

Self-assessment based on the terms of reference for SEPA compliance of infrastructures established by the European Central Bank

The European Central Bank (ECB) has published its terms of reference for SEPA compliance of infrastructures such as Equens. The ECB website describes these terms of reference as follows:

"The Eurosystem (ECB) 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 terms of reference relate directly to the four criteria specified by the ECB. These criteria are described on the following pages and provide guidance to infrastructure providers with regard to the status of SEPA compliance during the migration phase.

Criterion 1 - Processing Capabilities

In order to promote SEPA compliance by infrastructures, the latter 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. Equens has sent a Disclosure Letter to the EPC regarding our intention to become a SEPA scheme-compliant CSM.
2. Equens complies with the relevant PEACH/CSM Framework.
3. Equens complies with the relevant SCT Rulebook.
4. Equens complies with the relevant SDD Rulebook(s), i.e. core service and, if and when adopted, Business-to-Business service and e-mandate service, scheduled to be implemented on 1 November 2009.
5. Equens complies with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard.
6. Equens is able to deliver all mandatory payment information (from what are referred to as the 'yellow data fields') in full and without alteration between the scheme participants involved.
7. Equens will ensure that no payment data is lost in the case of conversion services between XML and legacy formats (or v.v.).
8. Equens has adequately tested its processing procedures.
 - a. Equens has a dedicated test team for testing:
 - SEPA Payments, both internally and with clients
 - connecting new clients
 - connecting other infrastructures

Standard test plans are available for connecting new clients and infrastructures.

All applicable chain tests are performed under the supervision of Equens:

- CSM-Bank
- Bank-CSM-Bank
- Bank-CSM-CSM-Bank

Criterion 2 - Interoperability

In order to promote SEPA compliance by infrastructures, the latter 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. To the extent possible, the interoperability rules have been set out by the relevant CSMs, by mutual agreement. The purpose of the rules is to establish a link with any other infrastructure upon request, based on the principle that the cost of establishing the link is borne by the requesting infrastructure.

9. Equens has adopted interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers (100% ready) and SEPA direct-debit payment orders between banks and infrastructures, and between infrastructures (90% ready).
 - a. The interoperability rules we are using have been set out in conjunction with the relevant CSMs.
 - b. Equens complies with other relevant rules, guidelines or practices aimed at ensuring interoperability (e.g. the 'CSM Market Practices').

10. Equens will undertake to establish a link with any other infrastructure based on a sound business case.

- a. Several links have been established: Iberpay; Secetti; DIAS, VocaLink and EBA. Additional links are in progress.
- b. Equens links to other infrastructures via a reciprocal interoperability link based on the EACHA standard. Both infrastructures make their reach available to each other for their respective direct clients and the client's participants. The cost of the established is borne by the party incurring the cost and deducted from the standard processing fee to clients.

The EBA infrastructure is not accessible for non-financial institutions. The connection to EBA is established with Equens in its role as technical facilitator for a bank. In case this bank is a direct participant of EBA, the bank pays EBA directly for the connection. Equens clients that wish to use EBA reach require a status as indirect participant at EBA. In case Equens cooperates with a bank (EBA link Step 2 via the Dutch Central Bank) to connect banks as indirect participants to EBA, Equens bears the costs in its role as technical facilitator.

- c. Equens has optimised the internal processing procedures in order to be able to efficiently link to other infrastructures.
- d. Transfers between CSMs are settled via Target 2. Incoming payments are received in a fiduciary account (in accordance with EACHA framework 3.2 principles.)

Criterion 3 - Reachability

In order to promote the SEPA compliance of infrastructures, the latter 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. Equens is able to send euro payments from its participants and receive euro payments for its 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. Equens can reach around 4,000 SEPA scheme participating banks (directly or indirectly) on the basis of contractual arrangements.
- b. Equens and the linked infrastructures will inform each other on a regular basis on their reach, which will ensure that we are able to route a payment to each bank in the euro area that is participating in the SEPA schemes. Clients will inform Equens regarding their participants, and relevant information will be communicated to all our clients.
- c. Equens will obtain the necessary routing information on a regular basis, based on information received from clients and linked infrastructures via the connectivity connections. The information will include destinations and cut-off times per destination. Route management will ensure route optimisation for fast and efficient payment processing for our clients. In the event of additional routes, we will choose the optimal route (price, speed) for our clients.
- d. If the credit transfer is received before the cut off, Equens can reach the destination that same business day.
- e. Equens already has full reachability. However, it is increasing its route structure by creating more connections to other infrastructures in a cost-efficient way. This means establishing new connections to other infrastructures and re-using existing connections to other infrastructures. Through this process, Equens optimises the routes for its clients.

Criterion 4 - Choice for banks

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

12. Equens has not publicly disclosed its fees or fee structure. As an independent processor, our pricing principles are such that we treat each client equally and fairly, based on a single fee structure with volume-based pricing.
13. Equens does not apply different access conditions depending on the type of applicant, their location or other considerations.
14. Equens does not oblige its participants to process certain SEPA payments in a specific infrastructure.
15. Equens does not oblige its participants to use specific proprietary standards for SEPA payments.
16. Equens does not impose participation obligations of other infrastructures when another CSM requests a link.

Utrecht, September 2008



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Equens SE