Interoperability within the EURO Clearing & Settlement Industry
An European ACH-perspective

Frankfurt, December 2016
Fachveranstaltung “Internationaler Zahlungsverkehr”

Thomas Feiler, Member of the Board, EACHA
European Automated Clearing House Association

- started early 1990’s - informal meeting of executives from ACHs.
- 28 September 2006, 19 ACHs founded EACHA officially under Belgian law
- Since then, grown to comprise 26 members
  - 10 privately owned, for profit organisations
  - 10 privately owned, not for profit organisations
  - 6 publicly owned, not for profit organisations (owned by NCBs)
- Continuous collaboration and dialogue with EPC to actively contribute to the success of scheme changes and interoperability

- Board of EACHA : 5 Directors (members)
  - STET (President), equensWorldline, Iberpay, ICBPI, KIR
EACHA members 2014

EACHA European coverage
About EACHA

- Promote **healthy competition based on common standards**.
- **not-for-profit organisation**
  - No commercial role
  - No operational role in payment processing.
- **technical cooperation forum for interoperability** amongst European ACHs
- believes firmly in developing a **common vision** for the future
- favors **harmonious implementation** of European policies and schemes including interoperability based on open standards.
- EACHA maintains regular dialogue with EPC, ECB and EC
Topics to be addressed

1. ACHs in the economy
2. Introduction of SEPA
3. ACH experience – earn the trust
4. Steady march of harmonization
5. Collaborative innovation
6. Conclusion
Economies need reliable payments infrastructures

- Economies are fuelled by transactions – **exchanges** of goods & services
- People, households, businesses and public sector, hold their money in **accounts**
  - 90% in banks, 9% under the mattress, <1% in other accounts (Paypal)
- Exchanging money between accounts of different banks requires interbank clearing and settlement mechanism (CSMs) or ACH
- Depending on banking sector, concentration ratio, 60-90% of volume via ACH, representing extremely large volumes in total, highly reliable, based on highest service levels and efficiency
- ACHs have a utility/infrastructure character ("water from the tap"); and public good character ("citizens have a right to use money"; "citizens should have trust in banks and money")
- To ensure public trust, ACH infrastructures are regulated and overseen
- Privately or publicly owned and operated
1. ACHs in the economy

2. Introduction of SEPA

3. ACH experience – earn the trust

4. Steady march of harmonization

5. Collaborative innovation

6. Conclusion
ACH landscape – Introduction of SEPA

Infrastructures:

– Turned out to be seldom “ACH/CSM only”; provide rich combinations of externalized shared services for local communities
– Support for services along the value chain of a payment within a bank (preparation of data, reconciliation, accounting, investigation, archiving)
– Since only some functions could be harmonized for SEPA, there was no “simple low-risk consolidation”
– Even for “standard SEPA” waivers and derogations were applied by every country – complexity needed managing, ACHs played their part
– Economies of scale weigh against diseconomies of scope
– All these factors created a business case for CSM interoperability

National and regulatory considerations limited quick consolidation

Competition worked: clearing prices in migrated markets fell considerably!

Banks volumes do not switch easily

Cross community payments exchange transparent
1. ACHs in the economy
2. Introduction of SEPA
3. ACH experience – earn the trust
4. Steady march of harmonization
5. Collaborative innovation
6. Conclusion
€-zone ACHs: national SEPA migrations

- Implemented the new standards, ensured SEPA compliance
- Phase out of the niche products and waivers in 2016
- Harmonize business practices further
  - End to end execution times, clearing cycles
- Supported cross-community payments exchange by Interoperability links
- Increased Competition led to reduced price, further modernization of ACH infrastructure
- Kept the interbank clearing running safe and reliable (even during massive restructuring of banks in the wake of the banking crisis)
- Respond to market demand for innovations such as immediate/instant payments
- Position vis-a-vis the growing new value chain (outside banks)
- Cooperate more closely!
  - Introduction of European Clearing Cooperative (aim to start H1/2017) based on CENT project
Earn the trust

Non €-zone ACHs: evolved rapidly

- Launched immediate payments services (Poland, Romania, UK, Sweden, Denmark)
- Evolve and grow the innovative new services (real-time!)
- Launched innovative e & m services (contactless, mobile, e-invoice)
- Implement standards for Euro by 2016
- Migrated „ahead“ to SCT/SDD, XML standards (Romania, Hungary, Switzerland)
1. ACHs in the economy
2. Introduction of SEPA
3. ACH experience – earn the trust
4. Steady march of harmonisation
5. Collaborative innovation
6. Conclusion
Use of XML-standard

- XML implemented
- XML waiver until February 2015
- XML waiver until February 2016
- Not yet decided/ not applicable

General progression towards standardization

General progression towards standardization

Expectations for 2018

1. ACHs in the economy
2. Introduction of SEPA
3. ACH experience – earn the trust
4. Steady march of harmonisation
5. Collaborative innovation
6. Conclusion
Collaborative Innovation : an EACHA priority

- EACHA Innovation Group (EIG) established 2013
- Analyses expected payments market demands
  - growing volumes on links between former “domestic” communities
  - support of e-payment, mobile payment, **instant payment**
- Best practice and bundled experience from 12 ACHs (of which 5 live RTCIs)
- Aim to facilitate real-time clearing infrastructure for Euro and Europe
- Cooperation under the umbrella of EACHA
- EACHA Instant Payments Interoperability Framework” (EPIIF)
  - fully aligned with the EPC Scheme Rulebook for “SCTinst”
  - key building block enabling all to build and launch interoperable instant payment services in Euros
  - ensuring pan-European end to-end reach.
1. ACHs in the economy
2. Introduction of SEPA
3. ACH experience – earn the trust
4. Steady march of harmonization
5. Collaborative innovation
6. Conclusion
Conclusions

- EACHA established open standards for the inter-CSM space for SEPA
- Complementing EPC Rulebooks, aligned and not overlapping.
- Allowed CSMs to compete and collaborate based on common standards

- Next on EACHA Agenda: Innovation on clearing infrastructures
  - Evolving Interoperability Framework: CENT initiative started 2014
  - Foster real-time clearing infrastructures for Euro and Europe
  - Laying basis for e-SEPA services

- Cooperation under the umbrella of EACHA
- EACHA name licensed to operational cooperative CENT
Conclusions

- Trust ACHs to deliver
  - Reliable daily payments processing
  - Innovative change to evolving market demands
  - Supporting their communities payment policies and practices
  - Based on common standards and interoperability amongst CSM’s
THANK YOU!

Thomas Feiler
thomas.feiler@equensworldline.com