

National Electronic Clearing System (SNCE)

Introduction

The SNCE is the Spanish retail payments system created in 1987 under RD 1369/1987 as the Spanish automated clearing house. Its management was initially assigned to the Banco de España, but a later reform of the Spanish payments system meant the transfer of this task to the Sociedad Española de Sistemas de Pago (Iberpay), a private company whose shareholders are the direct participants in the SNCE. Nevertheless, the Banco de España is empowered to approve the regulations as well as to oversee the system.

The transfer of powers from the Banco de España to Iberpay was completed in 2007. Iberpay took over full management of the clearance process, creating its own infrastructure and software for the purpose, which replaced that of the Banco de España in January 2007. In that same year, a new SNCE Regulation was published containing the basic operating rules of the system.

The current SNCE Regulation was published six years later, in January 2013. The new drafting was motivated by the need to adjust the standards of the System to the innovations that had occurred over the last few years, both in the legislative area - mainly Law 16/2009 of 13 November, on payment services - and in the operational area, as a result of the development experienced by payment systems due to technological advances during those years.

The SNCE has, since the end of 2011, been a fully centralised system which processes transactions relating to retail payment instruments. Due to the variety of payment instruments, the SNCE operating scheme is structured around several clearing sub-systems, each one of which specialises in a single instrument. Currently, these sub-systems are: cheques, credit transfers, direct debits, bills of exchange, SEPA credit transfers, SEPA direct debits and other operations.

The sub-system for other operations was created in 2001 for processing transactions of a specific nature (non-standardised documents, commissions and fees on loans or documented remittances, foreign currency exchange, etc.). The SEPA credit transfer and direct debit sub-systems are the most recent ones, having been in force since 2008 and 2009 respectively.

In order to guarantee accessibility to the SEPA area, Iberpay and several other European clearing houses have set up "payment gateways" which allow the institutions participating in the SNCE the exchange, clearing and settlement with institutions in the SEPA area under the same conditions as with other institutions participating in the SNCE. After the entry into force of the current Regulation, any payment services provider can participate in the SNCE.

Currently, the majority of banks, savings banks and credit cooperatives belong to the SNCE as it has become the fastest and most efficient way of communicating the data required for clearing retail payments. This has been made possible by a well-structured legal framework which has brought with it several efficient solutions - amongst which truncation can be highlighted (cheques and bills of exchange under the truncation limits set by the interbank agreements are not physically exchanged but rather are frozen in the bank of the beneficiary) - and by the existence of a set of CLC conventions. The purpose of these agreements is to regulate the operation of the institutions affiliated to the sub-system(s) which are the scope of application of the corresponding agreement, which includes the enforceable framework of responsibilities.

The system is based on electronic communications networks and the use of a single technical platform for the exchange, clearing and settlement of the transactions, the CICLOM platform. Likewise, communication with financial institutions, international clearing houses and TARGET2 is guaranteed through links with secure, redundant and high capacity networks (MPLS and SWIFT). The SWIFT network uses its own software and a preliminary connection through local providers approved by SWIFT whilst the VPN MPLS network is provided by Movistar.

System membership

Those institutions enabled for this purpose in the system Regulation and which comply with the criteria required to belong to SNCE may be members of the SNCE.

The Banco de España is also a participant in the SNCE in order to channel its own retail payments as well as those of the public authorities.

There are two ways of being a member:

As an associate institution, in which case it participates directly in the exchange of transactions, representing one or more represented institutions, and subsequently participating in the clearing and settlement phase;

As a represented institution, in which case it participates indirectly in the exchange of transactions through an associated institution which represents it. In any case, the transactions which this institution enters into the SNCE for clearing must be identified as belonging to the represented institution.

They may participate in all or some of the existing sub-systems.

The list of current members of IBERPAY may be seen using the following link:
<https://www.iberpay.es/Secciones/1SNCE/Paginas/Participantes/Entidades.aspx>

Types of operations

The system clears cheques, bills of exchange, credit transfers, direct debits and various other transactions.

Statistics for the transactions carried out in the SNCE, by volume and amount in accordance with type of instrument, may be seen at the following link:

http://www.bde.es/ft/webbde/SPA/sispago/snce/ficheros/Estad_SNCE_esp.pdf

System functioning and the framework for processing transactions

In the beginning, the SNCE adopted an intermediate solution that did not consist of a completely centralised clearing and settlement system nor in one that was completely decentralised. The information was bilaterally exchanged between the parties involved without physical exchange of the majority of documents because of the truncation agreements which allowed the documents to be frozen in the bank that introduced the transaction into the system. Clearing was carried out centrally by the Sociedad Española de Sistemas de Pago (Iberpay) and, if there were no discrepancies, settlement was made, which also took place centrally, and, until 2008, recorded on the accounts held by the institutions in the SLBE (Banco de España Settlement System) and subsequently in TARGET2-Banco de España. All communications were carried out on a private virtual network which complied with the necessary security requirements.

This situation began to change after 2008, with the establishment of SEPA. This European initiative led to the creation of the centralised sub-system for SEPA credit transfers that same year and, in 2009, also gave rise to the appearance of a new centralised sub-system for processing SEPA direct debits. During 2011, progressive centralisation began for the different sub-systems in which domestic payment instruments were being processed, and this operation was finalised in November. Since then, all sub-systems respond to a centralised, multilateral exchange mode, that is to say, the institutions send all their transactions to the system using the CICLOM technical platform, which distributes them and is responsible for clearing and determining the amounts which, as a result of the relevant settlement phase, are to be credited or debited to each institution, and which are communicated to TARGET2 for recording on the corresponding payments module accounts of the settlement institutions.

Each sub-system has its specific times for communicating the corresponding transactions. In the Direct Debits, Credit Transfers, Bills of Exchange and Other operations sub-systems, the established time schedule is from 8.00 on D Day (date of exchange) to 00.30 on D day+1 (date of settlement). In the case of the SEPA Credit Transfers sub-system, there are two cycles for sending transactions: the first covers the interval between 8.00 and 23.30 on D-day, with a break from 16.30 to 18.00, whilst the intervals for sending of the second cycle (used only in the event of incidences) vary, but at any event start at 8.00 on D+1.

In the event that an incident of a technical nature prevents communication within the established times, Iberpay has contingency mechanisms to resolve these incidents (extension of deadlines; enabling the second exchange cycle for the SEPA credit transfers sub-system; using such alternative communications network as may be established¹ or, as a last resort, carrying out monitoring, analysis and resolution of all incidents which seriously affect or could seriously affect an institution/institutions and/or the operation of the whole system).

The processing of transactions is carried out automatically based on the information received in Iberpay from the participants, unless there is a physical exchange of documents. Thanks to truncation and the relevant liability agreements, original documents are frozen in the institution entering the transaction into the system.

Although transaction data will also be exchanged in electronic format, in cases where the amount of the transaction exceeds the truncation limit, it will be necessary to exchange the document. However, in the majority of cases, replacement of the physical exchange by an electronic exchange of the image is allowed, in which case the transmission is carried out centrally, with the document also being frozen in the sending institution.

With the information received from the participants, Iberpay clears the transactions centrally, obtaining a net balance (creditor or debtor) per institution and sub-system and subsequently a final net balance for each direct participant.

Settlement procedures

The resulting net balance for each institution is reported by Iberpay to the Banco de España for entering on the payment module accounts that the direct participants have opened in TARGET2-Banco de España, with debtor positions being entered first and creditor positions being entered afterwards.

As an exception to this procedure, transactions exceeding the established limit at any time, in sub-systems whose regulations provide for this, are not cleared beforehand, being settled one by one on a bilateral basis on the accounts held by the participants in TARGET2-Banco de España. Indirect participants in the SNCE may decide that these individualised transactions are directly settled on their own accounts in the real time gross settlement system and not in that of their representing institution in the SNCE.

Prices

Participating institutions are subject to fees set by the system operator (Iberpay) which include connection costs as well as the software license. These fees are, ultimately, the result of dividing the cost of system operation among the participants. This distribution is carried out once a year.

Finally, each institution must pay TARGET2 fees for each entry made on their centralised accounts.

¹ In the event of failure in the VPN-MPLS network, by using the SWIFT network, if it has been enabled as an alternative network; in the event of failures in the SWIFT network, by using the VPN-MPLS network; or, in the event of not having enabled any of the two previous networks: by using a device: CD-ROM, DVD, USB Pen Drive or external USB hard drive.