



EUROPEAN CENTRAL BANK

EUROSYSTEM

SUMMARY OF THE OUTCOME OF THE PUBLIC CONSULTATION ON THE OVERSIGHT EXPECTATIONS FOR LINKS BETWEEN RETAIL PAYMENT SYSTEMS

INTRODUCTION

Oversight of payment systems, which aims to ensure the smooth functioning of payment systems and to contribute to financial stability, is an essential function of central banks. As part of its oversight function, the Eurosystem established the “Oversight standards for euro retail payment systems” in 2003. However, the Eurosystem has since recognised that these standards have not been designed to adequately cover the additional risks associated with links between retail payment systems (RPSs). Meanwhile, it has also noted that such links have consistently grown over the last few years, largely owing to the payment and banking industry initiative aimed at the creation of a single euro payments area (the “SEPA” project), which was launched in 2002.

In order to properly oversee links, the Eurosystem has established a harmonised single set of expectations for RPSs to comply with, specifically to address the risks that may arise when one RPS establishes a link with another. The goal is to ensure that the risks stemming from the establishment of links between RPSs are properly managed.

The draft oversight expectations for links between RPSs were submitted for public consultation between 23 March and 18 May 2012. The Eurosystem received comments from the following respondents: the European Automated Clearing House Association (EACHA), EBA Clearing, Equens, the European Savings Banks Group (ESBG), Iberpay and STET. Market participants provided answers to specific questions included in the press release and commented on the definitions, general approach and application of the expectations as well as on their content. The Eurosystem has thoroughly considered all of the comments and would like to take this opportunity to clarify a number of aspects related to: (i) the terminology used; (ii) how a level playing field will be guaranteed; (iii) the application of the expectations and proportionality rules; (iv) the compliance of the expectations with EU law; and (v) the organisation of oversight assessments of links between RPSs.

All the comments received have been made public on the internet (none of the respondents objected to publication) together with this document and the revised final version of the expectations, which address some of the comments received.

The Eurosystem thanks all respondents for their valuable feedback and comments.

I TERMINOLOGY USED BY THE EUROSYSTEM

Market participants asked for clarification of some of the terms used in the expectations, including “retail payment system” and “link”. The Eurosystem would like to clarify that the term “retail payment system” is used to mean “retail funds transfer system”¹ and is in line with the terminology of the oversight standards for euro retail payment systems².

1 “A funds transfer system which typically handles a large volume of payments of relatively low value in forms such as cheques, credit transfers and direct debits” (see Glossary of terms related to payment, clearing and settlement systems, ECB, December 2009).

2 “Oversight standards for euro retail payment systems”, ECB, June 2003.

A “link” between different RPSs is a set of legal and operational arrangements aimed at facilitating the transfer of funds and fulfilment of payment obligations between entities participating in the respective RPSs. To meet these objectives, both information flow and financial flow are essential.

2 LEVEL PLAYING FIELD

Market participants expressed the concern that applying the oversight expectations to links between RPSs but not to alternative payment channels, i.e. those provided by financial institutions and payment service providers, would put a significant burden on RPS operators and distort competition in the market. The Eurosystem would like to clarify that the expectations aim to reduce risks and improve the efficiency of links operated by RPSs overseen by central banks. The Eurosystem believes that increasing the safety and efficiency of links will make RPSs more competitive. Concerning payments settled by correspondent banking, as correspondent banks are subject to banking supervision, the Eurosystem works with and through bank supervisors to assess the management of potential risks, as opposed to applying specific oversight standards and recommendations. In doing so, it seeks to avoid the potential “double regulation” of these institutions.

3 APPLICATION OF EXPECTATIONS AND PROPORTIONALITY RULES

Market participants have indicated that transaction volumes and value processed through links between RPSs are still low; they also consider that the risk management measures already applied mitigate a significant part of the risk stemming from the links. Therefore, market participants are of the opinion that the requirements laid out in the expectations are disproportionate to the risks addressed and that the requirements might hamper the development of links between RPSs. The Eurosystem would like to stress that links should be secure and efficient and RPS should mitigate all risks posed by their establishment. The expectations have been developed to cover all kinds of current and future links and therefore address risks in a comprehensive way. The presence of risk mitigation measures will be taken into due consideration in the assessment phase. As regards the strictness of requirements, proportionality rules may apply in the implementation of oversight requirements taking into account the risks that are associated with the volume and value of payments processed. This approach will be reflected and made explicit and transparent in the assessment methodology for the expectations, which is to be defined by the Eurosystem.

4 COMPLIANCE WITH EU LAW AND EUROSYSTEM POLICIES

In response to comments by some respondents, the Eurosystem would like to make it clear that the expectations are consistent with EU law and Eurosystem policies. In particular, the Eurosystem does not perceive any inconsistencies between the expectations and the SEPA Regulation³. However, it should be noted that the objective of these two sets of requirements differs. While the expectations aim to make current and future links safe and efficient, the SEPA Regulation aims to promote the development of SEPA. Therefore, they contain different, but not contradictory, requirements.

³ [Regulation \(EU\) No 260/2012](#) establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009.

5 ORGANISATION OF ASSESSMENTS

Market participants expressed the concern that an RPS having several links will be assessed by multiple overseers that could interpret the requirements laid down by the expectations differently. The Eurosystem would like to clarify that the application of the expectations will not have any impact on the current mandates for the oversight of RPSs. The organisation of the assessment of links between RPSs is to be decided on. In any case, an effort will be made to minimise the burden on overseen entities and the duplication of work by the responsible overseers. As mentioned under part III above, the expectations will be applied on the basis of a harmonised assessment methodology (to be established by the Eurosystem) which will ensure a level playing field among RPSs with respect to the application of the expectations by different Eurosystem central banks.

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