



## **SEPA and PSD: gaining advantages from new efficiencies**

Optimising Nordic Payment Infrastructure2010

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Innovative Services

SEPA

PSD

Conclusion

# The SEPA and PSD Scenario



## SEPA

- Investments for standardisation
- Decreasing average revenues per transaction and increasing pressure on margins
- Stronger competition from abroad

## PSD

- Investments for compliance
- Reduction in revenues and margins
- New players entering the market



**Can banks transform these challenges into opportunities?**

# SEPA and PSD reduce margins



## Challenges

- Various different forms of revenue are destined to decrease or disappear
- Increased competition will place pressure on existing revenues

## Required Counter-measures

- First and foremost banks need to retain current customers and revenues
  - Adopt competitive pricing structures
  - Improve SLA
  - Work towards improving transparency and gaining the trust of customers
- Intensify investments in innovation or identify strategic partners
  - The *wait and see* approach may introduce delays that will be difficult to recover later down the line

## Opportunities

- Gain market share through innovation
- Leverage SEPA standards to fulfil customers expectations on existing services
- Find extra sources of revenues by launching brand new services in the e/m-space
- Be proactive in addressing the needs of Public Authorities
- Carefully assess revenue potential for Realtime payments
- Explore fields currently covered by other players (e.g. Money Transfer operators)

# PSD opens the door to new players



**New Payment Institutions will provide citizens and companies with payment services that are in direct competition with banks**

## **Why can new Payment Institutions become a threat?**

- They can leverage a large number of customers
- Their IT systems are smaller and more flexible
- Some can already manage cash-based financial services
- Some can provide customers with high technology services e.g. Telco

## **Are there also opportunities for Banks?**

- Banks can provide new Payment Institutions with financial services and share new customers and revenues
- Payment Institutions can accelerate innovation processes, and banks can introduce new solutions by leveraging their experience and infrastructure,
- Payment Institutions need to comply with all national laws and rules, banks can provide support and expertise

# What should banks do?



- introduce new innovative payments services leveraging their community and shared infrastructures
- Proactively provide their customers with better service level agreements, more transparency, and easier access to information

## How is SIA-SSB helping its customers in this sense?



- **Supporting a new set of innovative payment services which can be used by the banking community**
- **Supporting the SEPA migration with VAS and AOS**
- **Introducing a suite of products that can increase the services around PSD**

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# Example of Innovation: Work as a community to build new attractive services for Banks' customers



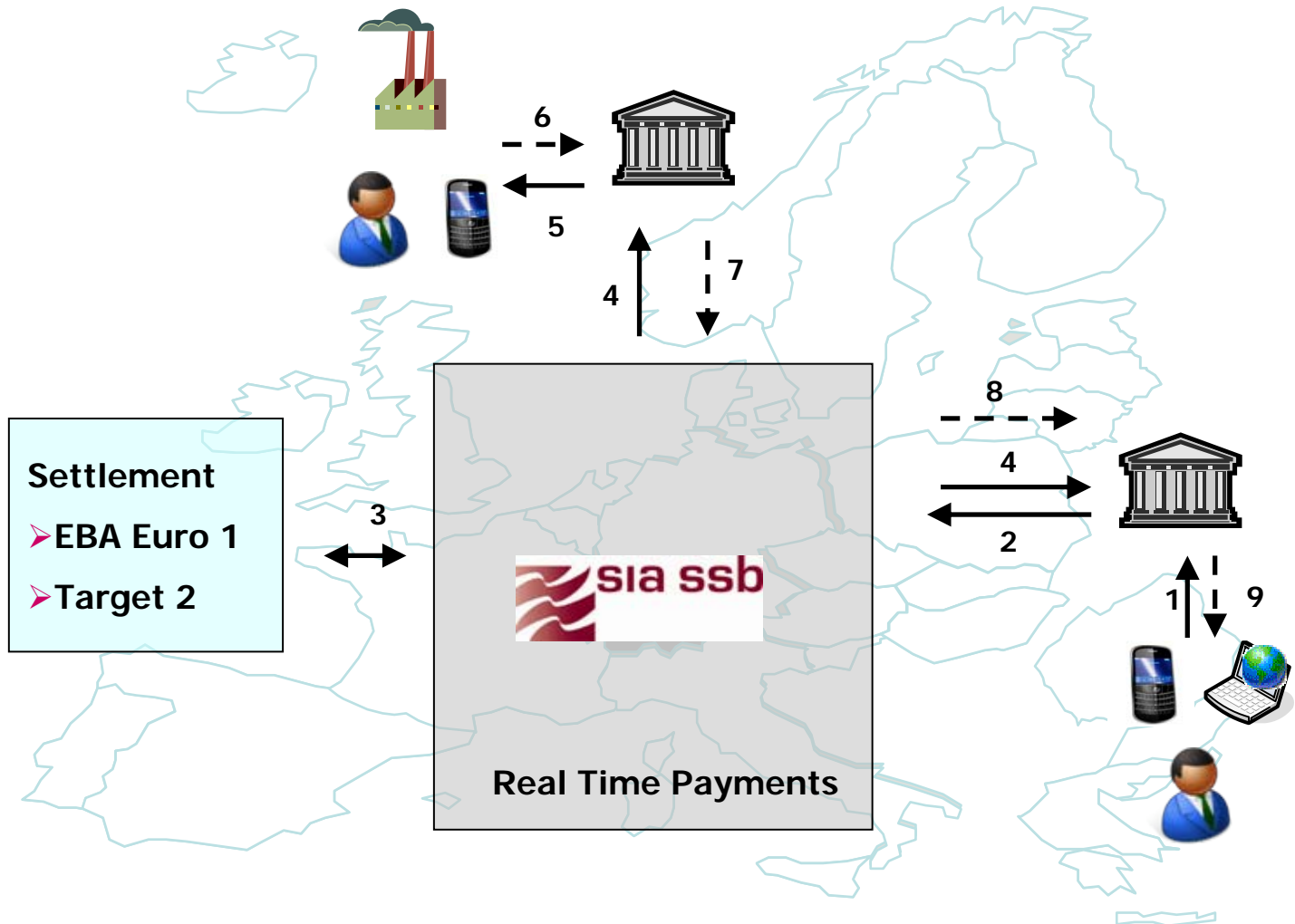
## New customers' need

- Immediate Execution time
- Mobile Payments
- Lower fee for e-Commerce
- Improved SLA

## SIA-SSB's solution: develop new services leveraging existing systems

- Create a Real Time System based on expertise and existing systems:
  - RTGS solution (used by The Riksbank, Norges Bank, Central Bank of Egypt and many others)
  - Low value payment clearing systems (Italian ACH, STEP 2, Romanian ACH...)
  - Real Time Card Processor (ATM and POS for Credit and debit cards)
  - Network Provider for real time services (SIANet transactional services for Securities Systems, ATM, POS)

# Example of Innovation: Real Time Payments



# Real Time Payments

Several sub-services: several new potential sources of revenue



| Sub service                                 | Features  |
|---|---|
| e-Commerce Payments                         | Used to cover e-Commerce transactions<br>- 24x7 service availability<br>- Low/medium value Payments<br>- High commissions   |
| Person2Person Mobile Payments               | Used to replace cash money transfers, post orders<br>- 24x7 service availability<br>- Low Value Payments<br>- Management of central Database for Alias or Mobile Phone Numbers to identify beneficiary accounts |
| Micro Payments (Mobile)                     | Used to replace cash payments (newspapers, meals...)<br>- 24x7 service availability<br>- Very Low Value Payments<br>- Low commission required (for both merchant and buyer)                                     |
| Payment confirmed by beneficiary acceptance | - Used to finalise property sales or similar transactions<br>- standard working hours service availability<br>- medium/high Value Payments<br>- Management of payment acceptance                                |
| Business to Business Real Time Payments     | Used to cover B2B transactions<br>- standard working hours service availability<br>- medium/high value Payments<br>- High commissions   |
| .....                                       | .....   |

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# SEPA

## The role of SIA-SSB for EBA STEP2



In May 2002 SIA-SSB was selected by the Euro Banking Association (EBA) as the **technological partner to implement and manage the new pan-European Clearing House** for retail payments in Euro, with the go live date on April 2003.

The **first service, EBA STEP2 XCT**, was launched for processing cross-border non SEPA credit transfers.

Since **November 2006, 5 major Italian Banking Groups** have migrated the processing of their domestic credit transfer traffic to the STEP2 platform.

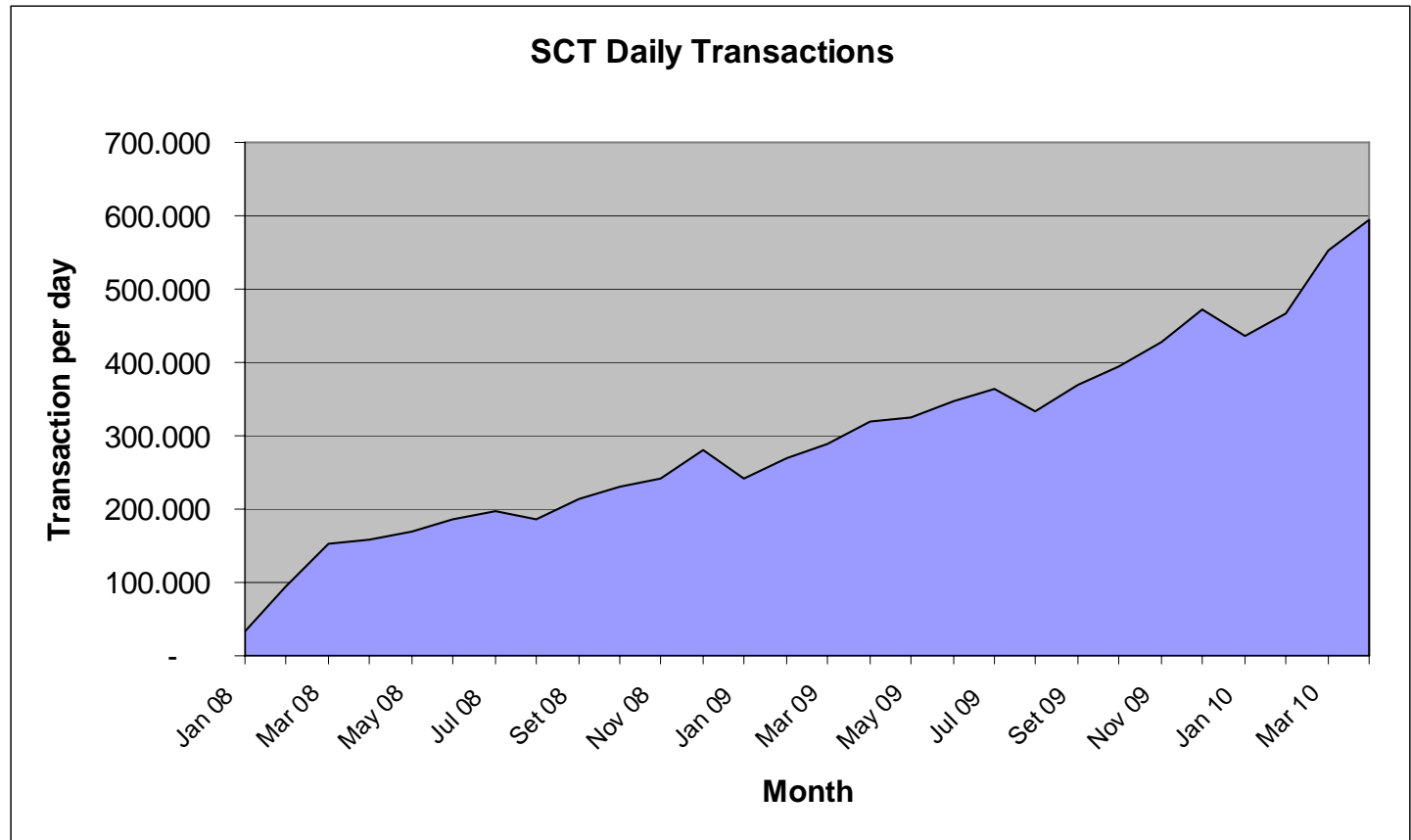


With the launch of SEPA, SIA-SSB developed the new SEPA-compliant pan-European ACH commissioned by EBA CLEARING. Now there are more than **100 Direct Participants** and over **four thousand Indirect Participants**, processing both SEPA Credit Transfer since January 2008 and SEPA Direct Debit since November 2009.

In March 2009, benchmarking tests proved that EBA STEP2 can process **10 million transactions per hour** and **50 million transactions per day**.



## ➤ SCT: Evolution of the Migration



➤ **SIA-SSB can support the migration by providing Access Services, Migration Tools and Services**

# SEPA Migration SDD



- Limited traffic:
  - Too many risks
  - National solutions still preferred
  - Most banks implemented only debtor side
  
- November 2010
  - Full reachability required



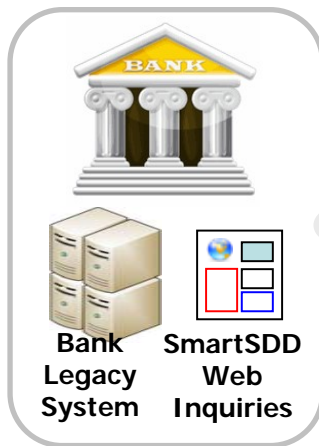
- SIA-SSB SmartSDD Service to help all banks to be direct or indirect participants
  
- e-Mandate service to reduce risk and to complete the solution

# SDD & SCT VAS and AOS

## SmartSDD



### SmartSDD Access Version



### SmartSDD Entry Version



↑ ↓ ↑ ↓ Direct connection on hosted platform



**Solution suitable for minimizing costs, integrated with customer systems**

- File based interface for STP processes
- Web based interface
- Reconciliation (transactions traffic and settlement)
- Optional Translation to/from proprietary fixed format
- Optional Indirect Participants management
- Optional exceptions handling (i.e. unpaid Direct Debits, message repair, etc)

**Solution suitable for minimizing impacts and costs**

- Most suitable and cost effective for banks acting as Debtor Bank only
  - Ready to be used with no integration needs
- Transaction and business monitoring
  - Downloading/ Uploading of transactions and reports
- Allows also migration to Creditor Bank Role
  - Click, check and generate instantaneously an R-Message

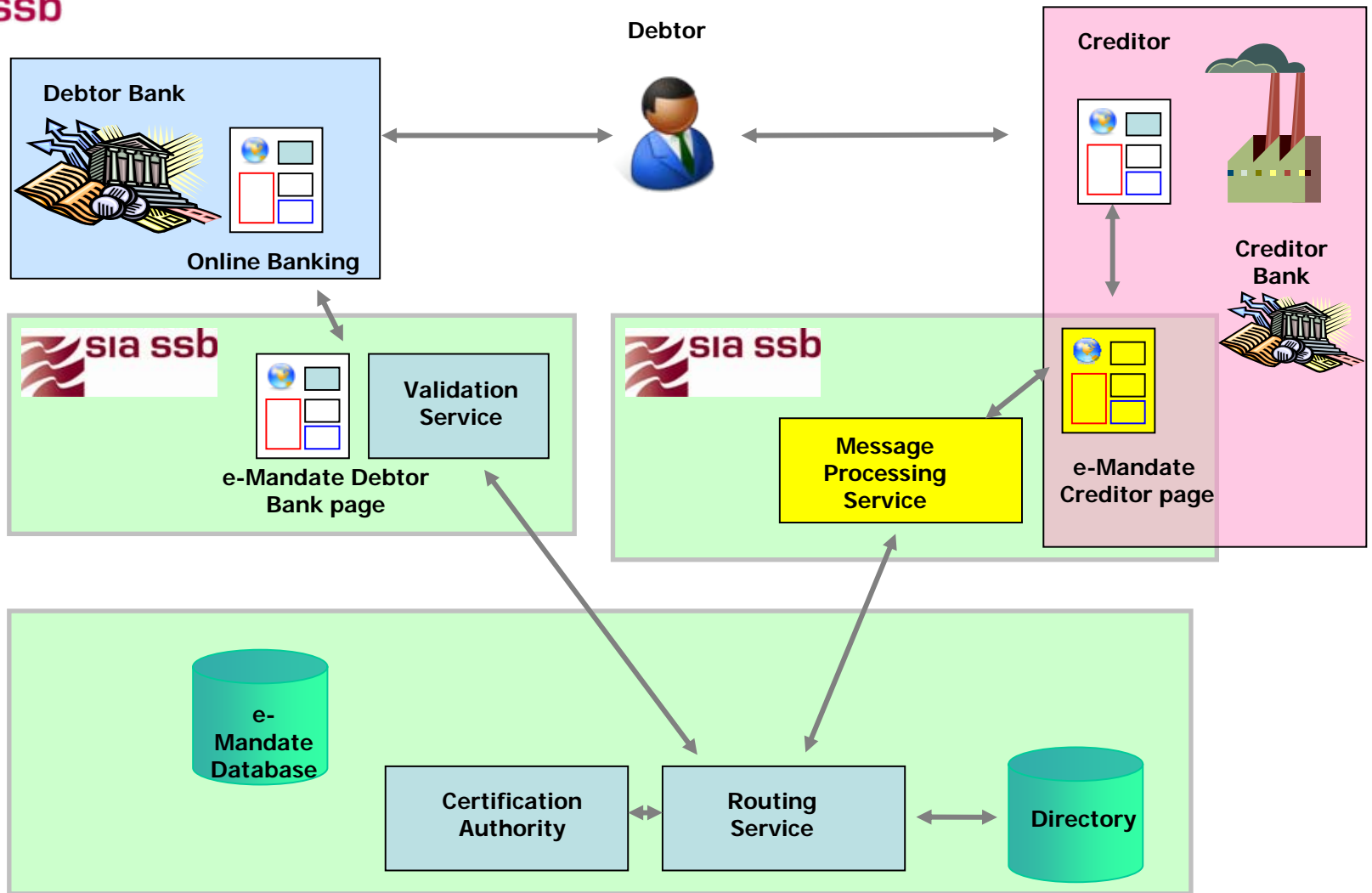
# e-Mandate Benefits



- Real Time: e-Mandate is processed in nearly real time compared with the current paper version which could take days to be finalized
- Total Cost of Ownership: Banks can offer an instrument to their Corporates assuring reduction of back office activities to perform collections, keep Debtor data updated, etc.
- Creditor receives the confirmation of the correctness of Debtor's Bank account details in real time and this allows improved efficiency in the billing process and an automated end-to-end processing of e-Mandates including issuing, amendment and cancellation
- Debtor avoids printing, signing and mailing a paper form to the Creditor thanks to an automated process
- Creditor and Debtor banks can store all e-mandates in order to verify all collections
- E-Mandates, being authorized by the debtor, reduce the period for possible rejects reducing the risk for the creditor
- The creditor can send the first Direct Debit immediately after the reception of the completed e-Mandate data

# e-Mandate

## SIA-SSB proposal



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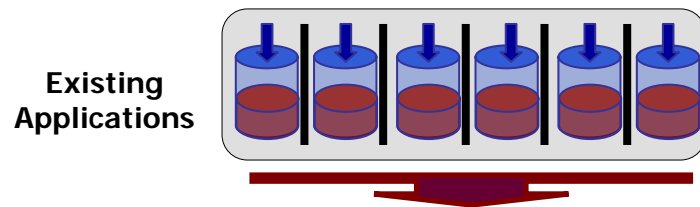
# SIA-SSB Value Proposition for PSD

## The PSD suite



### PSD maturity phase

- reduce costs
  - Remove all manual activities and introduce full STP: better service for Bank's customers and reduced costs
- increase efficiency
  - Composed by several independent modules
  - Reuse of available information
  - Single window for all services
- new services
  - Single database able to provide internal and external users with richer set of information



WEB

- Common services and interface
- Standardization of rules
- Processes optimization
- Easy installation and integration
- Customizable
- Flexible Real Time & Batch data transfer

# SIA-SSB Value Proposition for PSD

## The PSD suite



### Opportunities

- Anticipate requests from your customers
- provide customers with detailed reports
- allow customers to obtain payment details through interrogations
- Facilitate the activity of your investigation department and branches
- Reduce the effort for updating existing applications

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# SIA-SSB: a partner you can trust!



## Why is SIA-SSB a trusted partner?

- Track record of more than 30 years at the forefront of innovation, developing cutting-edge initiatives to promote banking environment modernisation, e.g.:
  - Pre-settlement and Clearing services for both non-SEPA and SEPA payment instruments
  - Central Database Management services
  - Interbank, Government and Corporate Networks Provider
- Since 2002, partnership with EBA Clearing for implementing and operating STEP2
- Trusted Service Provider at both domestic and international level, e.g.:
  - Cards Processor Services
  - Access Services
  - Corporate space services
  - Outsourced services
- Group with specialised subsidiaries and wide range of products/solutions, including comprehensive proposition for restructuring payments architecture, adopted by three of the top four Italian banks
- Sound experience in complex system integration projects (e.g. RTGS implementations in Sweden/Norway/Egypt)

# SIA-SSB: helping you rise above the challenges



## Trust

- Created by and for the banking system, SIA-SBB is owned by banks and provides financial institutions with services that are second to none in terms of security and efficiency

## Large volumes and efficiency

- With over 14 billion transactions processed every year, we can guarantee high quality services at the lowest processing cost

## Innovation

- SIA-SSB continually invests in innovation and ground-breaking services in order to anticipate the needs and demands of customers. By way of example, we are currently working on offerings for the following services and products:

e-Invoicing

Remittances

e-Mandate

Real Time Payments

e-Payments

VAS and AOS for SEPA Direct Debits

## Cooperation

- SIA-SSB aggregates communities in order to define requirements for common and cooperative services in order to build solutions which create value for all stakeholders



[www.siasb.eu](http://www.siasb.eu)