

# BGC – Bankgirocentralen

## Impact from SEPA on BGC

Presentation,  
by Mats Wallén  
"Domestic ACHs in SEPA"  
at Magyar Nemzeti Bank conference  
2005-10-21

# Agenda

## **1. Introduction**

- BGC company information
- The Bankgiro system and products

## **2. Other considerations**

- Euro referendum
- Bankgiro euro functionality

## **3. Trends that influence Sweden**

- A changing European payments market

## **4. BGCs strategy**

## **5. Summary**

# BGC - The Swedish Automated Clearing House

## Key facts

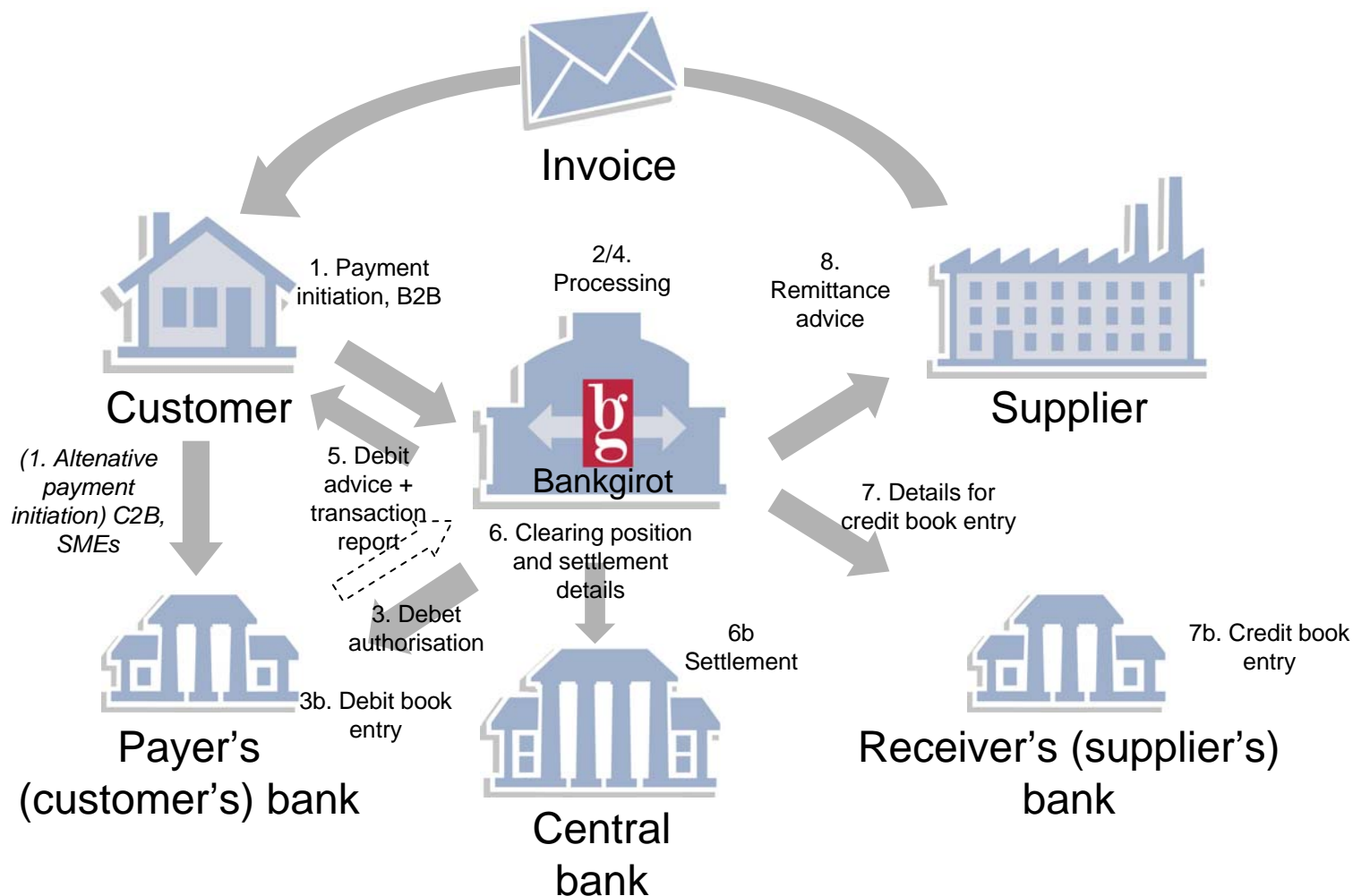
- Established 1959
- BGC is owned by SEB, SHB, FSB, Nordea, Danske Bank, SkandiaBanken, LF Bank and Kaupthing Bank
- Approx. 435 employees at the Stockholm office.
- Turnover of MSEK 850 in 2004 (approx. 92 MEUR)

# BGC - The Swedish Automated Clearing House

## Products and service offering

- Main business, Bankgiro system
  - a scheme for processing payments
  - 18 participating banks
- BGC offers
  - payment and business transaction information services
  - solutions for secure digital identification
  - electronic invoice
- Our products enable
  - secure and efficient business transactions;
  - for our clients Swedish banks, enterprises and public institutions

# Transaction flow in Bankgirot



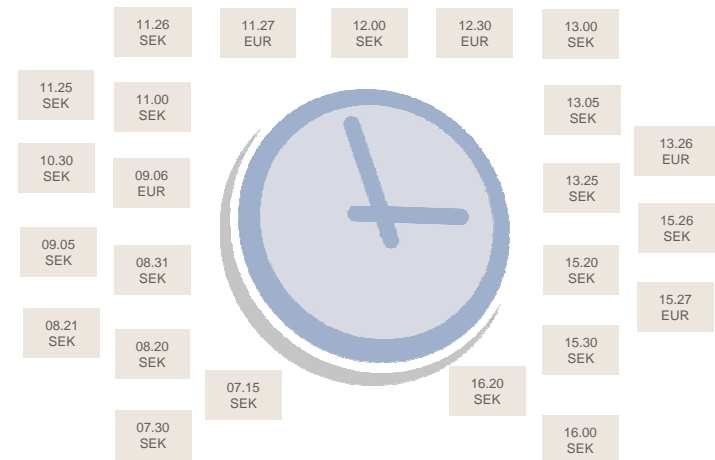
# Features of the Bankgirot system

- Supports direct submission from payers and BGC submits electronic credit advices to the payees
- High level of automation for payers and payees and the participating banks (End-to-End STP)
- Same day payments (main cycle over night)
- Supports portable accounts. Giro numbers can be re-linked overnight to a bank account with a bank selected by the customer. Facilitates flexibility to change bank relationship
- Several giro numbers can be linked to one bank account. Simplifies liquidity planning
- BGC is compliant with the SIPS 10 Core principles
- Payment products in SEK and EUR (from 1999)

# Supports fast retail payments with settlement at the Central Bank

## BGCs clearing and settlement system process 28 daily settlements

- 14 related to the Bankgiro system
- 4 related to DCL (account to account transactions)
- 10 related to other transaction flows
  - ATM transactions, Cash handling (coins and notes), Card transactions (Europay), National debt office payments, Dividend payments for Swedish shareholders through the national CSD (VPC)
- Settlements both in SEK and EUR



# Other BGC products

- B2C Electronic invoicing
- B2B Electronic invoicing
- PKI Services (not only for financial services)
- Service bureau for SWIFTNet
  - BGC also use SWIFTNet FileAct in the interaction with participating banks



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# Other background information

- Majority voted against the introduction of euro
- Great skepticism among the man on the street to EU and the Commission
- On the other hand try to best in class to implement directives

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# A changing European payments market

## *Over arching pressure*

### Reduced costs

- To establish the vision of the internal market
  - Focus: one market, price for the consumer
- General business economical motive to achieve efficiency by scale which will give lower costs

**Government pressure**

**Market pressure**

## *Need for change*

### 1. Harmonizing of schemes

- New Legal Framework create one harmonized framework for the European payment market

### 2. Standards

- Need for standardization of formats and products

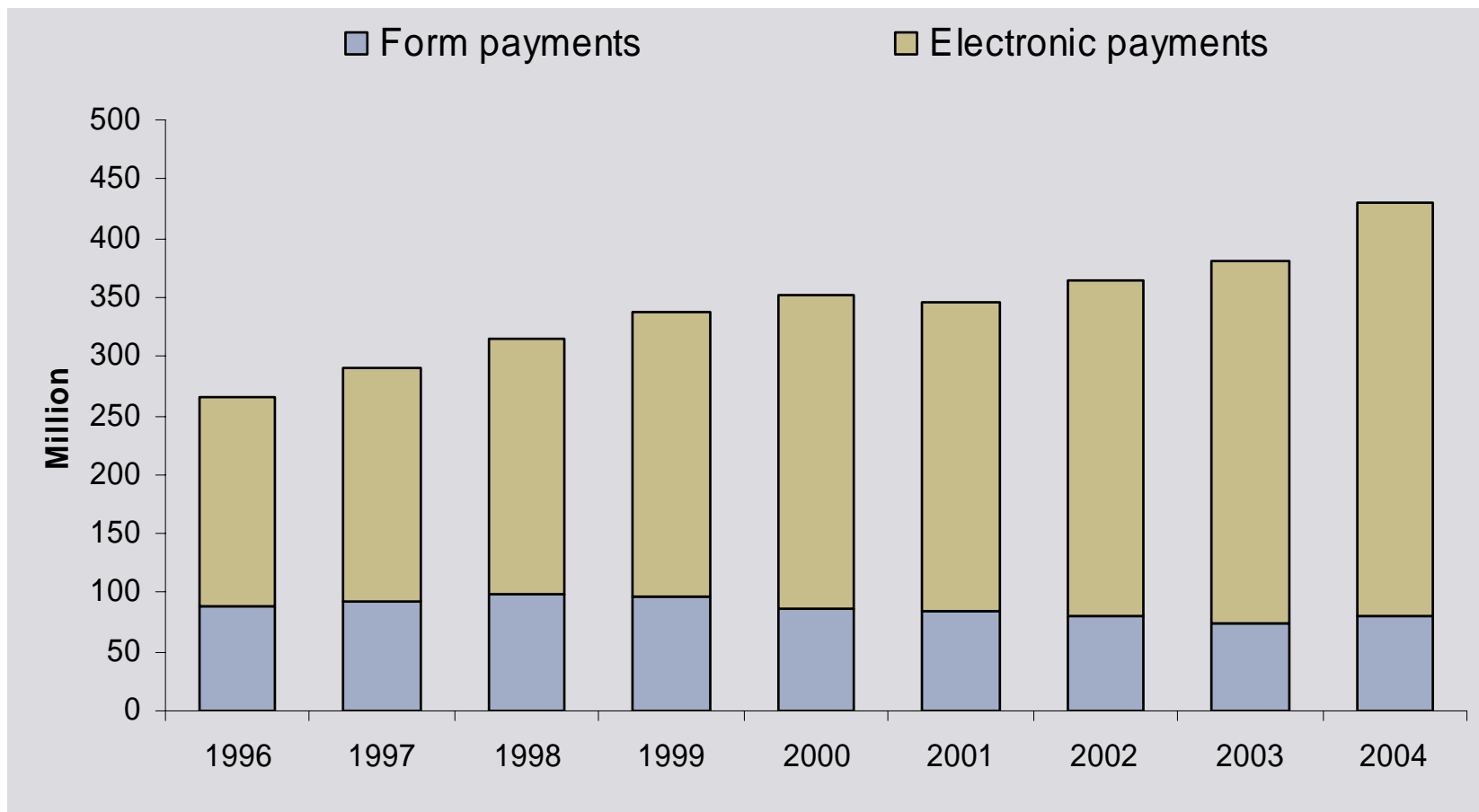
### 3. Consistent infrastructure

- Pressure to reduce the number of infrastructure for transaction processing.

# Trends that influence Sweden

- Harmonization and adaptation of international standards in the domestic circuit
- Banks see increased use of IBAN in cross-border transactions
- No decision to natively handle IBAN in domestic systems (BG or DCL)
- Discussions within the banks on impact from PEDD. Some international customers are starting asking for it

# Electronic transactions continue to grow in Sweden



Source: BGC's statistics

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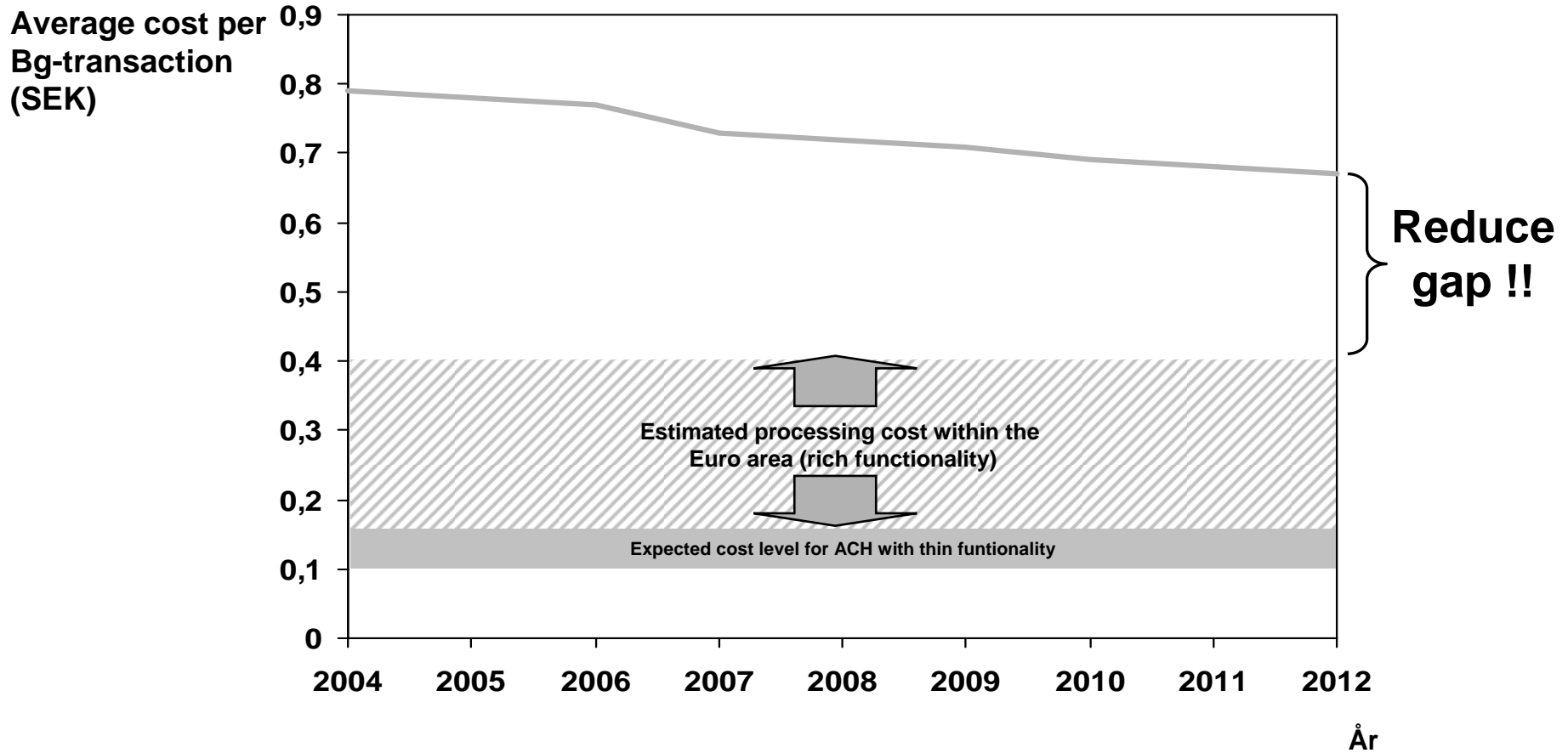
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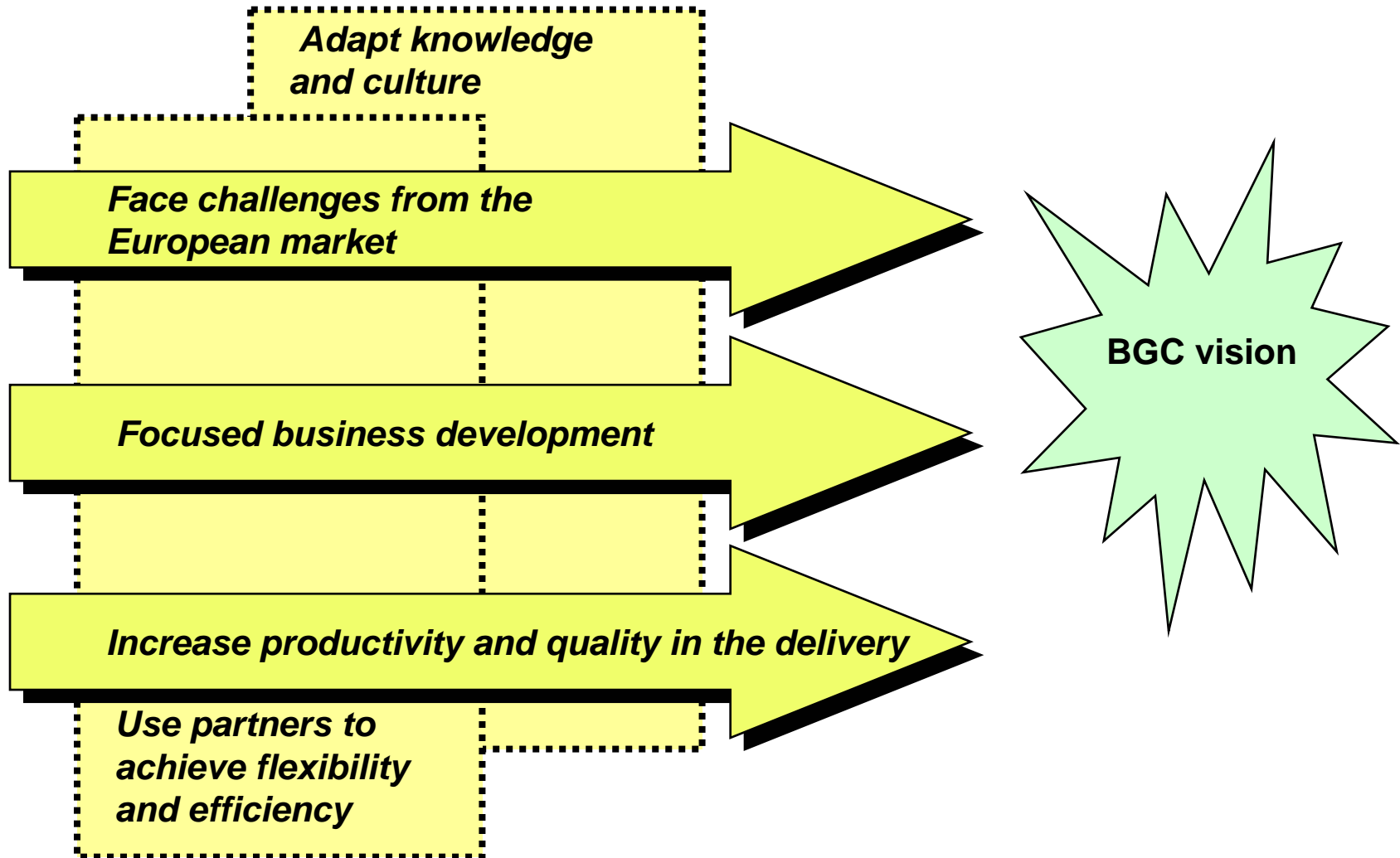
# Challenges on BGC

Transactions cost will be lower in Euro-area





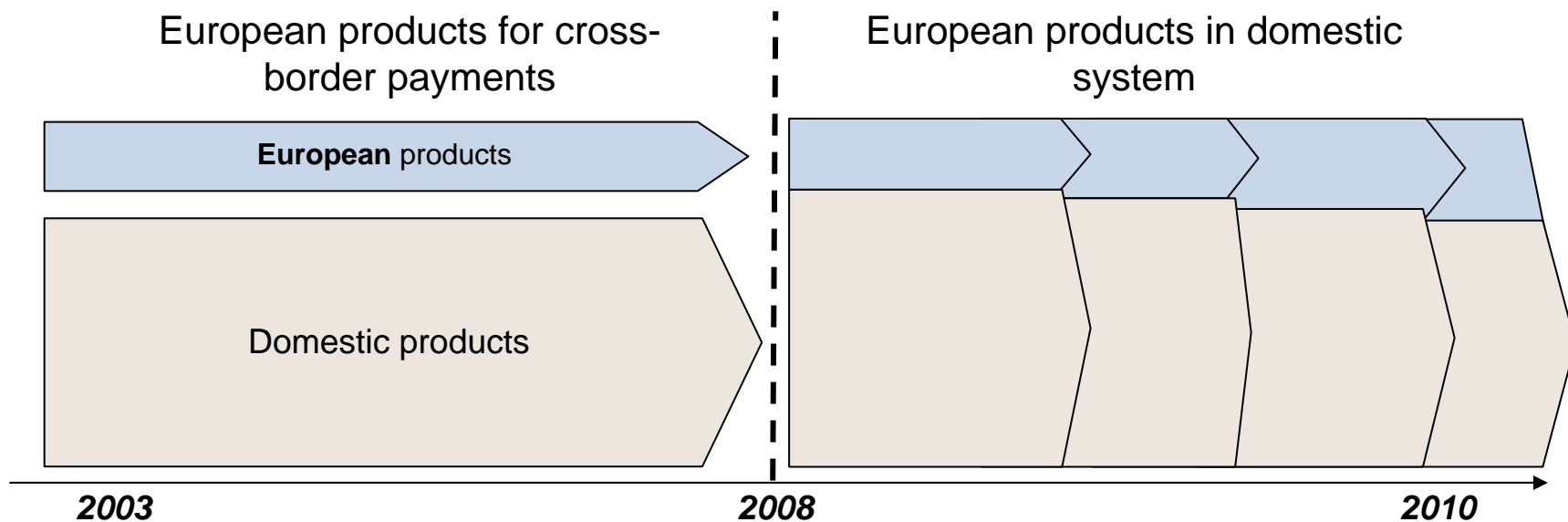
# How to reduce the gap?



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- **BGCs strategy**
- **Summary**

# Impact from SEPA on the Swedish market 2008



**The impact will be low as Euro is not the domestic currency**

# Summary

- Reduce the gap
- Focus on business development
- Increase productivity and quality
- Direct impact from SEPA will initially be low
- Be the market leader for electronic invoicing in Sweden

# Q & A

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