

# ANNUAL REPORT 2016

Practitioners Creating  
Pan-European  
Payment Infrastructures



Berlin and Amsterdam  
Cover: Paris and Dublin



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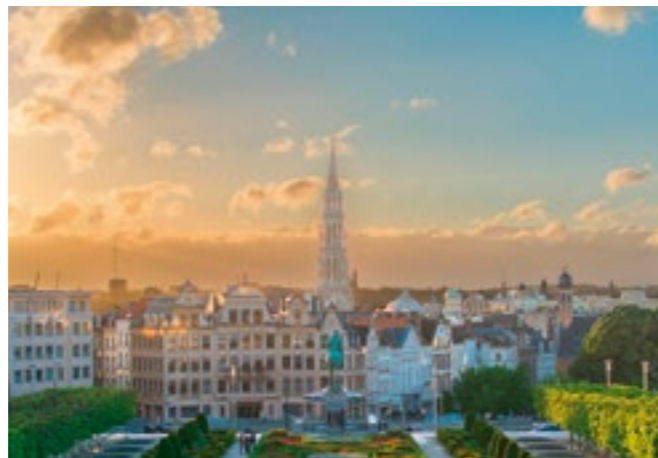


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# The Company's Mission and Strategic Aims

## E-U-R-O-P-A

- Excellence
- User-driven
- Robustness
- Openness to stakeholders' needs
- Pan-European
- Agility



View over Brussels from the Mont des Arts



## OUR MISSION

EBA CLEARING's mission is to deliver market infrastructure solutions for the pan-European payments industry, to support its users' needs in line with user requirements.

The strategic aims of the Company are to ensure a **pan-European** and country-neutral approach for the development and delivery of infrastructure solutions, thereby ensuring **excellence** and **robustness** in delivering our services. EBA CLEARING will maintain its track-record of timely delivery of **user-driven** solutions responding to evolving and new demands for infrastructure solutions, thereby demonstrating its **openness to stakeholders' needs** and **agility** in its role as a market infrastructure solutions provider.

## OUR OBJECTIVES

EBA CLEARING aims to allow cost minimisation for its users, and is not seeking profit or shareholder value maximisation. In pursuing its mission, EBA CLEARING is guided by the objective to offer its users solutions that are fit for purpose and efficient, with a special focus on safety and ensuring compliance with regulatory and oversight requirements. EBA CLEARING recognises its role in supporting financial stability and promoting fair and efficient markets; it is committed to discharging these responsibilities.

# Chairman's Statement



2016 was a year of continued major transformation for the European payments industry. Banks and other payment service providers (PSPs) have been heavily engaged in embracing and adjusting to the changes caused by the Payment Services Directive, the Payment Accounts Directive, the General Data Protection Regulation as well as tightening obligations of regulations on AML and anti-terrorist financing – to name only a few of the regulatory drivers in the market. They require significant compliance-related efforts at the level of PSPs, but are also accelerating changes affecting the traditional business models and competitive landscape that have been brought about by new digitalisation opportunities and new market entrants.

The financial market infrastructure space has been witnessing a similarly high level of change driven by new compliance and oversight requirements, such as the European Central Bank's Regulation for Systemically Important Payment Systems (SIPS), and by changing competitive scenarios triggered by the long

expected consolidation process of clearing and settlement mechanisms, which has gradually taken off.

In the face of this period of accelerating change, EBA CLEARING has stayed focussed on the delivery and operation of pan-European payment infrastructure services in line with user needs. In this context, the Company worked on meeting the following key objectives for 2016 for the benefit of and in close co-operation with its user community across SEPA:

1. Maintaining a stable and compliant processing environment for the reliable, efficient and cost-effective day-to-day operation of its payment systems;
2. Assessing potential needs and benefits in relation to the development and (re-)positioning of its services;
3. Delivering a pan-European instant payment infrastructure solution in time for the launch of the European Payments Council's instant payment scheme. In addition, the Company contributed to the building of the wider ecosystem needed to make instant payments a success for industry players and stakeholders.

All compliance-related system modifications were determined in a close exchange with the Company's user community to ensure minimal user impact and optimal preparedness.

As Chairman of EBA CLEARING, I am proud and happy to say that the Company successfully dealt with these objectives and remains well positioned in the changing payments landscape. One important factor in this context is that EBA CLEARING did an excellent job in first clarifying and then meeting the new compliance requirements for EURO1 and STEP2, based on a constructive dialogue with its Overseers and regulators. All compliance-related system modifications were determined in a close exchange with the Company's user community to ensure minimal user impact and optimal preparedness.

The stable system operations and well-orchestrated service enhancement processes in 2016 confirmed the Company's successful track record in running services that are both highly

reliable and – as shown in the smooth adaptation of the STEP2 platform to new growth records – scalable. As a thin organisation responsible for delivering high quality services, the Company is very dependent on its critical service providers, with whom the co-operation has over the years developed into a deep partnership.

It has been particularly rewarding over the past year to closely follow how EBA CLEARING's instant payment initiative evolved from the 2015 delivery of the initial blueprint with interested users through the successful fund-raising process to the amazingly timely development and implementation project of a pan-European service. The new RT1 system has been designed with the aim to meet the expectations of users and provide maximum reachability, based on open access and participation models and the flexibility to offer additional service features as required.

To enable all this, the Company needs to be on top of its risk environments and have a sound economic base. EBA CLEARING has continued to attach prime importance to the resilience of its systems, and has stepped up its efforts in the field of cyber resilience to stay abreast of the challenges in this field. While EBA CLEARING is

The new RT1 system has been designed with the aim to meet the expectations of users and provide maximum reachability, based on open access and participation models and the flexibility to offer additional service features as required.

EBA CLEARING will remain on its firm course of creating and operating services that are pan-European by design.

not a profit-seeking company, it has generated a sustainable economic frame to carry out normal developments and activities. This is based both on sound revenue developments and healthy cost management.

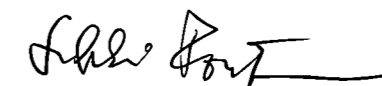
Last year and this spring, the Board and the management have been working on preparing the changes to the Company's governance that we had committed to delivering at the Shareholders Meeting 2016. The Governance Working Group of the Board, which I chair, has assisted the Board in the preparations for the implementation of the principles for the reform in line with the mandate by the Shareholders. The changes reflect adjustments to the roles of the shareholders and the Board as well as to our user say and consultation arrangements. The new governance model will, among other things, better reflect the balance between our services, in line with our responsibilities as a provider of two SIPS.

In closing, I would like to stress that EBA CLEARING will remain on its firm course of creating and operating services that are pan-European by design. This is in line with the requirements and expectations of our users, which serve consumers and businesses eager

to benefit from the seamless and effortless user experience that only an integrated European infrastructure environment can provide in a cost-effective and efficient way. With this aim in mind, we look forward to continuing our collaboration with industry players and stakeholders on building a sound pan-European ecosystem for instant payments.

I wish to thank our shareholders and users for their continued commitment and co-operation, my fellow Board members for their active dialogue and their contribution to fulfilling the duties of this Board – and the CEO and management for their support in this work. I am especially thankful to the CEO, the executives and the whole staff for having driven the Company so successfully in 2016 by providing both a stable and prospering environment for our services and users in a changing industry.

We look forward to continuing the fruitful co-operation and exchange with all our key partners and stakeholders in 2017 and beyond.



Erkki Poutiainen

# CEO's Statement



We are confident that our solid governance arrangements, which we plan to further strengthen this year, as well as our user-driven agility and distributed operations provide a stable and resilient foundation for the Company's way forward.

As we look back on 2016, we can see many important achievements made together with our community of users, shareholders and other stakeholders, and be proud. Since our founding in 1998, we have been at the heart of European payments and have produced timely and efficient payment solutions. The unique, co-operative spirit and engagement of our users throughout Europe leads to results that are pan-European by design, but as importantly, pan-European by desire.

In the broader ecosystem, 2016 saw various political, technological and policy developments, which will impact the industry for years to come. We are confident that our solid governance arrangements, which we plan to further strengthen this year, as well as our user-driven agility and distributed operations provide a stable and resilient foundation for the Company's way forward.

Our Systemically Important Payment Systems (SIPS) as well as our other services continue to operate reliably. For EURO1, the regulatory-driven changes implemented in November 2015

have been successfully absorbed by the participants with no gap in service and no significant decrease in volumes or values processed. We have been in a position to leverage the information reports that were initially created to monitor the effect of the changes to continuously improve throughput and further decrease processing times. As of the time of this writing, 96% of all payments are processed within 2 minutes, and 99.9% are processed within one hour. The liquidity efficiency ratio of the system excels in meeting the market needs for efficient liquidity management. Each euro of liquidity injected into the system permits the processing of more than 80 euro. With the introduction of a fixed transaction pricing option, we have been able to reduce prices, while simplifying the billing and budgeting for participants.

We ran an important user consultation in 2016, which provided direction for the coming years. The outcome confirmed the continued value of the system for its user community as the liquidity and cost-efficient private-sector alternative for large-value and non-SEPA commercial payments. In the light of ongoing market developments, including the announced changes to TARGET2, we will continue our work on the positioning and evolution of EURO1.



We are in regular contact with our peers at European and global level as well as with the relevant European authorities and stakeholders to contribute to the building of a harmonised real-time payment ecosystem based, where possible, on uniform standards and best practice in the infrastructure space.

STEP2 averaged over 40 million payments per day in 2016 and achieved new peaks over year-end and after holiday weekends, reaching a new peak of 153 million on 2<sup>nd</sup> May 2017. The average cost per transaction continued to drop as volumes increased and many banks took advantage of the committed volume pricing option. Offering six cycles, including two important night-time cycles, STEP2 added many new participants in 2016, and continues to be at the forefront of pan-European retail payments.

We kept STEP2 developments very limited in 2016, but we expect that more substantial efforts will be needed in 2018 both at system and user level to implement expected changes in regulatory requirements. These changes are expected to include evolved requirements for SIPS in the area of liquidity management. The scope of these changes will hopefully become clear in the course of 2017, when it is expected that the revised SIPS Regulation comes into effect.

RT1, our new system for processing real-time payments, has been conceived and designed as a pan-European platform as well. At its launch, RT1 will provide a service for instant payments, supporting the vision of the Single Euro Payments Area. Having received funding

from 39 banks of all sizes and types, throughout Europe, the development project was launched in April 2016. This ambitious project has hit all of its milestones on time and the system is on track for go-live in November 2017 on the launch date of the EPC SCT Inst Scheme. More than 20 banks have indicated they intend to be ready in November, with many more following in 2018.

RT1 will be fully compliant with the EPC scheme, but also has the built-in flexibility to offer faster processing or the handling of higher amounts to interested communities on a closed user group basis. It is not unusual for new services to ramp up over a period of a few years, but we expect that some communities will be fairly quick here, with some calling instant payments the new normal. We are pleased to be moving early on instant payments and look forward to reporting on our live operations in the coming months.

As instant or real-time payment systems are proliferating within Europe and across the world and payment service providers are starting to


get ready for connecting to this emerging infrastructure, reach and interoperability-related topics are moving more and more to the forefront of the industry's concertation activities. We are in regular contact with our peers at European and global level as well as with the relevant European authorities and stakeholders to contribute to the building of a harmonised real-time payment ecosystem based, where possible, on uniform standards and best practice in the infrastructure space.

On the corporate side, things are running well. We have further harmonised our internal IT infrastructure, which has improved our capability to continuously align the Company's IT environment with latest levels of security and resilience. We are constantly enhancing our risk awareness and are sustaining a positive audit culture involving a general tightening of our processes throughout the organisation. We have

increased our capital and cash positions to healthier levels and have met the CPMI/IOSCO requirements for coverage of General Business Risk, without having had to raise additional capital. We will continue to ensure appropriate coverage, in agreement with our Overseer, as such requirements may evolve.

In 2016, there were 78 persons with 20 different nationalities working in the six locations of EBA CLEARING across Europe. Our highly specialised, very experienced and well-trained multinational team is one of the Company's key assets.

Together with our users and partners, we are proud to help ensure the smooth day-to-day running of vital payment services while developing at the same time an important element of tomorrow's infrastructure. I am confident that by staying true to our values and core strengths, we will continue to play a key role at the heart of European payments for the benefit of our users and their customers.



Hays Littlejohn

Together with our users and partners, we are proud to help ensure the smooth day-to-day running of vital payment services while developing at the same time an important element of tomorrow's infrastructure.

# THE COMPANY'S ACTIVITIES IN 2016 AND OUTLOOK FOR 2017

THE PERIOD UNDER REPORT  
IS 1<sup>ST</sup> JANUARY 2016 – 31<sup>ST</sup> DECEMBER 2016.  
THE OUTLOOK FOR 2017  
IS INCLUDED FOR INFORMATION.



# THE COMPANY'S IN 2016 AND OUTLOOK FOR 2017



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THE OUTLOOK FOR 2017  
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Rome and Helsinki

# Our Services Introduction



The Gran Via in Madrid

Throughout the period under report, EBA CLEARING delivered on a daily basis and with an impeccable track record best-of-breed payment infrastructure services to a large European user community.

The number and value of transactions processed by the services continued to grow, with 2016 witnessing a volume increase of 24% compared to 2015. Throughout the year, EBA CLEARING managed the settlement of over 12 billion transactions across all services. This represents an average daily volume of more than 46.75 million transactions.

## EBA CLEARING SERVICES: EVOLUTION OF ANNUAL VOLUMES AND VALUES IN 2015/2016

EBA CLEARING Service	2015		2016		Evolution	
	Volume*	Value*	Volume*	Value*	Volume	Value
EURO1	52.29m	49.744bn	50.79m	48.959bn	-2.88%	-1.58%
STEP1	2.99m	335bn	2.58m	291bn	-13.76%	-13.28%
STEP2 SCT	4.05bn	10.493bn	4.22bn	11.307bn	+4.22%	+7.75%
STEP2 SDD Core	5.19bn	1.118bn	6.12bn	1.186bn	+17.73%	+6.01%
STEP2 SDD B2B	82.92m	605bn	83.78m	676bn	+1.05%	+11.80%
STEP2 CC	308.01m	22bn	1.54bn	97bn	+401%	+347.98%
<b>Total</b>	<b>9.69bn</b>	<b>62.317bn</b>	<b>12.02bn</b>	<b>62.515bn</b>	<b>+24.02%</b>	<b>+0.32%</b>

\* Rounded figures, all values in EUR

For all services, 2016 was a year of great stability and very limited system changes, testifying to high levels of functional and operational maturity as well as user satisfaction.

This stability notwithstanding, EBA CLEARING continued to closely monitor overall market developments and to foster a regular exchange with its users. Throughout the period under report, about 25 user community meetings took place in around 15 countries. EBA CLEARING further organised roadshows in the Baltics, the Czech Republic, Poland, Slovakia and Slovenia.

In 2017 and beyond, EBA CLEARING will continue to assess together with the user communities of its services any evolving market needs and expectations around its infrastructure services with a view to ensuring that its offerings remain fit for purpose.

# EURO1 Service

## 1 OVERVIEW

Throughout the period under report, the EURO1 system reliably served its user community across Europe as a resilient and cost-effective RTGS-equivalent net system for single euro payment transactions allowing participants to optimise liquidity efficiency.

EBA CLEARING pursued its close dialogue with the users of the system to ensure that the value proposition of the EURO1/STEP1 Services continues to fulfil their requirements and to identify

potential areas for improvement. A comprehensive user consultation exercise conducted in the spring of 2016 revealed little need or appetite for any functional changes to the services in the short term.

A new fixed transaction pricing option was introduced to apply as from 2017. The new option provides participants with additional cost saving benefits and was very well received by the user community.



View of Vienna with the Prater ferris wheel in the foreground



## 2 EVOLUTION OF EURO1 VOLUMES, VALUES AND PARTICIPATION

During the period under report, the average daily volumes in EURO1 remained in line with the overall trend for single euro payment transactions: EURO1 and TARGET2 transaction volumes continue to evolve in parallel, with the EURO1 market share remaining near 40 percent.

The average daily transaction value in EURO1 decreased by around 6% after the debit cap reduction in relation to SIPS requirements in 2015. In the second half of 2016, however, transaction values increased again, returning to the levels before this change and showing a further upward trend in 2017. This reflects the active monitoring and management of payment flows by participants with a view to making optimal use of the liquidity efficiency of the EURO1 system.

Following the significant consolidation of the participant numbers in 2015 due to the SIPS requirements relating to group participation, the EURO1 participant number remained stable during the period under report.

## 3 USER CONSULTATION ON THE EURO1/STEP1 VALUE PROPOSITION

A user consultation of the EURO1/STEP1 user community was conducted in April 2016, with the objective to gather detailed input and feedback on specific areas where the EURO1 and STEP1 value propositions could be enhanced.

The consultation responses confirmed that the EURO1 Service is still relevant and fit for purpose. In their feedback, the users indicated limited interest in changes to the current functionality with regard to participation models, opening hours and limit/cap levels. As a consequence, EBA CLEARING did not take forward any changes in these areas.

The responses to the user consultation also confirmed the outcome of the review of the participation criteria and models in EURO1, which had been conducted with the guidance and support of several Board Committees and expert groups, and had resulted in the conclusion that the existing criteria fit the risk profile of EURO1.

On a time horizon of the next five years, the Board concluded that EBA CLEARING should focus on maintaining the value of the system for its participants, while exploring possibilities to further increase the attractiveness of the system.

The value proposition review pointed to the overall conclusion that the EURO1 system continues to be of strategic value as a privately-owned liquidity-efficient channel for large-value and non-SEPA commercial payments, operating alongside, and as an alternative, to TARGET2.

#### 4 EURO1 PRICE MODEL REVIEW

EBA CLEARING introduced an annual fixed transaction fee option for 2017 as an alternative to the standard variable transaction fee model.

There was a broad spread in the take-up of this option both geographically and by different types of participants.

#### 5 SYSTEM DEVELOPMENTS IN 2016 AND 2017

No functional changes were proposed for implementation in 2016, resulting in one technical release being planned and successfully implemented on Monday, 31<sup>st</sup> October 2016.

In line with SWIFT's upgraded Customer Security Programme to increase the security of SWIFT-Net, EBA CLEARING implemented several security enhancements in EURO1/STEP1 to maintain the system's integrity and high levels of security.

With two minor functional developments and only a few technical upgrades planned for 2017, EBA CLEARING opted for a combined functional and technical release to be deployed in the last quarter of 2017. This release will introduce an additional EURO1 liquidity distribution window at 15:45 CET.



#### 6 INDUSTRY-WIDE DEVELOPMENTS REGARDING LARGE-VALUE PAYMENT SYSTEMS

Throughout the period under report, EBA CLEARING continued to monitor market developments in the large-value payment system space and to contribute to relevant industry initiatives, in particular in relation to a future migration of large-value payment systems to ISO 20022.

To this effect, the Company has been participating in the HVPS+ Group (High Value Payment Systems), a sub-group of the Payments Market Practice Group set up to create market practices and implementation guidelines to facilitate this migration and to ensure interoperability between market infrastructures. EBA CLEARING also participates in the Eurosystem's working groups on future RTGS developments, on the topic of ISO 20022 migration as well as other developments that could be of relevance for the EURO1 Service.

In the course of 2017, the Company will further pursue its close exchange and coordination with the EURO1 user community on ISO 20022 migration and other market developments.

# EURO1 Service Key Facts and Figures

status: March 2017

## LIVE DATE

4 January 1999

## PARTICIPATION

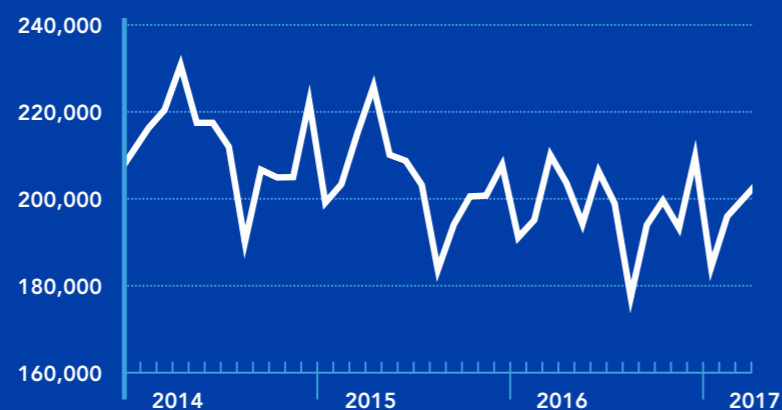
52 Participants

51 Sub-Participants

## SPECIAL FACTS OR FEATURES IN 2016/2017

- User consultation with a very high response rate confirmed that the EURO1 Service is valued and fit for purpose with the current functionality
- New fixed transaction pricing option was introduced in 2017 providing cost saving possibilities to participants
- Average daily transaction value increased again over the period 2016/2017 after a drop in late 2015: EURO1 liquidity efficiency and participants' effective management allowed processing of values similar to those before reduction of the max. Debit Cap

## EVOLUTION OF AVERAGE DAILY VOLUME OF PAYMENTS PROCESSED



## TECHNICAL OPERATOR

SWIFT

## SETTLEMENT AT PROCESSING CUT-OFF TIME

in TARGET2 via the  
Ancillary System Interface (ASI-4)

## LEGAL BASIS

- Identified by the ECB as **Systemically Important Payment System (SIPS)**
- ECB SIPS Regulation fully applicable

## REACH

Close to

8,000

participant BICs and over

14,500

additional BICs reachable via EURO1/STEP1 Participants

## AVERAGE DAILY VOLUME

201,213 transactions

## AVERAGE DAILY VALUE

€196.8 billion

## FUNCTION

Large-value  
payment system

- RTGS-equivalent net system
- Providing immediate finality for each individual payment transaction in real time
- Combined with the liquidity-saving benefits of a multilateral system

# STEP1 Service



## A TURN-KEY SOLUTION FOR SINGLE EURO PAYMENT PROCESSING

The STEP1 Service offers a direct and cost-effective access to a highly resilient single euro payment processing platform. With its limited joining and running costs as well as its wide reach, STEP1 provides a low-investment solution for the exchange of non-SEPA euro transactions with all key payment banks operating in Europe, which is particularly attractive for smaller and medium-sized banks.

The STEP1 volumes and values processed remained relatively stable throughout 2016 and early 2017.

STEP1 witnessed the joining of two new participants: Emirates NBD PJSC, London Branch, and Bank GPB International SA, Luxembourg.

The outcome of the EURO1/STEP1 user consultation confirmed that the STEP1 Service is still valued by its user community for the delivery of reliable single payment processing services.

# STEP1 Service Key Facts and Figures

status: March 2017

## AVERAGE DAILY VOLUME

9,875<sup>transactions</sup>

## AVERAGE DAILY VALUE

€1.2<sup>billion</sup>

## PARTICIPATION

52<sup>Participants</sup>

11<sup>Sub-Participants</sup>

## TECHNICAL OPERATOR

SWIFT

## LIVE DATE

21 November 2000

## SETTLEMENT

EURO1 Banks act as Settlement Banks for STEP1 Participants

## REACH

Close to

8,000

BICs directly adressable and over

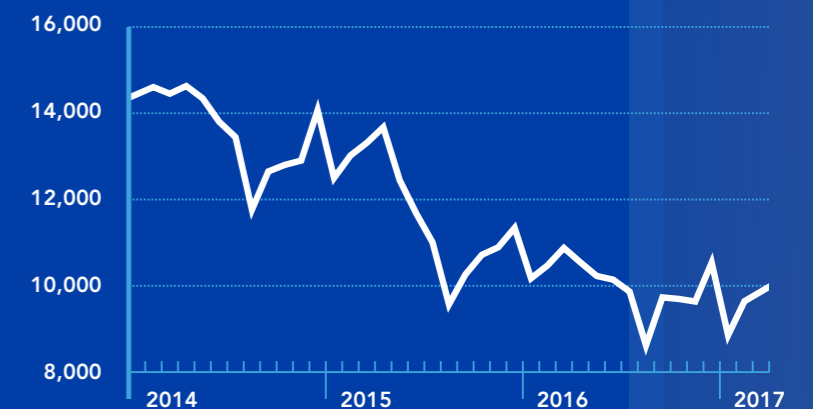
14,500

BICs reachable via EURO1/STEP1 Participants

## FUNCTION

Single euro payment service for commercial transactions, mainly for medium-sized and smaller banks

## EVOLUTION OF AVERAGE DAILY VOLUME OF PAYMENTS PROCESSED





# STEP2 Services

## 1 OVERVIEW

2016 was a year of high stability for the STEP2 Services. Steady volume increases, new traffic peaks and a continued positive evolution of the participant figures of the different SEPA Services represented the major highlights.

Throughout the period under report, STEP2 processed very high volumes of domestic and cross-border euro retail payments in a reliable and disruption-free manner and continued to provide full reach to the European banking community for its SEPA transactions. The STEP2 platform thus further asserted its value as a pan-European payment hub for the SEPA market as well as its position as a strategically important infrastructure for a number of communities and individual banks across Europe.

## 2 EVOLUTION OF STEP2 VOLUMES AND PARTICIPATION

Daily average volumes in the STEP2 SEPA Services witnessed a stable increase in 2016 compared to 2015, going up from over 35 million to around 40.6 million transactions processed per day on average; nearly 46% of this traffic was sent via the batch processing mode. Volume increases across all SEPA Services were a bit steeper in the last quarter of the year and reached on average 20% for the SDD Core Service. Furthermore, STEP2 registered new all-time peak days for all three services combined on 4<sup>th</sup> January 2016, with more than 134 million transactions settled, and 2<sup>nd</sup> January 2017, when more than 141 million payments were settled.

The number of direct participants in the STEP2 SEPA Services kept seeing a positive evolution throughout 2016 and early 2017, with five banks joining the STEP2 SEPA Credit Transfer (SCT) Service, six banks joining the STEP2 SEPA Direct Debit Core (SDD Core) Service and three banks connecting to the STEP2 SEPA Direct Debit Business-to-Business (SDD B2B) Service. The STEP2 SEPA Services continued to extend full reachability to over 4,800 financial institutions across the Single Euro Payments Area.

A view of Vilnius



## 3 SERVICE-RELATED DEVELOPMENTS IN 2016

### Further increase of economies of scale

The SEPA Migration End-Date of 1<sup>st</sup> February 2016 for niche products and national schemes for direct debits initiated at the point of sale brought closure to most of the industry's SEPA migration activities. This had already led to a further industry-wide consolidation of volumes in the course of 2015.

The resulting volume growth further increased the economies of scale in STEP2 and allowed EBA CLEARING to pass on these benefits to the STEP2 users in terms of cost savings. As in the previous years, the trend of declining average transaction prices continued in 2016.

### Implementation of enhanced extended remittance information AOS

On 11<sup>th</sup> April 2016, EBA CLEARING activated an enhanced extended remittance information service in the STEP2 SCT Service. This Additional Optional Service (AOS) supports the inclusion of up to 999 structured invoice and credit note references in a single SEPA Credit Transfer and was created in response to corporate requests for a further increase of the amount of structured remittance data that can be included in a SEPA transaction.

## 4 SERVICE ENHANCEMENT AND MAINTENANCE

### STEP2 releases

In November 2016, EBA CLEARING deployed a combined functional and technical release, which mostly included changes related to amendments brought to the SEPA Scheme Rulebooks of the European Payments Council, such as the dismantling of the SDD COR1 option.

The outcome of the annual user consultation on changes for 2017 was reflected in the proposal for the 2017 release content approved by the Board in October 2016 for implementation in November 2017. The changes are mostly related to the new versions of the EPC SDD Scheme Rulebooks coming into effect in November 2017.

# STEP2 Services Key Facts and Figures

status: March 2017

## AVERAGE DAILY VALUE

SCT  
**46.3 billion**

SDD Core  
**4.6 billion**

SDD B2B  
**2.7 billion**

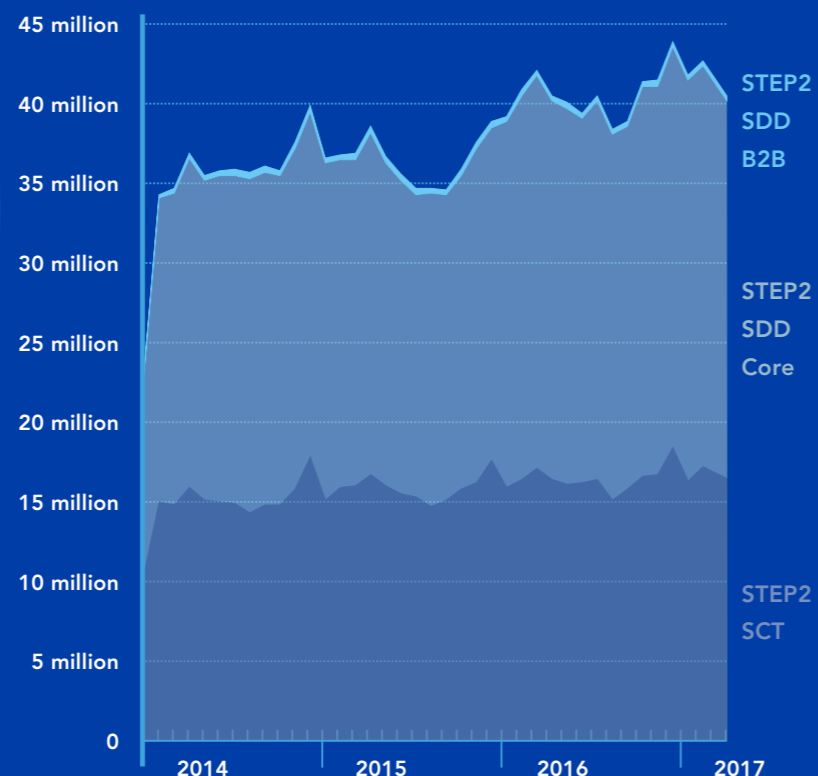
## PARTICIPATION

SCT  
**140** Direct  
Participants

SDD CORE  
**109** Direct  
Participants

SDD B2B  
**94** Direct  
Participants

## EVOLUTION OF AVERAGE DAILY VOLUME OF PAYMENTS PROCESSED



## SETTLEMENT

Positions provided by the Multilateral Netting Module (MNM) are settled in TARGET2 via the Ancillary System Interface (ASI)

## SPECIAL FACTS OR FEATURES IN 2016/2017

EBA CLEARING's STEP2 platform has recorded a new all-time peak: more than 147 million transactions were settled on 3<sup>rd</sup> April 2017.

## TECHNICAL OPERATOR

SIA

## AVERAGE DAILY VOLUME

SCT  
**16.7** million transactions

SDD Core  
**24.0** million transactions

SDD B2B  
334,351 transactions

## FUNCTION

ACH Services processing

**SEPA Credit Transfers**

and

**SEPA Core and Business-to-Business Direct Debits**

offering

**full pan-European reach**

to all financial institutions that have adhered to the respective EPC Scheme Rulebooks

## REACH

SCT  
**Around 4,800 Reachable BICs**

SDD Core  
**Around 3,900 Reachable BICs**

SDD B2B  
**Around 3,300 Reachable BICs**

The STEP2 platform is fully interoperable with 15 other CSMs

## LEGAL BASIS

- Identified as a SIPS under the ECB SIPS Regulation
- Compliant with the respective Scheme Rulebooks and Implementation Guidelines of the European Payments Council (EPC)

## LIVE DATES

SCT  
**28 January 2008**

SDD Core and SDD B2B  
**2 November 2009**

# Other Services



## 1 STEP2 CARD CLEARING SERVICE

Throughout the period under report, the STEP2 Card Clearing (STEP2 CC or SCC) Service provided a reliable service for the clearing and settlement of pre-authorised card-based transactions based on the SEPA Card Clearing Framework defined by the Berlin Group. The Berlin Group is a group of 27 major players in the card industry from 25 countries in and

beyond the Eurozone, which aim to standardise card clearing across Europe by leveraging SEPA infrastructure.

The service handled on average over six million transactions per day after the completion of volume migration by the pioneering user community in early 2016. STEP2 CC is currently used by seven participants for debit card transactions under the German girocard scheme.

## Unlocking synergies

Its pan-European design and the fact that it enables users to reap synergies from the re-use of the interbank infrastructure and bank-internal interfaces they have put in place for SEPA make STEP2 CC well-suited for the onboarding of card-initiated payments from other communities in Europe.

## Creation of a separate system for STEP2 CC

On 11<sup>th</sup> May 2016, STEP2 CC migrated from the STEP2-T System to become a separate payment system. The STEP2 CC system is overseen by Deutsche Bundesbank as lead overseer in co-operation with the European Central Bank.

## 2 SEDA SERVICE

EBA CLEARING's SEPA-compliant Electronic Database Alignment (SEDA) Service allows financial institutions to exchange, process and route mandate-related information according to business rules specified by the Italian Banking Association (ABI). It is used by Italian banks to exchange mandate-related information connected to SEPA Direct Debits.

## Continued volume increase for SEDA Service

SEDA saw a continued volume growth over the past year. After a peak month in 2016 with 11.6 million messages processed in December, a new record was reached in March 2017 with 13.5 million messages processed during that month.

A view of Bratislava Castle



# Other Services Key Facts and Figures

status: March 2017

## STEP2 CARD CLEARING SERVICE

### PARTICIPATION

**8 Direct Participants**

### SPECIAL FACTS OR FEATURES IN 2016/2017

STEP2 CC has seen a new volume record with a total of 18.4 million card payments settled on 18<sup>th</sup> April 2017.

### LEGAL BASIS

Compliant with the SEPA Card Clearing Framework as developed by the Berlin Group, a group of major players in the cards industry from 25 European countries

### AVERAGE DAILY VALUE

**€ 373 million**

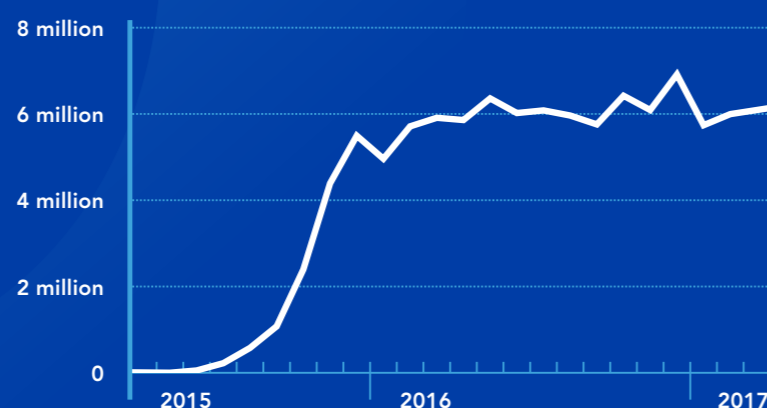
### AVERAGE DAILY VOLUME

**6 million transactions**

### SETTLEMENT

Positions provided by the Multilateral Netting Module are settled in TARGET2 via the Ancillary System Interface (ASI)

### EVOLUTION OF AVERAGE DAILY VOLUME OF PAYMENTS PROCESSED



### FUNCTION

High volume, commercial and retail euro clearing service for pre-authorized card messages based on a direct debit collection mechanism capable of routing card clearing messages between Direct Participants.

### LIVE DATE

**14 April 2015**

### REACH

Over 2,000 Reachable BICs. Full reach for the clearing of pre-authorized girocard transactions in Germany through interoperability with the SCC Service offered by Deutsche Bundesbank

### TECHNICAL OPERATOR

**SIA**

SEDA  
SEPA-COMPLIANT  
ELECTRONIC  
DATABASE ALIGNMENT

### LEGAL BASIS

Compliant with rules and guidelines developed by the Italian Banking Association (ABI)

### TECHNICAL OPERATOR

**SIA**

### LIVE DATE

**14 October 2013**

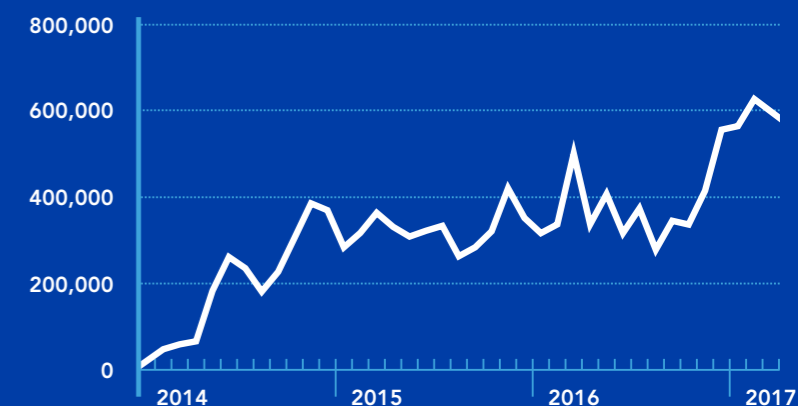
### REACH

**Full reach of all banks that offer SEDA**

### PARTICIPATION

**30 Direct Participants**

### EVOLUTION OF AVERAGE DAILY VOLUME OF MESSAGES PROCESSED



### FUNCTION

The purpose of SEDA is to

**exchange, process and route mandate-related information**

between two financial institutions according to the business rules specified by the Italian Banking Association (ABI).

### SPECIAL FACTS OR FEATURES IN 2016/2017

The SEDA Service witnessed a new peak with

**more than 13.5 million messages processed**

in March 2017

# Operations



Riga on the river Daugava

EBA CLEARING's operations centres located in three geographically distant sites are responsible for the administration and smooth processing and settlement of the EURO1, STEP1, STEP2 SEPA, STEP2 Card Clearing and SEDA Services. Providing these services includes services monitoring, customer support, crisis and incident process management, data and statistical reporting, operational IT management, integration services for new products and functionality, integration of new participants, as well as release and resilience testing activities.

## 1 CLEARING AND SETTLEMENT

The systems, applications and networks managed and operated by EBA CLEARING performed according to the agreed service levels and in line with the highest resilience and security standards during the period under report.

The service availability of the EURO1, STEP1, STEP2 SEPA, STEP2 Card Clearing and SEDA Services was uninterrupted from January to December 2016. Furthermore, the validation and settlement of payment instructions were carried out smoothly on a daily basis, including peak volume days.

Service availability and performance reports are provided to the users of the services on a quarterly basis.

## 2 INCIDENT MANAGEMENT

The incident management arrangements of EBA CLEARING are reviewed and tested regularly to maintain best-of-breed services. In October 2016, a crisis management exercise was performed with the involvement of all relevant functions within the Company.

The Company's incident management processes continue to be reviewed on a regular basis, and have proven to allow accurate and timely handling of the few incidents that occurred in 2016. The processes for incident reporting have been adjusted with a view to aligning them with the oversight requirements for SIPS.

## 3 BUSINESS CONTINUITY AND RESILIENCE EXERCISES

EBA CLEARING conducts a robust package of business continuity exercises to strengthen its business resilience and preparedness in cooperation with service participants and key providers. For 2016, 18 test scenarios were successfully performed in total. These testing exercises were organised in different cycles, amounting to 75 testing events in total or an average of 1.4 exercises each week.

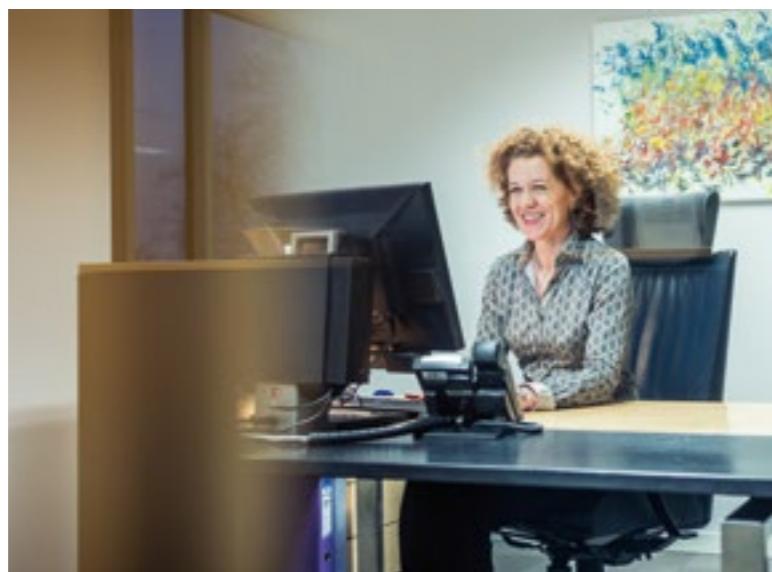
The following major business continuity exercises were conducted during the period under report:

### Exercises organised by EBA CLEARING with participants and a technical provider

- In April 2016, EBA CLEARING organised the Emergency Settlement Exercise with all EURO1 Participants and the settlement provider, the European Central Bank (ECB) TARGET2 Division.
- In June 2016, EBA CLEARING, the ECB TARGET2 Division and the relevant National Central Banks successfully carried out settlement in EURO1 using the contingency module.
- EBA CLEARING organised two STEP2 Crisis Simulation Exercises in 2016, where a fail-over to a disaster recovery site was simulated. The tests involved the STEP2 technical provider SIA, EBA CLEARING and the STEP2 Direct Participants.
- Throughout the year, EBA CLEARING organised four STEP2 Failover Exercises involving a simulated failover to the regional disaster recovery site.

### Exercises organised by SWIFT with EBA CLEARING's participation

- In April 2016, EBA CLEARING successfully completed the Global SWIFT Cold-Start Disaster Recovery Exercise. The objective of this test was to validate the level of resilience in the case of a shutdown of multiple global operating centres.
- In October 2016, EBA CLEARING participated in the SWIFT Global OPC Recovery Exercise. The objective of this test was to validate the level of resilience in the case of a single global operating centre shutdown.



#### Industry-wide resilience exercises

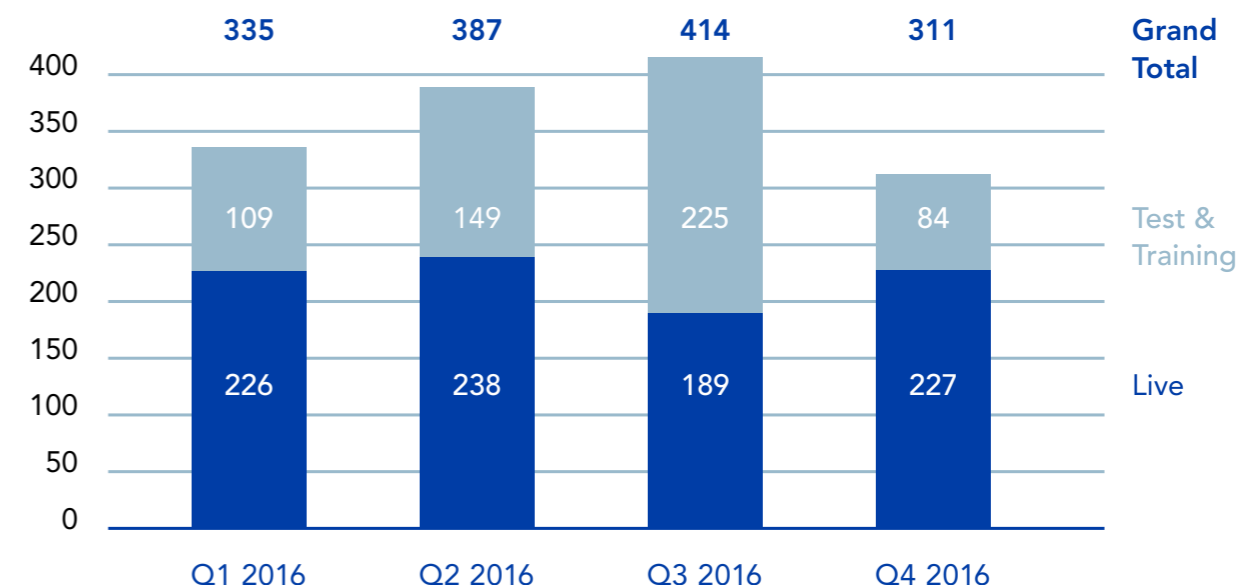
From 7<sup>th</sup> to 18<sup>th</sup> March 2016, a large-scale flood crisis management exercise took place under the direction of the Secretary General of the Defence and Safety Zone of Paris. This exercise, labelled 'Sequana', was aimed at testing the capacity of all involved actors to manage a major rise in the levels of the Seine river. On 8<sup>th</sup> March 2016, the exercise engaged all major banks and market infrastructures located in France, including EBA CLEARING.

#### 4 CUSTOMER SUPPORT

EBA CLEARING's customer support service, including an 24/7 emergency helpdesk, provides assistance and support to participants connected to/using any of the EBA CLEARING services on any inquiries related to the services and their operations.

In 2016, the total number of customer support cases decreased by 7% compared to 2015, from 174 to 161 cases on average per month. 70% of these cases were related to the live environment. Queries in connection with the STEP2 SEPA Services accounted for 84% of all inquiries.

CUSTOMER SUPPORT CASES BY ENVIRONMENT IN 2016 AS RAISED BY PARTICIPANTS



#### 5 STATISTICS & DATA REPORTING

EBA CLEARING's statistics and data reporting services respond to a wide range of needs, including oversight requirements and customer requests for customised information. In 2016, 924 standardised reports were created for usage across multiple channels and business units. In addition, 352 customised reports were delivered to 35 service participants.

# EBA CLEARING's Instant Payment Project



Valetta with the Collegiate Parish  
Church of Saint Paul's Shipwreck

## 1 OVERVIEW

Formally kicked off in April 2016, the project of EBA CLEARING to deliver a pan-European instant payment solution proceeded in line with the underlying planning throughout 2016 and early 2017. The Company's new infrastructure platform is based on a real-time payment processing engine working around the clock on any day of the year.

The solution was deployed in the test environment by January 2017 and is scheduled for go-live on 20<sup>th</sup> November 2017, the launch date of the SEPA Credit Transfer Instant (SCT Inst) Scheme of the European Payments Council.

The new payment system, RT1, will provide account-servicing payment service providers (AS-PSPs) from all over SEPA with a highly flexible solution for payment products in euro that are fully compliant with the SCT Inst Scheme and in line with the ISO 20022 global messaging standards for real-time payments.

The development and implementation have been taken forward with the support of close to 40 funding institutions across Europe and in co-operation with SIA as technology partner. Over the past year, the project has further gained in traction: over 100 future users have already

indicated that they are planning to connect to the service in 2017 or 2018 and a growing number of technical service providers has been rising to the task of supporting these early joiners.

In addition to orchestrating the delivery of this new pan-European service, EBA CLEARING has also been contributing to the scheme-building activities of the EPC and other initiatives driven by industry bodies and authorities with the aim to build a well-functioning instant payment ecosystem.

## 2 FROM BLUEPRINT TO PROJECT LAUNCH WITH SIGNIFICANT USER SUPPORT

Building on the Blueprint and delivery roadmap developed by its user-driven Instant Payment Task Force in 2015, EBA CLEARING went out to its user community in early 2016 to seek com-

mitment for the development of the solution and the related funding. Following the positive results of this call, the Board of the Company selected SIA as the preferred provider for the development of the solution, in line with the outcome of a Request for Proposal process, which had been conducted from October 2015 to January 2016.

By April 2016, close to 40 financial institutions operating across SEPA had committed to supporting and funding the development and implementation of the Company's pan-European instant payment platform. Based on this strong support, the Board decided on 13<sup>th</sup> April 2016 to officially launch the project to develop and implement the platform. A newly created Instant Payment Project Working Group assisted in the shaping of the system design, functionality and interface specifications.



### 3 FROM SPECIFICATIONS TO TEST SYSTEM DEPLOYMENT IN TIME AND BUDGET

With the support of the funding institutions, EBA CLEARING issued a first version of the system specifications for the new platform in July 2016. These specifications serve the timely preparations for connecting to the platform and are made available to both financial institutions and technical service providers gearing up to connecting to the new system in a joining window during 2017 or 2018.

One day after the publication of the EPC SCT Inst Scheme Rulebook in November 2016, the Company delivered an updated version of the system specifications aligned with the final version of the Scheme Rulebook and covering the requirements for the use of the TARGET2 ASI-6

real-time settlement module, which the European Central Bank (ECB) confirmed in September 2016 to be the applicable settlement module for instant payments.

The development of the platform had continued in parallel: in January 2017, the Instant Payment Project Working Group with representatives from the funding banks gathered in Milan at the premises of SIA to witness the functioning of the first release of the system in the test environment.

In March 2017, EBA CLEARING announced that, besides SIANet, the Company will also be able to offer an EBICS connectivity option for its SCT Inst Service.



A view of Nicosia



### 4 SUPPORT FOR FUTURE USERS AND THEIR TECHNICAL SERVICE PROVIDERS

Given the ambitious timeline the Euro Retail Payments Board had formulated in its expectations around instant payments, the Company from the start put major efforts into building critical mass for this new optional payment scheme.

These efforts included involving future participants and providers ready to service them in the Company's communication activities, offering technical service providers visibility on the Company's instant payment web pages via a 'frontrunner service providers' list and providing them with access to its instant payment test environment and tools. Since late 2016, EBA CLEARING has also been organising for this growing frontrunner user and provider community 14 webinars on several topics relating to the new system. The key objective of these ses-

sions is to foster a good understanding of the set-up and functioning of the solution in order to optimally support all parties in their joining preparations.

The potential reach of the future solution has significantly increased over the past year. At present, the expectation is that the new service will be in a position to build up during 2018 a reach that will be comparable to the levels achieved by STEP2 for the launch of the SEPA Direct Debit Services.

### 5 CONTRIBUTION TO INSTANT PAYMENT-RELATED INDUSTRY ACTIVITIES

During the period under report, EBA CLEARING has also contributed to industry initiatives geared at progressing important aspects related to the development of real-time payments at a Europe-wide and even a global level.



EBA CLEARING has been participating as an observer in EPC working groups related to the drafting of the SCT Inst Scheme, such as the SCT Instant Scheme Rulebook Development Task Force and the Scheme Evolution and Maintenance Standards Task Force (SEMSTF).

The Company has further been represented in the ISO Real Time Payments Group (RTPG) established in June 2015 as well as in the RTPG Drafting Sub-Group composed of a subset of RTPG members. The group presented draft usage guidelines for a number of ISO 20022 messages already in use or planned to be used for real-time payment initiatives.

Since 2014, EBA CLEARING had participated in several meetings with the European Central Bank (ECB) on the role of clearing mechanisms for instant payments. In this context, the Company continues to take part in the IP ACH Task Force set up by the ECB together with various other representatives of clearing and settlement mechanisms (CSMs) on the topic of requirements for the settlement layer and interoperability of instant payment infrastructure offerings at a pan-European level. In line with the pan-European orientation of the system and with ECB expectations, EBA CLEARING is also engaged in bilateral discussions with other CSM providers on potential interoperability models.

Furthermore, EBA CLEARING has been fostering an open exchange on real-time payment matters with other industry players and stakeholders through its participation in different fora, such as the Open Forum on Pan-European Instant Payments facilitated by the Euro Banking Association and the Global Real Time/Instant Payment Group.

#### Outlook 2017

The go-live of the future infrastructure is foreseen for November 2017 on the launch date of the SCT Inst Scheme.

The Company announced the successful kick-off of the user testing phase in April 2017 in a joint press release with the first testing bank. By the beginning of May 2017, over 25 future users had already started their preparations for the 2017 testing; two joining windows are offered for user connection in 2017 and two for 2018. In parallel to these testing and onboarding activities, EBA CLEARING is working on finalising the legal documentation and the operational set-up for running the new system.

The Company's objective for 2017 is to provide a pan-European instant payment solution delivered in time and in line with user needs, which any AS-PSP across Europe can access and rely on to roll out instant payment products to its customers from day one of the new scheme.

# Legal, Regulatory and Compliance



Ljubljana as seen from Castle Hill

## 1 OVERSIGHT OF THE SYSTEMS OPERATED BY EBA CLEARING

In August 2014, the Governing Council of the ECB identified the EURO1 and STEP2-T Systems as systemically important payment systems (SIPS) under the ECB Regulation on oversight requirements for systemically important payment systems (the SIPS Regulation).

The activities undertaken by the Board and the Management of EBA CLEARING towards establishing compliance of EURO1 and STEP2-T with

these requirements were documented in the PFMI Disclosure Reports that EBA CLEARING published on EURO1 and STEP2-T respectively.

During 2016, comprehensive oversight assessments of the EURO1 System and of the STEP2-T System against the oversight requirements stemming from the SIPS Regulation were conducted by the ECB as lead overseer with the involvement of Eurosystem central banks. All four SIPS identified under the SIPS Regulation, including EURO1 and STEP2-T, are assessed at the same time.

The outcome of the oversight assessments is expected to be published in summer 2017.

In parallel, the Deutsche Bundesbank as lead overseer of STEP2 CC, with the participation by the ECB, conducted a fully-fledged oversight assessment of STEP2 CC against compliance with the CPMI (formerly CPSS) – IOSCO Principles for Financial Market Infrastructures applicable to the category of 'Other Retail Payment Systems' (ORPS) during the period under report. The final outcome of this assessment is expected during 2017.

During the period under report, the Company established an annual calendar and plan for regular review processes in line with the requirements of the SIPS Regulation. In addition, a number of enhancements were brought through the implementation of policies and processes to better align those and the documenting thereof with oversight requirements.

EBA CLEARING, on a recurrent basis, assists EURO1 and STEP2 Participants for their compliance with supervisory requirements relating to the use of financial market infrastructures/ utilities.

During 2017, an oversight assessment will be conducted regarding the introduction of an additional liquidity distribution window for EURO1 in November 2017.

In the beginning of May 2017, the ECB notified EBA CLEARING of the decision of the Governing Council of the ECB to assign oversight competence for EBA CLEARING's new instant payment system to the ECB, which will co-operate with the Eurosystem central banks. RT1 will initially be classified as an 'ORPS' (Other Retail Payment System) as per the revised Eurosystem oversight framework for retail payment systems.

## 2 CHANGES TO SYSTEM DOCUMENTATION FOR THE EURO1, STEP2-T AND STEP2 CC SYSTEMS

The Governing Council of the ECB decided on 9<sup>th</sup> June 2016 to harmonise the remuneration of the guarantee funds of any SIPS held with the Eurosystem, setting the interest rate at the rate applied on the deposit facility. This will also apply to all guarantee funds of all financial market infrastructures held with the Eurosystem. In line with this decision, this deposit facility rate was applied for the deposits maintained for EURO1 with effect from 24<sup>th</sup> September 2016. The Deposit Agreement between the ECB and EBA CLEARING was amended accordingly.

During the period under report, the following changes were made to the STEP2-T system documentation:

- Effective 11<sup>th</sup> April 2016, the SCT Module was modified to reflect the enhancement made to the Additional Optional Service (AOS) for extended remittance information for STEP2 SCT messages.
- A new version of the Addendum to the SDD Core Module became effective on 21<sup>st</sup> November 2016 at the occasion of the implementation in the STEP2-T System of enhancements relating to changes brought to the EPC SDD Core Scheme Rulebook.

Further, the legal documentation to govern STEP2 CC as a stand-alone payment system was established in close consultation with the users.



## 3 PAN-EUROPEAN INSTANT PAYMENT INFRASTRUCTURE OF EBA CLEARING

With respect to the ongoing project for the implementation of an instant payment system by EBA CLEARING, EBA CLEARING concentrated on two key legal work streams during the period under report:

- the elaboration of rules to govern participation in EBA CLEARING's pan-European instant payment infrastructure solution; and
- the legal basis and contractual arrangements for the settlement arrangements.

Three meetings of the Legal Advisory Group (LAG) focusing on these topics were held in 2016 as well as an extended meeting of the Legal Advisory Group in January 2017. Among other matters, the LAG provided recommendations for and reviewed the draft rules to govern the instant payment system, which were prepared by external counsel.

Regarding the settlement arrangements, first meetings took place with TARGET2-ECB on the agreement to govern rights and obligations relating to the technical account to be made available for the instant payment system of EBA CLEARING and to the nature of funds held therein. The completion of the work on the contractual arrangements will be dependent on the adoption/publication of final TARGET2 guidelines foreseen for June 2017.

Work on these streams continues to be taken forward by the Company with a view to accomplishing the necessary rules and arrangements for an ex ante oversight assessment and subsequent formal adoption and agreement.

Another work stream would concern the legal documentation for the value-added services (namely fraud detection and proxy services) complementing the instant payment system; the work for this stream is pending the finalisation of the requirements for and a decision to launch such additional services.

## 4 GOVERNANCE

The implementation of the review of the governance and user say arrangements in line with the mandate by the Shareholders Meeting of 2016 has been prepared. The resulting changes to the by-laws of EBA CLEARING, the Rules governing the EURO1 System, as well as corresponding resolutions will be submitted for approval at the Shareholders Meeting scheduled for 19<sup>th</sup> June 2017.

## 5 PUBLIC CONSULTATIONS

On 23<sup>rd</sup> February 2016, EBA CLEARING replied to the public consultation launched in November 2015 by the Committee on Payments and Market Infrastructure (CPMI) and the Board of the International Organisation of Securities Commissions (IOSCO) on 'Guidance on cyber resilience for financial market infrastructures'.

On 12<sup>th</sup> April 2016, the European Payments Council (EPC) submitted the draft SCT Inst Scheme Rulebook and the Maximum Amount for instructions under the SCT Inst Scheme Rulebook for public consultation. EBA CLEARING, assisted by the Instant Payment Project Working

Group accompanying the works towards launching a new instant payment system for handling SCT Inst transactions, replied to the public consultation of the EPC on the draft SEPA Instant Credit Transfer Scheme Rulebook.

On 31<sup>st</sup> May 2016, the European Securities and Markets Authority (ESMA) launched a consultation on Guidelines on participant default rules and procedures under the central securities depositories regulation (CSDR), the purpose of which is to specify the steps a central securities depository (CSD) should set up in its rules and follow in case insolvency proceedings are opened with respect to one or more of its participants. The input of EBA CLEARING to this consultation was submitted in June 2016.

On 16<sup>th</sup> December 2016, the Financial Stability Board (FSB) published a consultative document on Continuity of Access to Financial Market Infrastructures ('FMIs') for a Firm in Resolution. The reply by EBA CLEARING to the public consultation was submitted on 8<sup>th</sup> February 2017.

The Eurosystem launched two public consultations relating to a review of the SIPS Regulation on 20<sup>th</sup> December 2016:

- Public consultation on the draft *Regulation of the European Central Bank amending Regulation (EU) No 795/2014 of the European Central Bank on Oversight Requirements for Systemically Important Payment Systems*; and
- Public consultation on the draft *Decision of the European Central Bank on the methodology for calculating sanctions for infringements of the oversight requirements for systemically important payment systems*.

The replies by EBA CLEARING to these public consultations can be found on the website of EBA CLEARING. Two private consultations on adjacent items, addressed only to SIPS Operators, were notified to EBA CLEARING on 22<sup>nd</sup> December 2016, and a response was submitted by EBA CLEARING.

On 9<sup>th</sup> January 2017, TARGET2 initiated a market consultation on the TARGET Instant Payments Settlement (TIPS) User Requirements Document (URD). The response by EBA CLEARING to this consultation was submitted on 24<sup>th</sup> February 2017.

All responses made to the above-mentioned public consultations are available on the website of EBA CLEARING.



# Risk Management, Business Continuity and Information Security



London's Tower Bridge in twilight

## 1 INTERNAL DEVELOPMENTS

The Risk Management function, which had been established in 2012 to ensure a clearer segregation of duties between the 'first, second and third line of defence', was duly maintained during the period under report. It was assured that all tools and methodologies were maintained in line with best industry practice and oversight expectations and that the level of risk awareness and understanding remained high among the Company's executives and staff.

During 2016, the Enterprise Risk Management Framework (ERMF) was maintained and enhancements of reporting tools were brought to the risk dashboard.

Throughout the period under report, a close dialogue was maintained with the Board Risk Committee (BRC) on the assessment and mitigation of the Company's top and newly emerging risks.

The Company's internal Risk Management Steering Group met on a regular basis during 2016 and early 2017. Furthermore, for the third year in a row, formal risk interviews with all heads of units were conducted to review any risks linked to the units' specific business activities and to reassess the risk tolerance profiles set for each unit.

These regular consultations are an essential component of enterprise-wide risk management and the maintenance of the Company's Risk Universe, another key component of the Risk Management Framework.

### Dedicated cyber security-related activities

One of the most prominent developments in the second half of 2016 was the implementation of a Cyber Security Operations Centre (C-SOC), aiming to provide second line support should any cyber-related incidents occur. The C-SOC is supported by externally sourced cyber security specialists.

In October 2016, a dedicated Board Cyber Risk Workshop was organised. EBA CLEARING also held mandatory risk-related awareness sessions for staff members with a specific focus on cyber security.

## 2 EXTERNAL DEVELOPMENTS

Throughout 2016, the Company continued to monitor the risk factors around the economic and financial sector in Europe, which were assessed against their probable impact on the Company's flagship services. A dialogue on these topics was maintained with the Board Risk Committee.

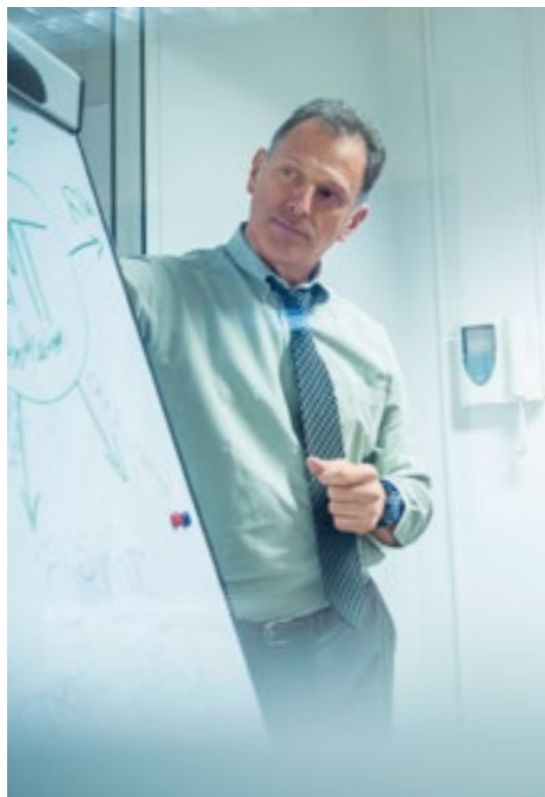
The cyber incident response management of the Company was enhanced, in close cooperation with the critical service providers for the Company's services, through the establishment of a Cyber Threat Response Team.

Furthermore, the release of the Guidance on Cyber Resilience for Financial Market Infrastructures by the Committee on Payments and Market Infrastructures (CPMI) in June 2016 triggered the implementation of a compliance programme, which is mainly focussing on the governance of cyber risk management, identification of and protection against cyber risks, recovery from possible cyber attacks and testing of cyber resilience arrangements. The Company's Cyber Resilience Framework will be complemented accordingly, in alignment with the National Institute of Standards and Technology (NIST) guidelines and practices.

## 3 RISK SEMINARS AND INFORMATION SESSIONS

Throughout 2016, EBA CLEARING organised dedicated risk seminars as part of user community meetings across Europe, which enabled the Company to foster a risk dialogue with targeted audiences and to zoom in on local risk-related questions. Moreover, the topic of Enterprise Risk Management was embedded within multiple bilateral user visits, with a focus on EBA CLEARING's mission, vision and strategy towards risk.

EBA CLEARING will continue to embed such dedicated risk sessions in its user relations activities on a regular basis.



#### 4 BUSINESS CONTINUITY MANAGEMENT SYSTEM

In 2016, EBA CLEARING continued the maintenance of its Business Continuity Management System (BCMS), which is aligned with the international ISO 22301 standard.

In April 2016, the Board approved the 2016 versions of the documents related to the Company's Business Continuity Plan, in particular the Business Continuity Strategy and Business Continuity Policy. Both documents, which were first introduced in 2010, are subject to a yearly assessment, which formalises the Board's commitment and accountability regarding business continuity.

##### Further BCMS ISO 22301-related work strands

In line with the BCMS alignment to the ISO 22301 standard, the business continuity test schedule for 2016 was appropriately maintained.

To ensure the Company's Business Continuity Management System remains aligned with the ISO 22301 standard, industry best practice and the relevant oversight requirements, a new gap analysis will be conducted in 2017 to ensure a satisfactory alignment with the standard.

#### 5 INFORMATION SECURITY

In April 2016, the Board approved the 2016 version of the Company's Information Security Policy, which formalises the Board's commitment regarding information security.

Throughout the period under report, the Company's Information Security Committee (ISC), which is composed of information security coordinators of each unit, continued to meet frequently to discuss any new developments and stay focussed on broadening the Company's information and cyber security risk awareness, culture and controls.

## Internal Audit

EBA CLEARING's Internal Audit function was maintained in line with best practice and continued its mission as the 'third line of defence' within the Company during the period under report.

The Company's audit strategy and planning for 2016 was established under the guidance of the Audit and Finance Committee (AFC), with which an open dialogue on all audit-related matters was maintained throughout the year. The priorities are driven by the risk scores in the Audit Universe. In line with the annual audit plan, various internal and external audits were completed in 2016 as scheduled.

The third round of the 'three-year operational audit cycle' was initiated by the external auditor in 2016 and focussed on the strengths and weaknesses related to the controls of some of the most important operational business processes, such as business resilience, incident management, service monitoring, customer support, statistics, integration services and

contact management. So far, no high risk items have been identified. Formal management responses to any outstanding items were provided and followed up according to the established audit procedures.

The Company's Information Security Management System was also audited in 2016 as per the three-yearly audit cycle. The scope of the ISMS audited by Bureau Veritas against the ISO 27001:2016 standard includes all business lines and office locations of the Company.

Furthermore, internal and external attack and penetration tests were carried out on the Company's IT infrastructure. The results of these tests were duly analysed and followed up on.

Formal audit visits to the Company's most critical service providers took place during the period under report. Special attention was given to the outcomes of any cyber security-related audits, data protection issues, audit rotation procedures and actions related to business continuity management aligned to the ISO 22301 standard. The results can be classified as assuring.

# Corporate Governance

## 1 BOARD OF DIRECTORS

### a Board composition

The Board comprises 15 seats of non-executive directors appointed for a renewable three-year term. Since the Shareholders Meeting on 6<sup>th</sup> June 2016, during which the Chairman, Deputy Chairman and three Board members were appointed for a three-year term of office, the changes to the membership of the Board during 2016 have been the following: effective 10<sup>th</sup> November 2016, the Board, upon proposal by the Nomination and Governance Committee, co-opted Jutta Cammaer as Board member to fill the vacancy following the resignation of Ivo De Meersman.

EBA CLEARING has currently 52 shareholders, each holding one share of EBA CLEARING and having one vote at the Shareholders Meeting. All members of the Board are employees or officers of EBA CLEARING Shareholders, and are considered to be independent since none of the shareholders have a controlling stake in EBA CLEARING.

Board members are elected *intuit personae* by the Shareholders Meeting from among employees or officers of the shareholders. The policy for the nomination of candidates to the EBA CLEARING Board of Directors (the Board Nomination Policy) sets the framework for nominating candidates to the Board of Directors. The Nomination and Governance Committee of the Board maintains a Board target profile to track the desirable collective attributes for ensuring an appropriate mix of technical skills, knowledge and experience on the Board, and assists the Board in ensuring that the Board's composition allows the Board to fulfil its respective roles and responsibilities.



In 2016, the Board undertook a second review of its effectiveness. In accordance with EBA CLEARING's Board Evaluation Policy and Methodology, a review of the Board's overall performance and the performance of its individual Board members is conducted on an annual basis.

The members of the Board do not receive any director's fees, but are reimbursed for the travel expenses incurred in the discharge of their duties for the Company.

### b Board role and responsibilities

The Board is responsible for setting the strategic direction, overseeing management and adequately controlling the Company, with the ultimate aim of directing the Company towards the fulfilment of its strategic aims and long-term objectives.

The following Board meetings took place in 2016 and in 2017 to the date of this report:

- 8<sup>th</sup> January 2016
- 2<sup>nd</sup> and 3<sup>rd</sup> February 2016
- 13<sup>th</sup> April 2016
- 11<sup>th</sup> May 2016
- 6<sup>th</sup> July 2016
- 12<sup>th</sup> October 2016
- 7<sup>th</sup> December 2016
- 14<sup>th</sup> and 15<sup>th</sup> February 2017
- 3<sup>rd</sup> May 2017
- 31<sup>st</sup> May 2017

**OVERVIEW OF BOARD MEMBERS  
WHO HELD OFFICE DURING 2016**



**Chairperson**  
**Erkki Poutainen**  
**Nordea Bank Finland**  
Strategy Manager, SVP  
CM Customer Solutions,  
Transaction Banking  
Appointed on 06.06.2016  
End of term of office: SHM 2019  
Chairman of EBA CLEARING  
Chairman of the Nomination and  
Governance Committee  
Chairman of the Remuneration  
Committee



**Deputy Chairperson**  
**Robert Heisterborg**  
**ING Bank**  
CSD Head of Lending Services  
& Europe  
Appointed on 06.06.2016  
End of term of office: SHM 2019  
Deputy Chairman of  
EBA CLEARING  
Chairman of the Strategy and  
Policy Committee



**Emmanuel de Bouard**  
**Société Générale**  
Head of Cash Clearing  
Services Banks and F.I.  
Appointed on 23.05.2013  
End of term of office:  
SHM 2016



**Frantz Teissèdre**  
**Société Générale**  
Head of Interbank Relationships  
Appointed on 06.06.2016  
End of term of office: SHM 2019



**Ivo De Meersman**  
**KBC Bank**  
General Manager Payments  
Belgium  
Appointed on 12.06.2014  
End of term of office:  
01.04.2016



**Jutta Cammaer**  
**KBC Bank**  
General Manager Payments  
for Corporates  
Appointed on 10.11.2016  
End of term of office: SHM 2017



**Daniela Dell'Arciprete**  
**Intesa Sanpaolo**  
Head of Sales and Network  
Management FI  
Appointed on 11.05.2015  
End of term of office: SHM 2018



**Thomas Egner**  
**Commerzbank**  
Director  
Group Banking Operations  
Appointed on 23.05.2013  
End of term of office: 30.04.2016  
Chairman of the Audit  
and Finance Committee  
(till 30.04.2016)



**Christian Rhino**  
**Commerzbank**  
Divisional Board Member  
Group Banking Operations  
Appointed on 06.06.2016  
End of term of office:  
SHM 2019



**Ignacio Echevarría  
Gayubo**  
**BBVA**  
Head of Treasury Solutions  
Europe  
Appointed on 11.05.2015  
End of term of office:  
SHM 2018



**Petia Niederländer**  
**ERSTE Group Bank**  
Head of Group Retail &  
Corporate Operations  
Appointed on 06.06.2016  
End of term of office: SHM 2019



**Kirstine Nilsson  
Edström**  
**Swedbank**  
Head of Strategic Engagement  
& Relationships  
Appointed on 11.05.2015  
End of term of office:  
SHM 2018



**James Barclay**  
**JP Morgan Chase Bank**  
Executive Director, Global  
Market Infrastructures  
Appointed by Board Mail Vote  
on 05.11.2015  
End of term of office: SHM 2017



**Luis Pedro Simões**  
**Novo Banco**  
Head of Payment Operations  
Appointed on 11.05.2015  
End of term of office: SHM 2018  
Chairman of the Audit and Finance  
Committee (from 01.05.2016)



**Fabio Stragiotto**  
**UniCredit**  
Vice President – Client Access Italy  
and Payment Products  
Global Transaction Banking  
Appointed on 12.06.2014  
End of term of office: SHM 2017



**Peter Vance**  
**Allied Irish Banks**  
Head of Banking Operations &  
Customer Services  
Appointed on 11.05.2015  
End of term of office: SHM 2018  
Chairman of the Operations and  
Technical Committee



**Christian Westerhaus**  
**Deutsche Bank**  
Head of Product & Strategy  
Institutional Cash Management – GTB  
Appointed on 12.06.2014  
End of term of office: SHM 2017  
Chairman of the Board Risk  
Committee



**Narinda You**  
**Crédit Agricole**  
Payment Services  
Head of Strategy and  
Interbank Relations  
Appointed on 12.06.2014  
End of term of office:  
SHM 2017

## 2 BOARD COMMITTEES

### EBA CLEARING BOARD COMMITTEE MEMBERSHIP

	Audit and Finance Committee	Board Risk Committee	Strategy and Policy Committee	Nomination and Governance Committee	Remuneration Committee
Number of meetings in 2016	5	3 plus 1 workshop	5	6	Recurrent meetings in Q4
Erkki Poutiainen		Observer	Observer	Chair	Chair
Robert Heisterborg		Member	Chair		Member
James Barclay				Member (since 1 <sup>st</sup> May 2016)	
Daniela Dell'Arciprete		Member			
Thomas Egner	Chair (until 30 <sup>th</sup> April 2016)			Member (until 30 <sup>th</sup> April 2016)	
Petia Niederländer			Member (since 1 <sup>st</sup> May 2016)		
Kirstine Nilsson	Member				
Luis Simões	Member – Chair (since 1 <sup>st</sup> May 2016)			Member	
Fabio Stragiotto				Member	
Peter Vance			Member		
Christian Westerhaus		Chair	Member		Member
Narinda You	Member		Member		

#### a Introduction

In 2016, the Board was supported by five Board Committees, composed of Board members, in carrying out its functions: the Audit and Finance Committee, the Risk Committee, the Strategy and Policy Committee, the Nomination and Governance Committee, and the Remuneration Committee. In addition, the Board receives reports from the Operations and Technical Committee, chaired by a Board member and composed of user representatives, and from the Legal Advisory Group.

#### b Audit and Finance Committee

The Audit and Finance Committee (AFC) assists the Board in fulfilling its oversight responsibilities for setting out the policy and the guidelines for the internal and external audit of the Company, for defining and monitoring the internal audit requirements and the tasks entrusted to the external auditors and for reviewing and monitoring the financial situation of the Company.

To this end, the Committee

- examines the annual and interim statutory and consolidated financial statements and the annual accounts of EBA CLEARING submitted to it by the Company's general management, prior to their examination by the Board. As part of these tasks, the committee reviews and analyses the budget variance, forecast and financial statements;

- gives its opinion on the development of the internal audit function, determines the internal audit plan and receives a summary internal audit report on a regular basis;

- reviews the audit findings of the Company's statutory auditors, and receives a report from the statutory auditors on key audit findings.

The committee met five times in 2016. Its work particularly focussed on the following items:

- Renewal of the statutory auditors' and substitute statutory auditors' term for a new six-year period;
- Review and adoption of the EBA CLEARING treasury and investment policy, which sets forth the investment strategy relating to investments by the Company of its own liquid resources, and provides procedures for the holding of assets and access by EBA CLEARING to its assets;

- Addressing recommendations for the evolution and standardisation of financial reporting to ensure regulatory compliance and predictability of overall business performance to gain a deeper financial insight and tighten control of finances;

- Monitoring of all incidents affecting the financials of the company and review of the allocation of proceeds in case of claim;

- Examination of the statutory and consolidated financial statements for 2016 in view of their closing in 2017;

- Review of the 2017 budget;

- Review of the internal audit 2016 activity report and approval of the internal audit plan for 2017;

- Site visits of critical service providers and preparation of the operational audits.

2016 saw a change in the chairmanship of the AFC with Thomas Egner handing over the position to Luis Pedro Simões at the end of April.





### c Board Risk Committee

The Board Risk Committee (BRC) assists the Board in fulfilling its oversight responsibilities with regards to the risk tolerance of the Company and the risk management and compliance frameworks.

The BRC is composed of Board members designated by the Board; meetings of the BRC are attended by the Company's Chief Executive Officer, the Chief Risk Officer and the General Counsel.

Four regular BRC meetings took place during 2016. One particular BRC meeting was combined with a workshop on cyber security with the full Board, where several follow-ups were defined and reported back to the Committee.

In line with its mission, the BRC also monitored the maintenance of the Risk Management Framework and the follow-up of outstanding risks in accordance with the Company's Risk Treatment Plan. The BRC received reports on the top actual and emerging risks and monitored the follow-up actions relating thereto.

Cyber security remained prominently on the agenda of the Committee throughout 2016, with a focus on the various actions and measures to define amongst others the Company's cyber risk strategy.

### d Strategy and Policy Committee

The Strategy and Policy Committee (SPC) addresses the longer-term planning for the positioning and the development of the Company, its payment infrastructure systems and solutions as well as potential new service offerings.

During the period under report, the SPC closely accompanied the evolution of EBA CLEARING's instant payment activities and regularly received updates on relevant industry developments in this area. The Committee provided advice on the strategic way forward for the Company at different cross-roads in the run-up to and during this new infrastructure development project. Guidance was given, among other things, on strategic considerations in relation to settlement and messaging requirements, potential access and interoperability models as well as on proposed pricing principles for the Company's future instant payment service.

Furthermore, the SPC helped to scope and shape the user consultation exercise on the EURO1/STEP1 value proposition and contributed to the Company's review of the EURO1 admission and participation criteria.

The SPC also provided guidance to the Management on high-level considerations for the positioning of the EURO1, STEP1 and STEP2 Services and contributed strategic reflections to the drafting of the Company's response to the public consultation on revisions to SIPS Regulation.

### e Nomination and Governance Committee

The Nomination and Governance Committee (NGC) assists the Board in implementing and reviewing the nomination policy and process for Board members and the policy and methodology for Board and individual Board member evaluation. The NGC further monitors the effectiveness of the Company's governance framework.

During 2016, six meetings of the NGC were held. The NGC addressed (i) updates of the Board target profile for the election of five Board members at the 2016 Shareholders Meeting, and subsequently in view of the co-optation of one Board member during 2016, (ii) adequacy of criteria for Board membership, (iii) a review of Board Committee membership, (iv) the annual Board performance evaluation and a review of EBA CLEARING's Board evaluation policy and methodology, and (v) aspects of the governance reform and the review of the relationship between EBA CLEARING and the Euro Banking Association.

In the first half of 2017, the NGC reviewed the outcome of the Board performance evaluation for 2016 and accompanied the nomination process for candidates to fill one third of the seats on the Board which will become vacant at the end of the Shareholders Meeting 2017.



#### f Remuneration Committee

The Board is further assisted by the Remuneration Committee in establishing a sound remuneration framework, which fosters high performance and motivation of staff members in line with the resourcing strategy and the interests of the Company. The Remuneration Committee has delegated powers from the Board in these matters.

### 3 ADVISORY EXPERT GROUPS

#### a Operations and Technical Committee

The Operations and Technical Committee (OTC) recommends to the Board enhancements to the operational, procedural, functional and technical aspects with regard to EBA CLEARING's EURO1, STEP1 and STEP2 Services.

The Committee is chaired by Peter Vance, Allied Irish Banks. Ludy Limburg, ING Bank NV, serves as Deputy Chairman. The Committee convened four times during 2016, once by conference call. Nordea hosted the summer meeting at the Nordea Head Office in Helsinki.

Throughout the period under report, the main subjects of discussion were the analysis and findings post implementation of the November 2015 release regarding the impact on payment flows, use of the liquidity bridge and pre-funding and liquidity withdrawal patterns, and adherence to the EURO1 Code of Conduct. Additionally, the Committee discussed the review of the EURO1 admission criteria, options for potentially broadening pre-fund participation, the Interactive Workstation (IWS) browser dependencies, and the overall outlook for the EURO1 Service. The Committee followed the evolution of EURO1 and STEP1 and practical feedback from the consultation on the EURO1 / STEP1 value proposition. Updates on the MX project were also discussed. The Committee approved the revised Interactive Work Station User Guide and the introduction of a new liquidity distribution window at 15:45 CET.

Additionally, the Committee was advised on the evolution of the STEP2 platform and on the developments of the Company's instant payment initiative.

In 2017, the Committee had its first meeting in January. The main subjects of discussion were the views on the EURO1 and STEP1 pricing update and the progress on the High Value Payment Systems (HVPS+) Group, which is a component of SWIFT's ISO 20022 harmonisation initiative. The Committee was briefed on the Company's future governance and organisational changes.

#### b Legal Advisory Group

The Board is assisted by a Legal Advisory Group (LAG), which analyses and reviews proposals from a legal point of view and formulates recommendations regarding the same. The LAG also assists in the monitoring of legal projects and formulates recommendations regarding the resourcing for such projects.

Three physical meetings of the Legal Advisory Group were held during 2016, on 16<sup>th</sup> May, 5<sup>th</sup> October and 12<sup>th</sup> December 2016 respectively. Consultations of the Group by correspondence took place in relation to the review of changes to the legal documentation for STEP2 CC as well as the legal opinion on EURO1 under US law. An extended meeting of the Legal Advisory Group took place in January 2017 including representatives of legal departments of Account Servicing PSPs participating in the works of the instant payment project working group (IP-PWG). The meeting was devoted to the legal design of and documentation for the future payment system.

The group was briefed throughout 2016 on the status of the EURO1 and STEP2-T oversight assessments against compliance with the SIPS Regulation, and STEP2 CC oversight assessment against compliance with the requirements for ORPS ('Other Retail Payment Systems') under the Revised Oversight Framework for Retail Payment Systems of the Eurosystem.

As regards the EURO1 system, the LAG accompanied the works on the implementation of the ECB Governing Council decision regarding remuneration of the deposits maintained for EURO1, and further recommended an amendment to the EURO1 Rules to the effect of allowing Pre-fund Participants, who must be a member of the same group as a 'main' EURO1 Participant, to continue to participate in the system during a grace period should the 'main' EURO1 Participant belonging to the same group leave the EURO1 system.

The group further reviewed the changes to the system documentation prepared for STEP2-T and STEP2 CC.

#### Outlook for 2017

The Legal Advisory Group will further focus on the legal basis and rules for the new payment system offering for instant payments, in view of a live date in November 2017. The group shall also address the legal basis and contractual arrangements relating to settlement in central bank funds.

## 4 USERS AND OTHER STAKEHOLDERS

### a User groups and expert fora

In order to ensure that all types of users are considered in the design and evolution of its systems and offerings, the Company maintains a broad range of communication channels. To make best use of expert knowledge and facilitate frequent and constructive dialogue with its users, the Company has established user groups and expert fora. The user groups and other expert fora allow the board and management to take account of the interests of the users in its decision-making in relation to the systems' design, rules, overall strategy and major changes.

Apart from the Operations and Technical Committee and the Legal Advisory Group, these include in particular:

- the STEP2 SEPA Business Working Group
- the Future Development Group
- the Treasury and Liquidity Group
- the STEP1 User Advisory Group

### b Relations with Stakeholders

The users of the EBA CLEARING services are a key stakeholder group, whose input is essential for the Company.

The Company consults its users, communities of users and other stakeholders (as required) in the event of changes that affect the Company's services and/or service platforms.

Apart from the co-operation, consultation and coordination with the user groups and expert fora mentioned above, the Company maintains a broad set of information and communication channels with its (current and potential) users and other stakeholders.

There are regular country or regional user meetings with the participation of all respective users and attended by EBA CLEARING executives, where ongoing activities and projects are discussed and feedback is registered. In the context of specific projects, steering groups or task forces may be created to ensure efficient



Munich's townhall with a view of the Church of Our Lady in the background



liaison throughout the project or initiative. For example, the Company created in April 2016 an Instant Payment Project Working Group composed of representatives of institutions funding and supporting the development and implementation of the future instant payment infrastructure solution by EBA CLEARING.

The Company organises individual user visits, and when appropriate or desired, 'roadshows' and information campaigns. Information sessions are organised for wider stakeholder groups and trainings may be offered to specific user and stakeholder groups. As an example, EBA CLEARING started to hold deep-dive webinar sessions on the new instant payment system in late 2016, which are open to users planning to join the solution in 2017/2018 and their technical service providers. Consultations may also take place on an ad-hoc basis.

The Company's mission underpins its resolve to contribute to industry initiatives and to engage with industry and policy stakeholders, including regulators, overseers, the European Payments Council, standardisation bodies, and the constituencies entrusted with policy setting.

## 5 MANAGEMENT

Hays Littlejohn has been serving as CEO of EBA CLEARING since 1<sup>st</sup> May 2015. The CEO is responsible for the day-to-day management of the Company, and delegates authorities to the Heads of Unit and staff of the Company. As per best practice and in line with the requirements of the SIPS Regulation, the Board has adopted a set of codes and policies including a code of ethics, a remuneration policy and a policy on selection, monitoring and removal of members of management.

Hays Littlejohn has been serving as Chief Executive Officer of EBA CLEARING since 1<sup>st</sup> May 2015. Prior to this role, he held managerial and executive positions in global transaction banking at UBS AG. Having joined the Swiss bank in 1991, Hays covered a wide range of areas during his international career at UBS, including information technology, operations, trade finance, product management, relationship management, sales, business development and market infrastructures. Hays also served on the Board of CLS and, for more than 10 years, on the Board of EBA CLEARING.

## 6 COUNTRY REPRESENTATIVES

EBA CLEARING provides support to the national user groups, among others through designated Country Representatives assisting various local communities.



**Janina Grönholm**  
Baltic Countries,  
Finland  
and Poland



**Eva Herskovicova**  
Czech Republic,  
Hungary, Slovakia  
and Slovenia



**Katja Heyder**  
Austria, Bulgaria,  
Croatia, Germany,  
Liechtenstein, Luxem-  
bourg, Romania,  
Spain and Switzerland



**Erwin Kulk**  
Portugal



**Petra Plompen**  
Belgium



**David Renault**  
France



**Jette Simson**  
Scandinavian  
Countries



**Alan Taylor**  
Cyprus, Greece,  
Ireland, Malta and  
United Kingdom



**Daniela Vinci**  
Italy



**André Vink**  
The Netherlands

## 7 TRANSFER OF SHARES AND CHANGES IN SHARE CAPITAL OF EBA CLEARING

The following changes occurred in 2016 and in the first few months of 2017 as far as EBA CLEARING share capital and EBA CLEARING Shareholders are concerned:

With effect as of 18<sup>th</sup> January 2016, Caixa Geral de Depósitos S.A. (CGDIPTPLXXX) withdrew as EURO1 Participant and EBA CLEARING Shareholder and the EBA CLEARING share held by Caixa Geral de Depósitos S.A. was purchased by EBA CLEARING in view of its cancellation. The EBA CLEARING share capital was decreased accordingly from EUR 54,000 to EUR 53,000.

With effect as of 4<sup>th</sup> April 2016, the EURO1 Participant and EBA CLEARING Shareholder Pohjola Bank plc (OKOYFIHHXXX) changed its name to OP Corporate Bank plc.

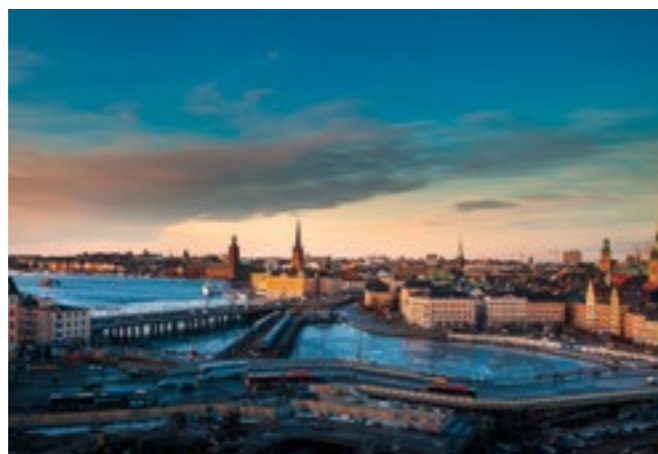
With effect as of 30<sup>th</sup> December 2016, Banca Popolare di Milano SCaRL (BPMIITMM) withdrew as EURO1 Participant and EBA CLEARING Shareholder and the EBA CLEARING share held by Banca Popolare di Milano SCaRL was purchased by EBA CLEARING in view of its cancellation. The EBA CLEARING's capital was decreased accordingly from EUR 53,000 to EUR 52,000.

With effect as of 1<sup>st</sup> January 2017, Banca Popolare di Milano SCaRL merged with the EURO1 Participant and EBA CLEARING Shareholder Banco Popolare SC (BAPPIT22) to become Banco BPM SpA.

With effect as of 2<sup>nd</sup> January 2017 the EURO1 Participant and EBA CLEARING Shareholder Nordea Bank Finland plc (NDEAFIHH) changed its name to Nordea Bank AB (publ), Finnish Branch.

As of 31<sup>st</sup> December 2016, the share capital of EBA CLEARING amounted to EUR 52,000.

# Oversight of the Payment Systems of EBA CLEARING



A view of the oldest part of Stockholm, also known as *gamla stan*

## 1 OVERSIGHT OF EURO1 AND STEP2-T

The EURO1 System is overseen by the ECB as Competent Authority, with voluntary participation by national central banks of the Eurozone. EURO1 has been under oversight of the ECB since its launch.

The STEP2-T System is also under the oversight of the ECB as Competent Authority with the participation by national central banks of the Eurozone.

In 2014, STEP2-T and EURO1 were identified by decision of the Governing Council of the ECB as systemically important payment sys-



tems under the Regulation on oversight requirements for systemically important payment systems (the SIPS Regulation). The SIPS Regulation implements the Principles for Financial Market Infrastructures, issued by CPMI and IOSCO in 2012, and applies to systemically important payment systems in the Eurozone. The system's importance is determined by an appraisal of financial impact, degree of market penetration, a system's cross-border activity and whether the system provides settlement for other financial market infrastructures. No distinction is made for the application of the Regulation between large-value and retail payment systems.

Under the SIPS Regulation, corrective measures and/or sanctions may be imposed in the case of broad, partial or non-compliance. The methodology to calculate sanctions has been consulted publicly together with changes to the SIPS Regulation in December 2016.

EBA CLEARING is in the unique position of being the SIPS Operator of two SIPS.

The ECB publishes on its website the list of systems that fall under the SIPS Regulation and of other classified systems. In line with the Revised Oversight Framework for Retail Payment Systems of the Eurosystem, a distinction is made between:

- Systemically Important Retail Payment Systems (SIRPS) – there are two SIRPS;
- Prominently Important Retail Payment Systems (PIRPS) – there are nine PIRPS;
- Other Retail Payment Systems (ORPS) – there are 19 ORPS.

SIRPS must comply with the SIPS Regulation and with the Oversight expectations for links between retail payment systems (OELRPS). The classification of STEP2-T as a SIRPS means that there is thus an additional set of requirements that applies in the area of links.

STEP2-T also classifies as a European Systemically Important Retail Payment System (ESIRPS) as opposed to a National Systemically Important Retail Payment System (NSIRPS).

## 2 DIALOGUE WITH THE OVERSEER AND OVERSIGHT ASSESSMENTS

Formal oversight meetings between the ECB/Eurosystem and EBA CLEARING are scheduled to take place on a semi-annual basis with the participation of the CEO of the Company. Regular exchanges take place on any plans and upcoming changes in relation to topics within the scope of the SIPS Regulation. A classification is in place according to which the Overseer determines whether changes may attract an ex ante or ex post oversight assessment. The result of oversight assessments is formally advised to EBA CLEARING. The Overseer further conducts comprehensive oversight assessments of the systems it oversees with a frequency of three years. The ECB publishes the outcome of the oversight assessments conducted in its oversight reports, or, as applicable, in a dedicated report following a comprehensive oversight assessment.

During 2016 and in the first months of 2017, oversight activities have been intensified, among other things through the implementation of additional information requirements and an annual plan for oversight activities relating to SIPS, in line with the evolved oversight mode for financial market infrastructures.

## 3 OVERSIGHT OF STEP2 CARD CLEARING

The primary oversight responsibility for STEP2 CC is entrusted to the Deutsche Bundesbank as lead Overseer, with the participation of the ECB.

The Principles for Financial Market Infrastructures and the Oversight expectations for links between retail payment systems (OELRPS) form the core of the standards to be applied to retail payment systems other than SIRPS by the Eurosystem central banks. Nine principles of the PFMI apply to both PIRPS and ORPS, of which six with the same level of strictness and three with a slight differentiation (namely Governance, Participant Default Rules and Procedures, and Access and Participation Requirements).

Formal classification of STEP2 CC as a retail payment system category is based on the market share of the system at euro area country level.

# EBA CLEARING's Subsidiary PRETA



The skyline of Milan

In relation to EBA CLEARING's fully-owned subsidiary, PRETA S.A.S., EBA CLEARING took note of the positive evolution of the MyBank solution of PRETA, which during the period under report strengthened its foothold in three countries, namely Italy, Greece and Spain, in line with its business plan.

PRETA has also started to look into opportunities with regard to developing service offerings around e-identity and compliance requirements related to the revised Payment Services Directive.

# Financial Situation: Statutory Accounts\*

EBA CLEARING completed the fiscal year 2016 with a positive net result before consolidation of EUR 4.8 million and a cash position of EUR 8.3 million.

Several factors contributed to the Company's strong cash position and solid business performance:

- a A revenue increase by EUR 3.7 million (total: EUR 66 million, +6% vs 2015)

## OVERVIEW OF REVENUES

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Fixed fees	19,692	18,863	(829)
Transaction fees	40,846	46,036	5,190
Other fees	1,801	1,179	(622)
<b>Total revenues</b>	<b>62,339</b>	<b>66,078</b>	<b>3,739</b>

\* All tables in this section are based on rounded figures



The revenues developed positively in 2016 compared to 2015 due to pricing incentives offered to the participants principally in the STEP2 Services, which brought up the transaction volumes.

The **fixed fees** amounted to EUR 18.9 million, which represents a reduction by EUR 829 thousand compared to 2015. Two main components impacted the fixed fees item:

1. Changes in the EURO1 pricing, which led to an increase of the transaction fees relative to the fixed fees;
2. Additional participants joining the STEP2 SEPA Services, which increased the respective annual fixed fees.

The **transaction fees** item showed a positive difference of EUR 5.19 million compared to 2015 due to

1. Increased volumes in the STEP2 Services, and especially in STEP2 SDD Core, which benefitted from the migration of the *Elektronisches Lastschriftverfahren* (ELV) in Germany;
2. A change in the EURO1 pricing structure as mentioned above.

New STEP2 Direct Participants generated additional one-off joining fees totalling EUR 894 thousand. All joining fees are included under **other fees**, which amounted to EUR 1.2 million. The average price per transaction in STEP2 decreased again in 2016.

b  
An increase of the direct costs of the services in line with the revenues, to EUR 44 million (+6.4% vs 2015)

## OVERVIEW OF DIRECT COSTS

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Operating charges	36,453	39,726	3,273
Other charges	4,888	4,287	(601)
<b>Total direct costs</b>	<b>41,341</b>	<b>44,013</b>	<b>2,672</b>

The transaction charges increased in line with traffic growth and, consequently, the **operating charges**.

The **other charges** decreased on a year-on-year basis, due to the reduction of the amortisation charges for the STEP2 M-PEDD services with the end of the depreciation period of initial investments.

## GROSS MARGIN

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Revenues	62,339	66,078	3,739
- Direct costs	41,341	44,013	2,672
<b>Total gross margin</b>	<b>20,998</b>	<b>22,065</b>	<b>1,067</b>

The gross margin stood at EUR 22 million, representing an increase by 5% or EUR 1 million compared to 2015.

The positive development of the gross margin contributed significantly to the positive development of the Company's cash position, which is important for SIPS compliance.

## OVERVIEW OF OPERATING COSTS

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Human resources	9,187	9,747	560
External relations	812	844	32
Consultancies	806	841	35
Equipment, services	715	697	(18)
Rent, premises, maint. & cleaning	2,094	2,030	(64)
Other expenses, revenues	495	437	(58)
<b>Total operating costs</b>	<b>14,110</b>	<b>14,597</b>	<b>487</b>

The Company costs increased slightly in 2016 (total: EUR 14.6 million) compared to 2015 with the development of its human resources.

The **operating costs** were maintained at the overall level of 2015, except for the **human resources** item increased by EUR 560 thousand due to a growth in the average number of employees compared to 2015. Important efficiencies were realised at infrastructure level to help offset other costs.

## OVERVIEW OF EBA CLEARING RESOURCES

Evolution of Full-Time Equivalents (FTEs)	2015	2016	2016 vs 2015
Average annual FTEs	71	75.36	4.36
FTEs at year-end	70	75	5



## OVERVIEW: FROM GROSS MARGIN TO NET RESULT

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Gross margin	20,998	22,065	1,067
- Operating costs	14,110	14,597	487
Earnings before taxes	6,889	7,468	579
- Exceptional revenue, expense	0	299	299
- Income taxes and participation	2,097	2,967	870
Net result before consolidation	4,791	4,800	9

The earnings before taxes (EBT) amounted to EUR 7.5 million, which represents an increase by EUR 579 thousand compared to 2015.

The estimated **income taxes and participation** item stands at EUR 2.97 million for 2016, taking into account the tax reduction resulting from tax consolidation with PRETA.



Edinburgh at dusk

c

## Strong cash flow of EUR 8.1 million and increased cash position by 6 million

The cash flow generated by the Company's activities in 2016 is at a similar level compared to 2015 (EUR 7.7 million vs EUR 8.1 million). The net cash position of EBA CLEARING was con-

siderably strengthened from EUR 2.59 million at the end of 2015 to EUR 8.3 million at the end of 2016.

## CASH FLOW

(In EUR thousand)

Profit & Loss Statement	2015	2016	2016 vs 2015
Result before consolidation	4,791	4,800	9
Amortisation / Depr. / Provision reversal (+/-)	3,311	2,906	(405)
Cash flow	8,101	7,706	(395)

Combined with improved cash and working capital management (including the enhancement of the receivables processes from the issuance of the invoices to the recovery of outstanding), this cash generation permitted:

- The funding of new releases for the existing services and investment in new services for a total amount of EUR 2.6 million whereas the total depreciation and amortisation expense came to EUR 3.2 million, the drop in value of the overall assets by EUR 591 thousand;
- As a precaution, the Company has decided to recognise a EUR 500 thousand impairment related to the receivables attached to the PRETA Company;
- On the liabilities side, the repayment of the last instalment of the M-PEDD credit note located in the payables.

It should be noted that payables have increased with the Instant Payment credit note collected in 2016, assimilated to an asset-based lending that must be repaid with the development of the instant payment service.

With tight control of the cost base, strong cash generation and effective working capital management, EBA CLEARING built a sound cash position in 2016, covering 57% of the operating costs in 2016.

The equity position before consolidation with PRETA reached EUR 20.401 million with a net result of EUR 4.8 million; the equity position with PRETA reached EUR 16.786 million.

Since the creation of EBA CLEARING, no dividends have been paid to shareholders. It is proposed to maintain this policy and allocate the result for the period under consideration, and subsequent years, to retained earnings.

In accordance with article L.441-6-1 and D.441-4 of the French Commercial Code, it is hereby reported that

- EBA CLEARING's accounts payable as of 31<sup>st</sup> December 2016 (EUR 9,813,700.24) may be split by due date as follows:

#### PAYABLES (In EUR)

Before due date	1 to 30 days after due date	31 to 60 days after due date	61 to 90 days after due date	More than 90 days after due date	Total
201,129.97	1,848,572.48	7,763,997.79	–	–	9,813,700.24
2.05%	18.84%	79.11%	–	–	

- EBA CLEARING's accounts receivable as of 31<sup>st</sup> December 2016 (EUR 15,317,314.64) may be split by due date as follows:

#### RECEIVABLES (In EUR)

Before due date	1 to 30 days after due date	31 to 60 days after due date	61 to 90 days after due date	More than 90 days after due date	Total
15,085,296.68	1,387.50	1,228.00	228,865.06	537.40	15,317,314.64
98.49%	0.01%	0.01%	1.49%	–	

#### STATUTORY BALANCE SHEET

(In EUR thousand)

without consolidated assets and liabilities

Assets	2015	2016	2016 vs 2015
<b>Current assets</b>	<b>Net value</b>	<b>Net value</b>	<b>Net value</b>
Cash position	2,597	8,304	5,707
Receivables	13,761	16,287	2,526
<b>Total</b>	<b>16,357</b>	<b>24,591</b>	<b>8,234</b>
<b>Fixed assets</b>			
Intangible fixed assets	7,025	5,129	-1,896
Tangible fixed assets	1,006	751	-255
Intangible fixed assets – under construction	208	1,226	1,019
Tangible fixed assets – under construction	3	1	-2
Financial fixed assets	4,688	5,232	544
<b>Total</b>	<b>12,930</b>	<b>12,339</b>	<b>-591</b>
<b>Total assets</b>	<b>29,287</b>	<b>36,930</b>	<b>7,643</b>
<b>Liabilities</b>	<b>2015</b>	<b>2016</b>	<b>2016 vs 2015</b>
Payables	13,347	16,529	3,181
Provision for risks and liabilities	336	0	-336
<b>Equity</b>	<b>15,604</b>	<b>20,401</b>	<b>4,798</b>
(Retained earnings & shareholders' equity)	10,813	15,602	4,789
(Result of the year)	4,791	4,800	9
<b>Total liabilities</b>	<b>29,287</b>	<b>36,930</b>	<b>7,643</b>

# APPENDICES



Lisbon and Tallin

# APPENDICES



## APPENDIX 1 CHANGES IN EURO1/STEP1 PARTICIPATION

### 2016

**From 18<sup>th</sup> January 2016**, Caixa Geral de Depósitos S.A. was withdrawn from the EURO1 system.

**From 8<sup>th</sup> February 2016**, Banca Popolare dell'Alto Adige was withdrawn from the STEP1 Service.

**On 4<sup>th</sup> April 2016**, EURO1 Participant Pohjola Pankki OYJ changed its name to OP Corporate Bank plc.

**From 6<sup>th</sup> June 2016**, Ringkjøbing Landbobank A/S was withdrawn from the STEP1 Service.

**From 4<sup>th</sup> July 2016**, BHF Bank AG was withdrawn from the STEP1 Service. On the same date, Catalunya Banc, S.A. was withdrawn from the STEP1 Service following their merger with EURO1 Participant Banco Bilbao Vizcaya Argentaria S.A.

**From 1<sup>st</sup> August 2016**, Cassa di Risparmio della Provincia di Teramo S.p.A. (TERCAS) was withdrawn from the STEP1 Service. Their Sub-Participant Banca Caripe was withdrawn at the same time.

**On 5<sup>th</sup> September 2016**, Emirates NBD PJSC, London Branch joined the STEP1 Service.

**On 10<sup>th</sup> October 2016**, Bank GPB International S.A. joined the STEP1 Service.

**From 7<sup>th</sup> November 2016**, Skjern Bank A/S was withdrawn from the STEP1 Service. On the same date, J.P. Morgan Bank Luxembourg S.A. was included as EURO1 Sub-Participant of J.P. Morgan Chase Bank, NA.

**From 5<sup>th</sup> December 2016**, the following Sub-Address of EURO1 Participant The Royal Bank of Scotland was withdrawn from the EURO1 system: The Royal Bank of Scotland – Netherlands Branch.

### 2017

**With effect from 1<sup>st</sup> January 2017**, EURO1 Participants Banco Popolare Società Cooperativa and Banca Popolare di Milano S.c.a r.l. merged by operation of law with transfer of all their assets and liabilities to become Banco BPM S.p.A.

**From 6<sup>th</sup> February 2017**, Nuova Cassa di Risparmio di Ferrara S.p.A. was withdrawn from the STEP1 Service.

**From 6<sup>th</sup> March 2017**, Hamburger Sparkasse AG was withdrawn from the STEP1 Service.

**From 3<sup>rd</sup> April 2017**, Nordjyske Bank A/S was withdrawn from the STEP1 Service.

**From 8<sup>th</sup> May 2017**, the following Sub-Participant of STEP1 Bank Credito Valtellinese was deactivated from the SWIFT network: Cassa di Risparmio di Fano S.p.A.

**APPENDIX 2**  
**LIST OF PARTICIPANTS**  
**IN EURO1/STEP1**  
**STATUS: 15<sup>TH</sup> MAY 2017**

ABANCA Corporación Bancaria, S.A.	STEP1 Bank	BNP Paribas S.A.	EURO1 Participant
ABN AMRO Bank N.V.	EURO1 Participant	Banca Nazionale del Lavoro S.p.A.	EURO1 Sub-Participant
Aktia Bank plc	STEP1 Bank	BGL BNP Paribas	EURO1 Sub-Participant
Allgemeine Sparkasse Oberösterreich Bank AG	STEP1 Bank	BNP Paribas Fortis SA/NV	EURO1 Sub-Participant
Allied Irish Banks, p.l.c.	EURO1 Participant	<b>BPCE</b>	<b>EURO1 Participant</b>
Allied Irish Bank (GB)	EURO1 Sub-Participant	BRED Banque Populaire	EURO1 Sub-Participant
First Trust Bank	EURO1 Sub-Participant	NATIXIS	EURO1 Sub-Participant
Alpha Bank AE	EURO1 Participant	<b>BPER Banca S.p.A.</b>	<b>STEP1 Bank</b>
Banca del Fucino	STEP1 Bank	Bremer Landesbank	STEP1 Bank
Banca di Imola S.p.A.	STEP1 Bank	Caixa Central de Crédito Agrícola Mútuo	STEP1 Bank
Banca Monte dei Paschi di Siena SpA	EURO1 Participant	CaixaBank S.A.	EURO1 Participant
MPS Leasing & Factoring SpA	EURO1 Sub-Participant	Caja Laboral Popular, Coop. de Crédito	STEP1 Bank
Widiba Bank SpA	EURO1 Sub-Participant	Carilo – Cassa di Risparmio di Loreto S.p.A	STEP1 Bank
Banca Popolare del Lazio	STEP1 Bank	Cassa di Risparmio di Cesena S.p.A	STEP1 Bank
Banca Popolare di Sondrio	STEP1 Bank	Cassa di Risparmio di Fermo S.p.A.	STEP1 Bank
Banca Popolare di Vicenza S.p.A.	STEP1 Bank	Cassa di Risparmio di Ravenna S.p.A	STEP1 Bank
Banca Nuova SpA	STEP1 Sub-Participant	<b>CECABANK S.A.</b>	<b>STEP1 Bank</b>
Banca Sella S.p.A.	STEP1 Bank	Banco Caja España de Inversiones, Salamanca y Soria S.A.	STEP1 Sub-Participant
Banco Bilbao Vizcaya Argentaria S.A.	EURO1 Participant	Banco de Castilla – La Mancha SA	STEP1 Sub-Participant
Banco BPM S.p.A.	EURO1 Participant	Banco Mare Nostrum, S.A.	STEP1 Sub-Participant
Banca Popolare di Milano S.p.A.	EURO1 Sub-Participant	BBK Bank Cajasur, S.A.U.	STEP1 Sub-Participant
Banco Comercial Português SA	EURO1 Participant	Caja de Ahorros y Monte de Piedad de Ontinyent	STEP1 Sub-Participant
Banco Cooperativo Español SA	STEP1 Bank	Colonya Caixa Pollença	STEP1 Sub-Participant
Banco de Sabadell S.A.	EURO1 Participant	Liberbank, S.A.	STEP1 Sub-Participant
Banco Popular Español S.A.	EURO1 Participant	Unicaja Banco S.A.U.	STEP1 Sub-Participant
Banco Popular Portugal, S.A.	EURO1 Sub-Participant	<b>Citibank N.A.</b>	<b>EURO1 Participant</b>
<b>Banco Santander S.A.</b>	<b>EURO1 Participant</b>	<b>Commerzbank AG</b>	<b>EURO1 Participant</b>
Banco Santander Totta S.A.	EURO1 Sub-Participant	Commerzbank AG (formerly Dresdner Bank AG)	EURO1 Sub-Participant
Santander Consumer Bank AG	EURO1 Sub-Participant	<b>Crédit Agricole S.A.</b>	<b>EURO1 Participant</b>
Santander UK Plc	EURO1 Sub-Participant	Banca Popolare Friuladria SpA	EURO1 Sub-Participant
Bank für Tirol und Vorarlberg AG	STEP1 Bank	CA-CIB – Crédit Agricole Corporate and Investment Bank	EURO1 Sub-Participant
Bank GPB International S.A.	STEP1 Bank	Cassa di Risparmio della Spezia S.p.A.	EURO1 Sub-Participant
Bank of Åland PLC	STEP1 Bank	Cassa di Risparmio di Parma e Piacenza SpA	EURO1 Sub-Participant
Bank of America, NA (Frankfurt Branch)	EURO1 Participant	Crédit Lyonnais (LCL)	EURO1 Sub-Participant
Bank of Tokyo-Mitsubishi UFJ Ltd	EURO1 Participant	<b>Crédit Mutuel – CIC Banques</b>	<b>EURO1 Participant</b>
Bankinter S.A.	STEP1 Bank	Crédit Industriel et Commercial	EURO1 Sub-Participant
Banque et Caisse d'Épargne de l'Etat	EURO1 Participant	<b>Crédit Mutuel Arkéa</b>	<b>STEP1 Bank</b>
Banque Internationale à Luxembourg	EURO1 Participant	Credito Valtellinese S.C.	STEP1 Bank
Banque Michel Inchauspé (BAMI)	STEP1 Bank	Credito Siciliano SpA	STEP1 Sub-Participant
Banque Palatine	STEP1 Bank	<b>Danske Bank A/S</b>	<b>EURO1 Participant</b>
Barclays Bank Plc	EURO1 Participant	Danske Bank Plc	EURO1 Sub-Participant
BKS Bank AG	STEP1 Bank	Northern Bank Ltd (trading as Danske Bank)	EURO1 Sub-Participant

<b>Deutsche Bank AG</b>	<b>EURO1 Participant</b>
Deutsche Bank Privat- und Geschäftskunden AG	EURO1 Sub-Participant
<b>DNB Bank ASA, London Branch</b>	<b>EURO1 Participant</b>
DNB Bank ASA, Filial Finland	EURO1 Sub-Participant
<b>DZ BANK AG</b>	<b>EURO1 Participant</b>
<b>Emirates NBD PJSC, London Branch</b>	<b>STEP1 Bank</b>
<b>ERSTE Group Bank AG</b>	<b>EURO1 Participant</b>
<b>Eurobank Ergasias S.A.</b>	<b>EURO1 Participant</b>
<b>Hellenic Bank Public Company Ltd</b>	<b>STEP1 Bank</b>
<b>HSBC France</b>	<b>EURO1 Participant</b>
HSBC Bank Plc	EURO1 Sub-Participant
<b>ICCREA Banca SpA – Istituto Centrale del Credito Coop.</b>	<b>STEP1 Bank</b>
<b>ING Bank NV</b>	<b>EURO1 Participant</b>
Bank Mendes Gans N.V.	EURO1 Sub-Participant
ING Bank Slaski S.A.	EURO1 Sub-Participant
ING Belgium NV/SA	EURO1 Sub-Participant
ING Belgium S.A., Succursale en France	EURO1 Sub-Participant
ING Luxembourg SA	EURO1 Sub-Participant
<b>Intesa Sanpaolo SpA</b>	<b>EURO1 Participant</b>
Intesa Sanpaolo SpA (France)	EURO1 Sub-Participant
Société Européenne de Banque S.A.	EURO1 Sub-Participant
<b>Istituto Centrale delle Banche Popolari Italiane</b>	<b>STEP1 Bank</b>
<b>J.P. Morgan Chase Bank, N.A.</b>	<b>EURO1 Participant</b>
J.P. Morgan Bank (Ireland) PLC	EURO1 Sub-Participant
JPMorgan Bank (Luxembourg) S.A.	EURO1 Sub-Participant
<b>Joh. Berenberg, Gossler und Co. KG</b>	<b>STEP1 Bank</b>
<b>KBC Bank N.V.</b>	<b>EURO1 Participant</b>
<b>Kookmin Bank International Ltd.</b>	<b>STEP1 Bank</b>
<b>Kutxabank S.A.</b>	<b>STEP1 Bank</b>
<b>La Banque Postale</b>	<b>STEP1 Bank</b>
<b>Landesbank Baden-Württemberg</b>	<b>EURO1 Participant</b>
<b>Landesbank Berlin AG</b>	<b>STEP1 Bank</b>
<b>Landesbank Hessen-Thüringen (HELABA)</b>	<b>EURO1 Participant</b>
<b>Lloyds Bank Plc</b>	<b>EURO1 Participant</b>
<b>Mashreq Bank PSC</b>	<b>STEP1 Bank</b>
<b>National Bank of Greece S.A.</b>	<b>EURO1 Participant</b>
<b>Nordea Bank AB Finland branch</b>	<b>EURO1 Participant</b>
Nordea Bank AB (Publ)	EURO1 Sub-Participant
Nordea Bank AB Denmark branch	EURO1 Sub-Participant
Nordea Bank AB Norge branch	EURO1 Sub-Participant
<b>Novo Banco SA</b>	<b>EURO1 Participant</b>
<b>Nuova Banca delle Marche S.p.A</b>	<b>STEP1 Bank</b>

<b>Nuova CariChieti SpA</b>	<b>STEP1 Bank</b>
<b>Oberbank AG</b>	<b>STEP1 Bank</b>
<b>Oldenburgische Landesbank AG</b>	<b>STEP1 Bank</b>
<b>OP Corporate Bank Plc.</b>	<b>EURO1 Participant</b>
OP Corporate Bank PLC, Estonian Branch	EURO1 Sub-Participant
OP Corporate Bank PLC, Latvia Branch	EURO1 Sub-Participant
<b>OTP Bank Plc.</b>	<b>EURO1 Participant</b>
<b>Rabobank Nederland</b>	<b>EURO1 Participant</b>
<b>Raiffeisen Bank International AG</b>	<b>EURO1 Participant</b>
<b>Raiffeisenlandesbank Oberösterreich AG</b>	<b>STEP1 Bank</b>
<b>Raiffeisen-Landesbank Tirol AG</b>	<b>STEP1 Bank</b>
<b>Royal Bank of Scotland Plc</b>	<b>EURO1 Participant</b>
National Westminster Bank Plc	EURO1 Sub-Participant
<b>S-Bank Ltd.</b>	<b>STEP1 Bank</b>
<b>SECB Swiss Euro Clearing Bank GmbH</b>	<b>STEP1 Bank</b>
<b>Skandinaviska Enskilda Banken AB (publ)</b>	<b>EURO1 Participant</b>
AS SEB Pank	EURO1 Sub-Participant
SEB AG	EURO1 Sub-Participant
SEB Banka	EURO1 Sub-Participant
Skandinaviska Enskilda Banken S.A., Luxembourg	EURO1 Sub-Participant
<b>Société Générale</b>	<b>EURO1 Participant</b>
Crédit du Nord	EURO1 Sub-Participant
<b>Sparekassen Sjælland</b>	<b>STEP1 Bank</b>
<b>Standard Chartered Bank Germany Banch</b>	<b>EURO1 Participant</b>
<b>Svenska Handelsbanken AB</b>	<b>EURO1 Participant</b>
<b>Swedbank AB (publ)</b>	<b>EURO1 Participant</b>
Swedbank AB, Lithuania	EURO1 Sub-Participant
Swedbank AS, Estonia	EURO1 Sub-Participant
Swedbank AS, Latvia	EURO1 Sub-Participant
<b>Sydbank A/S</b>	<b>STEP1 Bank</b>
<b>The Bank of New York Mellon, Frankfurt Branch</b>	<b>STEP1 Bank</b>
<b>UBS AG</b>	<b>EURO1 Participant</b>
<b>UniCredit S.p.A.</b>	<b>EURO1 Participant</b>
UniCredit Bank AG	EURO1 Sub-Participant
UniCredit Bank Austria AG	EURO1 Sub-Participant
<b>Veneto Banca SpA</b>	<b>STEP1 Bank</b>
<b>Wells Fargo Bank NA London Branch</b>	<b>EURO1 Participant</b>

**APPENDIX 3**  
**LIST OF DIRECT PARTICIPANTS**  
**IN STEP2**  
**STATUS: 15<sup>TH</sup> MAY 2017**

**STEP2 SCT**

ABN AMRO Bank N.V.  
Aktia Bank Plc  
Allied Irish Banks, Plc  
Arbejdernes Landsbank A/S  
AS LHV Pank  
AS SEB Pank  
Banca Carige SPA  
Banca d'Italia  
Banca Monte dei Paschi di Siena SpA  
Banca Popolare di Sondrio SCPA  
Banca Popolare di Vicenza SCPA  
Banca Sella Holding SpA  
Banco Bilbao Vizcaya Argentaria S.A.  
Banco BPI S.A.  
Banco BPM S.p.A.  
Banco Comercial Português SA  
Banco de España  
Banco de Sabadell S.A.  
Banco Popular Español S.A.  
Banco Santander S.A.  
Banco Santander Totta S.A.  
Bank of Aland PLC  
Bank of America, NA (Frankfurt Branch)  
Bank of Greece S.A.  
Bank of Ireland  
Bank of Slovenia – Banka Slovenije  
Bank of Tokyo-Mitsubishi UFJ Ltd  
Bankia S.A.  
Bankinter S.A.  
Banque de France  
Banque de Luxembourg  
Banque Eni S.A.  
Banque et Caisse d'Épargne de l'Etat  
Banque Internationale à Luxembourg SA  
Barclays Bank Plc  
Barclays Bank Plc – France  
Barclays Bank Plc – Portugal  
Barclays Bank Plc – Spain  
Belfius Bank SA/NV  
BGL BNP Paribas

BNP Paribas – Dublin Branch  
BNP Paribas Fortis SA/NV  
BNP Paribas S.A.  
Bonum Bank Plc  
BPCE  
BPOST SA de droit public  
BRED Banque Populaire  
Bunq B.V.  
Caixa Central de Crédito Agrícola Mútuo  
Caixa Geral de Depósitos S.A.  
CaixaBank S.A.  
Cassa Centrale Banca –  
Credito Cooperativo del Nord Est SpA  
Cassa Depositi e Prestiti SpA  
Cassa di Risparmio di Parma e Piacenza SpA  
CECABANK S.A.  
Central Bank of Savings Banks Finland Ltd  
Citibank NA  
Clydesdale Bank Plc  
Commerzbank AG  
Co-operative Central Bank Ltd  
Crédit Agricole S.A.  
Crédit Mutuel – CIC Banques  
Crédit Mutuel Arkéa  
Credit Suisse  
Credito Emiliano SpA  
Danske Bank A/S  
Danske Bank Plc  
De Nederlandsche Bank N.V.  
Deutsche Bank AG  
Deutsche Bundesbank  
Deutsche Postbank AG  
DNB Bank ASA  
DNB Bank ASA, Filial Finland  
DZ BANK AG  
DZ BANK AG Düsseldorf  
Elavon Financial Services Limited  
ERSTE Group Bank AG  
First Investment Bank AD  
Hellenic Bank Public Company Ltd  
HSBC Bank Plc  
HSBC France

ICCREA Banca S.p.A –  
Istituto Centrale del Credito Coop.  
ING Bank NV  
ING Belgium NV/SA  
ING Luxembourg SA  
Intesa Sanpaolo S.p.A  
Istituto Centrale delle Banche Popolari Italiane  
J.P. Morgan AG  
Jyske Bank AS  
KBC Bank N.V.  
La Banque Postale  
Lån & Spar Bank A/S  
Landesbank Baden-Württemberg  
Landesbank Hessen-Thüringen (HELABA)  
Latvijas Banka  
Lietuvos Bankas – Bank of Lithuania  
Lloyds Bank Plc  
Narodowy Bank Polski –  
National Bank of Poland  
National Bank of Slovakia –  
Národná Banka Slovenska  
National Westminster Bank Plc  
Nordea Bank AB Finnish branch  
Novo Banco SA  
Nuova Banca delle Marche S.p.A  
Oesterreichische Nationalbank  
OP Corporate Bank Plc.  
OTP Bank Plc.  
Promsvyazbank PJSC, Cyprus branch  
Rabobank Nederland  
Raiffeisen Bank International AG  
Raiffeisen Landesbank Südtirol AG  
Royal Bank of Scotland Plc  
Royal Bank of Scotland Plc,  
The Netherlands Branch  
Santander Consumer Bank AG  
Satabank Plc  
S-Bank Ltd.  
SECB Swiss Euro Clearing Bank GmbH  
Skandinaviska Enskilda Banken AB (publ)  
Skandinaviska Enskilda Banken S.A.,  
Luxembourg

Société Générale  
Société Générale Bank and Trust S.A.  
Spar Nord Bank  
Sparekassen Kronjylland  
Sparkasse Bank Malta PLC  
Standard Chartered Bank Germany Banch  
Svenska Handelsbanken AB  
Swedbank AB (publ)  
Sydbank A/S  
UBI Banca International SA  
UBS AG  
UBS Europe SE  
UBS Switzerland AG  
UniCredit Bank AG  
UniCredit Bank Austria AG  
UniCredit S.p.A.



## STEP2 SDD CORE

ABN AMRO Bank N.V.  
Aktia Bank Plc  
Allied Irish Banks, Plc  
Banca Carige S.p.A  
Banca d'Italia  
Banca Generali S.p.A  
Banca Monte dei Paschi di Siena S.p.A  
Banca Popolare di Sondrio SCPA  
Banca Popolare di Vicenza S.p.A.  
Banco Bilbao Vizcaya Argentaria S.A.  
Banco BPI S.A.  
Banco BPM S.p.A.  
Banco Comercial Português SA  
Banco de España  
Banco de Sabadell S.A.  
Banco Popular Español S.A.  
Banco Santander S.A.  
Banco Santander Totta S.A.  
Bank of America, NA (Frankfurt Branch)  
Bank of Greece S.A.  
Bank of Ireland  
Bank of Slovenia – Banka Slovenije  
Bank of Tokyo-Mitsubishi UFJ Ltd  
Bankia S.A.  
Banque de France  
Banque de Luxembourg  
Banque Eni S.A.  
Banque et Caisse d'Épargne de l'État  
Banque Internationale à Luxembourg SA  
Barclays Bank Plc  
Barclays Bank Plc – France  
Barclays Bank Plc – Portugal  
Barclays Bank Plc – Spain  
Belfius Bank SA/NV  
BGL BNP Paribas  
BNP Paribas – Dublin Branch  
BNP Paribas Fortis SA/NV  
BNP Paribas S.A.  
Bonum Bank Plc  
BPCE

BPER Banca S.p.A.  
BPOST SA de droit public  
BRED Banque Populaire  
Bunq B.V.  
Caixa Central de Crédito Agrícola Mútuo  
Caixa Geral de Depósitos S.A.  
CaixaBank S.A.  
Cassa Centrale Banca –  
Credito Cooperativo del Nord Est S.p.A  
Cassa Depositi e Prestiti S.p.A  
Cassa di Risparmio di Parma e Piacenza S.p.A  
CECABANK S.A.  
Central Bank of Savings Banks Finland Ltd  
Citibank NA  
Commerzbank AG  
Crédit Agricole S.A.  
Crédit Mutuel – CIC Banques  
Crédit Mutuel Arkéa  
Credit Suisse  
Credito Emiliano S.p.A  
Danske Bank A/S  
De Nederlandsche Bank N.V.  
Deutsche Bank AG  
Deutsche Bundesbank  
Deutsche Postbank AG  
DZ BANK AG  
DZ BANK AG Düsseldorf  
Elavon Financial Services Limited  
ERSTE Group Bank AG  
HSBC Bank Plc  
HSBC France  
ICCREA Banca S.p.A –  
Istituto Centrale del Credito Coop.  
ING Bank NV  
ING Belgium NV/SA  
ING Luxembourg SA  
Intesa Sanpaolo S.p.A  
Istituto Centrale delle Banche Popolari Italiane  
J.P. Morgan AG  
KBC Bank N.V.  
La Banque Postale  
Landesbank Baden-Württemberg

Landesbank Hessen-Thüringen (HELABA)  
Lietuvos Bankas – Bank of Lithuania  
Lloyds Bank Plc  
National Bank of Slovakia –  
Národná Banka Slovenska  
Nordea Bank AB Finnish branch  
Novo Banco SA  
Nuova Banca delle Marche S.p.A  
Oesterreichische Nationalbank  
OP Corporate Bank Plc.  
Rabobank Nederland  
Raiffeisen Bank International AG  
Raiffeisen Landesbank Südtirol AG  
Royal Bank of Scotland Plc,  
The Netherlands Branch  
Santander Consumer Bank AG  
Satabank Plc  
S-Bank Ltd.  
SECB Swiss Euro Clearing Bank GmbH  
Skandinaviska Enskilda Banken AB (publ)  
Société Générale  
Spar Nord Bank A/S  
Standard Chartered Bank Germany Branch  
Svenska Handelsbanken AB  
UBI Banca International SA  
UBS Europe SE  
UniCredit Bank AG  
UniCredit Bank Austria AG  
UniCredit S.p.A.

## STEP2 SDD B2B

ABN AMRO Bank N.V.  
Banca Carige S.p.A  
Banca d'Italia  
Banca Generali S.p.A  
Banca ITB S.p.A.  
Banca Monte dei Paschi di Siena S.p.A  
Banca Popolare di Sondrio SCPA  
Banca Popolare di Vicenza S.p.A.  
Banco Bilbao Vizcaya Argentaria S.A.  
Banco BPI S.A.  
Banco BPM S.p.A.  
Banco Comercial Português SA  
Banco de España  
Banco de Sabadell S.A.  
Banco Popular Español S.A.  
Banco Santander S.A.  
Banco Santander Totta S.A.  
Bank of America, NA (Frankfurt Branch)  
Bank of Greece S.A.  
Bank of Slovenia – Banka Slovenije  
Bank of Tokyo-Mitsubishi UFJ Ltd  
Bankia S.A.  
Banque de France  
Banque de Luxembourg  
Banque Eni S.A.  
Banque et Caisse d'Épargne de l'État  
Banque Internationale à Luxembourg SA  
Barclays Bank Plc  
Barclays Bank Plc – France  
Barclays Bank Plc – Portugal  
Barclays Bank Plc – Spain  
Belfius Bank SA/NV  
BGL BNP Paribas  
BNP Paribas Fortis SA/NV  
BNP Paribas S.A.  
BPCE  
BPER Banca S.p.A.  
BPOST SA de droit public  
BRED Banque Populaire  
Caixa Central de Crédito Agrícola Mútuo

Caixa Geral de Depósitos S.A.  
 CaixaBank S.A.  
 Cassa Centrale Banca –  
     Credito Cooperativo del Nord Est S.p.A  
 Cassa Depositi e Prestiti S.p.A  
 Cassa di Risparmio di Parma e Piacenza S.p.A  
 CECABANK S.A.  
 Citibank NA  
 Commerzbank AG  
 Crédit Agricole S.A.  
 Crédit Mutuel – CIC Banques  
 Crédit Mutuel Arkéa  
 Credit Suisse  
 Credito Emiliano S.p.A  
 Danske Bank A/S  
 De Nederlandsche Bank N.V.  
 Deutsche Bank AG  
 Deutsche Bundesbank  
 Deutsche Postbank AG  
 DZ BANK AG  
 ERSTE Group Bank AG  
 HSBC France  
 ICCREA Banca S.p.A –  
     Istituto Centrale del Credito Coop.  
 ING Bank NV  
 ING Belgium NV/SA  
 ING Luxembourg SA  
 Intesa Sanpaolo S.p.A  
 Istituto Centrale delle Banche Popolari Italiane  
 J.P. Morgan AG  
 KBC Bank N.V.  
 La Banque Postale  
 Landesbank Baden-Württemberg  
 Landesbank Hessen-Thüringen (HELABA)  
 Lloyds Bank Plc  
 National Bank of Slovakia –  
     Národná Banka Slovenska  
 Nordea Bank AB Finnish branch  
 Novo Banco SA  
 Nuova Banca delle Marche S.p.A  
 Oesterreichische Nationalbank  
 Rabobank Nederland

Raiffeisen Bank International AG  
 Raiffeisen Landesbank Südtirol AG  
 Royal Bank of Scotland Plc,  
     The Netherlands Branch  
 Santander Consumer Bank AG  
 SECB Swiss Euro Clearing Bank GmbH  
 Skandinaviska Enskilda Banken AB (publ)  
 Société Générale  
 Spar Nord Bank A/S  
 Svenska Handelsbanken AB  
 UBI Banca International SA  
 UBS Europe SE  
 UniCredit Bank AG  
 UniCredit Bank Austria AG  
 UniCredit S.p.A.

**APPENDIX 4**  
**LIST OF DIRECT PARTICIPANTS**  
**IN STEP2 CC**  
**STATUS: 15<sup>TH</sup> MAY 2017**

Citibank NA  
 Commerzbank AG  
 Deutsche Bank AG  
 Deutsche Bundesbank  
 Deutsche Postbank AG  
 Landesbank Hessen-Thüringen (HELABA)  
 Santander Consumer Bank AG  
 UniCredit Bank AG

**APPENDIX 5**  
**ANNUAL ACCOUNTS**  
**FOR 2016**

The annual accounts for 2016  
 (and for 2015)  
 are attached separately.



## IMPRINT

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Rösrath

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Frankfurt am Main

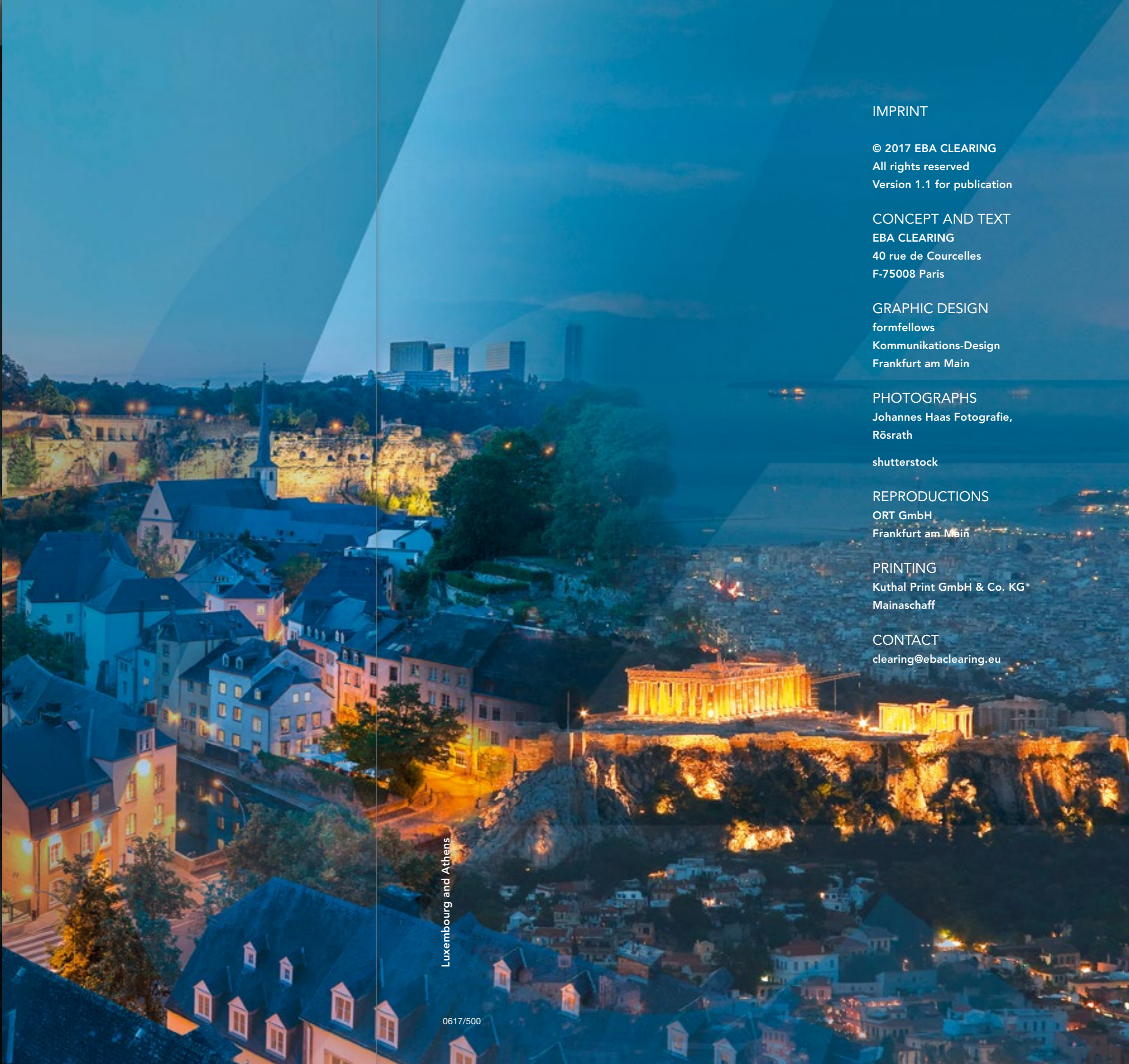
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