



Speeding up your payments

The EBA is introducing a pan-European scheme for priority payments

Time is money, as we all know, and the truth of this old saying can become quite palpable in many payment situations. There has always been a need for urgent payments in the business world as well as in private life: Urgent payments ensure that container ships do not get stuck in front of toll canals because the payment for settling the canal fee has not yet made it to the correct bank account. They also help students secure apartment leases by making sure that the deposit reaches the landlady's bank account in time. They play an important role in industry practices ranging from the just-in-time production processes of the automotive industry to the transportation conventions in place for exporting lemons and oranges from Southern European countries.

The problem with urgent payments is that most of the infrastructure and business practices arrangements supporting such payments have been agreed by local banking communities at a national level. Hence, most urgent payments do not travel across borders and those that do are tremendously expensive.

In an intra-European market where goods and services are traded without any impediment of borders, the underlying payments flows should circulate just as freely and quickly and thereby contribute to the smooth and efficient functioning of the economic processes that feed on these payment flows. This is why the development of a scheme supporting urgent payments on a pan-European level has been seen as a priority and promoted as an important component of the Single Euro Payments Area (SEPA) both by the European Commission and the European Central Bank.

Since the European Payments Council, the European banking industry's decision-making and coordination body on payments, placed its focus on designing the core payment instruments for SEPA, the Euro Banking Association (EBA) picked up the development of a priority payment scheme as a value-added service for the new SEPA environment in agreement with key SEPA stakeholders.

Based on its more than 20-year-long experience of delivering pan-European payment solutions and on the support of its membership of over 190 banks, the EBA has developed the EBA Priority Payment Scheme in co-operation with 26 pilot banks from 12 different countries. The pilot group is currently fine-tuning the business practices and preparing for a launch of the scheme by 1st January 2008.

The EBA Priority Payment Scheme enables banks to offer urgent intra-day, single credit transfers in euro to their customers. Participation in the scheme guarantees the end-to-end processing of single credit transfers within four

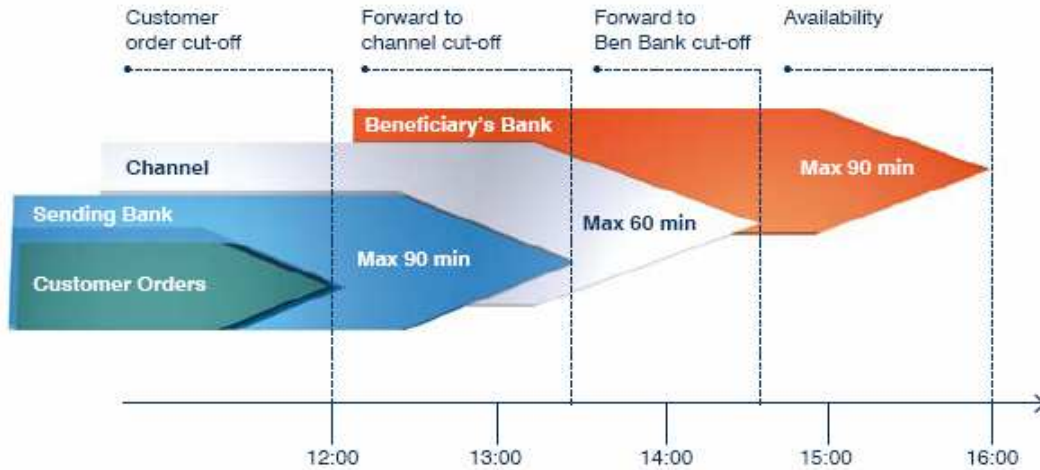
hours. Thus, beneficiaries of a payment complying with the EBA Priority Payment Scheme conditions will have the money in their bank account at the latest four hours after the payment has been accepted by the bank of their counterparty.

By adhering to the EBA Priority Payment Scheme, banks throughout SEPA will be in a position to offer their customers a premium service that banks will be able to differentiate in terms of service levels and cost. The scheme fills a major gap in the range of a bank's service offerings and can generate new revenue streams from new products and services as it will add an intra-day option to existing pan-European payment services. As a matter of fact, the scheme allows banks to provide their customers with the opportunity of sending and receiving urgent payments not only at a national but at a pan-European level. It thereby helps the banks improve customer service and satisfaction levels of their corporate customers in particular. Against this background, it can be clearly seen that the EBA Priority Payment Scheme is a major stepping stone towards improved market practices for SEPA.

Participation in the scheme is open to any bank operating in a SEPA country and thus not limited to EBA members. The EBA Priority Payment Scheme is an open-standard, non-proprietary value-added service. The timeframe commitments require specific validation, tagging and treasury management for the sending bank and recognition for immediate processing and customer application for the receiving bank. Participant banks are free to send their scheme-compliant messages through any processing channel that is able to handle payments in the required message standard and time frame (60 minutes).

In detail, a scheme-compliant credit transfer will circulate through the payment processing chain as follows: The sending bank will, from the time of acceptance of the payment submitted by the customer, process and route the Priority Payment to the selected processing channel within 90 minutes and before 13:30. The message type to be used for the transfer of EBA Priority Payment is the SWIFT message MT103+. As agreed with SWIFT, the message needs to bear the code SPRI in field 23B. The payment will be handled by the chosen channel and reach the receiving bank within 60 minutes. The receiving bank has a maximum of 90 minutes for processing the payment and providing irrevocable use of funds to the beneficiary. The payment will be completed without application of an interchange fee. Funds will be advised and credited to the beneficiary in full principle amount.

EBA Priority Payment Scheme: The processing chain



Banks will be able to sign up for participation in the EBA Priority Payment Scheme from mid-2007. The signing-up process will consist in a secure registration of the bank on a central database against a small nominal charge. By adhering to the scheme, banks agree to comply with the business practices of the scheme, which will be made available on the public website of the EBA (www.abe.org) in the course of Q2 2007.

Products and services based on the EBA Priority Payment Scheme are expected to be rolled out to customers from early 2008.