

## SEPA SCHEME MANAGEMENT INTERNAL RULES

(Awaiting approval by Plenary)

Abstract	This document contains descriptions of the internal organisation, structure, rules, and processes that make up Scheme Management of the SEPA Credit Transfer and Direct Debit Schemes. Such processes cover Scheme maintenance, administration and compliance, and change management, including structured dialogue with stakeholders
Reason for Issue	To replace the existing SEPA Scheme Management Internal Rules (EPC027-07) in the context of the “New EPC”.

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## 0 DOCUMENT INFORMATION

### 0.1 References

This section lists documents referred to in this document. The convention used throughout is to provide the reference number only, in square brackets.

	Document Number	Title	Issued by:
[1]	PRES-EPC109-04-V2.1	Realisation of the Single Euro Payments Area – Roadmap 2004 – 2010	EPC
[2]	EPC125-05	SEPA Credit Transfer Scheme Rulebook	EPC
[3]	EPC016-06	SEPA Core Direct Debit Scheme Rulebook	EPC
[4]	EPC222-07	SEPA Business to Business Direct Debit Scheme Rulebook	EPC

### 0.2 Change History

Issue number	Dated	Reason for revision
1.0 approved	15/03/2007	National consultation until 30 April 2007
1.6 approved	19/06/2007	Approved by 19 June Plenary
1.6 approved (amended)	26/07/2007	Par.2.12. rewritten to reflect Plenary decision on composition of SMC.
2.0 approved	29/10/2009	Amendments resulting from Scheme change management cycle 2009 including public consultation on suggested changes to the SEPA Scheme Rulebooks
2.1 approved	29/09/2010	Amendment to allow removal of Scheme Participants from the register in case of them ceasing to exist. See paragraph 2.2.6.
3.0 approved	17/11/2011	Amendments resulting from Scheme change management cycle 2011
4.0 Approved	06/11/2012	Amendments resulting from Scheme change management cycle 2012

### 0.3 Purpose of Document

This document sets out the internal rules ("**Internal Rules**") that govern SEPA Scheme Management. This document covers the following topics:

1. Rules for the administration and compliance functions of SEPA Scheme Management.
2. Rules for the maintenance, development and evolution function of SEPA Scheme Management.

## 1 INTRODUCTION

### 1.1 The European Payments Council ("EPC")

#### *EPC Objectives and Roles*

The purpose of the EPC, as one representative of the European Payment Service Providers' sector, is to support and promote European payments integration and development, notably the Single Euro Payments Area ("SEPA").

The mission of the EPC is to contribute to safe, reliable, efficient, economically balanced and sustainable, convenient payments supporting an integrated European economy, its end-user needs as well as its competitiveness and innovation goals:

- through the development and management of pan-European payment schemes and the formulation of positions and proposals on European payment issues;
- in constant dialogue with other Stakeholders and regulators at European level; and
- taking a strategic and holistic perspective.

The EPC offers one single focal point and voice for the Payment Service Providers' sector on all European payment issues, driven by a single vision.

The EPC shall, among other things, be responsible for the performance of functions relating to Scheme Management, as set out in these Scheme Management Internal Rules. The EPC is the owner and manager of various payment Schemes.

The EPC is not a market infrastructure. The international non-profit association (in French: "association internationale sans but lucratif" / in Dutch: "internationale vereniging zonder winstoogmerk") named "Conseil Européen des Paiements" in French, abbreviated "CEP" and "European Payments Council" in English, abbreviated "EPC" (hereafter: "EPC") is governed by the provisions of Title III of the law of 27 June 1921 of the Kingdom of Belgium on non-profit associations, international non-profit associations and foundations.

#### *Organisation of the EPC*

This section sets out an overview of the organisational structure of the EPC, as described in detail in the EPC Charter.

The EPC Board has the powers necessary to accomplish the purpose of the EPC, except for the powers that are specifically granted to other bodies of the EPC by law or the Charter.

The EPC Board is supported by the following bodies in the exercise of its functions:

- the EPC Secretariat (the "**Secretariat**") performs administrative and secretarial functions in relation to the management of the SEPA Schemes as well as providing technical and co-ordination support to the working and support groups and to the Scheme Management Governance Bodies as required. The Secretariat is further responsible for managing an information service on SEPA Schemes.
- The Scheme Management Board ("**SMB**") is responsible, under the delegated authority granted by the EPC Board, for performing the functions of management and evolution of the SEPA Schemes.
- The Scheme Participants Assembly is composed of all Scheme Participants or their representatives, gathering via electronic means. It receives regular information from the Scheme Management Board about its activity. The Scheme Participants Assembly endorses the nomination of candidates for the Scheme Participant seats on the Scheme Management Board.

- The administration and compliance functions of Scheme Management are the responsibility of the Compliance and Adherence Committee (“CAC”).
- These Internal Rules set out the appeals process against decisions of the Compliance and Adherence Committee. The Scheme Management appeals function is entrusted to the Appeals Committee.
- The Scheme Management Board, the Compliance and Adherence Committee and the Appeals Committee are the Scheme Management Governance Bodies of the EPC. These Scheme Management Governance Bodies are bodies with decision-making power. This power may only be exercised in relation to the specific functions of Scheme Management for which such body is responsible pursuant to these Internal Rules.
- The Nominating and Governance Committee (“NGC”) is charged with making recommendations to the EPC General Assembly, the EPC Board and the SMB on potential candidates for positions in the various EPC bodies in accordance with the EPC Charter.
- The Certification Authority Supervisory Board (“CASB”) is responsible for governing the “EPC Approved Certification Authorities” (“CAs”) in support of the e-Mandates optional feature for SEPA Direct Debit. EPC will allow any established CA which has been approved by the EPC following the dedicated approval process for e-Mandate Service CAs (as specified in document EPC292-09) to provide certificates to the market. The CASB has been established in September 2010.

By derogation of the stipulations of the present Internal Rules, the initial composition of the aforementioned bodies will be decided upon by the EPC Plenary in December 2014.

## 1.2 SEPA and the SEPA Schemes

### *SEPA*

The Single Euro Payments Area (SEPA) is the area where citizens, companies and other economic participants can make and receive payments in euro, within Europe, whether within or across national boundaries under the same basic conditions, rights and obligations, regardless of their location. The aim of SEPA therefore is to create a single market for making payments, where cross border payments can be made on the same terms and conditions as national payments. SEPA is driven by the European Commission and the European Central Bank, amongst others, as a key component of the Internal Market. SEPA will create the conditions for enhanced competition in the provision of payment services. It will also generate, through harmonisation, more efficient payment systems and deliver tangible benefits for the economy and society as a whole. The common currency will be systemically strengthened by a harmonised set of euro payment instruments.

For the purposes of these Internal Rules, SEPA shall be deemed to encompass the countries and territories which are part of the jurisdictional scope of the SEPA Schemes, as listed in the EPC List of SEPA Scheme Countries, as amended from time to time.

### *SEPA Schemes*

An important step in the creation of SEPA is the development and implementation of SEPA Schemes for making credit transfer and direct debit payments (the “**Schemes**”) throughout SEPA.

To this effect, the EPC has produced the SEPA Credit Transfer Scheme Rulebook, the SEPA Core Direct Debit Scheme Rulebook and the SEPA Business to Business Direct Debit Scheme Rulebook (the “**Rulebooks**”) which set out binding rules and technical standards governing each of the Schemes. The Rulebooks only have legal effect between participants in the Schemes (“**Participants**”) and the EPC.

The SEPA Schemes are open to eligible payment service providers regardless of their status as “banks”, “payment institutions”, “electronic money institutions” or other eligible Participants. References in these Internal Rules to “banks” and “banking” should be interpreted broadly so as to encompass all types of eligible Participant, except where the context otherwise requires.

The EPC is responsible for the implementation and operation of Scheme Management.

These Internal Rules set out the rules in accordance with which the Schemes are administered and enforced by the EPC, as well as detailing procedures for the evolution of existing Schemes.

### 1.3 SEPA Scheme Management

#### *Introduction*

SEPA Scheme Management comprises two functions. The first function involves the administration of the Schemes and the process of ensuring compliance with their rules, as set out in each of the respective Rulebooks, and the second function involves managing the maintenance and evolution of the Schemes entrusted by the EPC to the Scheme Management Board.

#### *Administration and Compliance*

The administration and compliance function of SEPA Scheme Management establishes rules and procedures for administering the adherence process for each of the Schemes, for addressing cases of claimed non-compliance by Participants with the rules of the Schemes and for addressing situations where Participants are unable to resolve their grievances through local or national dispute resolution methods.

The administration and compliance processes aim to ensure that the Schemes are administered fairly and transparently at every stage in accordance with the Rulebooks and general principles of applicable law.

The administration and compliance function shall be performed under the responsibility of the SMB, with some input from the EPC Board on matters relating principally to the policy of the Schemes. The SMB shall have wide decision-making power in respect of each of its functions however; it shall be accountable to the EPC Board. The CAC shall perform the administration and compliance function in accordance with the procedures set out in these Internal Rules.

#### *Maintenance and Evolution*

The maintenance and evolution function of SEPA Scheme Management establishes formal change management procedures for the Schemes. The change management procedures aim to ensure that the Schemes are kept relevant for their users and up-to-date, with structured processes for initiating and implementing changes to the Schemes, the Rulebooks and related documentation. An important component of change management is the inclusion of innovative ideas for enhancing the quality of existing Schemes.

The establishment of change proposals is to be carried out through clear, transparent and structured channels, which take into account the views of Scheme Participants, suppliers and end-users as well as other interested groups. That is to say, the maintenance and evolution function provides a structured and transparent means through which Participants, users and suppliers can participate in a dialogue with the EPC, so that proposals for change are openly considered by all relevant parties.

The maintenance and evolution function shall be performed by the SMB, supported by the Scheme Evolution and Maintenance Working Group (“SEM WG”), in accordance with the procedures set out in these Internal Rules.



#### **1.4 Fees**

The EPC reserves the right to recover costs. The policy of the EPC with regard to fees related to the management of the Schemes will be decided from time to time by the EPC Board, upon recommendation of the SMB, as set out in more detail in Appendix 3 to the present Internal Rules.

## 2 SCHEME MANAGEMENT ROLES AND RESPONSIBILITIES

### 2.1 Role of the Scheme Management Board

The SMB shall be responsible for performing the following functions of SEPA Scheme Management:

- Management of the maintenance and the evolution of the EPC Schemes (supported by the SEMWG)
- Interaction with the Scheme end-users and relevant stakeholders (Scheme End-User Forum)
- Interaction with Clearing and Settlement Mechanisms and other technical providers (Scheme Technical Forum)

(together, the “Scheme Management Functions”)

- Adherence
- Conciliation
- Complaints

(together, the "**Compliance Functions**", delegated by the EPC Charter and these Internal Rules to the Compliance and Adherence Committee)

- Appeals

(the "**Appeals Function**", delegated by the EPC Charter and these Internal Rules to the Appeals Committee)

The SMB will furthermore oversee the activities of the CASB (the Certification Authority Supervisory Board) which is responsible for governing the “EPC Approved Certification Authorities” in support of the e-Mandates optional feature for SEPA Direct Debit. EPC will allow any established CA which has been approved by the EPC following the dedicated approval process for e-Mandate Service CAs (as specified in document EPC292-09) to provide certificates to the market.

### 2.2 Role of the Scheme Participants Assembly

The Scheme Participants Assembly is composed of all EPC Scheme Participants (who can be represented) gathering via electronic means. The body is responsible for endorsing nominations of Participants representatives on the SMB approved by the EPC Board, and receives regular information from the SMB.

By derogation of the above paragraph, the initial composition of the SMB will be decided upon by the EPC Plenary in December 2014, without the endorsement of the Scheme Participants Assembly.

### **3 SCHEME MANAGEMENT BOARD**

#### **3.1.1 Composition of the SMB**

The SMB shall be composed of maximum 25 members, one of which shall be the Chair of the SMB. The SMB shall be required to have 3 Independent Members.

Up to 20 SMB members shall be representatives of Scheme Participants (nominated by an individual national community of Scheme Participants or a “coalition” of national communities of Scheme Participants), subject to reaching individually or on a consolidated basis 5% of the following composition criterion: the total volume of credit transfers and direct debits of all national communities included with the geographical scope of the Schemes (sources: ECB “Blue Book” for EU countries and national central banks for non-EU countries). At least 1 common seat shall be reserved for Payment Institutions and Electronic Money Institutions (even if they fail to reach the 5% threshold).

The SMB Chair shall be an Independent Member. The SMB Chair shall be appointed by the EPC Board in accordance with the Nominating Process set out in section 3.1.6 of these Internal Rules.

#### **3.1.2 Duration of Appointment**

Each member shall hold office for a term of 2 years, with the possibility of re-election.

Each member who does not act as the Chair, may resign from the SMB by giving notice in writing to the SMB Chair and the EPC Chair, with copy to the EPC Director General via similar means, not less than 30 Calendar Days’ prior to leaving the SMB.

The SMB Chair may only resign from the SMB by giving notice in writing to the EPC Chair, with copy to the EPC Director General, not less than 60 Calendar Days’ prior to leaving the SMB.

#### **3.1.3 Termination of Appointment by decision of the EPC Board**

The EPC Board may decide to remove from office either an individual SMB member, a group of such members or the SMB as a whole.

This power may only be exercised if the EPC Board, after due and proper consideration, reasonably believes that either an individual SMB member, a group of such members or the SMB as a whole is performing the functions of the SMB in a manner evidencing serious misconduct, a dereliction of duty, bad faith, or gross negligence. The EPC Board may further exercise this power where, after due and proper consideration, the EPC Board reasonably believes that a member of the SMB does not have the capacity to perform the function of an SMB member.

Any SMB member removed from the SMB by decision of the EPC Board shall cease to be a member of the SMB with either immediate effect or on such a date as the EPC Board may specify taking into account the outstanding obligations of the SMB member to the SMB and to Scheme Management.

A member of the SMB removed in this manner shall be notified in writing of his or her removal from the office of SMB member.

If the mandate of a SMB member ceases before its term, for whatever reason, the EPC Board may appoint a new member for the remainder of the term, provided that the candidate member fulfils the criteria for the composition of the SMB of the replaced member.

#### **3.1.4 Criteria for Membership (Scheme Participant representative member)**

A member of the SMB shall be chosen on the basis of his or her suitability and expertise for the position ahead of any other consideration. A prospective member of the SMB must therefore be of good repute, possess appropriate academic and vocational qualifications together with relevant work experience and a proven track record at a senior level in the payments services sector. In addition, members must be fluent in English, with – in particular – the capability to understand complex documents and the ability to express views during meetings.

Subject to the foregoing, the SMB shall aim to represent as far as reasonably practicable the composition of Scheme Participants, ensuring at all times that this composition fairly represents a balance of the country, size, and industry sectors of Scheme Participants and includes an appropriate representation of members from SEPA countries where the euro is the official currency.

A member of the SMB may not also act as a member of the EPC Board. If an EPC Board member wishes to be considered for the position of SMB member, he or she is obliged to cease acting as an EPC Board member before assuming the role of an SMB member.

### **3.1.5 Criteria for Membership (Independent Member)**

An Independent Member is a member who can display the highest standard of professional integrity and objectivity in relation to Scheme Management. An Independent Member should be a professional of good repute, with appropriate skills, who has a reasonable knowledge of the payments services sector but who is not employed or is otherwise affiliated with a Scheme Participant or its banking communities, service providers or a payment services user group or user association. A prospective Independent Member must possess appropriate academic and vocational qualifications for the position together with relevant work experience and a proven track record in a profession. In addition, members must be fluent in English, with – in particular – the capability to understand complex documents and the ability to express views during meetings. It is envisaged that an Independent Member shall provide expertise to the SMB as well as adding breadth to the knowledge base of the SMB membership.

After NGC consultation, the EPC Board shall have complete discretion in appointing an Independent Member in accordance with this section 3.1.5.

### **3.1.6 Criteria for Membership (Chair)**

The SMB Chair shall be an Independent Member chosen on the basis of his or her suitability and expertise for the position ahead of any other consideration. A prospective SMB Chair must therefore be of good repute, possess appropriate academic and vocational qualifications together with relevant work experience and expertise. In addition, the SMB Chair shall be fluent in English, with – in particular – the capability to understand complex documents and the ability to preside meetings in English.

The SMB Chair shall be required to demonstrate a proven track record of leadership in his or her professional field together with relevant management experience.

After NGC consultation, the EPC Board shall have complete discretion in choosing a Chair in accordance with these criteria.

### **3.1.7 Duties of SMB Members**

All SMB Members shall be required to act in accordance with the following general principles:

- each SMB member shall act in accordance with the provisions of these Internal Rules at all times for the duration of his or her term in office;
- each SMB member shall owe a duty to act in the best interests of the Schemes with a view to ensuring that the Schemes are administered efficiently, fairly and professionally;
- each SMB member shall observe the highest standards of integrity, fairness and professionalism at all times;
- as and when arising, each SMB member is obliged to disclose and manage any conflict of interest, as set out in further detail in Appendix 2;

- each SMB member agrees to act impartially in fulfilling the obligations of the SMB, notwithstanding his or her membership of a particular banking community, industry sector or position of employment. As part of this duty, an SMB member must be mindful of and refuse any inducements, rewards, or other gifts offered to him or her in the performance of his or her duties, ensuring at all times that he or she acts and is seen to act in accordance with the highest standards of independence and impartiality. SMB members meeting the SMB composition criterion of 5% on a consolidated basis shall ensure that the relevant communities are kept up to date on any non-confidential SMB work items;
- each SMB member shall endeavour as far as reasonably practicable to carry out his or her duties in the SMB with reasonable skill, care and diligence; and
- each SMB member shall abide by the EPC Code of Conduct (EPC212-14).

### **3.1.8 EPC Board Role in Policy of SMB**

The EPC Board may discuss matters of SMB policy to ensure that the SMB is acting within its scope and performing its role in a proper manner. The EPC Board may request the SMB to revisit a decision which, in the view of the EPC Board, exceeds the SMB mandate as provided for in the EPC Charter and the present Internal Rules or might jeopardise the reputation, the integrity, the proper functioning or the continuity of any of the Schemes. The EPC Board, in its sole discretion, may annul or amend the disputed decision, in the event that the SMB fails to properly justify or modify its decision.

The EPC Board shall be able to raise issues arising from the work of the SMB in order to discuss policy issues arising in respect of the Rulebooks.

The SMB shall report to the EPC Board and in particular raise issues relating to the substance or of the operation of the Schemes.

### **3.1.9 Meetings of the SMB**

The SMB shall meet on a regular basis and not less than 2 times every year. The SMB may convene more regularly if it is appropriate to do so in the exercise of its duties.

Meetings of the SMB will be held physically or by telephone, video or web conference if deemed necessary by the SMB Chair.

The SMB members shall receive from the Secretariat written notice of the date, time and place of a meeting no less than two (2) weeks before the date of the meeting. The agenda of a meeting and the material documents necessary for the discussion will be sent no less than two (2) weeks before the date of the meeting.

Members of the SMB are required to make every reasonable effort to attend a meeting convened in accordance with this section. Where a member is unable to attend, he or she must give reasonable notice to this effect to the Chair.

An SMB member who is unable to attend an SMB meeting may appoint a proxy from amongst the remaining SMB members to vote at the meeting on his or her behalf.

An SMB member wishing to appoint a proxy must give reasonable notice to the Chair in writing. A notice to appoint a proxy may be given either electronically or in paper format.

An SMB member may not hold a proxy for more than 2 other SMB members at any SMB meeting.

The Chair must make every reasonable effort to attend a meeting convened in accordance with this section. Where the Chair is unable to attend in a particular instance, he or she may appoint another independent SMB member in writing to carry out the functions of the Chair. In such cases, the Chair must notify other members of the SMB in writing of this temporary appointment.

Minutes of each meeting must be prepared and filed upon approval by the SMB members.

### **3.1.10 Quorum**

The quorum for the meetings of the SMB is at least 2/3rds of the total membership of the SMB present either in person or by proxy. Where the quorum is not reached, a further meeting may be called within 30 Calendar Days of the date of the first meeting and this second meeting may properly convene and carry out SMB business, if more than 50% of SMB members are present either in person or by proxy and as long as the Chair is present.

### **3.1.11 Voting**

Each member of the SMB shall be entitled to one vote.

In respect of all matters discussed by the SMB, resolutions may be passed with the approval of 2/3 of those present and voting on the resolution at a validly convened meeting of the SMB.

On a vote, a member of the SMB must disclose and manage any conflict of interest that exists or that might reasonably be expected to arise in accordance with Appendix 2.

### **3.1.12 Nominating Process**

The nomination of candidates for the position of SMB member shall be carried out by the EPC Board. The NGC shall recommend suitable candidates for this position to the EPC Board in accordance with its role, as set out in Article 9.1 of the EPC Charter.

Subject always to the criteria set out in 3.1.4 – 3.1.6, the EPC Board shall endeavour to ensure that the composition of the SMB reflects a balanced composition of Participants, bringing together a fair representation of the country, size and industry sectors of Scheme Participants, including an appropriate representation of members from SEPA countries where the euro is the official currency.

The NGC shall provide a list of candidates for the position of SMB member to the EPC Board at least two weeks in advance of an EPC Board meeting. This list shall include a summary of the candidates' qualifications for the position. The NGC should only include details of suitable candidates on such a list.

The EPC Board shall approve suitable candidates, subject to endorsement of the list of Scheme Participant representative members by the Scheme Participants Assembly. The Scheme Participant representative members' list shall be deemed to be endorsed, unless more than 50% of the voting Scheme Participants has voted against it (voting quorum), and at least 50% of Scheme Participants have expressed their vote (participation quorum). In such case, the NGC shall provide a new list of candidates to the EPC Board, in accordance with the aforementioned procedure. In the interim, the existing SMB members' term shall be extended until a new list of candidates has been endorsed by the Scheme Participants Assembly and approved by the EPC Board.

The NGC may not recommend and the EPC Board may not appoint an EPC General Assembly representative of an EPC Member to the position of SMB member or propose his or her name to the EPC Board, without first ensuring that such a candidate has ceased to act as a General Assembly Representative of an EPC member.

The NGC may not recommend and the EPC Board may not appoint a candidate to the position of SMB member, or propose his or her name to the EPC Board, if the candidate is in a situation of judicial administration, or bankruptcy, judicial reorganisation, dissolution or liquidation, or is subject to insolvency proceedings of a similar nature under the laws of any jurisdiction.

The NGC may not recommend and the EPC Board may not appoint a candidate to the position of SMB member, or propose his or her name to the EPC Board, if there are reasonable grounds to believe that such a candidate is a person of ill-repute who may bring the SMB and the Schemes into disrepute.

### **3.1.13 Role of the Secretariat**

The Secretariat shall provide secretarial and administrative support to the SMB.

The Secretariat shall be responsible for referring issues arising in respect of Scheme Management to the SMB, as necessary.

#### **3.1.14 Information Service**

The Secretariat shall be responsible for administering an information service on SEPA Schemes. The information service shall be open to everyone. Requests for information to the information service shall be in written format only, either by letter, fax or email.

The information service shall endeavour to respond to requests for information within 30 Business Days from the date of receiving the request for information.

#### **3.1.15 Additional Optional Services ("AOS")**

The following principles will apply to AOS:

1. All AOS must not compromise interoperability of the Schemes nor create barriers to competition. The SMB should deal with any complaints or issues concerning these requirements brought to its attention in relation to compliance with the Rulebooks as part of its normal procedures.
2. AOS are part of the market space and should be established and evolve based on market needs. Based on these market needs, the EPC may incorporate commonly used AOS features into the Schemes through the SEPA Schemes change management processes.
3. There should be transparency in relation to community AOS. In particular, details of community AOS relating to the use of data elements present in the ISO 20022 message standards (including any community usage rules for the SEPA core mandatory subset) should be disclosed on a publicly available website (in both local language(s) and English).

The SMB may receive complaints from Participants in relation to the operation of community AOS in respect of the above principles. The SMB will strive to resolve the issue in an amicable way. If no solution can be found, the SMB may refer the complaint to the CAC, which will deal with it in an appropriate way, in accordance with these Internal Rules.

#### **3.1.16 Expenses**

Independent Member(s) of the SMB shall be entitled to claim reasonable expenses. The SMB Independent Member shall also be able to claim a daily stipend for each full day spent on working on SMB related matters. The level of the stipend paid to the SMB Independent Member shall depend on the work undertaken and the time spent on carrying out such work.

#### **3.1.17 Record Keeping**

The Secretariat shall keep a record of all agendas and minutes of meetings of the SMB. The Secretariat shall use reasonable efforts to keep records relating to appeals separately from those relating to other compliance aspects of Scheme Management. Records may be held in either paper or electronic format. The SMB shall in its absolute discretion decide whether these minutes and related documentation may be made publicly available on the EPC Website or on the internal extranet of the EPC.

### **3.2 Definition of Administration and Compliance Roles**

#### **3.2.1 Role of the Compliance and Adherence Committee**

The Compliance and Adherence Committee (CAC) is responsible for performing the administration and compliance functions of SEPA Scheme Management. The role of the CAC is limited to the following:

- Adherence – the CAC shall be responsible for overseeing the adherence process for becoming a Participant in the Schemes;

- Conciliation – the CAC shall be responsible for establishing and administering a conciliation process for Participants who are unable to resolve grievances relating to the Schemes through local dispute resolution methods; and
- Complaints – the CAC shall be responsible for investigating complaints made against Participants for alleged breaches of the Rulebooks, evaluating such complaints and determining appropriate sanctions against Participants who are found to be in breach.

The CAC shall regularly update the SMB on its activities.

#### 3.2.1.1 *Composition of the Compliance and Adherence Committee*

The CAC will be composed of six members, at least two of which will be independent members, and up to four members will be Scheme Participant representative members, appointed by the SMB in accordance with the same provisions as SMB members under sections 3.1.4 (1<sup>st</sup> and 2<sup>nd</sup> paragraphs) and 3.1.5 of these Internal Rules. A member of the SMB may not also act as a member of the CAC.

The members of the CAC are elected for a three-year term that may be renewed for identical terms.

The initial CAC composition and subsequent renewals will be initiated by the NGC, with a call for candidates published through the EPC Secretariat. The SMB will approve the final composition. On an annual basis, two CAC members shall be appointed by the SMB. As such, one third of the total number of CAC members will be appointed each year, allowing a three year rotating policy. To this end, for the initial period, two independent members will be elected for a three-year term, whereas two Scheme Participant representative members will be elected for a two-year term and two other Scheme Participant representative members will be elected for a one-year term.

After NGC consultation, the CAC Chair will be elected among the independent members of the CAC by the SMB.

If the mandate of a CAC member ceases before its term, for whatever reason, the SMB may appoint a new member for the remainder of the term, provided that the candidate member fulfils the criteria for the composition of the CAC of the replaced member.

The duties of and criteria for SMB members set out in sections 3.1.4, 3.1.5, 3.1.6 and 3.1.7 of these Internal Rules shall apply *mutatis mutandis* to the members of the CAC.

#### 3.2.1.2 *Meetings of the Compliance and Adherence Committee*

The CAC will meet physically or by telephone conference, according to the demands of its work programme, with a minimum of two meetings per year.

Calls for meetings and agendas will be issued at least two weeks in advance and meeting papers will be provided at least one week in advance, unless otherwise determined by the CAC Chair in exceptional circumstances.

The CAC will develop its conclusions and decisions on the basis of broad consensus. In circumstances where such consensus is not achievable, and the matter is appropriate for the conduct of a vote, a vote may be taken. Any member of the CAC shall be entitled to vote at a meeting of the CAC. Each member has one (1) vote. Any decision taken by vote shall be validly adopted if it obtains a qualified majority of two thirds (2/3) of the votes cast by the members present or represented (i.e. voting quorum). Blank votes, invalid votes and abstentions do not count. No decision may be passed if more than half of the members present or represented abstains. In the event of a serious divergence of views, reference may be made to the SMB for advice and guidance.



### 3.2.2 Role of the Appeals Committee

The Appeals Committee shall be responsible for hearing appeals brought in respect of decisions taken by the CAC in accordance with a fair process that is separate from the process of decision-making at first instance.

The Appeals Committee shall regularly update the SMB on its activities.

#### 3.2.2.1 Composition of the Appeals Committee

The Appeals Committee will be composed of three members, at least two of which will be independent members, whereas maximum one member will be a Scheme Participant representative member, appointed by the SMB in accordance with the same provisions as SMB members under sections 3.1.4 (1<sup>st</sup> paragraph) and 3.1.5 of these Internal Rules. A member of the SMB or the CAC may not also act as a member of the Appeals Committee.

The members of the Appeals Committee are elected for a three-year term that may be renewed for identical terms. The initial Appeals Committee composition and subsequent renewals will be initiated by the NGC, with a call for candidates published through the EPC Secretariat. Upon NGC consultation, the SMB will approve the final composition.

After NGC consultation, the Appeals Committee Chair will be elected among the independent members of the Appeals Committee by the SMB.

If the mandate of an Appeals Committee member ceases before its term, for whatever reason, the SMB may appoint a new member for the remainder of the term, provided that the candidate member fulfils the criteria for the composition of the Appeals Committee of the replaced member.

The duties of and criteria for SMB members set out in sections 3.1.4, 3.1.5, 3.1.6 and 3.1.7 of these Internal Rules shall apply *mutatis mutandis* to the members of the Appeals Committee.

#### 3.2.2.2 Meetings of the Appeals Committee

The Appeals Committee will meet physically or by telephone conference, according to the demands of its work programme, with a minimum of one meeting per year.

Calls for meetings and agendas will be issued at least two weeks in advance and meeting papers will be provided at least one week in advance, unless otherwise determined by the Appeals Committee Chair in exceptional circumstances.

The Appeals Committee will develop its conclusions and decisions on the basis of consensus. In circumstances where such consensus is not achievable, and the matter is appropriate for the conduct of a vote, a vote may be taken. Any member of the Appeals Committee shall be entitled to vote at a meeting of the Appeals Committee. Each member has one (1) vote. Any decision taken by vote shall be validly adopted if it obtains two (2) votes in favour.

### 3.2.3 Rules for Adherence

#### *Eligibility for Participation in Schemes*

In order to be eligible to participate in the Schemes, each applicant must satisfy the eligibility criteria set out in Chapter 5.4 of the Rulebooks.

The CAC shall accept any applicant that fulfils the criteria set out in Chapter 5.4 of the Rulebooks and will only reject applications on the basis of failure to meet these criteria.

### **3.2.3.1 Rules for Adherence by an Entity in a Group/Decentralised Structure**

Each legal entity that seeks to adhere to a Scheme must agree to accept the rights and obligations of a Participant in relation to the relevant Scheme (SEPA Credit Transfer Scheme and / or SEPA Core Direct Debit Scheme and / or SEPA Business to Business Direct Debit Scheme). Upon admission to a Scheme, the adhering legal entity shall assume all of the rights and responsibilities arising from admission to a Scheme.

A subsidiary entity or affiliate of an adhering entity, i.e. each entity that has a separate and distinct legal personality within the adhering entity's group or organisational structure, must adhere separately from a parent or group entity. A subsidiary or affiliate shall be a Scheme Participant in its own right and shall assume all the rights and responsibilities arising from admission to a Scheme.

A branch of an adhering entity, i.e. an entity that does not have separate legal personality, whether located in the jurisdiction of the adhering entity or in another SEPA jurisdiction, shall be deemed to be legally part of the adhering entity and able to carry out SEPA transactions in accordance with the Rulebooks.

### **3.2.3.2 Rules for Signing the Adherence Agreement**

An entity may sign the Adherence Agreement on its own behalf. Alternatively, an entity may give legal authority to an agent to sign the Adherence Agreement on its behalf (for example, an agent could be a parent company, another adhering entity or banking association). An entity that appoints an agent to sign the Adherence Agreement on its behalf must ensure that the agent is given the necessary legal authority to sign. An agent must demonstrate that it possesses the legal authority to bind an adhering entity in accordance with the local law of the entities involved. An agent signing the Adherence Agreement on behalf of other entities must demonstrate by way of legal opinion of external or internal legal counsel in a form specified by the EPC that it possesses the requisite legal authority to bind such entities.

This provision permits members of a banking community to adhere to a Scheme at the same time by nominating an agent to complete the Adherence Agreement in respect of each member. Similarly, a parent company may sign an Adherence Agreement in respect of some or all of its subsidiaries and an entity in a group or de-centralised structure may sign an Adherence Agreement in respect of each of the other entities in the group or de-centralised structure. In each case, an entity signing the Adherence Agreement that acts as an agent on behalf of another must show that it possesses the legal authority to do so.

### **3.2.3.3 National Adherence Support Organisation ("NASO")**

The EPC has, in conjunction with a national banking community, identified one or more NASOs in respect of each SEPA community. A NASO is responsible for providing basic guidance on the adherence process and on adherence applications through a helpdesk, for liaising with the Secretariat in respect of an application (as required) and for such other tasks as the EPC or any organ of the EPC may request it to perform from time to time. A NASO also carries out a basic preliminary review of an adherence application, if requested to do so. The EPC publishes a list of NASOs on the EPC Website. A NASO could be a national banking association(s) or a regulatory body, which has agreed to conduct the task on behalf of the national community.

Except as otherwise indicated in this section, an adhering entity must consult a NASO on its adherence application.

Only multi-country entities that are signing in their own right or as agent on behalf of four or more of their subsidiaries located in four different SEPA jurisdictions or arranging the completion of the adherence application by such subsidiaries may submit an adherence application directly to the EPC without first consulting a NASO. Such entities are nevertheless free to consult a NASO before submitting their application to the EPC, should they wish to do so. In such cases, where an entity wishes to consult a NASO, it may use the NASO of any of the adhering entities on whose behalf it is signing the adherence application.

#### **3.2.3.4 Becoming a Participant**

An application to become a Participant in one or more Schemes shall be made using the form of Adherence Agreement set out in the official Adherence Guide an example of which is in Annex 1 of each of the Rulebooks.

An application shall be accompanied by a legal opinion in the form specified by the EPC provided by either internal or external counsel on the capacity and authority of the applicant to become a Participant in one or more the Schemes.

The application for adherence shall be finally submitted to the EPC Secretariat. Except as otherwise indicated in section 3.2.3 of these Internal Rules, before submitting the application, an applicant must consult with the relevant NASO for preliminary guidance on eligibility and documentation involved in the adherence process.

The Secretariat uses reasonable efforts to send a written acknowledgement of receipt of the application to the applicant within 10 Business Days of receiving the application.

The Secretariat shall use reasonable efforts to determine the application within 60 Calendar Days of receiving the application. In the event that the Secretariat requires more time to arrive at a determination, it shall notify the applicant as soon as it is reasonably practicable to do so.

The Secretariat may request the applicant to provide such additional information as may be required in the course of determining the application.

In the course of determining the application, the Secretariat may take into consideration views expressed by national regulators (this term extends to include such bodies as insolvency officers, law enforcement authorities and local courts).

In the case of a successful application, the applicant or its agent will receive a written notification of admission to a Scheme. The applicant becomes a Participant and becomes subject to the Rulebooks on one of the Admission Dates agreed by the CAC and published on the EPC Website or, where requested by the applicant and agreed by the Secretariat, on a deferred Admission Date specified by the applicant in advance to the Secretariat. The Secretariat may send the written notification to the applicant in paper or electronic format.

The Secretariat will make a recommendation to the CAC when an applicant for participation in one or both of the Schemes or an existing Participant fails to satisfy the eligibility criteria set out in chapter 5.4 of the Rulebooks. In such case, the CAC may decide to request the applicant or existing Participant to provide additional information, or to reject the application or terminate participation in accordance with section 3.2.3.6 of these Internal Rules.

The Secretariat will, on a regular basis, and at least four times per year, report in writing on the adherence applications received and accepted to the CAC. It will also report or seek guidance and advice on any particular issue encountered when performing its activities.

#### **3.2.3.5 Register of Participants**

The Secretariat shall maintain a separate register of Participants for each of the Schemes. The register shall contain the name, contact address and other details determined by the EPC in respect of the Participant.

The registers shall be updated by the Secretariat regularly as specified in the relevant schedule published on the EPC Website.

If the Participant changes its details, so that the register does not carry accurate data in respect of the Participant, the Participant shall notify the Secretariat as soon as it is reasonably practicable to do so. It is the responsibility of the Participant to ensure that the Secretariat is provided with information in relation to the Participant that is accurate and up-to-date at all times.

In the event of Participants no longer being able to pay their debts as they fall due, becoming insolvent or having ceased to exist, the Secretariat may decide to rectify the register of Participants after verification of such event with the relevant national regulator or national authority. The failure of a Participant to pay the fees mentioned in section 1.4 of these Internal Rules shall constitute an event of default for the purposes of this section 3.2.3.5.

The register may be accessed and searched through a website of the EPC, available to all users. The register is not an operational database in respect of Scheme usage. Any operational data needed by Participants in relation to other Participants shall be supplied outside of the Schemes.

### **3.2.3.6 Unsuccessful Applications**

The CAC may reject an application for participation in one or both of the Schemes if an applicant fails to satisfy the eligibility criteria set out in chapter 5.4 of the Rulebooks.

Where an application is rejected, the CAC shall provide the applicant with a letter setting out the reasons for rejecting the application.

An applicant may not re-apply to become a Participant until 3 months after the determination of its application by the CAC or after a determination in an appeal begun in accordance with these Internal Rules or after a final determination of a tribunal or court responsible for determining the case.

### **3.2.3.8 Appeals**

An applicant whose application for participation in one or more of the Schemes has been rejected may appeal to the Appeals Committee for a re-consideration of its application. A notice of appeal in such cases must be filed within 21 Calendar Days of the applicant receiving a notification of rejection of its adherence application. The appeals notice must include a copy of the adherence application together with a letter supplied to the applicant under section 3.2.3.7 and any other information required by section 3.5.3 of these Internal Rules. The appeal shall be determined in accordance with section 3.5 of these Internal Rules.

## **3.3 Conciliation Undertaken by the CAC**

### **3.3.1 CAC Role in Conciliation**

The CAC shall provide a voluntary conciliation service to Participants and to the EPC. Conciliation may be used for resolving Unresolved Issues that arise in respect of the Rulebooks only.

Issues concerning CAC determinations on adherence applications or on complaints must be addressed through the appeals process rather than through conciliation.

Conciliation services shall be available with regard to the following:

- Unresolved Issues arising out of the Rulebooks between Participants;
- Unresolved Issues arising out of the Rulebooks between a Participant and the EPC.

Conciliation services shall only be available to a Participant where the Participant can demonstrate that it has used reasonable endeavours to resolve the matter amicably, after dialogue with banking communities and by using conciliation or other dispute resolution processes at a local level. SEPA banking communities are expected to make a body available to Scheme Participants for this purpose.

Conciliation services shall be administered in a manner that is efficient and cost-effective, with a view to ensuring a rapid conclusion to the Unresolved Issue.

The CAC shall appoint one or more conciliators either from the body of relevant CAC members to hear the Unresolved Issue on a case-by-case basis and/or, as appropriate, appoint experienced individuals from outside the CAC and EPC to adjudicate on Unresolved Issues. The conciliators shall make a recommendation to the parties involved. This recommendation shall not be binding upon them and will be without prejudice to further proceedings between the parties.

As set out in further detail in Appendix 2, conciliators must be mindful of any conflict of interest arising in relation to the subject matter of the conciliation or to any of the parties to the conciliation. In the event that a conciliator is aware that a conflict of interest exists, he or she shall make this known to the CAC immediately and the CAC can appoint another conciliator(s) from the relevant members of the CAC to carry out the conciliation. If the CAC is unable to find a conciliator(s) from the CAC to act in respect of the Unresolved Issue, the Chair may appoint a conciliator(s) from outside of the CAC and the EPC, provided always that the parties to the Unresolved Issue agree to this appointment.

In cases where the conciliation is between a Participant and the EPC, the CAC shall ensure that conciliators from outside the CAC and the EPC are appointed, provided that both the EPC and the Participant agree to this appointment.

### **3.3.2 Application for Conciliation**

An application for conciliation shall be made in writing and filed with the Secretariat. The application shall clearly state the name of the other party involved together with details of the Unresolved Issue. The application shall also be accompanied with a written statement of consent from the other party stating that it wishes to submit to conciliation.

The Participant shall give a copy of the application and accompanying information to the other party involved in the Unresolved Issue.

Within 15 Business Days starting from the date that the application was filed, the Secretariat shall request the other party to file with the Secretariat any statement of facts in relation to the Unresolved Issue.

The other party may withdraw from the conciliation at any time. If the other party withdraws in this manner, the conciliation proceedings shall be terminated with immediate effect and the conciliator shall not deliver a recommendation. The costs provisions set out in section 2.3.6 of these Internal Rules continue to apply.

### **3.3.3 Conciliation Proceedings**

The conciliator shall aim to resolve the Unresolved Issue between the parties in a manner that is fair, open and amicable.

Unless otherwise agreed, conciliation proceedings shall be in private.

The conciliator shall consider all the evidence put before the conciliator and allow both parties to provide clarification and elaboration on the points raised in the Unresolved Issue.

The conciliator shall then recommend a proposed settlement to the Unresolved Issue.

If a settlement is reached, the settlement shall be written down by the conciliator and signed by the parties. The parties may keep a copy of the settlement.

If the parties cannot reach settlement, the conciliator shall close the conciliation proceedings. The parties may take such procedures as they consider appropriate and may take the matter to arbitration or litigation in accordance with section 2.3.7.

### **3.3.4 Conciliation Involving the EPC**

Where conciliation involves the EPC, the conciliators shall always be individuals who are not connected to either the EPC or to the Participant in any way. The costs of engaging conciliators in such cases shall be determined in accordance with Section 3.3.6. In all other respects, the conciliation proceedings shall follow the procedure set out in this section.

### **3.3.5 Report of Conciliators**

Following the conclusion of conciliation proceedings, whether by way of settlement or voluntary termination by parties to the conciliation, the conciliators may prepare a report on the conciliation for the CAC. The report may contain such details relating to the conciliation proceedings as the conciliators wish to include. The report shall be confidential and may only be made available to relevant members of the CAC.

Where the conciliators become aware of serious misconduct by the Participant such as behaviour evidencing fraud or other such serious violations of the law, they may bring this to the attention of the relevant national regulator or national authority.

### **3.3.6 Costs**

An upfront, non-refundable administrative fee outlined in Appendix 3 of these Internal Rules on the Scheme Management cost recovery mechanism will be payable to the EPC prior to the initiation of the proceeding, by the Scheme Participant who wishes to initiate the proceeding, to cover basic administrative costs. This fee will be recoverable from the losing party, as appropriate.

The EPC will ensure that any fee set under this section is quantified so as to be consistent with the costs incurred by the EPC and the EPC's status as a non-profit organisation under Belgian law.

The upfront, non-refundable administrative fee shall be equally split between the two parties where they are both jointly seeking conciliation.

In addition, any relevant non-administrative EPC costs incurred during the course of the proceedings shall be recovered from the losing party, or divided between the parties based on the principles established by the Rules of Arbitration of the International Chamber of Commerce.

Where the conciliation is terminated before either a settlement is reached or before the conciliators close the conciliation, the upfront, non-refundable administrative fee payable to the EPC and the EPC's costs incurred to handle the conciliation up to that point in time will be recovered from the party requesting the termination of the conciliation process.

### **3.3.7 Further Steps - Arbitration v Litigation**

Following consultation with the CAC, if the parties are unable to settle an Unresolved Issue through conciliation, or where such a conciliation process has not taken place, if a Participant gives another Participant notice that an Unresolved Issue exists and if the Unresolved Issue has not been resolved within 30 Calendar Days of service of the notice, the Unresolved Issue shall be referred by the CAC to arbitration.

No Participant shall resort to arbitration against another Participant under the Rulebook until 30 Calendar Days after the referral of the Unresolved Issue to the CAC.

Unless parties to the Unresolved Issue otherwise agree, any Unresolved Issue which is unresolved 30 Calendar Days after the referral of the Unresolved Issue to the CAC shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with those Rules. The seat of the arbitration shall be Brussels. The EPC, as represented by an appropriate member of the CAC, shall have the right to participate in the arbitration.

However, if the Unresolved Issue is referred to arbitration in accordance with this section, the parties to the Unresolved Issue may agree to submit to local arbitration in a SEPA jurisdiction. If the relevant Participants elect to submit to such local arbitration, they shall conduct the arbitration under rules agreed between them. The jurisdiction chosen by the relevant parties for such local arbitration must be substantially connected to the conduct of the Unresolved Issue. The EPC, as represented by an appropriate member of the CAC, shall have the right to participate in the arbitration.

Any arbitration between Participants under the Rulebook shall (unless the relevant Participants agree otherwise, and in an Unresolved Issue in which the EPC is participating, with the consent of the EPC) be conducted in the English language.

Alternatively, following a failure by the relevant Participants to resolve an Unresolved Issue in accordance with the steps set out above, the parties to the Unresolved Issue may agree to submit to such other dispute resolution process (other than arbitration) as they consider appropriate, including litigation. If the relevant parties submit to litigation in accordance with this section, the relevant Participants shall conduct the litigation in a jurisdiction, and under such processes as are determined by established principles of conflicts of laws.

In arbitration or litigation proceedings, the Rulebooks shall be governed by and interpreted in accordance with Belgian law. A court or arbitrator may however apply such rules of process in relation to the proceedings as may be applicable under established principles of conflicts of laws.

The parties shall inform the CAC of the outcome of any litigation or arbitration or other dispute resolution methods conducted by them. The parties may consult the CAC on matters relating to the interpretation of the Rulebooks in the course of any such arbitration or litigation proceedings.

### **3.4 Complaints Submitted to the CAC**

#### **3.4.1 Role of CAC in Complaints**

The CAC shall oversee the implementation of the Rulebooks by Scheme Participants. The CAC may investigate breaches or potential breaches of the Rulebooks following a complaint made by a Scheme Participant to the CAC.

Unless otherwise stated, a complaint may be submitted by any Scheme Participant and must be filed in writing with the Secretariat. A complaint that is filed with the Secretariat must state the name of the Participant that is the subject of the complaint (the "**Affected Participant**") together with details of the complaint.

In addition, the CAC may investigate breaches or potential breaches of the Rulebooks of its own accord.

For the purposes of this section, investigations made by the CAC into breaches or potential breaches of the Rulebooks, whether or not initiated by the CAC itself, shall be referred to as complaints.

References to the CAC include any person nominated by the CAC to carry out a function in relation to a complaint, and where a complaint is made by or on behalf of the CAC itself, references to the "parties" are to the Affected Participant only.

#### **3.4.2 Key Principles**

In the course of carrying out its function in relation to complaints, the CAC shall ensure that it acts in accordance with the following general principles:

- the CAC shall act in a manner that is impartial and objective at all times;
- the CAC shall act in a manner that is fair to all parties, taking into account the circumstances of each case;
- the CAC shall ensure that, as far as possible, it acts in a manner that is transparent, open and intelligible to the parties; and
- the CAC shall ensure that it acts in a manner that is proportionate to the seriousness of the matter before it.

The deliberations of the CAC and any discussions held in the course of evaluating and investigating the complaint shall be private and confidential, unless otherwise agreed between the parties.

#### **3.4.3 Investigation of Complaints**

The CAC may nominate a group of members of the CAC to investigate and evaluate a complaint or the CAC may delegate its power to investigate a complaint to the EPC Secretariat or any other person.

The CAC shall as soon as reasonably possible notify the Affected Participant that it is subject to investigation by the CAC. The Affected Participant shall have 28 Calendar Days from receipt of such notification to file written representations in respect of the Complaint. The Affected Participant may be required to cease any activity that could constitute conduct suspected of being in breach of one or both of the Rulebooks.

Members investigating the complaint may in the course of the investigation call for such information and documentation from the Affected Participant as may be relevant for determining whether a breach of a Rulebook has taken place. The Affected Participant shall use reasonable efforts to provide such information to the relevant CAC members as is within the Affected Participant's possession, custody or control. The Affected Participant shall have 28 Calendar Days to respond to such requests for information and documentation.

The CAC may additionally require the Affected Participant to give all reasonable assistance in the course of the CAC investigation. A failure to provide such assistance shall be deemed to be a breach of Scheme rules and may therefore be actionable in accordance with this section.

In addition, in the course of the investigation, relevant CAC members may consult Participants as well as end-users and suppliers and may call for information and documentation from such bodies, liaising through Scheme Participants.

Members investigating the complaint may engage any person in order to carry out tasks related to the investigation at the cost of the EPC and within the budget of the EPC. The CAC may also engage a legal professional to give legal advice on any aspects of the investigation. Where this is done, the cost incurred by the CAC and paid by the EPC may be added by the CAC to the costs payable under section 3.4.10 below.

#### **3.4.4 Evaluation of Complaint**

The CAC shall evaluate any information that it may obtain in the course of the investigation. It may engage a skilled person in order to carry out tasks related to the evaluation of the complaint as well as a legal professional to give legal advice on any aspects of the evaluation and adjudication of the complaint at the cost of the EPC and within the budget of the EPC. The CAC may request advice from the EPC Scheme Evolution and Maintenance Working Group (“SEM WG”) and the EPC Legal Support Group (“LSG”) to determine whether a Scheme Participant is in breach of a Rulebook. The CAC shall ensure that any person engaged in this manner shall be subject to a duty of confidentiality in respect of information acquired in the course of its engagement with the CAC.

In the course of this evaluation, the Affected Participant shall be invited to discuss the complaint with the CAC. The Affected Participant may seek legal advice at any stage of this process at its own cost.

When evaluating any complaint, the CAC shall take into account the date of the alleged breach and, except in exceptional circumstances at the discretion of the CAC or where a breach is continuing, shall determine a complaint to be invalid which relates to a breach which occurred three years or more before the complaint is filed.

#### **3.4.5 Sanctions**

On completion of the evaluation, the CAC shall prepare a report on the conduct of the case, setting out the facts of the case and a preliminary evaluation of the complaint.

The CAC shall review the contents of this report, following which the SMC may consider that:

- no further action should be taken in relation to the alleged breach of the Rulebook if the CAC considers that either there is no evidence of a breach, or that the breach is of a trivial nature;
- discussions should take place with the Affected Participant to decide how to proceed in respect of a breach that has already occurred or one that is continuing - no sanctions are contemplated at this stage;



- discussions should take place with the Affected Participant and the Affected Participant should be sanctioned.

If the CAC considers that the Affected Participant should be sanctioned, the CAC shall send a written notice to the Affected Participant setting out details of the complaint and the sanction proposed, the report and any material that is believed to be relevant to the matter.

Subject to section 3.4.7, the Affected Participant shall have 30 Calendar Days following receipt of the notification to accept the sanction, or to present written or oral representations to the CAC (the "**Representation Right**"). The Affected Participant may consult legal counsel at any stage of the sanctioning process.

In considering any representations made to it, the CAC is not bound to follow rules of evidence, as followed in a court or tribunal. It will not normally consider oral evidence. Any party may however adduce written evidence in the course of the deliberations of the CAC and make such representations as it considers appropriate in accordance with this section.

Within 30 Calendar Days of hearing representations from the Affected Participant, the CAC shall determine the sanction to be made against the Affected Participant. The CAC shall notify the Affected Participant of its determination.

The sanctions available to the CAC are the following:

- private warning
- written notification of complaint
- public warning
- report to a national regulator or equivalent national authority, including a NASO
- termination

#### *Private Warning*

The CAC may give a private warning to the Affected Participant. The private warning shall constitute a formal notice to the Affected Participant and aims to deter the Affected Participant from committing a further breach of a Rulebook or to cease conduct that is in breach of a Rulebook. A record of the private warning shall be made by the CAC. This record shall be confidential.

#### *Written Notification of Complaint*

The CAC may give a written notification of a complaint to the Affected Participant. A written notification constitutes a formal reprimand to the Affected Participant. The written notification shall set out details of the breach and is aimed to deter the Affected Participant from committing a further breach of a Rulebook or to cease conduct that is on breach of a Rulebook. The CAC may publish details of this sanction on the Website of the EPC.

#### *Public Warning*

The CAC may give a public warning to the Affected Participant. The public warning shall constitute a formal notice to the Affected Participant and aims to deter the Affected Participant from committing a further breach of a Rulebook or to cease conduct that is in breach of a Rulebook. The public warning shall publish the name of the Affected Participant, together with details of the breach, on the website of the EPC.

#### *Circumstances which may indicate which Warning Sanctions may be applied*

The decision as to which sanction or sanctions may be appropriate in respect of any Affected Participant shall be entirely at the discretion of the CAC. However, the following circumstances would tend to indicate that one of the above three sanctions would be more appropriate than the sanction of termination (described below):

- the conduct of the Affected Participant did not display bad faith nor was it due to gross negligence towards other Participants or to the Scheme(s) of which the Affected Participant is part;
- the conduct of the Affected Participant did not display dishonesty and the Affected Participant did not act in a grossly unprofessional manner;
- the breach was not of such a serious nature as to potentially undermine the operation and integrity of one or both of the Schemes;
- the Affected Participant had not committed a breach, or a breach of this type, in the past;
- the breach was of a nature that the CAC believes would be best addressed by deterrent action envisaged by these three sanctions and that it remains appropriate for the Affected Participant to continue as a Participant in the relevant Scheme(s) rather than facing expulsion under the sanction of termination; and
- the breach can be rectified without loss or cost to any other Participant or user or the EPC

As regards which of the three Warning Sanctions might be applicable to any case:

- a private warning may generally be considered more appropriate for a first breach where the breach was not of a serious nature, had not adversely affected other Participants or the Scheme(s), and there would be no merit in other Participants being informed of the breach;
- a written notification of complaint, being a formal reprimand, would be applied where the CAC considered the breach to be of a sufficiently serious nature to record a reprimand against the firm. The CAC may consider publishing the notification on its website if it believed this would be in the interests of other Participants and/or the Scheme(s)
- a public warning, being a formal notice, would be applied in the case of a more serious breach and where the CAC believes it would be in the interests of other Participants and/or the Schemes to publicise the notice. This sanction is the most likely of the three to be used in conjunction with the sanction of termination.

#### *Report to National Regulator*

In addition to giving a private warning, public warning or written notification of breach, the CAC may report the Affected Participant to its national regulator, NASO or to an equivalent national authority. The regulator shall be provided with the name of the Affected Participant together with details of the conduct of the Participant.

Considerations which may indicate the appropriateness of this sanction would be if the CAC believed that the breach by the Affected Participant may also constitute a breach of the rules or guidelines of a relevant regulator or if the Affected Participant's conduct cast doubt on its fitness and propriety to continue as a regulated entity. However, the decision whether or not to report a breach by an Affected Participant to a regulator will be entirely at the CAC's discretion.

#### *Termination*

In addition to making a report to a relevant national regulator or giving a private warning, written notification of breach or public warning to the Affected Participant, the CAC may terminate the participation of an Affected Participant in a Scheme in the following circumstances:

- where the breach committed by the Affected Participant is sufficiently serious to undermine the operation and integrity of a Scheme;
- where the Affected Participant has committed a repeated breach of a Rulebook, notwithstanding any earlier sanctions given to the Affected Participant by the CAC;

- where the conduct of the Affected Participant displays bad faith or gross negligence towards other Participants or towards the Scheme(s) of which it is part; or
- where the conduct of the Affected Participant displays dishonesty or is grossly unprofessional.

Before making a termination order, the CAC may consult with relevant groups to determine the impact of the sanction. Such groups may include other Scheme Participants, the EPC Board, clearing and settlement mechanisms or banking communities. The CAC shall consult with relevant regulators before applying the termination sanction.

If the CAC decides to terminate the participation of an Affected Participant, it shall make a termination order setting out the terms and conditions on which the termination is to be effected. Such an order shall set out the steps to be taken by the Affected Participant to ensure the continued orderly and efficient operation of the Schemes.

In the event of termination, the Affected Participant shall be barred from exercising rights under the Rulebooks in accordance with the terms and conditions set out in the termination order. The Affected Participant shall fulfil all obligations arising under the Rulebooks in accordance with the termination order.

If the participation of an Affected Participant is terminated, the Affected Participant may re-apply to join the relevant Scheme after 6 months, starting from the date of the termination of its participation. However, an Affected Participant may re-apply earlier if it can demonstrate to the CAC that it has remedied the breach and/or that there is no reasonable likelihood of the Scheme Participant committing the breach in future.

The CAC shall publish details of a termination of participation on the website of the EPC together with the relevant order and details of the conduct giving rise to the complaint.

#### **3.4.6 Emergency Injunction Procedure**

Where a termination order is issued to an Affected Participant, such Affected Participant may within 21 Calendar Days of receiving notification of the order, apply for an injunction against such order to a competent court in Belgium, during which time the sanction shall be suspended pending the court's determination of the matter. Where the court decides not to grant the injunction requested by the Affected Participant, the CAC may enforce the conditions of the termination order. The courts of Belgium shall have exclusive jurisdiction in respect of proceedings brought in accordance with this section.

#### **3.4.7 Appeals Arising from Complaints**

Within 30 Calendar Days of receiving the notification of a sanction, the Affected Participant may appeal to an Appeals Panel in accordance with section 2.5.

#### **3.4.8 Timing of Sanctions**

Except in exceptional circumstances described in more detail below, a determination by the CAC of a sanction to be made against an Affected Participant shall not take effect until the conclusion of appeals proceedings before the Appeals Committee that may be commenced in accordance with these Internal Rules, or until such time as the time period for referring a matter to an appeal to the Appeals Committee has expired in accordance with these Internal Rules.

Of all sanctions available to the CAC, the imposition of the following sanctions only shall be suspended awaiting the determination of the appeal: (i) public warning, (ii) report to national regulator or equivalent national authority, including NASO, and/or (iii) termination.

The following applies only if the CAC considers that the conduct or circumstances of the Affected Participant will undermine the operation of any of the Schemes or would cause a serious risk of undermining the operation of any of the Schemes. The CAC may impose a sanction of which it has notified the Affected Participant with immediate effect, or at any other time specified by the CAC. In particular, the CAC may impose a sanction in such circumstances even though:

- the Representation Right has not expired; or any appeal under section 3.5 has not yet been determined.

However, both the Representation Right and the right to appeal against any sanction will remain available to any Affected Participant notwithstanding the expedited imposition of any sanction.

The decision whether or not to expedite the imposition of sanctions under this section 3.4.8 shall be entirely at the discretion of the CAC, however, issues which would tend to indicate the need for such action would be insolvency, loss of regulatory licence(s), or criminal conviction of the Affected Participant.

In cases where a sanction takes effect with immediate effect or at any other time specified by the CAC, the sanction shall remain in force for as long as determined by the CAC or until it is revoked by a determination of the case at appeal. No Affected Participant will have any right of recourse against the CAC for any loss suffered due to the imposition of a sanction if a sanction is subsequently revoked on appeal or under any other circumstances.

#### **3.4.9 Eligibility, Merger and Acquisition of a Participant**

In addition to the circumstances set out in section 3.3.1, the CAC may investigate, initiate or respond to a complaint in the following circumstances:

- a Participant has failed to satisfy one or more of the Scheme eligibility criteria; and
- a Participant has failed to notify the EPC of its intention to terminate its participation under section 5.11 of the relevant Rulebook,

The CAC may treat evidence of the existence of these circumstances coming to its attention as if it were a formal complaint, and deal with the matter in accordance with section 3.3.1 of these Internal Rules. Any references to a 'breach' of the Rulebooks in section 3.3.1 shall include a breach of the Adherence Agreement (including the representations and warranties set out in the Adherence Agreement) entered into by the Participant and may be treated by the CAC as being references to the circumstances set out in this section 3.4.9.

#### **3.4.10 Costs**

An upfront, non-refundable administrative fee outlined in Appendix 3 of the SMIRs on the Scheme Management cost recovery mechanism will be payable by the complainant to the EPC, upon lodging the complaint, to cover basic administrative costs. This fee will be recoverable from the losing party, as appropriate. Appendix 3 of the SMIRs listing this fee will be reviewed regularly and adjusted in line with any actual costs incurred in the first year plus a reasonable increase uplift for anticipated increases in costs in the year in question and will be adjusted accordingly in subsequent years.

The EPC will ensure that any fee set under this section is quantified so as to be consistent with the costs incurred and paid by the EPC and the EPC's status as a non-profit organisation under Belgian law. In addition, any relevant non-administrative costs incurred during the course of the proceedings will be recovered from the losing party.

Where the complaint is withdrawn by the complainant before a formal CAC decision on the complaint has been made, the CAC's costs incurred to handle the complaint proceedings up to that point in time will be recovered from the complainant.

Where the CAC initiates a complaint, it may require the Affected Participant to contribute to any costs incurred by the CAC in relation to the complaint, if the Affected Participant were found to be in breach of the Rulebook(s).

## **3.5 Appeals**

### **3.5.1 Introduction to the Appeals Process**

In this section and unless the context otherwise indicates, a reference to the Appeals Committee shall be read as a reference to those persons comprising the Appeals Committee who have been nominated to carry out the Appeals Function of Scheme Management in accordance with section 3.2.2.1 of these Internal Rules.

Where the decision under appeal is a decision in which the CAC had initiated a complaint under section 3.4.1 of these Internal Rules, the CAC is not to be regarded as a "party" to the appeal.

The role of the Appeals Committee shall be to determine whether, on the basis of the material put before it by the appellant, a decision reached in complaints and adherence matters was correct and justified. The Appeals Committee may request advice from a third party professional, including a legal professional in the course of its deliberations.

Deliberations before the Appeals Committee shall be conducted in private and shall be confidential unless otherwise agreed between the parties.

In considering any representations made to it, the Appeals Committee is not bound to follow rules of evidence, as followed in a court or tribunal. The Appeals Committee will not normally consider oral evidence.

The Appeals Committee shall act in accordance with the principles set out in section 3.5.2 to ensure that a matter is handled fairly and impartially. It may stipulate such conditions as it considers appropriate in order to ensure that this obligation is fulfilled.

In the course of determining an appeal, the Appeals Panel must not discuss details of the case with members of other EPC bodies, without first ensuring that such discussions are carried out with the agreement of the parties to the appeal.

The Appeals Committee may engage skilled professionals or the Secretariat to carry out administrative duties arising out of the conduct of appeals before the Appeals Committee at the cost of the EPC and within the budget of the EPC. The Appeals Committee shall ensure that any person engaged in this manner shall be subject to a duty of confidentiality in respect of information acquired in the course of its engagement with the Appeals Committee.

### **3.5.2 Key Principles**

In carrying out the Appeals Function, the Appeals Committee shall perform its functions in accordance with the following principles:

- the Appeals Committee shall act in a manner that is impartial and objective at all times;
- the Appeals Committee shall act in a manner that is fair to all parties, taking into account the circumstances of each matter before it;
- the Appeals Committee shall act in a timely manner to determine matters arising before it;
- the Appeals Committee shall allow all parties to make representations and present written material to the Appeals Committee;
- the Appeals Committee shall ensure that, as far as possible, matters referred to it are dealt with in a way which is transparent, open and intelligible to the parties; and
- the Appeals Committee shall ensure that it acts in a manner that is proportionate to the seriousness of the matter before it.

- each member shall be subject to a duty of confidence in respect of appeals cases pending before the Appeals Committee.

### **3.5.3 Submission of Appeals Notice**

A person with the right to an appeal under these Internal Rules must file an appeals notice with the Secretariat. An appeals notice shall set out details of the case under appeal, reasons supporting the appeal, together with a copy of the determination that is the subject of the appeal.

Within 21 Calendar Days of receiving the appeals notice, the Secretariat shall provide a copy of the appeals notice to the CAC. The CAC members shall have 21 Calendar Days to file written representations in respect of the appeal. They may appoint one or more representatives from their number to take the appeal forward on their behalf.

The Appeals Committee shall then consider the appeals notice and any representations filed and, within 21 Calendar Days of receiving representations from each party, shall notify all parties of the date of the appeal meeting.

At any time before the date of the meeting, the Appeals Committee may, but is not obliged to make such directions to the parties as may be useful for the swift and fair determination of the appeal. Such directions may include the following:

- directions to exchange documents relevant for the appeal; and
- directions to exchange names and written statements of any witnesses, including expert witnesses (if any).

The Appeals Committee shall ensure that all documents and evidence received from the CAC by the Appeals Committee or by one or other of the parties is provided to all the parties to the appeal in a timely manner in advance of the appeal meeting.

### **3.5.4 Meeting**

The Appeals Committee shall aim to determine the appeal between the parties in a manner that is fair, open and amicable at a meeting involving all relevant parties.

Unless otherwise agreed, this meeting shall be private. Parties may bring legal representatives to a meeting.

In the event that a party does not attend the meeting, or if both parties do not attend, the Appeals Committee may arrive at such determination as it considers appropriate, or may postpone the date of the meeting.

The Appeals Committee shall consider all the material put before it and allow the parties to make oral representations during the meeting.

The Appeals Committee shall then deliver a decision on the appeal.

The Appeals Committee may make either of the following determinations:

- confirm, vary, or reverse the decision of the CAC at first instance;
- impose any sanction that may have been imposed, but was not imposed by the CAC at first instance.

The Appeals Committee may publish the details of the appeals decision on the website of the EPC. Any decisions of the CAC at first instance that are published on the website of the EPC, if varied or reversed at appeal, shall be amended accordingly on the EPC Website.

A party to an appeal may withdraw from the appeal at any time by giving notice to the Appeals Committee. The appeal shall be closed with immediate effect and the Appeals Committee may make such determination in respect of the subject matter of the appeal and in respects of the allocation of costs for the appeal as may be appropriate.

### 3.5.5 Costs

An upfront, non-refundable administrative fee outlined in Appendix 3 of the SMIRs on the Scheme Management cost recovery mechanism will be payable to the EPC upon lodging the appeal, by the party filing the appeal in question, to cover basic administrative costs. This fee will be recoverable from the losing party, as appropriate. Appendix 3 of the SMIRs listing this fee will be reviewed and adjusted in line with any actual costs incurred in the first year plus a reasonable amount for anticipated increases in costs in the year in question and will be adjusted accordingly in subsequent years.

The EPC will ensure that any fee set under this section is quantified so as to be consistent with the costs incurred by the EPC and the EPC's status as a non-profit organisation under Belgian law. In addition, any relevant non-administrative costs incurred by the EPC during the course of the proceedings will be recovered from the losing party.

Where the appeal is withdrawn by the appeal filing party before a formal Appeals Committee decision on the appeal has been formulated, the EPC's costs incurred to handle the appeal proceedings up to that point in time will be recovered from the appeal filing party.

Where there is a sole party to the appeal, the Appeals Committee shall have the power to require that party to bear the EPC's costs in respect of the appeal, if that party were found to be in breach of the Rulebook(s).

### 3.5.6 Further Steps

Following the determination of the Appeals Committee, if a party to the appeal does not consider the issue to have been correctly resolved, it shall be open to that party to attempt to resolve the matter through such means as it considers appropriate, including litigation in a competent court in Brussels. As the EPC shall always be a defendant in such proceedings, the courts of Brussels shall have exclusive jurisdiction in respect of proceedings brought in accordance with this section. Such a party may challenge the decision before the courts of Brussels, but only on the grounds of a serious breach by the EPC of these Internal Rules or of a breach of mandatory rules of law, or on the grounds that the decision, when subject to a *prima facie* review (*examen marginal / marginale toetsing*) by the court, appears manifestly incorrect.

## 4 MAINTENANCE AND EVOLUTION

### 4.1 Change Management Processes

#### 4.1.1 Change Management - Guiding Principles

It is a key objective of the EPC that the Schemes are able to evolve with an evolving payment services market. To meet the demands of Participants, end-users and banking communities, the Schemes shall be subject to a change management process that is structured, transparent and open, governed by the rules of the management and evolution function of SEPA Scheme Management.

The key principles underpinning change management are the following:

- Innovation - the Schemes shall be open to innovative proposals to improve delivery of the Schemes with a view to ensuring that the Schemes are competitive, efficient and able to benefit from the latest developments in payments technology.
- Transparency - the change management process shall be transparent and open so that changes implemented into the Schemes are carefully considered and scrutinised. Establishing open channels for Scheme Participants, users and suppliers to propose changes is a key aim of change management.
- Cost-benefit analysis - proposals for change shall be supported by careful analysis weighing up its costs and benefits to ensure that changes implemented into the Schemes are viable for all concerned.
- Development of SEPA - the Schemes are seen as an important platform for Scheme Participants to develop SEPA-enabled products and services that allow both end-users and Participants to take advantage of the development of and investment in SEPA.

#### 4.1.2 Change Management - Terminology

The change management process shall involve ideas for changes being formulated as follows:

**Submission of Suggestion** - A Suggestion denotes any idea for making a change to the Schemes. A Suggestion may be devised by any person and then submitted to the SEMWG in accordance with the procedures set out in these Internal Rules. An Initiator refers to a person that submits a Suggestion in accordance with these Internal Rules;

**Preparation of Change Request** - A Change Request is formulated by the SEMWG. A Change Request is prepared if a Suggestion is accepted into the change management process, as set out in these Internal Rules. A Change Request involves detailed analysis into the change set out in the Suggestion and can include cost-benefit analysis and market research. Where the change proposes to modify the Rulebooks and any related documentation, a Change Request shall include a mark-up of the Rulebooks and any related documentation to show the amendments required to be made to the Rulebooks and related documentation as a result of implementing the change; and

**Preparation of Change Proposal** - A Change Proposal is prepared after consultation on the Change Request, as set out in detail in these Internal Rules. A Change Proposal sets out a detailed framework for making a change to the Schemes, taking into consideration comments made during consultation. Where the change proposes to modify the Rulebooks and any related documentation, the Change Proposal shall include a mark-up of the Rulebooks and any related documentation to show the amendments required to be made to the Rulebooks and any related documentation as a result of the change proposed. The Change Proposal is accompanied by a Change Proposal Submission Document. The Change Proposal Submission Document certifies that each stage of the change management process has been completed.



#### 4.1.3 Role of SMB and Scheme Evolution and Maintenance Working Group

The management and evolution function of SEPA Scheme Management shall be performed by the SMB supported by the Scheme Evolution and Maintenance Working Group ("SEMWG").

The SMB shall formulate proposals to stakeholders and end-users on the evolution of the SEPA Schemes and implement changes, taking into account the overall strategy and policy goals of SEPA and the EPC, identifying key needs and finding appropriate solutions.

The SMB shall be supported by the SEMWG. The SEMWG is the co-ordination and administration body for change management whose role involves liaising with Initiators, reviewing Suggestions, formulating Change Requests and guiding these through the change management process. The SEMWG shall operate in accordance with its terms of reference. The Chair of the SEMWG, who may or may not be a member of the SMB, shall be invited to attend all SMB meetings.

#### 4.1.4 Sending a Suggestion to the Secretariat

A Suggestion is an idea for making any change to the Schemes. A Suggestion may be devised by any person and is to be submitted to the Secretariat in accordance with the rules set out in this section. Suggestions can then be sent to the SEMWG for consideration.

The SEMWG, supported by the Secretariat, shall look to receive Suggestions from the following sources:

- Scheme Participants (or representatives)
- end-users (or representatives )
- suppliers (or representatives)

The Secretariat may also accept Suggestions made by bodies within the EPC, such as the CAC, that have insight into the operation of the Schemes and ideas about enhancing the delivery of SEPA services to Participants and users. Such Suggestions may also be sent directly to the SEMWG.

##### *Scheme Participants*

Scheme Participants must submit a Suggestion to their relevant banking community. The Suggestion should be submitted in a format that can be understood by the banking community.

Upon receiving a Suggestion, the banking community shall carry out a preliminary evaluation of the Suggestion to determine whether the Suggestion is appropriate for the change management process. The banking community may conduct an initial consultation of its members on the Suggestion at this stage. In the course of carrying out its evaluation, the banking community may consult with the SEMWG at any time on any aspect of the evaluation process.

If the banking community determines that the Suggestion is likely to be appropriate for the change management process, it shall submit this Suggestion to the Secretariat for the attention of the SEMWG. The SEMWG shall then analyse the Suggestion further in accordance with these Internal Rules. The banking community shall notify the relevant Participant of the outcome of its evaluation as soon as it is reasonably possible to do so.

A banking community that wishes to submit its own Suggestion may do so directly to the Secretariat at any time and the Secretariat shall send this Suggestion to the SEMWG.

##### *End-users and suppliers*

End-users and suppliers may send Suggestions to the EPC, or to a relevant stakeholder forum at a national or SEPA level, including the Scheme End-User Forum.

If a Suggestion is sent to the EPC, the EPC shall send the Suggestion to the Scheme End-User Forum in a timely manner after receiving the Suggestion.

Where a stakeholder forum receives a Suggestion either from such an Initiator or from the EPC, it shall discuss this Suggestion with a view to determining whether the Suggestion is appropriate for the change management process and whether there is substantial consensus in support of the Suggestion within the relevant stakeholder forum. In the course of this process, a stakeholder forum may send the Suggestion to a relevant banking community for discussion and for possible consultation nationally or at the European level. In the course of conducting its discussions, the stakeholder forum may consult with the SEMWG at any time.

If the forum determines that the Suggestion is suitable for the change management process and if there is substantial consensus in support of the Suggestion, it shall submit the Suggestion to the Secretariat. The SEMWG shall then analyse the Suggestion further in accordance with these Internal Rules. The stakeholder forum shall notify the Initiator of the outcome of its discussions as soon as it is reasonably possible to do so.

A stakeholder forum that wishes to submit its own Suggestion may do so at any time directly to the Secretariat, provided always that such a Suggestion is supported by substantial consensus within the forum.

#### **4.1.5 Acknowledgement of Receipt of Suggestion**

The Secretariat shall acknowledge receipt of the Suggestion to the Initiator within 21 Calendar Days of receiving the Suggestion.

An acknowledgement of receipt does not imply that a Suggestion has been accepted but only that the Suggestion has been received for consideration by the SEMWG.

#### **4.1.6 Consideration of a Suggestion**

The SEMWG shall be responsible for deciding (a) whether the change should be accepted into the change management process or rejected and (b) whether the change proposed by the Suggestion is a Minor Change or a Major Change.

In respect of (a), the SEMWG will only accept Suggestions into the change management process that propose ideas that fall within the scope of the Schemes. As part of this analysis, the SEMWG shall consider the change proposed by a Suggestion in accordance with the following broad criteria:

- the change presents a case for wide SEPA market-acceptance;
- the change is underpinned by cost-benefit analysis;
- the change is aligned with the strategic objectives of the EPC;
- the change is feasible to implement; and
- the change must not impede SEPA-wide interoperability of the Schemes.

Suggestions that are not within the scope of the Schemes, or ones that fail to meet these criteria will generally not be accepted into the change management process.

In respect of (b), the SEMWG shall decide whether a Suggestion proposes a change can be defined as a Minor Change or a Major Change.

A Minor Change is a change of an uncontroversial and usually technical nature that facilitates the comprehension and use of the Rulebooks. Clarifications of existing rules shall not be deemed to affect the substance of the Rulebooks or the Schemes and will therefore be a Minor Change. Examples of such changes include corrections of spelling mistakes, grammatical corrections, or minor adjustments to technical standards in the Rulebooks to take account of upgrades. If a change is classified as a Minor Change, it can be approved through a simplified procedure, as set out below in these Internal Rules.

A Major Change by contrast is a change that affects or proposes to alter the substance of the Rulebooks and the Schemes. Examples of such changes include the addition or development of new technical standards, proposals for new services to be offered in the Schemes, or changes affecting policy. Any change to chapters 5 and 6 of the Rulebooks shall always be a Major Change. Changes that are classified as Major Changes are approved through detailed consultation with relevant SEPA groups, as set out in these Internal Rules.

#### **4.1.7 Acknowledgement of Acceptance or Rejection of Suggestion to Initiator**

After considering the Suggestion, the SEMWG shall decide whether or not to formulate a Change Request on the basis of the Suggestion made and whether the Suggestion should be accepted into the change management process.

After arriving at its determination, the SEMWG shall notify the Initiator of its decision in a timely manner. The SEMWG may notify an Initiator either directly or indirectly using the EPC Website.

All Suggestions, irrespective of whether they have been accepted into the change management process shall be published on the EPC Website, with a view to permitting such a list to be openly viewed by all groups.

## **4.2 Process for Submitting Major Rulebook Changes**

### **4.2.1 Preparation and Development of Change Request by SEMWG**

Once a Suggestion has been accepted and the change proposed by the Suggestion classified as a Major Change by the SEMWG, the SEMWG is responsible for carrying out detailed work to prepare and develop a Change Request on the basis of the Suggestion made.

The SEMWG shall conduct research and carry out a cost-benefit analysis on the Suggestion, in accordance with Appendix 2 of these Internal Rules. This work will involve developing a business case for making a Change Request and eventually a Change Proposal. The analysis of the SEMWG should also show how the Suggestion meets the criteria set out in section 4.1.6 of these Internal Rules.

The SEMWG will determine whether any Suggestion which includes a request for expedited implementation in accordance with section 4.2.8 of these Internal Rules on grounds that the proposed change constitutes a non-operational change does indeed qualify as such. If the SEMWG is satisfied that a Suggestion would have no operational impact on Participants and that it is suitable for the fast track process, the SEMWG will make a recommendation to the SMB that the Suggestion is implemented as a non-operational change in accordance with section 4.2.8.

Where the change proposes to modify the Rulebooks and any related documentation, a Change Request shall also show the likely amendments to be made to the Rulebooks and related documentation as a result of implementing the change proposed in the Suggestion.

The SEMWG shall make all reasonable efforts to develop the Change Request in a timely manner.

Suggestions for change pertaining to the Internal Rules shall be submitted to the Scheme Management Board for a first assessment unless the suggestion was initiated by the SMB itself. Any decision to integrate or not to integrate a suggestion for change to the Internal Rules into the change request to be submitted for public consultation must be endorsed by both the SMB and the EPC Board.

### **4.2.2 Dialogue with the Initiator**

In the course of developing the Change Request, the SEMWG shall consult with the Initiator, so that, as far as reasonably feasible, the Change Request is in line with the Suggestion submitted by the Initiator. To that end the Initiator will be invited to present its Suggestion(s) to the SEMWG.

### **4.2.3 Consultation on Change Request**

Once the SEMWG has developed a Change Request, the SEMWG shall begin the process of consulting Participants, end users and service suppliers on the Change Request.

### *Scheme Participants*

The SEMWG shall consult Scheme Participants, through all banking communities, on the Change Request. Banking communities will be asked to consult all of their members who are part of the Schemes with a view to ensuring that the views of the payment services constituency are considered in the consultation process.

Banking communities shall ask their Scheme Participants to approve the Change Request, or alternatively, indicate their disapproval. A banking community shall notify the SEMWG of the outcome of such a consultation with its members. A Change Request shall be deemed to be approved by SEPA Participants if the Change Request is supported by those Scheme Participants who carry out at least 2/3rds of the volume of SEPA payment transactions in SEPA as a whole. For this purpose, a SEPA payment transaction is defined as a transaction under one or both Schemes, or under such other scheme as the EPC may devise from time to time. The SMB and the SEMWG shall not be obliged to verify the correctness of any notification made by the banking community or any evaluative methods used by the banking community in the consultation process. In addition to either approving or rejecting the Change Request, Scheme Participants, through their banking community may provide comments on the Change Request to the SEMWG.

The SEMWG shall aim to conclude consultations within 90 Calendar Days of first calling for consultation. However, in cases where the Change Request requires further consideration or clarification, the SEMWG shall be free to extend any deadline for completing the consultation to ensure that Scheme Participants have an opportunity to provide their contributions.

### *End-user and suppliers*

End-users and suppliers will be invited to contribute to the consultation including through the Scheme End-User Forum and the Scheme Technical Forum.

#### **4.2.4 Feedback from National Consultation**

The SEMWG shall collect and analyse the comments received from both Participants and end-users and suppliers. The SEMWG shall prepare a feedback report on the consultation and make this report available on the EPC Website to all groups. The SEMWG shall additionally give feedback on the consultation to the Initiator.

A Change Request that is not approved by Scheme Participants during the consultation process shall generally not be taken forward by the SEMWG. However, notwithstanding this general position, the SEMWG may, after due and proper consideration, raise issues arising from the national consultation for discussion at the SMB and, where necessary, the EPC Board in accordance with the EPC Charter.

#### **4.2.5 Preparation of Change Proposal and the Change Proposal Submission Document**

If the SEMWG decides to proceed with the change following consultation, the SEMWG shall prepare a Change Proposal, taking into account comments received during the national consultation. The Change Proposal shall set out details of the change proposed and the likely costs and benefits involved in implementing the change. The Change Proposal shall detail non-confidential comments received from the different banking communities of Scheme Participants and from end-users and suppliers in the stakeholder forums. Where the change proposes to modify the Rulebooks and any related documentation, the Change Proposal shall include a mark-up of the Rulebooks and related documentation to show the amendments to be made to the Rulebooks and related documentation as a result of implementing the change.

A Change Proposal may bring together more than one change, as developed from one or more Suggestions.

The SEMWG shall complete a Change Proposal Submission Document for submission to the SMB alongside the Change Proposal. The Change Proposal Submission Document shall certify that each stage of the change management process, from initiation to consultation, has been properly completed in respect of the change proposed.

#### **4.2.6 Submission of Change Proposal to the SMB**

The Change Proposal and the Change Proposal Submission Document shall be submitted to the SMB for determination. The SMB shall determine whether or not to accept the Change Proposal.

If the SMB considers that the Change Proposal could be of strategic relevance to the EPC, for example when the Change Proposal relates to the geographic scope of the SEPA Schemes or to the Change release process and cycle itself, the Change Proposal shall be submitted for endorsement to the EPC Board, without which it could not be accepted by the SMB.

#### **4.2.7 Publication**

A Change Proposal that has been considered at the SMB shall be published on the EPC Website together with the Change Proposal Submission Document and the decision of the SMB. The SEMWG shall use reasonable efforts to publish all Change Proposals, irrespective of whether the change has been accepted or rejected at the SMB, as soon as reasonably practicable after the relevant meeting of the SMB.

#### **4.2.8 Change Release Process and Cycle**

In order to ensure that the Schemes are not disrupted by the rapid implementation of numerous Change Proposals in a short space of time, it shall not be possible for the SMB to approve more than 1 Change Proposal in any year, except in exceptional circumstances. The SMB may only approve a further Change Proposal(s) in exceptional circumstances, for example, where the failure to implement a Change Proposal may result in disruption to the Schemes or to users of the Schemes. In implementing the changes set out in a Change Proposal, the SMB shall take into account current, mandated changes in the payments industry.

Subject to the following paragraph and section 4.2.9, except in exceptional circumstances, the EPC may only implement a Change Proposal, as approved by the SMB, at the earliest 6 months after the date on which the Change Proposal is published on the EPC Website in accordance with section 4.2.7. In respect of complex changes, the EPC may specify a longer period of notice before implementing a Change Proposal. The EPC may implement a Change Proposal on shorter notice where the change proposed is necessary to ensure the efficient operation of the Schemes or if the change proposed pertains to sections 2 or 3 of these Internal Rules. Changes proposed to section 2 or section 3 of these Internal Rules shall take effect on a date to be determined by the SMB but not earlier than 30 days after SMB approval.

A change which has been designated by the SEMWG as a non-operational change suitable for fast track implementation under section 4.2.1 of these Internal Rules may be implemented at a date earlier than 6 months after the date on which the Change Proposal is published on the EPC Website. Such date will be determined by the SMB on a case by case basis following consideration of a recommendation from the SEMWG.

#### **4.2.9 Change for Regulatory Reasons<sup>1</sup>**

The creation of or amendments to relevant rules and regulations (including the technical requirements set out in the Annex to the SEPA Regulation as amended by the European Commission from time to time) might necessitate the urgent alignment of the Schemes with such rules and regulations.

In such case the SEMWG, in close collaboration with the LSG, will prepare a Regulatory Change Proposal. This will be done as soon as reasonably possible, in light of the date on which the new or amended rules and regulations will enter into force. The SEMWG shall complete a Regulatory Change Proposal Submission Document for submission to the SMB alongside the Regulatory Change Proposal. The Regulatory Change Proposal Submission Document shall specify that the change proposed relates to a mandatory rule of law, and the reasons why the regular change management process could not be followed.

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<sup>1</sup> This section will enter into force on 17 November 2013

The Regulatory Change Proposal and the Regulatory Change Proposal Submission Document shall be submitted to the SMB for determination. The SMB shall determine whether or not to accept the Regulatory Change Proposal.

A Regulatory Change Proposal that has been considered at the SMB shall be published on the EPC Website together with the Regulatory Change Proposal Submission Document and the decision of the SMB, as soon as reasonably practicable after the relevant meeting of the SMB.

The EPC may implement a Regulatory Change Proposal, as approved by the SMB, at the earliest from the business day following the date on which the Regulatory Change Proposal is published on the EPC Website in accordance with this section 4.2.9. Such date will be determined by the SMB on a case by case basis following consideration of a recommendation from the SEMWG and the LSG.

### **4.3 Process for Submitting Minor Rulebook Changes**

#### **4.3.1 Preparation of List of Minor Changes**

The SEMWG shall prepare a List of Minor Changes not more than twice each year. This List shall take into account Suggestions received by the SEMWG as well as any Minor Changes that the SEMWG considers are required for the Rulebooks.

#### **4.3.2 Publication of List of Minor Changes**

The SEMWG shall publish the List of Minor Changes on the EPC Website and ensure that the List may be viewed by all groups.

Any person may submit comments on the List of Minor Changes through the EPC Website to the SEMWG. The SEMWG shall permit comments to be sent to it for a period of 90 Calendar Days starting from the date of the publication of the List of Minor Changes on the EPC Website. However, the SEMWG shall be free to extend this period, if appropriate.

#### **4.3.3 Re-classification of a Minor Change**

In the event that the SEMWG receives extensive comments on the List of Minor Comments, where some items on the List are identified by contributors as potentially Major Changes, the SEMWG may remove the item from the List and consider re-classifying this item.

The SEMWG may consult with relevant contributors and relevant groups on the status of the item with a view to determining whether a change is a Minor or a Major Change. Following such a consideration, the change may be re-classified as a Major Change and fall to be approved through the approval process for Major Changes, as set out in these Internal Rules.

#### **4.3.4 Submission of List of Minor Changes to the SMB**

The List of Minor Changes shall be submitted to the SMB for determination. The SMB shall determine whether or not to accept the changes proposed in the List of Minor Changes by resolution.

#### **4.3.5 Publication**

A List of Minor Changes that has been considered at the SMB shall be published on the EPC Website together with the decision of the SMB on the items listed. The EPC shall use reasonable efforts to publish the List of Minor Changes, irrespective of whether the changes proposed have been approved or rejected at the SMB, as soon as it is reasonably practicable to do so after the relevant meeting of the SMB.

#### **4.3.6 Change Release Process and Cycle**

In order to ensure that the Schemes are not disrupted by the rapid implementation of numerous changes in a short space of time, it shall not be possible for the SMB to approve more than 2 Lists of Minor Changes in any year, except in exceptional circumstances. The SMB may only approve a further List exceeding this limit in exceptional circumstances, for example, where the failure to implement a change may result in severe disruption to the Schemes or to users of the Schemes.

Except in exceptional circumstances, the EPC may only implement the changes set out in the List of Minor Changes 6 months after the date on which the List is published on the EPC Website in accordance with section 4.3.5. The EPC may implement one or more of the changes set out in the List on shorter notice where the change(s) proposed is necessary to ensure the efficient operation of one or both of the Schemes.

A change or changes to the Internal Rules shall not be counted as a List of Minor Changes.

#### **4.4 Stakeholder Forums**

The SEMWG shall consider the advice from stakeholder forums on a Change Request during the change management process. It is envisaged that end-users and suppliers shall have an opportunity to present their views through stakeholder forums. The change management process shall aim to capture a range of stakeholder opinions in SEPA.

##### *Stakeholder Forums – Scheme End-User Forum*

The SMB will establish a Scheme End-User Forum in order to cater for a thorough consultation of End-User representative associations for advice to the SMB on the evolution of the Schemes.

It is envisaged that the Scheme End-User Forum shall represent a wide cross-section of interest groups at the European level, including consumers, large users and small and medium sized enterprises. This stakeholder forum shall operate in accordance with terms of reference concluded with the SMB.

The SMB shall request properly established, representative European End-User associations or major pan-European End-Users with presence in multiple countries to nominate a representative(s) to the Scheme End-User Forum (one member per eligible stakeholder association or End-User at the European level). The representative(s) nominated by such groups, together with up to five SEMWG members (including its Chair), shall form the Scheme End-User Forum. It is open for organisations nominating a representative to withdraw a member from this forum at any stage and replace this member with another representative. However, to encourage continuity in the work of the forum, the forum should aim, as far as reasonably possible to have a stable and committed membership. Stakeholder groups at the European level that wish to have a role in nominating a representative but who have not been invited to submit a nomination, may request the SMB for permission to submit a nominee. The SMB shall have complete discretion in deciding whether a stakeholder group at the European level is sufficiently established to qualify as a nominating stakeholder group.

The Scheme End-User Forum will meet at least twice per year to reflect on the maintenance and evolution of the Schemes.

The SEMWG shall invite the Scheme End-User Forum to provide comments on a Change Request. The Scheme End-User Forum shall prepare a report to be shared with the SEMWG in an appropriate format, setting out the views of stakeholders regarding the Change Request. This report will be communicated to the SMB for its final decision on Change Requests.

The EPC shall publish Scheme End-User Forum consultation reports on the EPC Website during the consultation and feedback process.

##### *Stakeholder forums – Scheme Technical Forum*

In addition to consulting Scheme Participants and Scheme End-Users, the SMB shall facilitate the establishment of a stakeholder forum for various types of technology and service providers including Clearing and Settlement Mechanisms (CSMs) in SEPA.

A Scheme Technical Forum will be established for consultation and advice to the SMB, and for provision of relevant Scheme related information to technical players.

The SMB shall request properly established, representative European Technical Player associations or major Technical Players with presence in multiple countries to nominate a representative(s) to the Scheme Technical Forum (one member per eligible association or Player. The representative(s) nominated by such groups, together with up to five SEMWG members (including its Chair), shall form the Scheme Technical Forum. It is open for organisations nominating a representative to withdraw a member from this forum at any stage and replace this member with another representative. However, to encourage continuity in the work of the forum, the forum should aim, as far as reasonably possible to have a stable and committed membership. Stakeholder groups at the European level that wish to have a role in nominating a representative but who have not been invited to submit a nomination, may request the SMB for permission to submit a nominee. The SMB shall have complete discretion in deciding whether a stakeholder group at the European level is sufficiently established to qualify as a nominating stakeholder group.

The Scheme Technical Forum will meet at least once per year to be informed and provide advice on the management and evolution of the Schemes.

The Scheme Technical Forum has no decision making power but is a consultative body to the SMB.



## 5 APPENDIX 1 - COST-BENEFIT ANALYSIS

### 5.1.1 Cost Benefit Analysis ("CBA") - Introduction

CBA is a powerful evaluative tool, used widely in industry and in the public sector to evaluate the costs and benefits involved in making an investment. CBAs provide a monetary evaluation of the impact of a potential investment together with a practical assessment of its benefit for the investor, consumer, industry and society as a whole. CBAs therefore help all parties concerned in determining whether the costs of an investment are worth the benefits that are likely to be garnered from it.

While a CBA gives a good indication of the costs and benefits involved in monetary terms, it forms one component of a broader analysis into the decision of whether an investment is necessary or desired. While the importance of establishing the "business case" is self-evident, the CBA permits the business case to be given due weight while allowing parties to consider the change holistically, taking into account stakeholder opinions on factors that may more difficult to quantify.

CBAs are conducted on the basis of key ground rules:

- a CBA should take into account all important costs and benefits; and
- a CBA should take full account of the risks and uncertainties involved in a project (technical failures, market disruptions etc.)

### 5.1.2 CBA - Analytical Parameters

Not every Change Request may require a CBA to be performed, for example in cases where the benefit of the innovation is overwhelming and self-evident.

However, where the Change Request requires the CBA to be performed, SEMWG shall be responsible for carrying out, or requesting a third party to carry out, a CBA to evaluate the CBA business case for the proposed change. The SEMWG may also take into consideration CBA received from third parties.

A CBA shall be responsible for showing the following:

- the costs and benefits for industry, including Scheme Participants and suppliers of payments technology and infrastructure; and
- the costs and benefits for consumers and for SEPA as a whole, showing where the costs may be distributed across the different areas of the SEPA payments society.

#### *Costs and Benefits for Industry*

A CBA should clearly show all the monetary costs involved in a Change Request, so that capital as well as operational costs are reflected in this analysis.

The benefits for industry shall be determined mainly by the value added to the service already provided to customers for the new services, or by the value-added to the service already provided to customers. Accordingly, the CBA shall include information on the likely customer uptake of the Change Request by including results of any surveys, research or projections.

#### *Benefits for Customers and SEPA*

The CBA shall consider the wide benefit accruing to customers and to society as a whole as part of any analysis.

The wider social benefits of a change may be seen in the benefits it holds for technological innovation, faster service delivery or financial stabilisation.

### 5.1.3 CBA - Results

The Change Request shall take into account the results of the CBA for Participants, users and suppliers together with the level of net monetary return expected from the change.

In addition, the Change Request shall set out the costs for upgrading technology and infrastructure to deal with the change together with an analysis of the general risks that may impact on the implementation of the new changes.

If a CBA shows that the benefits do not justify the costs involved, it is expected that this will lead to the rejection of the Change Request by relevant groups and by the SMB.

In some cases, where the CBA shows that the change would be positive for consumers but costly for industry, this analysis is likely to inform the debate at the level of users, suppliers and the SMB. Such a debate may focus on the funding arrangements necessary for re-distributing the costs involved, given that Scheme Participants and SMB members are not obliged to fund measures that are not in their overall financial interest. In such cases, the SMB shall exercise its discretion in determining the feasibility of changes, taking into account the views expressed in the consultation process.

## **6 APPENDIX 2 - CONFLICTS OF INTEREST**

### **6.1 Rules for Managing Conflicts of Interest**

#### **6.1.1 General Principles**

A member of the SMB may be faced with a situation where the duties owed by him or her under these Internal Rules conflict in some way with another interest, duty or consideration of the member.

A member of the SMB must be extremely alert to such conflicts of interest, or potential conflicts of interest arising in the course of his or her engagement with the SMB.

In order to ensure that the Schemes are administered in accordance with the highest standards of fairness and transparency, a member of the SMB must monitor any conflicts of interest arising or potentially arising in the course of his or her office.

On appointment, a member of the SMB must supply the NGC with a written list of issues that create or that may create a conflict of interest for a member in the course of his or her office. Such a list must constantly be updated in the course of a member's appointment to the SMB.

Members of the SMB shall monitor conflicts of interest arising in respect of any of the other members of the SMB on a continuing basis. A member of the SMB shall be expected to declare any actual or potential conflicts of interests at the start of any meeting involving the SMB. A note of such a declaration must be retained in accordance with section 6.1.2 below.

Any member of the SMB may inform an appropriate person like the Chair that he or she feels that a member of the SMB or the SMB as a whole is subject to a conflict of interest, or that a conflict of interest might reasonably be expected to arise. In such cases, the Chair shall act in an appropriate manner to ensure that the conflict of interest is managed effectively and transparently. Where the Chair is subject to a conflict of interest, he or she may nominate another person within the SMB to manage the conflict on his or her behalf. Where all the members of a body are subject to a conflict of interest, the body must request the NGC to take appropriate action.

Where a conflict exists or where one might reasonably be expected to arise, the member must declare the conflict and the Chair, acting together with other members of the SMB shall decide whether a conflict does indeed exist and how such a conflict should be managed. Where a conflict of interest is deemed to exist or where one might reasonably be expected to arise, the Chair, acting together with the other members of the SMB, must determine whether the affected member should refrain from voting on the relevant issue before him or her.

#### **6.1.2 Record Keeping**

Members of the SMB shall keep a record of each case where a conflict of interest has arisen or where one has been likely to arise, together with the action taken by the relevant member or body to manage the conflict.

Members of the SMB should also record cases where a conflict of interest was suspected but where, after analysis, such a conflict was deemed not to have arisen.

Such records shall be open to inspection by the EPC and to such other persons as the SMB may consider appropriate.

## **7 APPENDIX 3 - SCHEME MANAGEMENT COST ALLOCATION**

### **7.1 Scheme participation fee**

The EPC may set an annual Scheme participation fee to recover the costs related to the Scheme Management function performed by the EPC and the Scheme Management governance bodies.

These fees may be levied at the individual Participant level, or at group level, for those Participants which are part of a 'group' as defined in the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (the EMIR Regulation) as amended from time to time, or for those Participants located in a country outside the European Economic Area and within the geographical scope of the Schemes, which are part of a group meeting substantially equivalent requirements as referred to in the definition of a 'group' in the EMIR Regulation.

The applicable fees will be fixed in a fair, reasonable and non-discriminatory way by the EPC Board upon a proposal submitted by the SMB based on the fee setting mechanism approved by the EPC Board upon recommendation by the SMB, and will be made public on the EPC Website.

By derogation of the above fee setting process, the first annual participation fee will be fixed by the EPC Plenary in December 2014 on the basis of a recommendation by the EPC's Coordination Committee and will be made public on the EPC Website.

### **7.2 Main cost types in a dispute resolution procedure**

Three types of costs are identified:

- Administrative costs, incurred by the EPC for administering and monitoring the relevant proceedings (including all disbursements in connection with a particular case, for example, postage, international courier services, telephone, faxes, copies, etc);
- Legal fees and expenses, incurred by the EPC including costs for travel, lodging and clerical assistance; and
- Litigation or dispute resolution costs incurred by the parties in question, including fees and expenses of any lawyers engaged, as well as amounts incurred on the presentation and preparation of the case.

### **7.3 Rationale for dispute resolution cost recovery mechanism**

The rationale for the dispute resolution cost recovery mechanism centres on a non-refundable administrative fee. This centres on the position that the individual participants benefiting from the Scheme Management conciliation, complaint and appeal activities should be responsible for the costs arising from them (in whole or in part). In addition, given the EPC's core activity is to develop and design payment schemes and frameworks to realise SEPA, it would be unfair for the EPC membership to subsidise the Scheme Management conciliation, complaint and appeal proceedings.

Moreover, there are some initial administrative and handling costs involved in the various stages of the conciliation, complaint and appeal activity. These should be recoverable from the Scheme Participants either requesting or affected by the conciliation, complaint and appeal proceedings.

It is therefore appropriate for the filing Scheme Participant to pay to the EPC a flat fee to cover these costs as an ‘upfront fee’ for such activities. Such a fee is recoverable from the other Scheme Participant involved in the action if the Scheme Participant initiating the procedure is successful at the end of the proceedings.

In addition, any relevant non-administrative EPC costs incurred during the course of the proceedings shall be recovered from the losing party.

#### **7.4 Level of the non-refundable administrative fee for dispute resolution**

As a non-profit organisation, the EPC ensures that there is no material ‘profit’ mark-up resulting in a material gain for the EPC when setting the non-refundable administrative fee.

The upfront fee payable to the EPC per single conciliation, complaint and appeal case by the concerned Scheme Participant initiating the proceeding is estimated to be as at [8 October 2014]:

- Conciliation: 2.000 EUR
- Complaint: 2.000 EUR
- Appeal: 3.000 EUR

The level of these fees will be regularly reviewed by the SMB and the EPC Board.

## 8 TERMS DEFINED IN THE INTERNAL RULES

Definitions taken from other documents are acknowledged. Terms defined elsewhere in this document are not repeated here, but only referenced.

<b>Term</b>	<b>Definition</b>
<b>Additional Optional Services</b>	Complementary features and services based on the Schemes, as described in more detail in the Rulebooks.
<b>Adherence Agreement</b>	The agreement to be completed as part of the process by which an entity applies to become a Participant. The agreement is found at Annex 1 of the Rulebooks.
<b>Admission Date</b>	A date specified for admission to one or both of the Schemes for a group of successful applicants.
<b>Affected Participant</b>	A Participant that is subject to proceedings before the SMC in accordance with section 2.4 of these Internal Rules.
<b>Business Identifier Code (BIC)</b>	An 8 or 11 character ISO code assigned by SWIFT and used to identify a financial institution in financial transactions (ISO 9362).
<b>BIC</b>	<i>See 'Business Identifier Code'.</i>
<b>Business Day</b>	A day on which banks in the relevant jurisdiction are generally open for business with customers.
<b>Calendar Day</b>	A Calendar Day means any day of the year
<b>CBA</b>	Cost benefit analysis
<b>Chair</b>	Chair refers to the Chair of the SMB
<b>Initiator</b>	Any person making a Suggestion
<b>Change Proposal</b>	A detailed proposal setting out a proposal for change after consultation with relevant groups such as users and suppliers and detailed consideration of the Change Request. A Change Proposal can set out comments received from such groups together with a detailed analysis of the change and the costs and benefits of implementing a change. Where the change proposed in the Change Proposal modifies the Rulebooks or related documentation, a Change Proposal shall include a mark-up of the Rulebooks and related documentation to show the amendments required to be made to the Rulebooks and related documentation as a result of the change proposed.
<b>Change Proposal Submission Document</b>	A pro-forma document prepared by the SDWG to certify that each stage of the change management process has been properly completed.

<b>Term</b>	<b>Definition</b>
<b>Change Request</b>	A Change Request is formulated by the SDWG on the basis of Suggestions accepted into the change management process. A Change Request takes into account CBA, and other details in relation to the change proposed. Where the change proposed in the Change Request modifies the Rulebooks or related documentation, a Change Request shall include a mark-up of the Rulebooks and related documentation to show the amendments required to be made to the Rulebooks and related documentation as a result of the change proposed.
<b>CSMs</b>	Clearing and Settlement Mechanisms
<b>Commencement Date</b>	The date on which the EPC resolves to commence operation of the Scheme in accordance with section 5.1 of the Rulebooks.
<b>Customer Banking Business Day</b>	A Customer Banking Business Day is a day on which banks in the relevant jurisdiction are generally open for business with customers.
<b>EBA</b>	European Banking Association
<b>ECSA</b>	European Credit Sector Association
<b>EPC</b>	The European Payments Council
<b>EPC Charter</b>	The Charter of the European Payments Council dated 18 June 2004, as amended from time to time.
<b>EU</b>	The European Union
<b>Independent Member</b>	An Independent Member is a member who can display the highest standard of professional integrity and objectivity in relation to Scheme Management. An Independent Member should be a professional of good repute, with appropriate skills, who has a reasonable knowledge of the payments services sector but who is not employed or is otherwise affiliated with a Scheme Participant or its banking communities, service providers or a payment services user group or user association.
<b>Internal Rules</b>	These are the internal rules for Scheme Management set out in this document, as amended from time to time.
<b>List of Minor Changes</b>	As defined in section 4.3.1 of these Internal Rules
<b>Major Change</b>	As defined in section 4.1.6 of these Internal Rules
<b>Minor Change</b>	As defined in section 4.1.6 of these Internal Rules
<b>NASO</b>	National Adherence Support Organisation, as explained in section 3.2.3.3 of these Internal Rules.
<b>NGC</b>	Nominating and Governance Committee
<b>Participant</b>	A Participant is an entity that has adhered to one or both of the Schemes in any capacity.

<b>Term</b>	<b>Definition</b>
<b>Payment Services Directive</b>	The EU Directive on payment services in the internal market, and any revision thereof.
<b>Scheme</b>	Each of the SEPA Direct Debit Scheme and the SEPA Credit Transfer Scheme
<b>Scheme Participants Assembly</b>	The Scheme Participants Assembly is composed of all EPC Scheme Participants (who can be represented), gathering via electronic means.
<b>SMB</b>	Scheme Management Board
<b>Secretariat</b>	The EPC Secretariat
<b>SEPA</b>	SEPA is the area where citizens, companies and other economic actors are able to make and receive payments in euro within Europe. SEPA comprises the countries listed in the official EPC list of SEPA countries as published by the EPC from time to time.
<b>SEPA Credit Transfer Scheme</b>	The SEPA Credit Transfer Scheme is the payments scheme for making credit transfers across SEPA, as set out in the SEPA Credit Transfer Scheme Rulebook.
<b>SEPA Credit Transfer Scheme Rulebook</b>	The Rulebook setting out rules and business standards for the SEPA Credit Transfer Scheme, as amended from time to time.
<b>SEPA Core Direct Debit Scheme Rulebook</b>	The Rulebook setting out rules and business standards for the SEPA Core Direct Debit Scheme, as amended from time to time.
<b>SEPA Business to Business Direct Debit Scheme Rulebook</b>	The Rulebook setting out rules and business standards for the SEPA Business to Business Direct Debit Scheme, as amended from time to time.
<b>SEPA Scheme</b>	A SEPA payment scheme is a common set of business rules, practices and standards for the provision and operation of a SEPA payment instrument agreed at an interbank level in a competitive environment.
<b>SEPA Scheme Management</b>	SEPA Scheme Management denotes the governance, development and compliance mechanisms in relation to a SEPA Scheme.
<b>SEMWG</b>	Scheme Evolution and Maintenance Working Group
<b>Suggestion</b>	A Suggestion is an idea for change to the Schemes, proposed to the SEMWG.
<b>Unresolved Issue</b>	Any dispute in relation to one or both of the Rulebooks.