



Exit Procedures for Scheme Participants in the SEPA Credit Transfer Scheme

Abstract	This document describes the procedures to be followed by the Scheme Management Committee and Scheme Participants in the event of a Scheme Participant's withdrawal or removal from the Scheme.
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0 DOCUMENT INFORMATION

0.1 References

This section lists documents referred to in the Rulebook. The convention used throughout is to provide the reference number only, in square brackets. Use of square brackets throughout is exclusively for this purpose.

	Document Number	Title	Issued by:
[1]	EPC125-05	SEPA Credit Transfer Scheme Rulebook	EPC

0.2 Change History

Issue number	Dated	Reason for revision
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0.3 Purpose of Document

This document describes the procedures to be followed by the Scheme Management Committee and Scheme Participants in the event of a Scheme Participant's withdrawal or removal from the Scheme.

1 INTRODUCTION

The SEPA Credit Transfer Scheme (the "Scheme") is a payments scheme for making credit transfer payments in euro, based on the harmonised rules and technical standards set out in the SEPA Credit Transfer Scheme Rulebook (the "Rulebook").

The Scheme is administered by the European Payments Council (the "EPC"). The EPC body that is charged with administering the Scheme is known as the Scheme Management Committee (the "SMC"). The SMC is responsible for approving applications to join the Scheme, for managing disputes arising within the Scheme and for handling breaches of the Rulebook. Further details on the role of the SMC can be found in the Scheme Management Internal Rules (the "Internal Rules"), which may be downloaded from the EPC website on www.europeanpaymentscouncil.eu.

The eligibility criteria for becoming a Participant in the Scheme are set out in section 5.4 of the Rulebook. The criteria reflect the key technical and legal requirements that must be fulfilled by all Scheme Participants to best ensure the proper function, operation and integrity of the Scheme. The SMC will only approve an applicant for participation in the Scheme if it can demonstrate that it satisfies the eligibility criteria set out in section 5.4 of the Rulebook.

The EPC recognises that it may not always be optimal for Participants to continue their participation within the Scheme. Participants are permitted to withdraw from the Scheme voluntarily in accordance with section 5.11 of the Rulebook. Alternatively, a Participant may no longer be able to continue as a Participant in the Scheme, for example, where it fails to meet the eligibility criteria for participation in the Scheme.

This paper describes procedures to assist both the Scheme Participant and the SMC in cases where the Participant either wishes to or is required to discontinue its participation in the Scheme. The procedures described in this paper aim to support the provisions of the Internal Rules and the Rulebook. This paper is not intended to form a binding supplement to the Rulebook or the Internal Rules but seeks to provide guidance to both the SMC and Scheme Participants in the context of a Participant's anticipated withdrawal from the Scheme.

This paper does not cover cases where the SMC acts to suspend or otherwise terminate the participation of a Participant in the exercise of its disciplinary powers under the complaints function of the Internal Rules.

All capitalised terms used and not otherwise defined in this paper shall have the meanings ascribed to such terms in the Rulebook.

As set out above, the SMC is the EPC body responsible for carrying out the administration and compliance functions for the Scheme. Broadly, these functions require the SMC to oversee the effective operation of the Scheme, including matters related to the adherence of Scheme Participants and their on-going conduct and participation within the Scheme.

The SMC has a wide decision-making power in the exercise of its functions, as set out in detail in the Internal Rules. However, the exercise of this power is directed to fulfil a number of obligations and duties described in the Rulebook and the Internal Rules.

As part of its role in relation to the adherence function of SEPA Scheme Management, the SMC may only admit those Participants that satisfy the eligibility criteria for participation in the Scheme (section 5.4 of the Rulebook).

The SMC is under a duty to act in the best interests of the Scheme, as described more particularly in section 2.1.8 of the Internal Rules. As part of this duty, the SMC is required to ensure compliance with the Scheme rules and that the Scheme is administered efficiently, fairly and professionally.

Pursuant to section 5.4 of the Rulebook, and as part of its general duties to the Scheme, the SMC oversees the capacity of Scheme Participants to legally and operationally meet their obligations under the Rulebook and to lawfully participate in the Scheme. The SMC is able to take appropriate action in cases where a Participant either asks to withdraw from the Scheme or becomes ineligible or otherwise incapable of participating in the Scheme.

This paper sets out procedures to assist the SMC in the event that a Participant wishes to exit from the Scheme, or may be required to do so as a result of becoming incapable of further participation in the Scheme. However, as set out in the Introduction, the SMC is not obliged to act in accordance with the procedures specified in this note and may stipulate such other procedures as it considers appropriate in the context of the case presented as well its duties under the Rulebook and the Internal Rules. In particular, the SMC may consider it appropriate to be guided by procedures in relation to the exercise of its disciplinary function of SEPA Scheme Management. This may occur in cases where the conduct of a Participant may be more properly categorised as a breach of the Rulebook, rather than as an inability to meet the basic conditions for participation.

2 VOLUNTARY WITHDRAWAL FROM THE SCHEME

This section describes the procedures to be followed by Participants where they wish to voluntarily withdraw from the Scheme. These procedures are based on section 5.11 of the Rulebook, taking into account the operational and business commitments of Scheme Participants.

This section applies in two different cases:

1. where a Participant has decided to withdraw from the payments business and ceases to make or receive SCT Transactions;
2. where a Participant ceases to be an independent legal entity through merger with or acquisition by another Participant but where its SCT payment activities continue in the name of the remaining Participant.

2.1 Informing the EPC

Participants are obliged to notify the EPC of their intention to withdraw from the Scheme by giving at least 6 months' notice to the SMC.

Notice must be provided to the SMC in writing and addressed to the Chair of the SMC. The notice should be sent to the offices of the EPC Secretariat.

The notice must specify the intention of the Participant to leave the Scheme, together with a proposed date from which its withdrawal should take effect. Participants should note that any proposed withdrawal will only take effect on the day designated for the publication of the EPC Register of Participants, so that any date specified in its notice may be either rolled back or forwards to the nearest date on which the EPC Register is due to be published.

The Participant may wish to specify the reasons for its withdrawal from the Scheme.

2.2 Termination of Scheme Obligations

Once the Participant has notified the SMC of its intention to leave the Scheme, the SMC may specify procedures to be followed by the Participant for ensuring that its departure does not disrupt or otherwise create risk for other Participants within the Scheme.

In determining which procedures may be important, the SMC may ask the withdrawing Participant to provide information to the SMC to enable the SMC to better understand the Participant's payments business within the Scheme. By way of example, the SMC may wish to determine the volume of payments being processed by the Participant within the Scheme, as well as ascertain the Participants to and from whom the withdrawing Participant most commonly processes Scheme payments. This should permit the SMC to determine the best manner in which to notify Scheme Participants of the proposed withdrawal.

The withdrawing Participant should note that it will continue to be subject to Rulebook obligations until such time as the termination takes effect. Following termination, it will no longer be permissible for a former Participant to make or receive payments governed by the rules of the Scheme, or otherwise undertake obligations to other Participants within the Scheme rules (withdrawing Participants may nonetheless have continuing operational capability to send or receive payments; however, if such payments are not subject to the Scheme rules, they would not constitute "SEPA" payments).

2.3 Notification

The EPC shall notify other Scheme Participants of the proposed withdrawal, together with its effective date, as soon as practicable after receipt of the notice from the withdrawing Participant.

In addition, the SMC may ask the Participant to notify certain Scheme Participants of its withdrawal from the Scheme, in particular where the withdrawing Participant has significant operations with particular Participants within the Scheme. A notice may also be published by the EPC on the date on which the withdrawal takes effect, accompanying the publication of the EPC Register.

2.4 Other Considerations

If a Participant that has given notice of its intention to leave the Scheme determines during the notice period that it wishes to remain within the Scheme, it should inform the EPC Secretariat of its decision immediately.

Where a Participant fails to inform the EPC of its intention to remain within the Scheme, its withdrawal will proceed as set out above. It will then be required to re-apply to join the Scheme in accordance with the adherence procedures set out in the Rulebook and the Internal Rules.

2.5 Note on Mergers and Acquisitions

Mergers and acquisitions may lead to a Participant exiting the Scheme. Additionally, such activity may lead to the creation of one or more new legal entities. For any new entity to be a Scheme Participant, it is necessary for the normal adherence procedure requiring the submission of a new adherence application for each new legal entity to be followed such that it may become a Participant.

2.6 Change of BIC

It is not uncommon for a Participant to change its reference BIC. Such a change must be requested to the SMC such that the EPC Register may be updated. However, such a case is not considered as a Participant exiting the Scheme.

Notice must be provided to the SMC in writing and addressed to the Chair of the SMC. The notice should be sent to the offices of the EPC Secretariat.

The notice must specify the intention of the Participant to change reference BIC, together with a proposed date from which its change should take effect. Participants should note that any proposed change will only take effect on the day designated for the publication of the EPC Register of Participants, so that any date specified in its notice may be either rolled back or forwards to the nearest date on which the EPC Register is due to be published.

3 INCAPACITY TO PARTICIPATE IN THE SCHEME

This section describes the procedures to be followed in cases where a Participant is legally or operationally unable to participate in the Scheme, requiring the SMC to take action to remove the Participant from the Scheme.

This section does not cover those cases in which the SMC acts to remove a Participant for its failure to comply with Scheme rules. The focus of this section is to set out the procedures that may be taken in cases where a Participant becomes unable to satisfy the basic conditions for participation in the Scheme, operational or legal, potentially creating risk and uncertainty for other Participants in the Scheme.

This section covers the following points:

- the risk scenarios affecting a Participant's capacity to participate in the Scheme, including an overview and brief analysis of some common trigger events that could lead to a Participant being removed from the Scheme
- possible responses of the SMC to a trigger event
- a suggested procedure plan for handling issues relating to the removal of a Participant from the Scheme

3.1 Risk Scenarios and Trigger Events

A Participant may become unable to participate as a result of the following:

- Legally, a Participant may become unable to satisfy the eligibility criteria for participating in the Scheme, as described in section 5.4 of the Rulebook. This may occur where a Participant becomes subject to insolvency proceedings, dissolution, closure, change in its regulatory status, or loss of its licence to conduct payments business.
- Operationally, a Participant may become unable to process payments within the Scheme. In such scenarios, a Participant may have become unable to gain access to proper Clearing and Settlement Systems, or may have suffered an event severely disabling its internal payments infrastructure. Such failures may also potentially affect the ability of the Participant to satisfy the eligibility criteria for Scheme participation.

3.2 Eligibility

The eligibility criteria for becoming a Participant in the Scheme are set out in section 5.4 of the Rulebook. The eligibility criteria seek to ensure that Participants in the Scheme have the necessary operational and legal capacity, internal systems and controls, and regulatory status to be able to make SEPA Credit Transfers in accordance with the rules and standards set out in the Rulebook.

The eligibility criteria in the Rulebook are designed to be objective, proportionate and transparent, and do not seek to restrict the types of institutions that may apply to become Participants in the Scheme.

Under the Rulebook, to qualify for participation in the Scheme, an applicant must at all times:

- be active in the business of providing banking and/or payment services to Customers, including the provision of accounts used for the execution of payments, holding the Funds needed for the execution of payments or making the Funds received following the execution of payments available to Customers
- be regulated by an appropriate European regulatory body
- be incorporated or licensed in a SEPA jurisdiction
- be able to pay its debts as they fall due, and not be insolvent as defined in accordance with any insolvency law applicable to the Participant
- maintain a sufficient level of liquidity and capital in accordance with regulatory requirements to which it is subject
- be able to meet rating or other criteria set under the terms of the Scheme from time to time for the purpose of establishing the Participant's ability to meet its financial obligations
- comply fully with applicable regulations in respect of money laundering, sanctions restrictions and terrorist financing
- participate, or be eligible to participate, directly or indirectly in one or more CSMs for the purpose of providing access to the Scheme throughout SEPA
- develop and effect operational and risk control measures appropriate to the business undertaken by the Participant

As set out in the introduction, institutions that fall within the following categories are deemed to automatically satisfy the criteria set out above:

- a credit institution licensed under Article 6 of Directive 2006/48/EC;
- an institution listed under Article 2 of Directive 2006/48/EC, or an equivalent entity incorporated in Switzerland; or
- an institution that is authorised under Article 3 of the Federal Law on Banks and Savings Banks of 8 November 1934 by the Swiss Federal banking Commission.

Pursuant to section 5.4 of the Rulebook, all Participants are obliged to ensure that they report any changes to their eligibility status to the SMC. Accordingly, Participants are under an obligation to monitor their compliance with the eligibility criteria at all times and to ensure that a change, or potential change in their compliance with these criteria, is reported to the SMC in a timely and transparent manner,

3.3 Risks to the Scheme

The Scheme comprises many thousands of Participants who are contractually obliged to one another under the Scheme rules. This inter-dependency means that it is critical for the proper function of the Scheme that all Participants are able to meet threshold criteria at all times in relation to their on-going legal and operational capabilities for participating in the Scheme.

Where a Participant becomes unable to satisfy the eligibility criteria for the Scheme, its failure to meet these threshold criteria may carry systemic risk as well as reputational risk for the Scheme.

Common examples of trigger events that may affect the eligibility of a Participant include but are not limited to the following (procedures in respect of each of these events are discussed in detail in this paper):

3.3.1 Insolvency

A Participant may become subject to insolvency proceedings in its home state. In such cases, the scope of its activities is likely to become severely limited and subject to the control of the Participant's regulator or an insolvency officer (such as a liquidator) appointed to manage the insolvency. In addition, the flow of funds to and from the Participant may be disrupted and subsequently processed in accordance with applicable national laws rather than the rules of the Scheme.

As a result of a Participant's insolvency, other Participants in the Scheme may face legal or systemic risk where SEPA payments flowing to the defaulting Participant become blocked or otherwise appropriated during insolvency, rather than flowing to the designated Beneficiaries. At worst, Originator Banks could become liable to Originators for failed SEPA payments, and Beneficiary Banks could also look to claim from Originators or Originator Banks for funds that they expected to receive under the Scheme.

Furthermore, Scheme Participants may be concerned where they expect "R" payments to be received from the defaulting Participant but where these are not or cannot be made as a result of the Participant's insolvency. Scheme Participants could in this case face liability to their Customers and, in addition, may have no realistic recourse against the defaulting Participant under the liability provisions set out in Chapter 5 of the Rulebook. Accordingly, Scheme Participants may face additional risk exposure to a defaulting Participant and may therefore be required to implement appropriate risk management procedures to best manage this exposure.

However, there are various types of insolvency processing or regulatory intervention which may affect ailing Scheme Participants; not all such procedures would automatically imply that the affected Participant is unable to comply with the eligibility criteria set out in section 5.4 of the Rulebook. A Participant that faces insolvency may still be permitted to conduct its payments business, albeit on a more limited scale, and retain its regulatory licence. In such cases, while it is generally expected that the infrastructure will be able to direct SEPA payments appropriately and issue timely warnings to its users, the SMC may nevertheless wish to take action at the Scheme level to monitor the situation and, where appropriate, manage the possibility of any risks for the Scheme and the EPC. It is therefore proper for the SMC to consider each case of an ailing Scheme Participant and decide on an appropriate response on a case-by-case basis.

3.3.2 Dissolution

A Participant may be dissolved or otherwise closed down entirely or face closure of its payments business. As set out above, the dissolution and closure of a Participant may result in legal as well as operational uncertainty for remaining Scheme Participants, potentially resulting in failed SEPA payments to Beneficiaries holding accounts with the Participant concerned. Where a Participant is dissolved, it will cease to be a legal entity and lose its regulatory status, and as a result, will likely not be able to satisfy the eligibility criteria for the Scheme. In such cases, the SMC will seek to ensure that Scheme Participants are notified in an appropriate manner, ideally in advance of the dissolution, to best manage the disruption that may be caused to the Scheme.

3.3.3 Change of Regulatory Status/Loss of Licence

A Participant may not be able to meet eligibility criteria for the Scheme where it loses or otherwise does not have the necessary regulatory status to process payments. By way of example, a credit institution may lose its credit institution licence, or conditions may be stipulated by the local regulator that make it unlawful for the defaulting Participant to make payments within the Scheme.

In such cases, there is a risk that Rulebook obligations may be unenforceable vis-à-vis the defaulting Participant. This may create the risk that payments flowing to and from such a Participant may be treated as void. Furthermore, the SMC may wish to act clearly where a Participant is acting or could potentially act in an infringement of its regulatory licence, to ensure that the EPC avoids all liability in respect of the conduct of the Participant.

3.3.4 Operational Risk

A Participant may become unable to participate in the Scheme where it becomes operationally impossible for the Participant to make Scheme payments.

This may occur where a Participant suffers severe disruption to its payments infrastructure, or is unable to send or receive payments from Clearing and Settlement Systems. Where there is a risk that a Participant may be disrupted in this manner in the longer term, the SMC may wish to take action to ensure that the risk of the Participant's operational default can be effectively managed at the Scheme level. In addition, a failure by the Participant to gain access to suitable Clearing and Settlement Mechanisms and operational systems for making SEPA payments may result in a breach of the eligibility provisions set out in the Rulebook.

3.3.5 Risks to the Scheme

Where a Participant becomes operationally unable to process SEPA payments, triggered, for example, by losing access to appropriate Clearing and Settlement Mechanisms or suffering a disruption of its internal payments infrastructure, it may create the risk that a number of payments flowing to (and even from) the defaulting Participant are incorrectly processed, or not processed at all. In such cases, Scheme Participants may be required to consider alternative routing mechanisms, which may increase execution time and expense, as well as face liability to their Customers.

Where the Participant does not wish to withdraw from the Scheme in such circumstances, the SMC may consider examining whether or not the Participant can comply with the eligibility criteria for participation in the Scheme. Where the applicant would appear to meet the eligibility criteria, but where its continued participation may create undue risk for the Scheme, the SMC may wish to consider whether it may be appropriate to proceed against the Participant under the compliance function of SEPA Scheme Management.

3.4 Possible Responses of the SMC

As set out in this paper, the SMC is obliged to carry out its functions in respect of Scheme Management in accordance with the Internal Rules. In responding to each case, the SMC will be required to take into account its duties in section 2.1.8 of the Internal Rules as well any applicable provisions of the Rulebook.

In this context, the SMC may wish to consider the following in determining its response to each case.

3.4.1 General Principles

1. Each case will be determined in accordance with its particular circumstances, taking into consideration the Participant concerned, the trigger event, interested third parties (such as regulators, national payment associations, or insolvency officers) that may be involved.
2. Where appropriate, the SMC will usually seek to enter into a dialogue with the Participant as early as reasonably practicable to understand and ascertain the facts underlying the case, the details of the event, as well as more general information in respect of the Participant (such as its SEPA payments volumes, the other Scheme Participants with whom it is in frequent business within the Scheme, as well as the general corporate organisation and financial condition of the affected Participant).
3. Once the SMC can determine the facts, it will seek to evaluate its response in the context of the eligibility criteria for the Scheme, risk considerations, the intentions of the affected Participant as well as the means available to permit the continued participation of the Participant without resulting in a breach of the eligibility criteria or an undue level of risk to the Scheme and Scheme Participants.
4. Where necessary, the SMC will seek expert guidance to determine its response, and as set out above, this may require the SMC to consult industry experts, regulators, and national payment associations that could provide insight into the particular situation of the Participant (which may, such as in the case of insolvency, be specific to a national community) as well as details of industry practice and market expectations.
5. Where the SMC considers that the cessation of the Participant's ability to continue in the Scheme is unavoidable, it may wish to set a final date beyond which participation should cease. Regard should be had to the risk and inconvenience potentially suffered by either Scheme Participants and stakeholders.

6. In determining whether the continued participation of a Participant poses risk to the Scheme and/or to other Participants, the SMC may wish to give particular consideration to the urgency with which it should respond to resolve the situation. Specifically, where the SMC considers that the continued participation of a Participant in the Scheme may pose an unacceptable level of risk, it may determine that relevant procedures should be followed very quickly and effectively to limit disruption to the Scheme.

3.4.2 Specific Cases - Insolvency

Where a Participant is subject to insolvency proceedings, the SMC will seek to establish the facts of the situation and determine whether a Participant may have become ineligible for Scheme participation. It should be noted that the commencement of insolvency proceedings does not necessarily result in an automatic breach of section 5.4 of the Rulebook, requiring the SMC to act to remove the affected Participant. In many cases, the Participant may continue to operate, albeit on a more limited scale, and may still possess its regulatory permissions, legal and corporate capacity to participate in the Scheme.

In this context, the SMC may, for example, wish to establish (i) the type of insolvency proceedings in the case, (ii) whether or not an insolvency officer has been appointed and the powers that the officer may have over the conduct of the affected Participant's operations, (iii) the wishes of the Scheme Participant and any insolvency officer in relation to the continued participation of the Scheme Participant in the Scheme, (iv) the possibility of breaches occurring as a result of the insolvency, (v) risk evaluation of the likelihood that the payments flowing to and from the affected Participant may be impacted by the commencement of insolvency proceedings, (vi) whether suspension might be appropriate in light of the risks and financial condition of the Participant, (vii) the possibility of recovery or rescue; and (viii) whether the SMC may obtain comfort through financial guarantees (either from the Participant or a parent/group company) or other form of comfort acceptable to the SMC to mitigate the risks involved, such as an assurance from the regulator in relation to the Participant's future status and ability to make payments.

In setting the procedures to be followed in an insolvency case, the SMC will likely wish to take into account the specifics of the insolvency situation, such as the parties involved, the powers of third parties (such as insolvency officers) and their involvement in the day-to-day and management decisions of the Participant's business as well as the timing considerations that may require the SMC to act expeditiously to mitigate the risks of disruption to the Scheme.

3.4.3 Specific Cases - Dissolution

In determining its response to a case where a Participant is in the process of being dissolved or has already been dissolved, the SMC will likely wish to consider the practicalities of the situation in relation to the Participant. In particular, the SMC will take into account the feasibility of communicating, analysing or planning the process to be undertaken where the Participant may already have been dissolved and may not have proper legal personality to carry out any viable discussions with the SMC.

In the context of the above, the SMC may wish to have regard to the views of third parties such as national payment associations and regulators who may provide greater detail in respect of the situation affecting the Participant.

Notwithstanding the above, the SMC may nevertheless consider it appropriate and in the interests of due process to ensure that the procedures for removing the Participant from the Scheme are followed. In such cases, the SMC may provide that third parties such as regulators or national payment associations are involved to acknowledge the efforts of the SMC in this regard.

Finally, the SMC will likely wish to investigate whether or not the Participant may have been succeeded or subject to a takeover by another entity that may or may not be an existing Participant in the Scheme. This may be particularly helpful where the dissolved Participant may owe certain obligations to the Scheme that may then be taken on by any successor in title, or other relevant corporate entity.

3.4.4 Specific Cases - Loss of Licence/Authorisation

In respect of this scenario, the SMC may wish to enter into a dialogue with the relevant regulators that may be involved in the case. In particular, this may assist the SMC to better understand the details leading to the loss of authorisation/licence, and this may in turn be important in understanding the eligibility status of the Participant affected.

The SMC may wish to clearly ascertain the circumstances of the loss of authorisation/licence to establish whether or not the eligibility criteria have in fact been breached. It may be important to note that loss of authorisation/licence may not in all cases lead to a failure to comply with the eligibility provisions for the Scheme.

3.4.5 Specific Cases - Operational Incapacity

The SMC may wish to ascertain the factual situation in relation to the disrupted systems. In order to do, the SMC may wish to engage relevant experts to assist in its evaluation of the situation.

In arriving at its determination, the SMC will usually wish to consider the prospect of recovery, whether any technical support may be provided by other Participants, potential breaches of the Rulebook as well as the likely long-term disruption to the flow of payments to the Participant and the Scheme as a whole.

4 PROCEDURES FOR REMOVING A PARTICIPANT FROM THE SCHEME

This section outlines the general procedures to be followed by the SMC in acting to remove a Participant from the Scheme. The procedures set out below are intended to cover most cases. However, the SMC shall be free to stipulate such procedures as it considers appropriate in view of the Participant and situation concerned.

4.1 Notification and Fact-Finding

The Participant should immediately notify the SMC on the occurrence of a trigger event that it suspects may lead it to become unable to participate in the Scheme.

The notification must be provided to the SMC, ideally in writing, and addressed to the Chair of the SMC. The notice should be sent to the offices of the EPC Secretariat.

Where appropriate, notification may also be supplied by third parties that represent or have an interest in the affairs of the Participant. For example, notification may be provided by the Participant's payment services association, by a regulator, or by a Clearing and Settlement Mechanism.

In its notice, the Participant should clearly set out the details of the trigger event, the parties involved, contact details of parties that may or should be involved in the discussions (e.g. an insolvency officer or regulator), the relevant jurisdiction for proceedings and any other relevant information.

The notice should also describe the legal and operational capacity of a Participant to continue its operations within the Scheme. For example, it may be relevant for the Participant to highlight whether it is still permitted to conduct its payments business as normal, or to a more limited extent, and whether or not the flow of funds to and from the Participant may be subject to particular measures under applicable laws. The SMC may seek to contact relevant third parties to confirm this position.

Where an ailing Participant intends to continue its participation in the Scheme, the SMC shall monitor its compliance with eligibility criteria for the Scheme, together with its compliance with Scheme obligations. The SMC may consider it appropriate to make public the trigger event in respect of the affected Participant on the website of the EPC.

In particular, upon being notified of a possible insolvency event or other circumstances which could potentially threaten a Participant's continuing eligibility for participation in the Scheme, the SMC would usually monitor the regulatory status of the Participant, and whether or not it still holds necessary authorisations and licences. The SMC may liaise with relevant regulatory authorities to ensure that its information is up-to-date and accurate.

4.2 Determination and Next Steps

Where the SMC is notified, or otherwise establishes that the Participant has become ineligible to participate in the Scheme as a result of the event, it shall consider whether to take steps to commence procedures for removing the Participant from the Scheme. A Participant may become ineligible where it loses its licence to act as a credit institution under Directive 2006/48/EC, or if the Participant has not been admitted to the Scheme as a credit institution, it fails to meet one or more of the criteria set out in section 5.4 of the Rulebook.

The SMC shall (where it considers that termination of Scheme participation is required) take steps to notify the Participant of its decision to remove it from the Scheme. In addition, the SMC will provide details of the date on which the Participant's removal will become effective, which may be imminent in cases of serious risk. The notification will be in writing and a copy will also be provided to any relevant third parties.

The notification will set out the basis on which the SMC is acting, together with an explanation of how the Participant may challenge the decision of the SMC, and a date on which the termination will take effect. The notification shall specify a reasonable period during which the Participant may challenge the decision of the SMC. In determining the length of time that a Participant may have to respond to the notification, the SMC shall take into account the seriousness of the Participant's situation and the manner in which the eligibility provisions appear to have been breached, as well as the overall risk posed by the continued participation of the Participant in the Scheme. Where appropriate, the SMC may specify procedures to be followed by the Participant for ensuring that its departure does not disrupt or otherwise create risk for other Participants within the Scheme.

If the Participant objects to the decision of the SMC but the SMC considers that the Participant's continued SEPA activity may pose a serious risk to the Scheme, create disruption for other Participants or potentially result in breaches of the Rulebook, it may determine that the Participant be suspended from the Scheme. In such cases, the SMC will notify the Participant in writing of its decision to suspend it from the Scheme, setting out the basis for its decision as well as the date on which its suspension will take effect.

4.3 Effective Date of Removal

Following notification by the SMC, the termination shall (unless re-negotiated or successfully appealed) take effect on the date set out in the notification.

If appropriate, the SMC may ask the Participant to notify certain Scheme Participants of its removal from the Scheme in advance (or the EPC may do so), in particular where the affected Participant has significant operations with particular Participants within the Scheme.

On termination, the EPC will update the EPC Register to remove the Participant from the list of Participants, and publish a short statement confirming its removal from the Scheme.

Where a Participant has been suspended, the EPC shall update the EPC Register to indicate that the Participant has been suspended from the Scheme, and publish a short statement regarding its suspension for all Scheme Participants.

4.4 Other Considerations

If a Participant that has given notice to the SMC of an event that may result in the termination of the Participant's role in the Scheme, and where this situation changes to enable the Participant to remain in the Scheme, it should inform the EPC Secretariat of its decision immediately.

Where a Participant fails to inform the EPC of any change of its circumstances Scheme, its removal will proceed as set out above. It will then be required to re-apply to join the Scheme in accordance with the adherence procedures set out in the Rulebook and the Internal Rules.

4.5 Appeals

Where the SMC has determined that a Participant is to be removed or otherwise suspended from the Scheme, the affected Participant may wish to appeal this decision in accordance with the rules and procedures set out in the Internal Rules.