

TERMS OF REFERENCE FOR THE SEPA-COMPLIANCE OF INFRASTRUCTURES^[1]

The Eurosystem supports the creation of the Single Euro Payments Area (SEPA), which will enable retail payments in euro to be made throughout the euro area under the same basic conditions from a single account, regardless of its location. Infrastructures play an important role in achieving the objectives of SEPA. Acting as a catalyst, the Eurosystem has therefore defined four criteria that infrastructures should fulfil in order to be considered SEPA-compliant in the view of the Eurosystem. Compliance with these requirements should be assessed by the infrastructure providers themselves. The criteria were published in the 5th Progress Report on SEPA and represent the Eurosystem's long-term vision for the processing of payments, interoperability among infrastructures, sending and receiving capacity and choice for banks. The Eurosystem foresees that relevant infrastructures in the euro area will gradually develop towards compliance with all four criteria, but neither expects nor requires all infrastructures to do so.

Infrastructure providers that offer interbank funds transfer systems to banks and that intend to become SEPA-compliant in accordance with these criteria should publish self-assessments to demonstrate their compliance. The Eurosystem does not expect entities to undertake self-assessment if they offer this service in a limited scope only (i.e. an intra-bank and/or intra-group clearing and settlement arrangement, typically where both the originator/creditor and beneficiary/debtor have their accounts within the same bank or group), or if SEPA-compliance by infrastructures is not relevant (i.e. in the case of a form of purely bilateral non-structured clearing and settlement, such as correspondent banks) [2].

This document provides terms of reference, i.e. questions to be answered by infrastructure providers in their self-assessments. The terms of reference relate directly to the four criteria already published. To be SEPA-compliant according to these criteria, an infrastructure would need a positive answer (i.e. a 'yes') for all applicable numbered questions. As some infrastructures may not be SEPA-compliant in the short term, the subquestions are intended to bring transparency to the market during the migration phase.

To achieve the desired transparency, the Eurosystem expects major infrastructure providers aiming to meet the SEPA compliance criteria to conduct self-assessments on a regular basis and make them publicly available. The terms of reference in this document provide guidance for this purpose

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1ST CRITERION - PROCESSING CAPABILITIES

To promote infrastructure SEPA-compliance, infrastructures are asked to comply with the requirements of the PEACH/CSM Framework, the SCT Rulebook and/or the SDD Rulebook(s), the Implementation Guidelines and the associated UNIFI (ISO 20022) XML standards, and to be ready to support scheme testing as planned by the EPC.

1) Have you sent a Disclosure Letter to the EPC regarding your intention to become a SEPA scheme compliant CSM?

[A] Yes, SIBS sent a letter to EPC on the 24nd September 2007.

Are you compliant with the relevant PEACH/CSM Framework?

In the scope of the strategy defined by its shareholders, and according to the established in “Plano Nacional de Migração para a SEPA”, SIBS has implemented all the procedures in order to be placed as CSM SEPA compliant, accomplishing all the principles established in the document EPC170/05 CSM Framework v. 1.2..

According to SEPA CSM Framework SIBS is nowadays placed as a CSM category 1, level 2.

Together with Banco de Portugal and the Banking Community, SIBS:

- Establishes, keeps and provides in manuals, a set of functioning rules, to each SEPA Scheme. These manuals follow the rulebook contents and additional optional services (AOS) of the banking community (AOS SEPA compliant).
- defines and implements processes and rules to the migration of the current systems to SEPA Schemes.

Are you compliant with the relevant SCT Rulebook?

[A] Yes, SIBS SEPA CT service is compliant with EPC SEPA CT Scheme rulebook (version 2.3. there will be an update to version 3.2 which has already been approved by EPC). SEPA CT service has its own manual distributed to participants.

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?

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[A] Yes, SIBS SEPA DD services related to SEPA DD Schemes from EPC, are being established according to Rulebook SEPA CORE DD and Rulebook SEPA B2B DD (last versions available) and will provide the total offer of basic services CORE e B2B, as well as the optional e-Mandate service which complements the CORE service offer. All these services should be available from the 1st November 2009.

Are you complying with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard?

[A] Yes, SIBS SEPA services implement standards of messages UNIFI (ISO 20022) XML associated to the related Schemes.

(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?

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).

[A] Yes, SIBS assures the delivery and processing of payment information of the data of the so-called yellow fields, as well as the white ones (this if there are arrangements between Participants regarding its use)

If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?

[A] Yes, SIBS assures the full delivery of payments data.

(8) Have you adequately tested your processing procedures?

a. Please describe the framework, the organisation, the scope (national or cross-border) and the reach (CSM-bank, bank-CSM-bank, end-to-end) of the testing.

[A] Yes. All the end-to-end procedures, national or transnational, were successfully tested in what concerns SEPA CT services. SEPA DD services are under development, tests will be performed during the implementation project

2ND CRITERION– 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,

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and between infrastructures, that are preferably mutually agreed upon by the relevant CSMs, and undertake to establish a link with any other infrastructure upon request, based on the principle that the cost for establishing the link is borne by the requesting infrastructure.

(9) Have you adopted interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers and SEPA direct debit payment orders between banks and infrastructures, and between infrastructures?

[A] Yes. SIBS' SEPA platform assures the direct accessibility to all its participants and accessibility to SEPA area, through the connection to other CSMs (nowadays with EBA Clearing, and being under definition the interoperability with other EACHA CSMs.

a. If yes, are the interoperability rules you are using mutually agreed upon by the relevant CSMs?

[A] Yes. With EACHA CSMs it was established a total and mutual arrangement regarding interoperability rules (EACHA Interoperability Framework). With EBA Clearing the interoperability rules definition was limited.

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);

[A] n. a.

c. are you compliant with other relevant rules, guidelines or practises which aim at ensuring interoperability (e.g. the "CSM Market Practises")?

[A] SIBS' SEPA Platform assures interoperability according to the rules established in PEACH/CSM Framework, being also planned the implementation of EACHA Interoperability Framework. SIBS has also been following SEPA CSM Market Practices development, so that, in the ongoing interoperability processes, the best practices are followed.

(10) Would you undertake to establish a link with any other infrastructure upon request?

[A] Yes.

a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;

[A] Yes, with EBA Clearing, contacts are also being done to establish future links with CSM (e.g. Iberpay and Equens).

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b. a link would ideally be created on the basis of a mutually beneficial business case. In its 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)?

[A] In the ongoing processes has been being followed the practice of sharing interoperability costs, each CSM pays their own connection costs.

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?

[A] Yes. For example were implemented additional functionalities at SIBS SEPA services (AOS SEPA compliant) or changes to processing cycles (cut-off times).

d. how are the transfers between CSMs settled?

[A] In the interoperability model with EBA Clearing, settlement is performed between the settlement accounts of the Direct Participants in TARGET2 (there are no transfers between CSMs). In EACHA Interoperability Framework the settlement of transfers between CSMs is performed via TARGET2 through the settlement accounts established by the CSMs themselves.

CRITERION 3 – REACHABILITY

To promote the SEPA-compliance of infrastructures, infrastructures are asked to be able to send or receive euro payments to and from all banks in the euro area, either directly or indirectly through intermediary banks, or through links between infrastructures (in other words, to provide full reachability)

(11) Are you able to send euro payments from your participants and receive euro payments for your participants, to and from all SEPA scheme participating banks in the euro area, either directly or indirectly through intermediary banks, or through links between infrastructures?

[A] Yes. SIBS SEPA Platform is able to send and receive directly, payments in euro (between the Direct and Indirect Participants), and is able to send and receive payments in euro, indirectly through EBA Clearing.

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

[A] The Participant Banks (directly or indirectly) in CT SEPA Service are 28 ((2008-09-01). SIBS also assures the access to all Participant Banks in SEPA system via EBA Clearing.

- 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)?;

[A] Via SIBS SEPA Platform or via interconnection with EBA Clearing SEPA Platform.

Please describe how you obtain the necessary routing information

[A] The necessary info to perform the routing of SEPA payments is obtained and validated with the participants in the adherence process or update of the participation profile in the related SIBS' SEPA services.

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?

[A] SIBS' routing tables, necessary to perform SEPA payments routing to other CSMs, are updated according to the information provided by Participants in SIBS SEPA services, according to the rules defined to each CSM, for management and disclosure of routing information.

How do you address possibly conflicting information if a SEPA scheme participating bank is reachable via several payment channels?

[A] The routing criteria for payments, are defined and validated with the participants in the adherence process or participation profile update in the proper SIBS' SEPA services.

How is routing decided where there are several possibilities for reaching a SEPA scheme participating bank?

[A] SIBS' SEPA Platform routing rules are based on optimization principles of cost and performance time. The routing of payments to SIBS clients is performed via SIBS SEPA Platform

- 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)?

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[A] The Participant Banks in SIBS' SEPA Platform may have access in a working day (TARGET) to other SEPA system's Bank (participants in SIBS SEPA Platforms or from EBA Clearing).

Will you be able to reach every SEPA scheme participating bank within one business day at the latest by 2012?

[A] Yes, that is one the strategic goals defined to SIBS' SEPA Platform.

e. if you currently do not offer full reachability to your participants, do you intend to offer it at a later point in time?

[A] Yes.

If so, how will you achieve this and by when?

[A] Through the establishment of interoperability arrangements with other CSM. The implementation schedule is not yet defined.

CRITERION 4 – CHOICE FOR BANKS

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

(12) Have you made your retail payments clearing service offerings and your fee structure (including information (and amounts) about all types of applicable fees, such as admission fees, periodical fees, transaction fees or package fees) publicly available?

[A] Yes, SIBS has already disclosed its SEPA services offer.

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

[A] Yes.

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

[A] Yes.

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(15) Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?

[A] Yes

a. If no, please describe the proprietary standards for SEPA payments that you oblige your participants to use.

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

[A] Yes.

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

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