



1. WHAT IS THE CLEARING SERVICE.AUSTRIA?

Out of the 27 European Union member states, 26 have central institutions that manage clearing and settlement procedures on a multi-lateral basis, often in conjunction with or under the control of the respective Central Bank. Austria is however the exception. Until now in this country, the clearing and settlement of domestic payment transactions was processed either within the individual bank and the respective bank sector or on the basis of strict bilateral settlements in the correspondent banking system. Thus the processing of domestic payment transactions in Austria required 8,000 bilateral account connections.

By setting up a Clearing Service for Austrian domestic payment transactions in the GSA, the Austrian National Bank (OeNB) is not only improving the situation described above but is also making it easier for the credit institutions to access the national and international payment systems in accordance with the ECB policy statement.

Previously the OeNB offered combined services to the Austrian banking sector and to interested international cooperation partners under the label STEP Services. The success of the OeNB's Step Services has illustrated that the consolidated processing of domestic interbank payment transactions offers significant benefits to all participants.

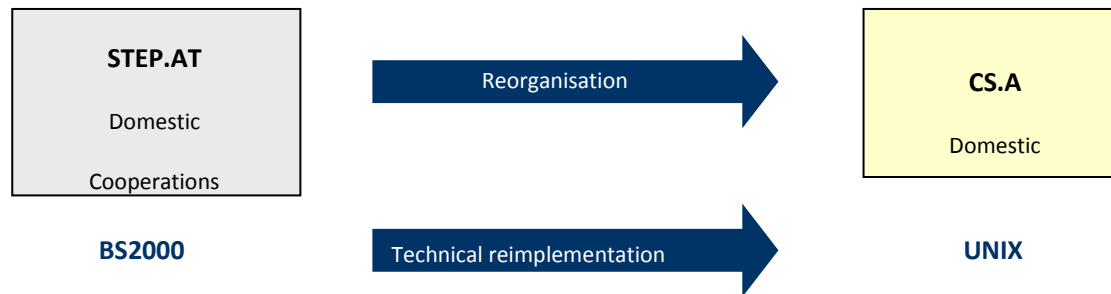
The OeNB is utilising this experience in the GSA with the Clearing Service Austria (CS.A), in order to ensure improvements in security and quality as well as increased efficiency in interbank bulk payment transactions. Important factors include the reduction in non-payment risks in the interbank sector and the lowering of bank liquidity requirements through the netting of interbank balances. By lowering the liquidity requirements, the aim is also to lower the equity capital required in this respect for the participating banks and to reduce the associated risk costs for the entire financial marketplace.

Thanks to CS.A, as of November 2011 the OeNB is offering investors a SEPA-compliant (Single European Payment Area), economically efficient and secure clearing service for the processing of clearing and netting of electronic bulk payments in non-cash interbank payment transactions for the Austrian financial marketplace as well as settlement via central bank accounts. The Clearing Service is a recognised system in accordance with the Settlement Finality Act that is connected to the ECB's TARGET2 system.

Compared with 2004, revised framework conditions now apply enabling the implementation of such a clearing house:

- An available SEPA-capable clearing system
- ZaDiG requires D+1 (obligatory from 2012 at the latest)

CS.A replaces part of the STEP Services which involves a reorganisation as well as technical reimplementation, as illustrated in the following graphic.



The CS.A is used for processing national payment-related messages. Besides the EDIFACT format that is used in Austria, CS.A also enables the processing of XML-based SEPA messages (credit transfer and direct debit). The existing logic that is used in the STEP Services also forms the basis for implementing new functionality for regional clearing and netting in central bank money via a clearing house.

2. TIMING AND ORGANISATIONAL FRAMEWORK

In June 2009, Clearing Service.Austria was first presented as an OeNB initiative for achieving a common Austrian clearing solution. As part of initial bilateral discussions with the Austrian banks in the summer of 2009, a rough assessment was carried out of the functional scope. In further discussions a defined technical specification was drawn up, focusing on the individual requirements of the interested banks.

After the CS.A concept was finalised at the end of 2010, the final implementation and intensive connection and functional testing phase commenced with the participating banks.

The productive initialisation of CS.A took place on 18th November 2011 within Geldservice Austria - Logistik für Wertgestionierung und Transportkoordination GmbH (GSA). As of this date the domestic banks have been gradually increasing their volumes so that full-scale operation can be achieved throughout the course of 2012. In doing so, it is already possible to process all the formats of EDIFACT and SEPA services (credit transfer and direct debit).

Together with further planned projects in national and international payment transactions, the financial marketplace has access to advanced, secure and efficient products for processing interbank transactions in the entire SEPA area.