

To be or not to be...

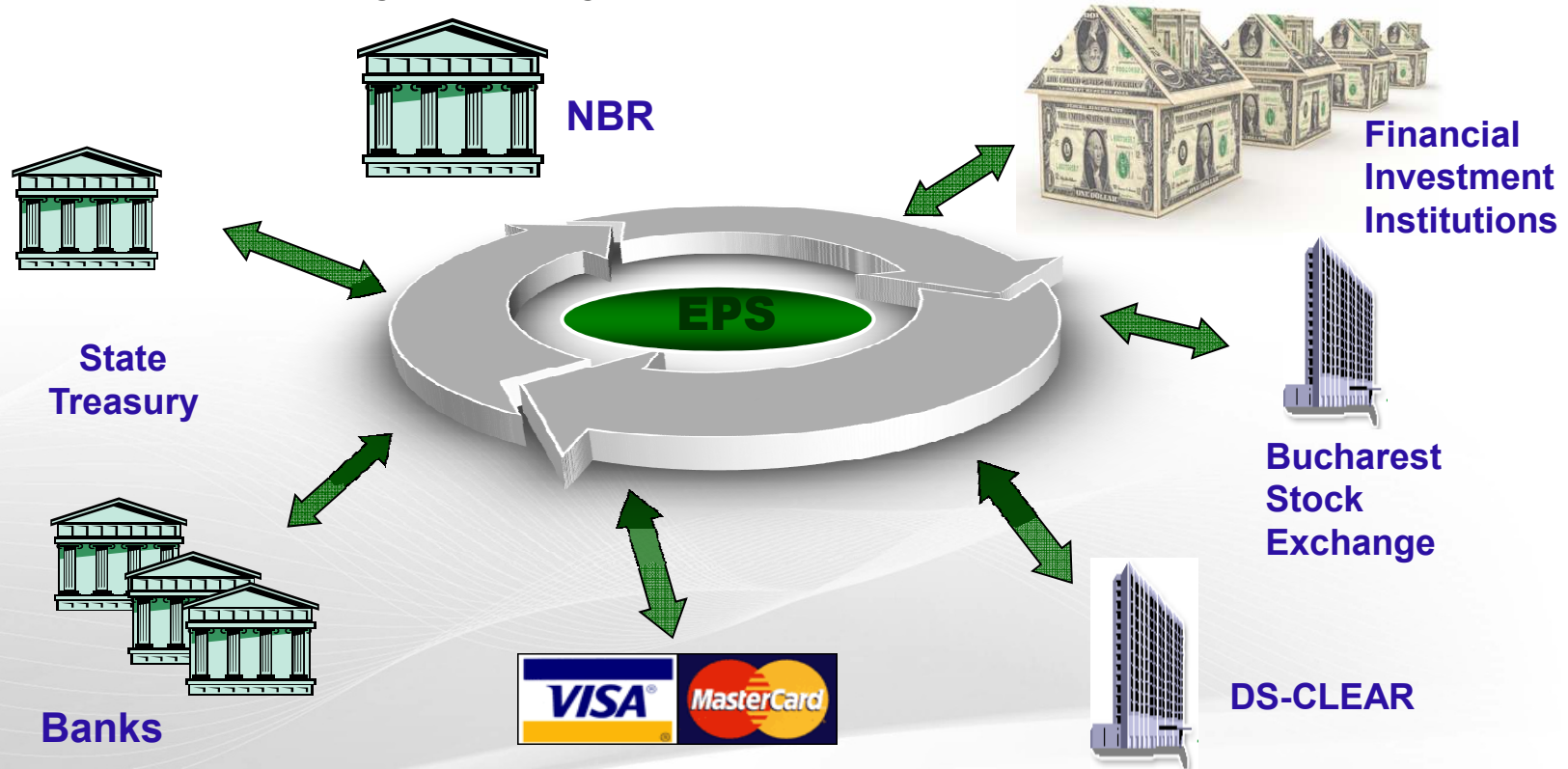
Changing the retail payment system before joining the Euro Zone. Why?

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1. TransFonD overview

✓ 2005 - Electronic Payments System (EPS)



✓ 2009 – Electronic Archiving Services



✓ 2009 – Emergency Line for Cards



✓ 2010 - Electronic Invoicing Services



Agenda

- 1 TransFonD:Company profile
- 2 Reasons to change the retail system- SENT
- 3 SEPA-RON
- 4 SEPA- EUR
- 5 Conclusions

SEPA challenge for TransFond

- Relatively low volume of euro payments (~300k/month)
 - Not justifying a separate system only for euro payments
- Adoption of euro: 2015?
- What SEPA brings to an ACH:
 - Unique currency, standards, rules and interoperability
 - Loss of the domestic currency shield
 - Larger, open market...
 - ...but new possible competitors on the domestic market
 - Possible higher volume to acquire
 - ... but lower fees and returns from payments
 - Fight for (existing) customers
 - Invest for improvements, higher performance and new AOSs
 - Unpredictable future
- **Tough decision to make:**
 - Change (and take an option)
 - No change (and do something else)
 - **Change and diversify**

TRANSFOND Strengths

- A new and competitive infrastructure
 - High degree of SEPA compliance
 - XML payment messages (easier to migrate to ISO 20022)
 - Real time clearing mechanism
 - CT message very similar to SEPA Credit Transfer
 - SCT mandatory data (attributes) present
 - BIC and IBAN codes mandatory and validated in the system
 - Check clearing (with scanned image exchange)
- Good service history and high-level client satisfaction
- Shareholders, Govmt and NBR support

2. Changing the retail payment system before joining the Euro. Why?

- Compliance/banks request: unique standard for both Euro and RON payments
 - Banking community and **TransFonD** to adopt the SEPA Standards and rules for RON payments, before Euro adoption
 - **TransFonD** to modify the SENT system as to accept and process RON payments in SEPA format
- TransFonD strategy (modernization of payment services) - prepare for:
 - SEPA schemes
 - Interoperability
 - Euro clearing and settlement
- Euro adoption- 2015 *“to be - SEPA compliant - or not to be - at all”...*
- TARGET2 Romania (settlement of euro payments)

SEPA in Romania

- **Romanian Banking Association:**
 - Member of the EPC since March 2007
- **The National SEPA Committee:**
 - Romanian Banking Association (RBA),
 - Ministry of Economy and Finance (MEF)
 - TransFonD
 - National Bank of Romania representatives (observers)
- National Migration Plan (publicly disclosed)
- **Domestic infrastructure for euro payments**
 - TARGET2 Romania- since July 4th 2011
 - TransFonD to provide euro services before euro adoption
- **Romanian banks in SEPA (no direct participation)**
 - Via parent banking institution
 - Via corresponding credit institutions outside the country
 - Via corresponding credit institutions in Romania
- **Messages used in relation with SEPA:**
 - FIN MT103
 - conversion services (corresponding banking) - most banks

TransFond payment (SEPA) strategy

1. SCT RON

- **Ensure a smooth transition to SEPA formats for CT in RON**
 - Double standard with format conversion
- **Improve the payments service and clearing efficiency**
 - Optimize the clearing process for RON payments
 - Indirect and special participation

2. EURO- payments

- Euro-SENT System for euro payments (domestic and cross-border)
- Set up the settlement arrangements and interface (TARGET2)
- Ensure euro-reachability for SEPA payments based on the EACHA framework
- Ensure SWIFT Infrastructure and services (SWIFTFileAct, Interact) to support TARGET2 settlement and inter-CSM file exchange

3. Direct Debit reloaded

- **Implement the SDD scheme (for RON payments)**
 - Adopt the SDD Rulebooks - new standards, rules, mandate, formats
 - Provide centralized mandate management (as an AOS) - new project

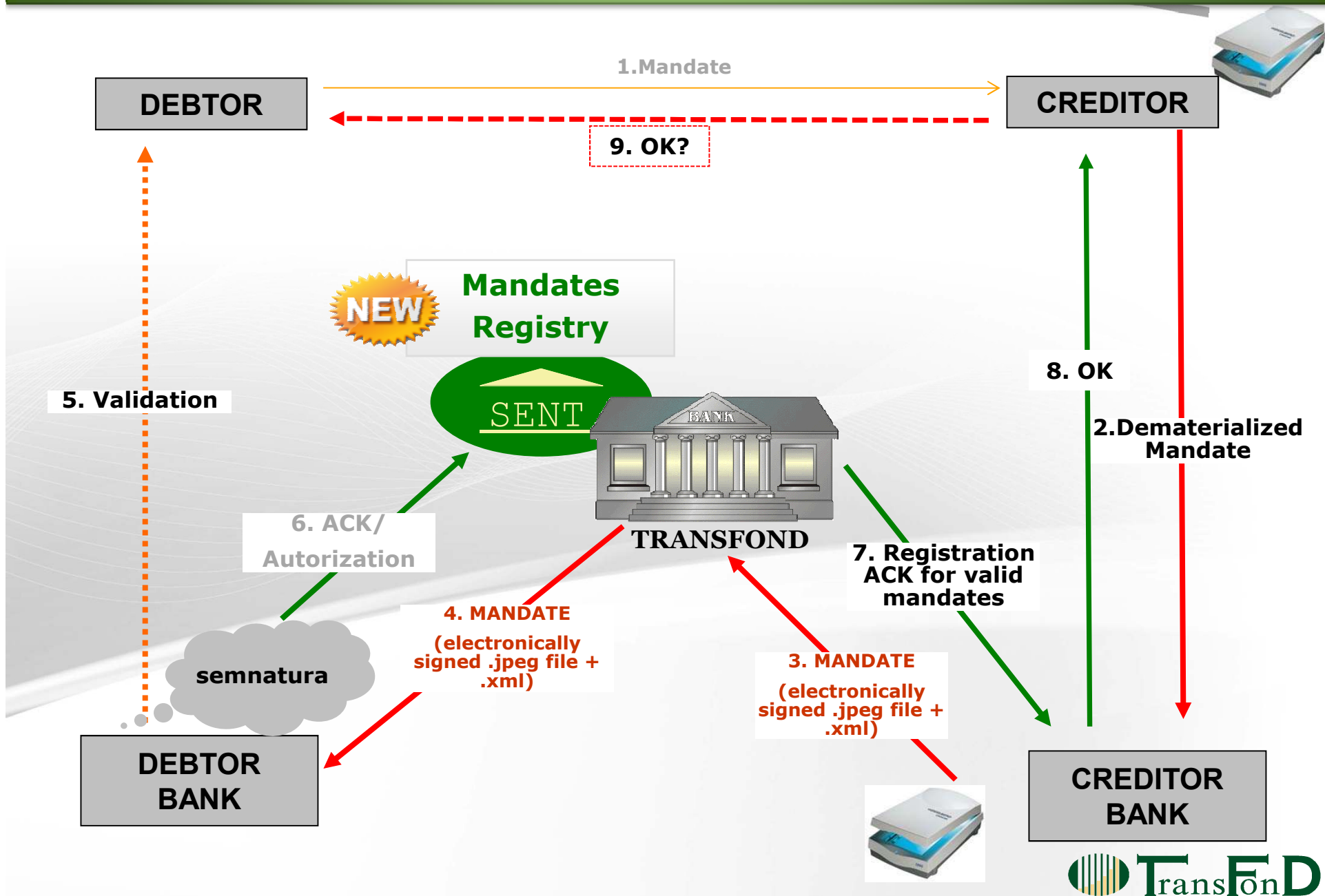
TransFonD SEPA programme

<u>SEPA Schedule</u>	Trim.III 2011	Trim.IV 2011	Trim.I 2012	Trim.II 2012	Trim.II 2013
SEPA RON					
TransFond testing					
User documentation					
Banks testing					
Parallel run test					
GO LIVE SEPA RON					
SEPA EUR					
Development					
TransFond testing					
User documentation					
Banks testing					
GO LIVE SEPA (EUR)					
SEPA DD					
Project initiation	Interbank agreement on SEPA DD				
GO LIVE SEPA DD (deadline)					

SEPA SCT- RON- main features

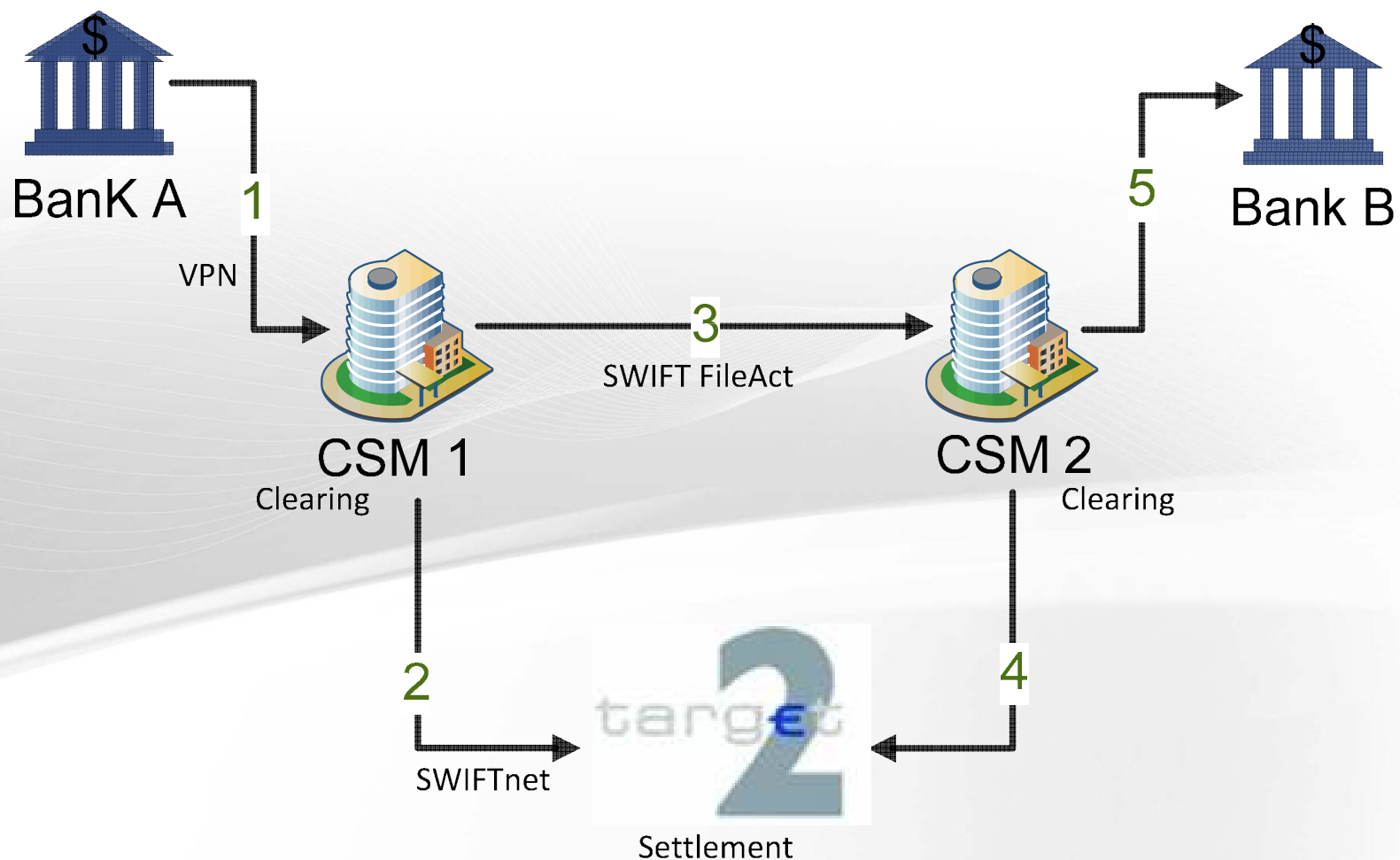
- Two formats: proprietary/domestic and SEPA
- A SENT participant shall be able to choose:
 - CT **or** SCT (only one format)
 - DD and/or SDD (if it provides such services to its customers)
 - DIs (cheques, promissory notes and bills of exchange)
- The new ACH will convert the CTs and CTs used for returning a payment submitted in the domestic format to **SEPA Credit Transfers**, if:
 - the receiving bank uses SEPA messages
or:
 - the sending bank uses SEPA messages and the receiving bank uses the domestic CT format
- The system will allow for indirect participation

SDD-RON: Centralized Mandate Management



SEPA- SEPA: Interoperability

EACHA Processing/settlement/ exchange



SEPA - SEPA (EUR)- Prerequisites

- Euro-SENT participation contract
- TARGET2 account (direct/indirect participant)
- Mandate contract concluded between TransFonD and the account holding bank for TARGET2 settlement
- Ensure available funds for TARGET2 settlement

SEPA- SEPA: Advantages

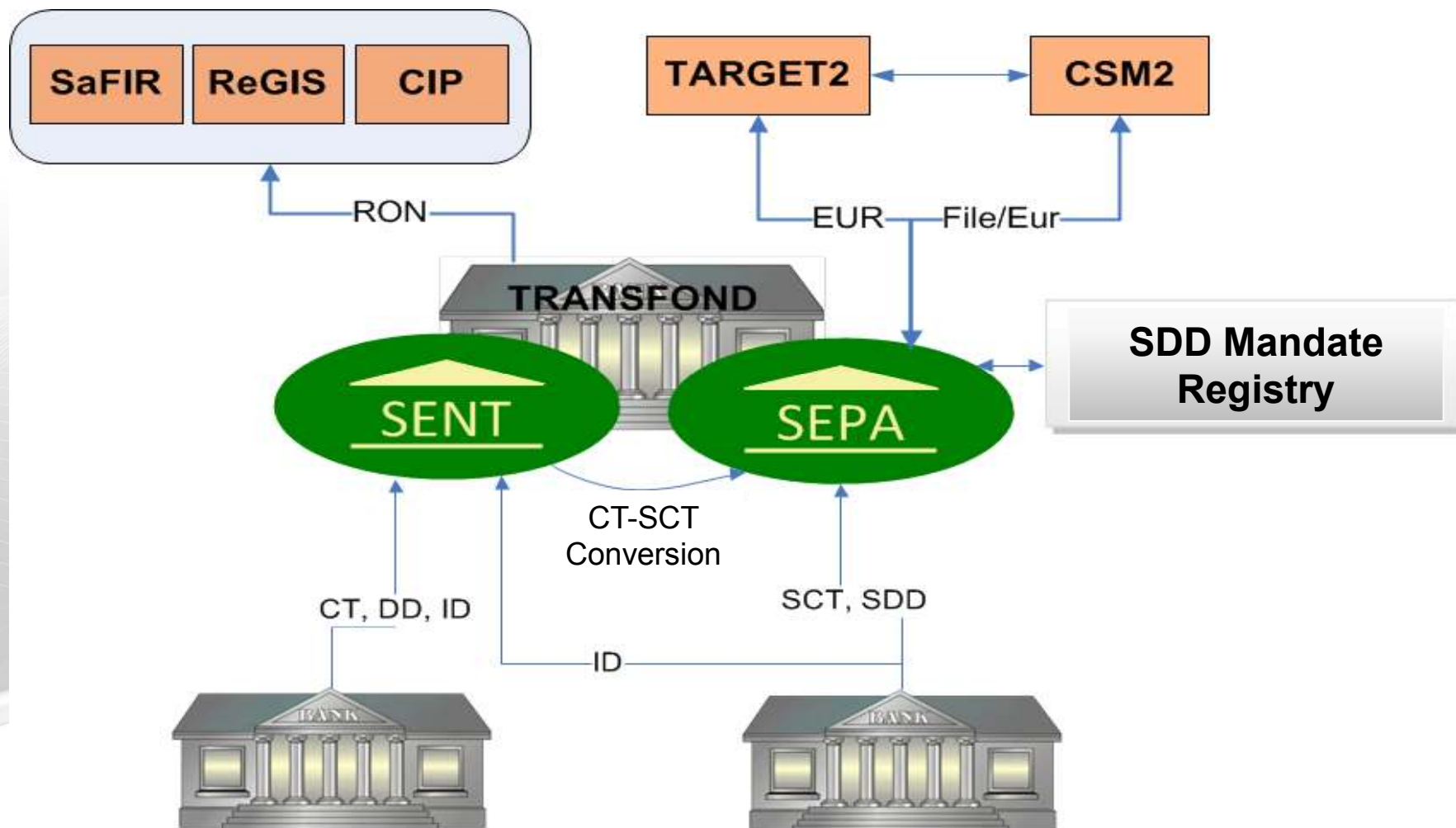


EURO SENT Advantages

- Same system/ messages/ network/ interface applications for both RON and EUR payments
- Lower liquidity needs/ usage (netting effect)
- Lower costs (compared to corresponding banking/gross settlement) - same fee as for RON payments
- Same TransFonD technical support team
- Facilitate bank compliance with Regulation 924 (same fees for both RON and EURO payments)
- Proven quality and availability for services (99.99%)

Conclusion

SENT 2012 – 100% SEPA-compliant CSM



Thank you!
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