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SEPA 2.0 and ISO 20022 XML

Moderator:

- Javier Santamaría, Banco Santander

Speakers:

- Simon Mcconnell, Citi
- Luca Vanini, Unicredit
- Jan Paul van Pul, ABN AMRO

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SEPA 2.0 and ISO 20022 XML

SEPA-wide changes still need to take place to overcome existing market fragmentation: where should the industry's focus lie in the short-term to successfully perform XML management?

Moderator: Javier Santamaría

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What is about to kill SEPA 2.0?

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The players

Simon

EMEA Head of FI Payments and Clearing
Citi

Jan Paul

Head of Market Infrastructures
ABN AMRO Bank

Luca

Head of Group Product Developments Payments
Unicredit

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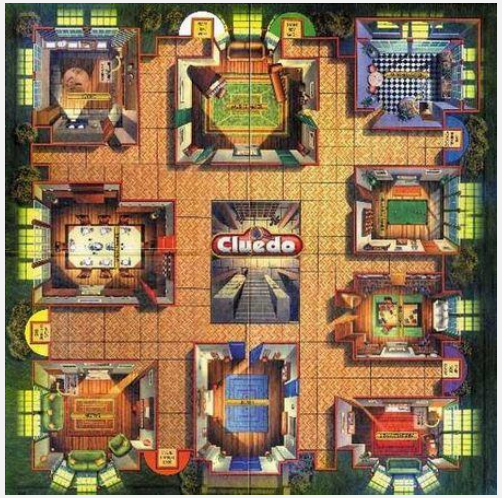
The rooms…

- Fragmentation
- Governance
- Innovation
- Business case



- Lack of an integrated market
- Efficiencies are difficult to extract
- Users are not enough involved
- Commoditisation preventing differentiation and value adding

…and the weapons

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Services development

Business case

Ballroom

Fragmentation

Kitchen

Users involvement

Innovation

Library

Governance

Study

Rules of the game

Playing field

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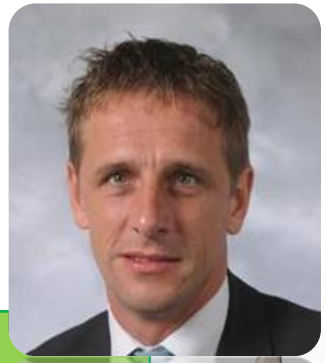

Business case

Ballroom

Fragmentation

Kitchen

Innovation

Library

Governance

Study

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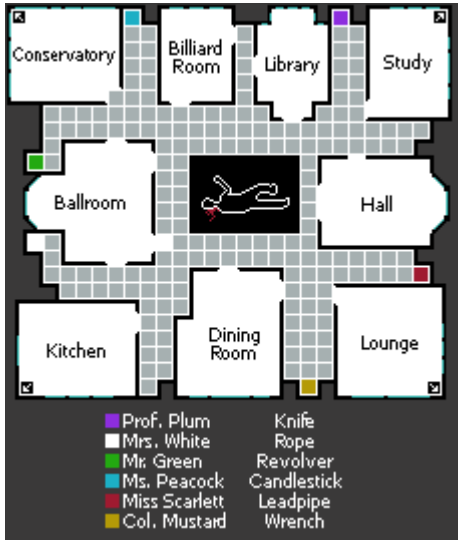
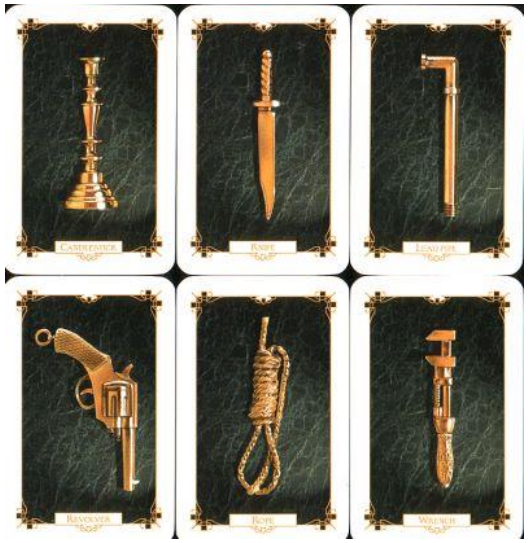
What is about to kill SEPA 2.0?





1. Fragmentation
2. Governance
3. Innovation
4. Business case

A. Lack of integration: regulation

B. Efficiencies: difficult standards

C. Users: Inadequate multi-stakeholder model

D. Value hard to grasp: competitiveness

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SEPA 2.0 and ISO 20022 XML

Simon McConnell: EMEA Head of FI Payments and Clearing, Citi

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Standardisation: Has the industry efficiently exploited the benefits offered through SEPA?

Progress To-Date

- Simplified infrastructure in place with consistent set of standards and rules
- First set of deadlines met
- SEPA is now BAU

Challenges

- Inconsistencies in implementation and local variations contrary to single standard
  - Full message sets not available to all and truncation occurring in some cases
  - Differing validation standards
  - Local interpretation of SEPA
  - Rulebook and market practices vary

Looking Ahead

- What impact will 2016 bring?
- What are the implications of EUR High Value Clearing and other currency clearing operations migrating to XML?
- The shift to instant payments

Clients Perspective

- Having got through 2014, client are now looking to see how they can really leverage SEPA:
  - Extended Remittance information
  - E Invoicing
  - POBO/ROBO
  - Centralised Treasury/Shared Service Centre Model
  - P2P
  - Single standard for payment submission
- Aligning the interests of the banks, customers, regulators is not easy
- More coordination is needed at a Central level taking a cross scheme and potentially cross currency view
- More collaboration is needed with institutions needing to form a longer term view

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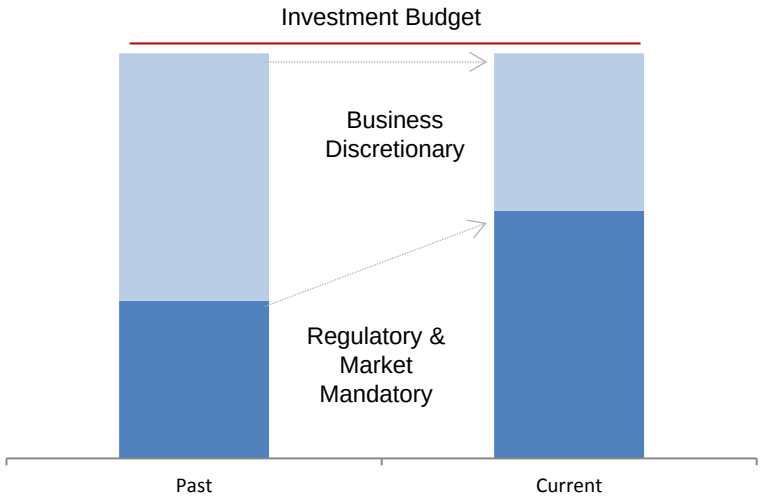
The Investment Spend Conundrum

Investment Spend Priorities 2015/6

1. SEPA Rulebook and migration of Non Euro IP's to XML
2. PSD II and updated FATF Regulation will require funding
3. XML for High Value
4. Chaps Contingency
5. Payment/Liquidity Reporting

Top 5 and no discretionary items



- Banks are having to be innovative in how they fund discretionary changes
- Leverage regulatory spends and avoid doing the bare minimum
- The payments landscape is changing rapidly and correspondent banking could look very different in 10 years
- Increasing competition from non-bank providers

The endless transition to end-to-end

Progressive adoption of ISO 20022 XML for payments and transaction reporting

Luca Vanini
Head of Payments
UniCredit

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Value of ISO 20022 XML is in end-to-end, across products, countries, industries

- All payment types (SEPA and non-SEPA)
- Single data dictionary
- Pobe & Cobe
- Across countries
- Across industries
- Usage-independent
- NO CONVERTERS
- Bulk details. Full detachment between booking and reporting

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Conditions for end-to-end still only partially met

- National SEPA formats
- Partial coverage of non-SEPA XML
- The jungle of purpose codes. More competition than standardization
- Pobe & Cobe not fully endorsed by AML yet
- XML CAMT reporting still partially available
- Innovation (ePayments, eMandate, Instant Payments) still mostly national

How to get quicker to a happy end-to-end?

Defragmenting SEPA: a work (still) in progress

Jan Paul van Pul
Head of Market Infrastructures
ABN AMRO

SEPA Migration Action Round Table (SMART)

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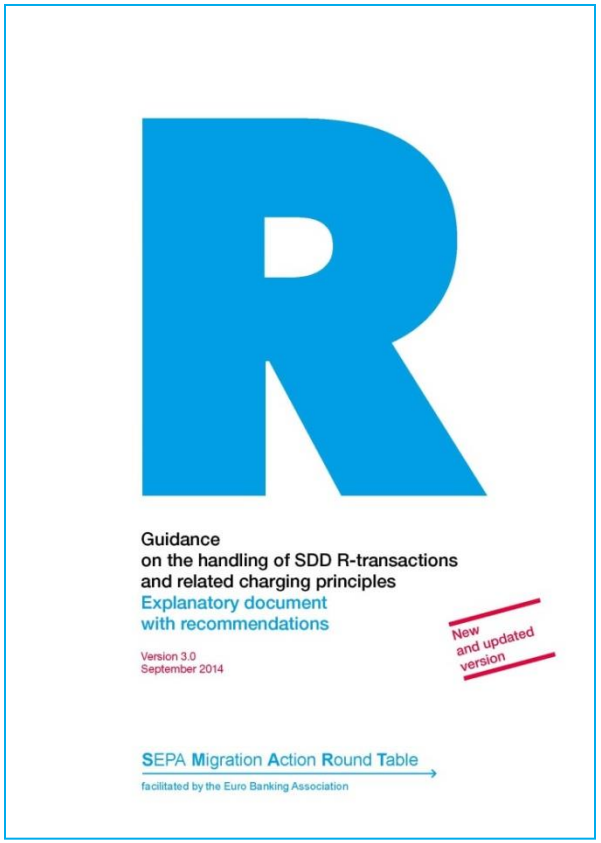
SMART brochures on local practices and R-transactions



Available online at **www.abe-eba.eu/N=SMART-documents.aspx**

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Local practices, products and requirements in post-migration SEPA

1. Conversion services and waivers
2. Local SCT and SDD clearing practices
3. Additional Optional Services (AOS) and Value-Added Services (VAS)
4. Additional local payment instruments: niche products and non-SEPA products
5. Local requirements involving need of using local payment account/bank
6. Other factors impacting X-border or domestic tx involving PSPs/PSUs in that country

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Did you know, for instance, that…

…in Greece, the code /FOC/ (Free of Charge) has to be added in the 2.49 Debtor Identification field of an SCT sent to a local PSP in order to ensure that the beneficiary does not have any charges taken from the payment. The code can be added when a payment meets certain criteria and there is a bilateral agreement between the involved PSPs.

…in Ireland, a mandate sign-up option for SDD Core called ‘Paperless Mandate’s allows sign-up over the phone or on the internet for Irish debtor accounts only.

…in Slovenia, a special night-time cut-off time for pensions to be paid immediately upon the opening of TARGET2 is offered for local SCT clearing once a month.

…the Spanish market has already implemented a same-day settlement functionality with same-day crediting at the beneficiary bank. This functionality is available through Iberpay for any SEPA payment.

…in Finland, it is business practice that a payment is considered paid when the originator has initiated the payment. In SCTs, this date is provided in the field “Acceptance Date”.

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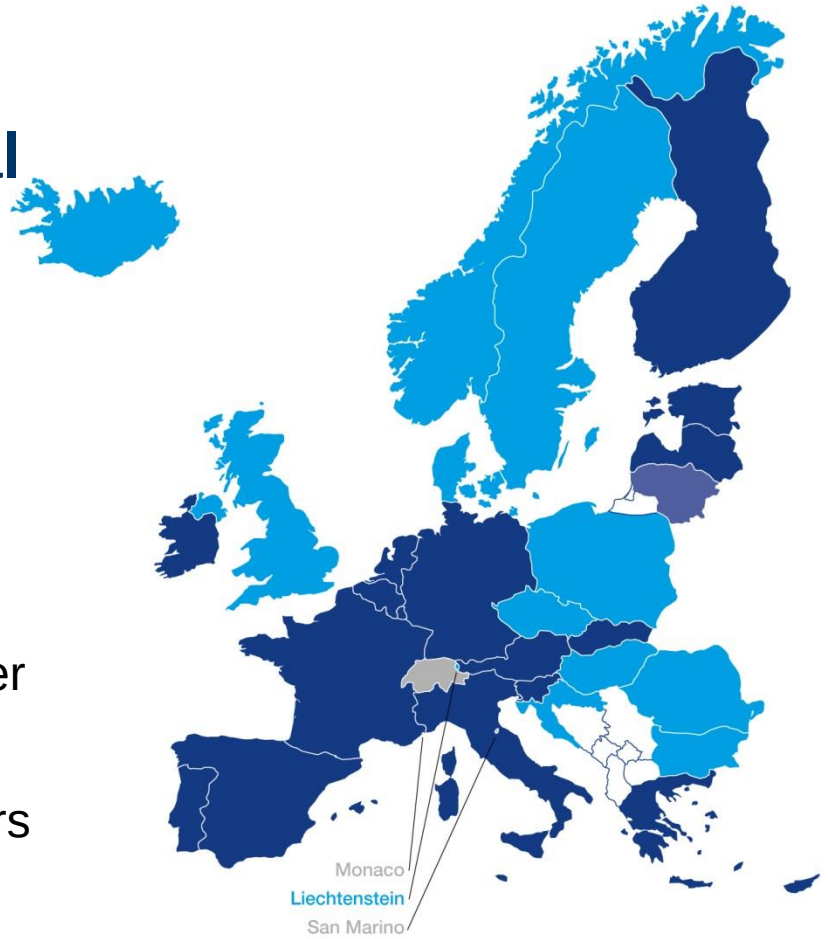
What you should know in general

- Not all SEPA countries are subject to the same migration timelines and (other) legal obligations
- Differences exist with regard to
  - reachability
  - charging practices for bank-to-customer charges
  - conversion services and related waivers
    - BBAN-IBAN conversion
    - Technical format conversion (to ISO 20022)
  - reason code usage rules for SEPA Direct Debit R-tx



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Top 3 reason codes per country (based on SDD R-tx sent by debtor banks)

Trend from December 2014 until March 2015

- **Austria***
  - MS03 71% ↑ | MD06 9% ↑ | AC04 8% ↓
- **Belgium***
  - MS03 71% ↑ | MD01 8% ↓ | SL01 7% –
- **Germany*** (bulk processing only, i.e. 20% of the traffic)
  - MS03 72% – | MD06 13% ↓ | AC01 6% ↑
- **Ireland**
  - AM04 75% ↑ | MD01 16% ↓ | AC01 2% –
- **Italy**
  - AM04 60% ↑ | MD01 20% ↓ | MD06 4% ↑
- **Portugal**
  - AM04 74% ↑ | SL01 11% ↑ | MD01 5% ↓
- **Spain**
  - AM04 54% ↓ | MD01 16% ↓ | AC04 7% –
- **France**
  - AM04 64% – | MS02 11% ↑ | AC06 8% ↓
- **Netherlands**
  - AM04 60% ↑ | AC06 12% – | MD06 9% ↓

Legend reason codes:

AC01: Account identifier incorrect
AC04: Account closed
AC06: Account blocked
AM04: Insufficient funds
MD01: No valid mandate/unauthorised tx
MD06: Disputed authorised transaction
MS02: Refusal by debtor/reversal by creditor
MS03: Reason not specified
SL01: Specific service offered by debtor bank

Data source: STEP2 statistics, March 2014
* AM04 not allowed to be used due to data protection law restrictions.

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Thank you to speakers

- Javier Santamaría, Senior Vice President, Banco Santander
- Simon Mcconnell, EMEA Head of FI Payments & Clearing, Citi
- Luca Vanini, Head of Group Product Development Payments, Unicredit
- Jan Paul van Pul, Head of Market Infrastructures, ABN AMRO

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