

Madrid, May 18th 2012

European Central Bank
Secretariat Division
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Via e-mail: ecb.secretariat@ecb.int

Iberpay reaction to the Eurosystem Consultation on “Oversight Expectations for links between Retail Payment Systems”

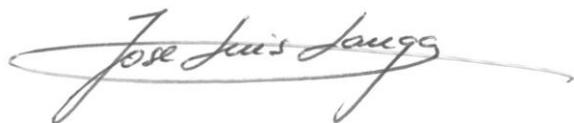
Dear Sir or Madam,

Iberpay welcomes the opportunity to provide the following comments to the five questions posed by the ECB in the preamble of the paper “Oversight Expectations for links between Retail Payment Systems”.

This document concerns a key element for Iberpay’s interoperability policy. We acknowledge that the oversight on the functioning of links is very relevant as part of the overall industry oversight and governance.

We hope that our opinions will support and contribute to the establishment of clear oversight criteria and standards and foster interoperability by efficient and effective usage of links for all participants in the retail payments industry.

With kind regards,



José Luis Langa
International & Business
Development Director

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1. Taking into account SEPA, how do you see the evolution of retail clearing infrastructures in Europe and the role of links between retail payment systems?

The role of links should increase in the coming years, as migration to SEPA rises. Moreover, if some CSMs were ready to start interoperability projects in the short term, the role of links between retail payment systems would further growth.

Regarding the possible evolution of retail clearing infrastructures in Europe, some more competition among them may be anticipated once migration to SEPA has reached a critical mass. In the coming years, it seems that the international/pan European model of CSM, offering standardized products, and the local/regional CSM, providing a more tailor-made portfolio of products and services, may both survive and collaborate for the benefit of the whole European banking community. The appearance of a mixed solution should also not be disregarded.

2. Are the definitions of links and the scope of application of oversight expectations clearly defined in the document?

From our point of view, the document on oversight expectations for links between retail payment systems clearly defines the different forms of links. The scope of application of oversight expectations is also well described in the document.

3. Do oversight expectations address all the risks and efficiency aspects inherent in link arrangement?

In our opinion, the document addresses in a systematic manner all the risk aspects inherent in link arrangements. The business features and implications of the link arrangements might be further elaborated in the document.

4. What is your opinion on the risks and efficiency of indirect and relayed links between retail payment systems in comparison with direct links? Do the proposed expectations appropriately address these risks? Have you established any indirect or relayed links with another retail payment system?

Indirect links have proved to be helpful for the CSMs in order to deliver reachability to their participants, as they allow the reach to be extended with the assistance of a third entity, normally a Central Bank. The absence of a direct relationship between the two CSMs has produced some operational difficulties, but they have been successfully solved over time.

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Regarding Relayed links and according to our experience, they have also proved to be appropriate for the CSMs if the traffic with a particular community is too small to make establishing a direct link with the relevant CSM economically viable. The level of risk related to relayed links is exactly the same as in the case of direct links due to the fact that the responsibility regime is clearly established bilaterally between the relevant CSMs.

Iberpay has established indirect links with EBA Clearing using Banco de España as a third entity. Iberpay also has operational relayed links with ICBPI and DIAS through the agreement signed with Equens. Both the Indirect link and the Relayed links have been proven to work properly since they were established.

The only restriction of both Indirect and Relayed links is related to the fact that, due to operation constraints, the cut off times to send transactions are slightly less extensive than in the case of pure direct links.

5. Which areas of these expectations could be subject to grading according to the importance of the link (proportionality)?

Although the content of the document is, in our opinion, appropriate, it cannot be denied that the traffic processed through these CSM links is extremely limited. In contrast, transactions processed through alternative channels account for many more payments processed, but they are not subject to the strict oversight regime applied to CSMs.

A level playing field for payments processing, irrespective of how the transactions are handled, would be essential to provide the necessary incentives to the banks to process payment instruments through the most efficient way and allocating the inherent risks properly. In any case, putting too much pressure on the oversight of CSM's traffic, including links, should be avoided, as this would become an incentive for the use of less protected and riskier procedures to route SEPA transactions.

Based on the above facts and as far as these links have limited traffic, the Eurosystem may wish to consider the possibility of not strictly applying all the principles included in the document to the CSM's links.