSM intends to offer full reachability to its participants. In particular, it is willing to sign interoperability agreements with other infrastructures so as to widen the range of reachable counterparties, in order to achieve full reachability. Outside the scope of the CSM, ICBPI as a Technical Facilitator offers its services to banks that directly or indirectly participate in the STEP2 system, thus allowing them to be reachable within such a system. .</p>
<p><b>CRITERION 4 – CHOICE FOR BANKS</b> <b>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</b></p>	
<p>(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?</p>	<p>Yes, the retail payments clearing service offerings and the fee structure are publicly available on the web sites <a href="http://www.seceti.it">www.seceti.it</a> and <a href="http://www.bancaditalia.it">www.bancaditalia.it</a>.</p>
<p>(13) Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?</p>	<p>Yes</p>
<p>(14) Do you refrain from obliging your participants to process certain SEPA payments in a specific</p>	<p>Yes</p>

infrastructure?	
<b>Question</b>	<b>Answer</b>
(15) Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?	Yes
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