

# Update on EURO1/STEP1

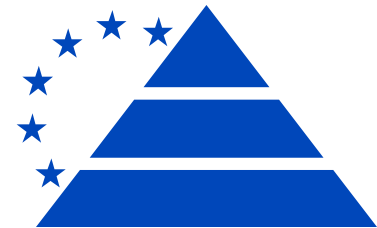
COGEPS meeting

Frankfurt, 5<sup>th</sup> March 2013

Gilbert Lichter

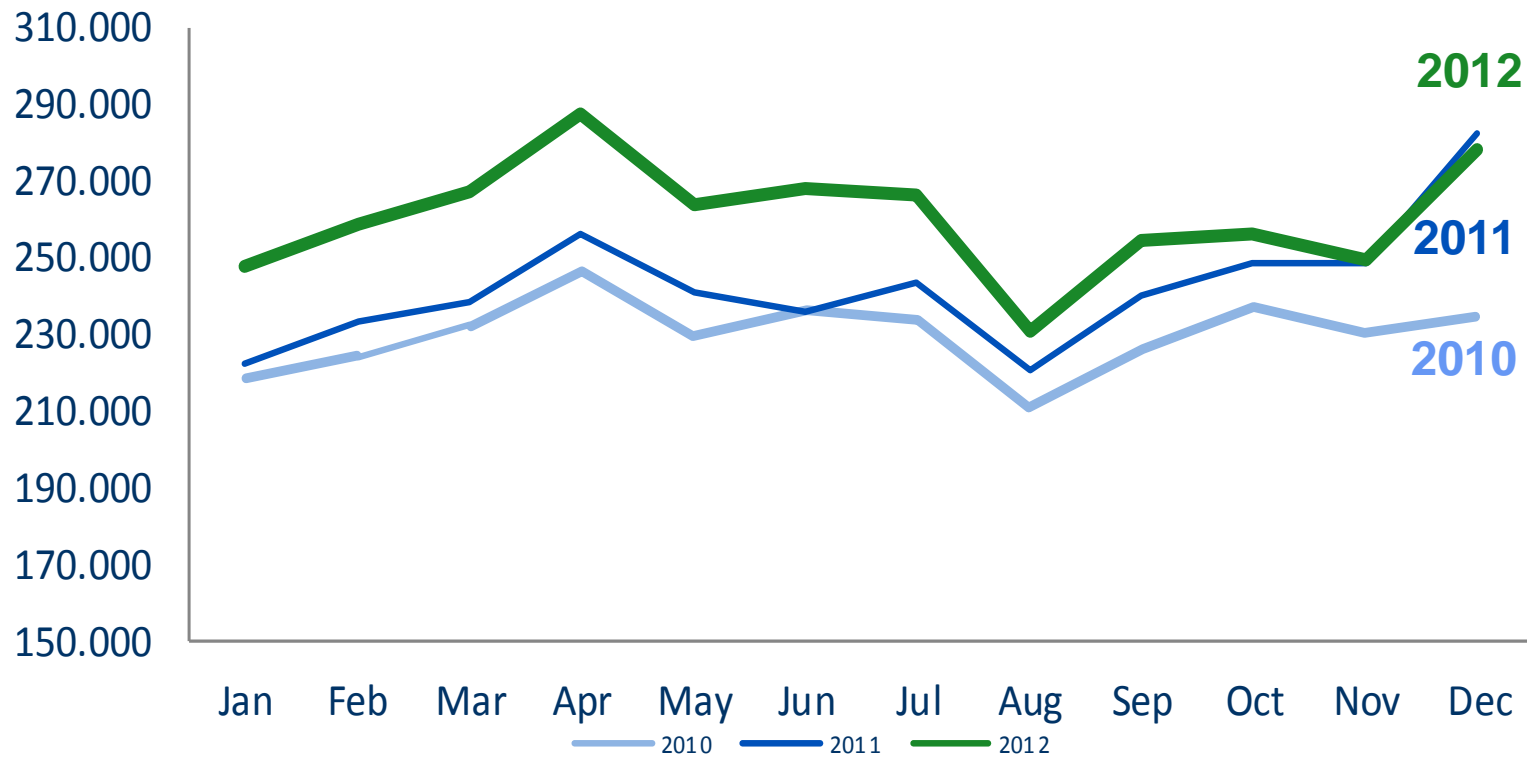
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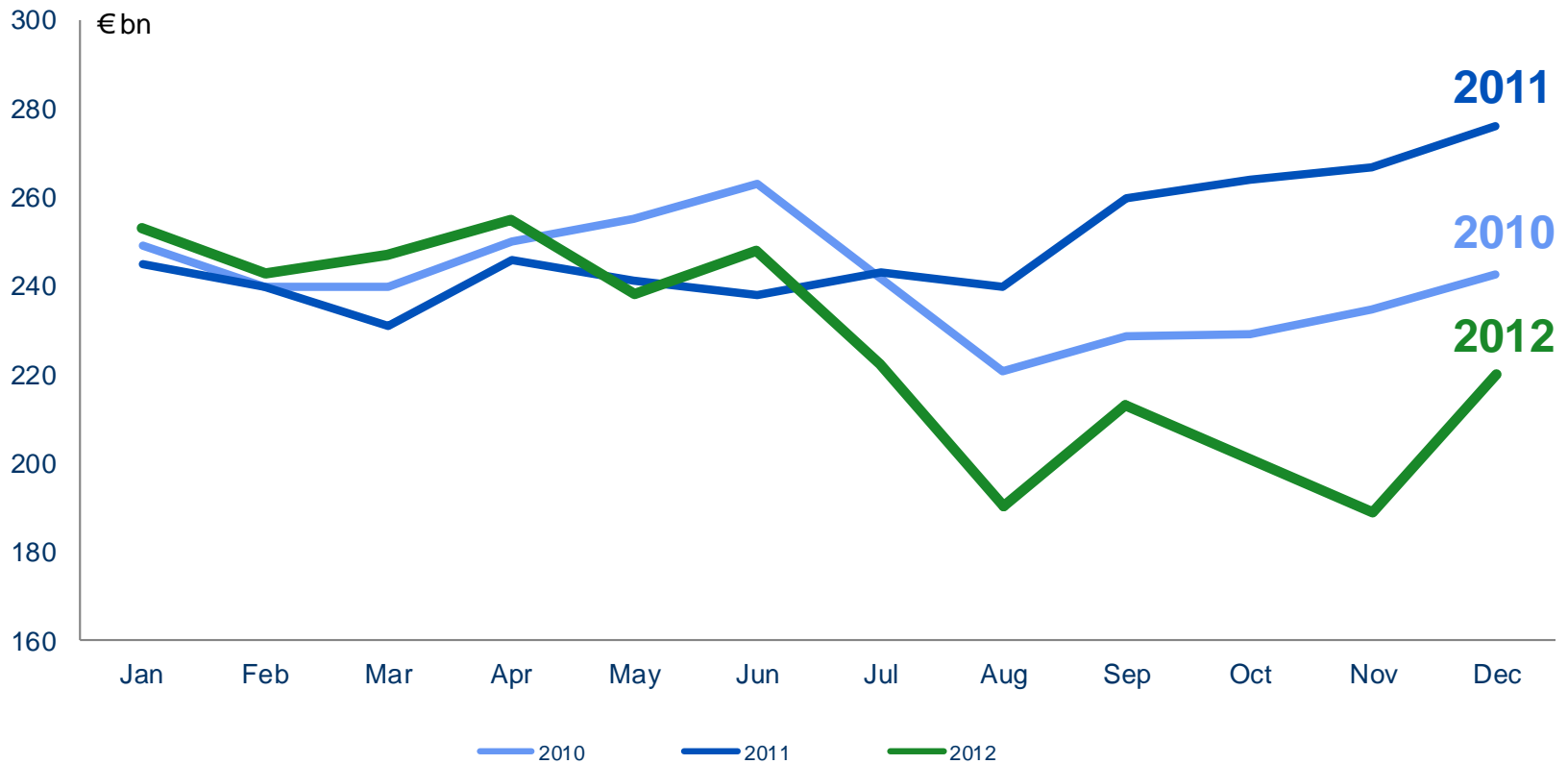


EBA CLEARING

## EURO1/STEP1 daily average volume 2008-2012



## EURO1/STEP1 daily average value 2008-2012



## EURO1/STEP1 highlights

- **December 2011:** highest daily average payments sent for a month
  - **282,840** (previous high in March 2008: 276,711)
- **April 2012:** highest daily average payments sent for a month
  - **287,527** (previous high in December 2011: 282,840)
- **10<sup>th</sup> April 2012:** highest number of payments sent for a day
  - **413,758** (previous high in March 2008: 359,099)
- Record year – volumes returned to pre-crisis levels
- Market share rising to 43%

# EURO1/STEP1 participation and reach



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as at December 2012

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

236 banks directly connected, representing 10,000 BIC11

28,000 additional BIC11 reachable through the E1/S1 Directory

## **Reliable service delivery**

- Availability of the EURO1/STEP1 system stood at 100% throughout 2012
- There was no incident related to the operations of the platform in 2012
- EBA CLEARING's Information Security Management System was certified as ISO 27001-compliant in 2012, which includes the BS25999 certification of the Company's Business Continuity Policy

## Actions taken within EURO1 in 2010-2012

### Stage one:

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

### Stage two:

- Further reduction of the mandatory bilateral limit from 2mio to 1mio
- ⇒ **80% reduction of mandatory limits**
- ⇒ **Minimum Debit Cap per participant reduced to 63mio**
- ⇒ **Overnight credit risk becomes intraday credit risk**

## **User-driven risk control improvements and resulting benefits**

- Banks can react same day to deteriorating circumstances that have occurred overnight or over a week-end / bank holiday
- Risk taking less system-driven, aligned to banks' risk policies
- Liquidity in the system recalibrated to those users that need more
- Co-operative community structure continued
- Ability to send and receive customer payments throughout the EU maintained, despite the financial crisis



## Post-implementation situation

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

## Process enhancements implemented within EURO1 2010-12

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

## Regular consultation of participants

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

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

### Inaugural meeting of the Risk Managers' Forum in February 2013

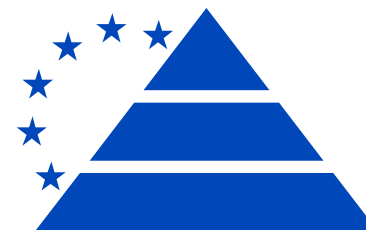
- 30 banks attended and another 20 joined the subsequent conference call summary
- Standing dialogue with risk managers in the user banks
- Need to understand how risk in payment systems is viewed by users
- Sounding board for future risk mitigation-driven changes and design reviews

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