

1 September 2008

SELF-ASSESSMENT OF THE SEPA-COMPLIANCE OF THE SIA-SSB/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 5th 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 SIA-SSB/BI-COMP CSM.

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.	
Question	Answer
(1) Have you sent a Disclosure Letter to the EPC regarding your intention to become a SEPA scheme compliant CSM?	SIA-SSB sent a Disclosure Letter to the EPC on September, 25th 2007; Banca d'Italia, as manager of the BI-COMP system, sent a Disclosure Letter to the EPC on 10 December 2007.

Question	Answer
(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 SIA-SSB/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 SIA-SSB/BI-COMP CSM carries yellow data fields only; should white fields be required by the banking community, the SIA-SSB/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 SIA-SSB/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 ICBPI/BI-COMP CSM.
(8) Have you adequately tested your processing procedures?	Yes
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.	The SIA-SSB/BI-COMP CSM has performed domestic testing with its banks, employing the CSM-bank and the bank-CSM-bank reach. Regarding the end-to-end reach, this has been left to the participant banks.

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?;	SIA-SSB subscribed an agreement with ICBPI to guarantee the interoperability between Italian ACHs managing SEPA credit transfers inside the domestic scenario, i.e. for the banks that are operating inside the BI-COMP system.
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 SIA-SSB/BI-COMP CSM is compliant with the rules included in the EPC document "CSM Market Practices", according to the model "centralized Automated Clearing House (clearing and settlement)".
(10) Would you undertake to establish a link with any other infrastructure upon request?	The SIA-SSB/Banca d'Italia CSM is open to evaluate any request as soon as it is made.
a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;	At the domestic level, the SIA-SSB/BI-COMP CSM has an interoperability link with the ICBPI/BI-COMP CSM. On 15 January 2008 SIA-SSB and Seceti (now ICBPI) signed a domestic interoperability agreement, entailing settlement in TARGET2 via the BI-COMP system.

Question	Answer
<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)?;</p>	<p>The domestic interoperability agreement is based on a mutually beneficial business case; therefore, each infrastructure bears its own costs for the link.</p>
<p>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?;</p>	<p>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.</p>
<p>d. how are the transfers between CSMs settled?</p>	<p>The SEPA credit transfers are settled in TARGET2 via the BI-COMP system.</p>
<p>CRITERION 3 – REACHABILITY</p>	
<p>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)</p>	
<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?</p>	<p>The SIA-SSB/BI-COMP CSM is able to reach almost 600 direct or indirect participants in the BI-COMP system through domestic interoperability. In addition, outside the scope of the SIA-SSB/BI-COMP CSM, SIA-SSB 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>a. Please describe how many SEPA scheme participating banks you can reach (directly or indirectly) on the basis of contractual arrangements;</p>	<p>Please, see above.</p>

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, outside the scope of the SIA-SSB/BI-COMP CSM, SIA-SSB enables banks to reach the EBA Step2 community via the STEP2 routing table for STEP2 participants.</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>At the domestic level, 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 other 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". The sending bank has the responsibility to decide the routing of the payment.</p>
<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.</p> <p>At the domestic level, same-day settlement is also possible for SEPA payments processed in the second or the third cycle of the BI-COMP system.</p> <p>At the STEP2 level, same-day settlement is also possible for SEPA payments processed in the second cycle, based on SIA-SSB services.</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 SIA-SSB/BI-COMP CSM is able to connect the entire community of banks participating to the domestic BI-COMP system.</p> <p>In addition, outside the scope of the SIA-SSB/BI-COMP CSM, SIA-SSB 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>

CRITERION 4 – CHOICE FOR BANKS

To promote the SEPA-compliance of infrastructures, infrastructures are asked to enable financial institutions to make infrastructure choices based on service and price, and therefore not to apply undue access restrictions, nor to set obligations for users to process certain types of payment in a specific infrastructure, or via specific proprietary standards, nor to impose participation obligations on users of other infrastructures, and to ensure full transparency of services and pricing

Question	Answer
(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?	SIA-SSB defined specific SEPA payments fees and they are available for all the current clients; the fees will be publicly spread as soon as SEPA Direct Debit will start, for traffic consolidation purposes. SIA-SSB SEPA payments fees are split as follows: <ul style="list-style-type: none">• admission fees (one-off fee);• recurrent fees (annual pro-rata admission fee); and• transaction processing fees depending annual tiers. As manager of the BI-COMP system, Banca d'Italia defined its service offerings and the relevant fee structure, which are made publicly available in the BI-COMP User Guide published on the website www.bancaditalia.it . BI-COMP participants are charged an annual fee of 3,000.00 euro, which covers payments made with both domestic and SEPA instruments.
(13) Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?	Yes
(14) Do you refrain from obliging your participants to process certain SEPA payments in a specific infrastructure?	Yes
(15) Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?	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