Update on EURO1/STEP1

COGEPS meeting
Frankfurt, 5th March 2013

Gilbert Lichter
EURO1/STEP1 volume evolution

EURO1/STEP1 daily average volume 2008-2012
EURO1/STEP1 daily average value 2008-2012

EURO1/STEP1 value evolution
Records in 2011/2012

EURO1/STEP1 highlights

• December 2011: highest daily average payments sent for a month
  ➢ 282,840 (previous high in March 2008: 276,711)

• April 2012: highest daily average payments sent for a month
  ➢ 287,527 (previous high in December 2011: 282,840)

• 10th April 2012: highest number of payments sent for a day
  ➢ 413,758 (previous high in March 2008: 359,099)

• Record year – volumes returned to pre-crisis levels

• Market share rising to 43%
EURO1/STEP1 participation and reach

as at December 2012

- 64 EURO1 Banks
- 51 EURO1 Sub-Participants
- 87 STEP1 Banks
- 34 STEP1 Sub-Participants

236 banks directly connected, representing 10,000 BIC11

28,000 additional BIC11 reachable through the E1/S1 Directory
Operations of the EURO1/STEP1 platform

Reliable service delivery

• Availability of the EURO1/STEP1 system stood at 100% throughout 2012

• There was no incident related to the operations of the platform in 2012

• EBA CLEARING’s Information Security Management System was certified as ISO 27001-compliant in 2012, which includes the BS25999 certification of the Company’s Business Continuity Policy
Actions taken within EURO1 in 2010-2012

Stage one:

- Reduction of mandatory bilateral limit from 5mio to 2mio
- Doubling of maximum discretionary bilateral limit from 25mio to 50mio
- Changing the cut-off for amending discretionary bilateral limit from 18:00 CET on D-1 to 07:00 CET on day D

Stage two:

- Further reduction of the mandatory bilateral limit from 2mio to 1mio

⇒ 80% reduction of mandatory limits
⇒ Minimum Debit Cap per participant reduced to 63mio
⇒ Overnight credit risk becomes intraday credit risk
User-driven risk control improvements and resulting benefits

• Banks can react same day to deteriorating circumstances that have occurred overnight or over a week-end / bank holiday

• Risk taking less system-driven, aligned to banks’ risk policies

• Liquidity in the system recalibrated to those users that need more

• Co-operative community structure continued

• Ability to send and receive customer payments throughout the EU maintained, despite the financial crisis
Post-implementation situation

- No bank on the minimum Debit Cap
- No pockets of self-supporting groups – no abuse of the limit-setting arrangements
- Collateral pool can cover several bank failures, given the reduced amount of the minimum Debit Cap per participant
User-driven liquidity management improvements

Process enhancements implemented within EURO1 2010-12

- Two additional distribution windows added to liquidity bridge (11:00 CET + 12:00 CET)
- Algorithm for distributions adjusted to allow for more pay-outs
- Circles processing frequency increased
Governance and User input

Regular consultation of participants

EBA CLEARING reaches out on a regular basis to various professional communities within the user banks:

- Operations/Business
- Treasury/Liquidity
- Legal/Regulatory
- Risk

Inaugural meeting of the Risk Managers’ Forum in February 2013

- 30 banks attended and another 20 joined the subsequent conference call summary
- Standing dialogue with risk managers in the user banks
- Need to understand how risk in payment systems is viewed by users
- Sounding board for future risk mitigation-driven changes and design reviews