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Pursuant to Article L.141-4 § I and II of the Monetary and Financial Code, the Banque de France ensures:

- the proper functioning and the security of payment systems;
- the security of clearing and securities settlement systems;
- the security of non-cash means of payment and the relevance of the applicable standards.

The proper functioning of financial market infrastructures and payment instruments is vital for the entire economy. It enables monetary policy to be implemented and contributes both to financial stability and to users’ confidence in the currency.

The Banque de France reports to the public on a regular basis on the performance of its oversight duties over payment instruments and financial market infrastructures. The previous report was published in 2011; this report covers the period from 2012 to end-2014.
Significant developments have occurred in the oversight of payment instruments and financial market infrastructures during the period under review. These changes reflect the growth of new services, modifications in the regulatory framework and additional missions entrusted to the Banque de France.

Over the last three years, the Banque de France has paid close attention to the growth of online commerce and to improvements in the safety of online banking operations as well as online payment card transactions. As another major development, Euroclear France, the French central securities depository, set up its triparty collateral management service, which combines with the €GCPlus clearing service provided by LCH.Clearnet SA, the French central counterparty. The Banque de France assessed the new service in its capacity as overseer of these infrastructures.

The period under review also brought deep changes to the regulatory environment regarding the oversight of financial market infrastructures. In June 2013 the Governing Council of the European Central Bank (ECB) adopted the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMIs), published in April 2012, as the benchmark for the conduct of oversight of all types of financial market infrastructures by Eurosystem central banks. The PFMIs were also transposed into European law through several regulations covering one or several types of infrastructure. The Banque de France has begun implementing the new framework in the course of its oversight activities. In this process, it took up a new role in setting up, chairing and coordinating the work of the college established to supervise and oversee LCH.Clearnet SA, the central counterparty (CCP) for the Paris financial centre. The new college comprises eighteen public authorities from nine countries and the European Union (EU).

In the area of payments, a European Regulation adopted in 2012 set 1 February 2014 as the deadline for migrating euro credit transfers and direct debits to the SEPA standard. The Banque de France was active in ensuring that all parties involved met the deadlines for implementation, including banks and companies, but also CORE (FR), the retail payment system operated by STET.

In addition to changes to the European and international regulatory framework, the French legislature has assigned new oversight duties to the Banque de France. The Banking Regulation Act 2013-100 of 28 January 2013, for example, entrusted the Banque de France with overseeing the security of special paperless payment vouchers, such as gift tokens and meal vouchers. As a result, the Banque de France’s oversight now extends to vouchers that are not payment instruments.

The first chapter describes the main developments in the Banque de France’s oversight framework for financial market infrastructures and payment instruments since 2012. The second chapter reports on oversight activities carried out by the Banque de France in relation to financial market infrastructures. The third chapter details measures taken in the field of payment instruments.
Main developments in the oversight framework between 2012 and 2014

1) Regulatory developments in the area of financial market infrastructures

1.1 Implementation of the new international principles for financial market infrastructures

The Committee on Payment and Settlement Systems (CPSS), which became the Committee on Payments and Market Infrastructures (CPMI) on 1 September 2014, and the Technical Committee of the International Organisation of Securities Commissions (IOSCO)² published a set of principles for financial market infrastructures (PFMIs) in April 2012.³ To promote the implementation of the G20 commitments agreed to at the Pittsburgh summit in September 2009, particularly regarding the efficiency and security of financial market infrastructures, CPMI and IOSCO strove to harmonise and revise the previous principles covering the various infrastructures, which led to the publication of the April 2012 report. The principles cover the following types of financial market infrastructures:

- payment systems;
- central counterparties (CCPs);
- securities settlement systems (SSS) and the central securities depositories (CSDs) that operate them;
- trade repositories (TRs).

The PFMIs strengthen the requirements for credit and liquidity risk management from financial market infrastructures. They set requirements for certain types of risks and issues that were not addressed under the previous standards, including the obligation to create a comprehensive risk management framework, the need for CCPs to provide users with a system that ensures the segregation and portability of the positions and collateral of participants and participants’ customers, requirements for general business and operational risk management and for the risks linked to indirect participation. CPMI and IOSCO member countries have committed to implementing the PFMIs in their respective jurisdictions. In France, implementation is conducted at EU and Eurosystem levels. The PFMIs were implemented through specific regulations for each type of infrastructure, as follows:

- on 4 July 2012, European Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation – EMIR) came into force, transposing the PFMIs applicable to CCPs and TRs into European law;⁴
- on 3 June 2013, the Eurosystem published a statement announcing it had adopted the PFMIs for the conduct of oversight in relation to all types of financial market infrastructures;⁵
- on 11 August 2014 ECB Regulation 2014/28 on the oversight requirements applicable

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1 http://www.bis.org/press/p140901.htm
The CPMI comprises 25 central banks including the Banque de France and operates within the framework of the Bank for International Settlements (BIS). It provides a forum for central banks to monitor and analyse developments affecting payment, clearing and settlement systems.
2 http://www.iosco.org/
3 For more on the Banque de France’s involvement in the work of the CPMI-IOSCO and the tasks assigned to CPMI and IOSCO, see the Banque de France’s 2011 oversight report, p. 11: https://www.banque-france.fr/fileadmin/user_upload/banca_de_france/Stabilite_financiere/Oversight-of-payment-instruments-and-financial-marketinfrastructures-2011.pdf
Main developments in the oversight framework between 2012 and 2014

Oversight of Payment Instruments and Financial Market Infrastructures

To systemically important payment systems came into force, thereby implementing the PFMI for these payment systems within the euro area;

• on 18 September 2014 European Regulation 909/2014 on improving securities settlement in the European Union and on central securities depositories (Central Securities Depositories Regulation – CSDR) came into force, transposing the PFMI for SSS and CSDs into European law.

1|2 EMIR: a harmonised oversight framework for CCPs

EMIR established harmonised requirements for CCPs within the EU based on the PFMI, together with a common authorisation and supervisory framework. Working alongside the national authorities, European colleges of public authorities are now responsible for ensuring that CCPs comply with the requirements set in EMIR. For each CCP, a college is set up comprising the public authorities of EU member countries which have an interest in ensuring that the CCP functions in an orderly manner (EMIR, Article 18). A national competent authority chairs each college, and the European Securities and Markets Authority (ESMA) participates in all the colleges. This arrangement is intended to promote a uniform approach to implementing EMIR requirements within the EU, as well as an appropriate assessment of the risks incurred by the CCP with regard to its risk profile and the market segments it clears, while also involving those other EU authorities chiefly concerned with its proper functioning.

The involvement of authorities from different countries acting under complementary mandates within the colleges is intended to accommodate the various viewpoints in order to ensure the smooth functioning of CCPs, which are systemically

Diagram
Implementation of G20 commitments in market infrastructures regulations

Source: Banque de France.
important infrastructures. CCP oversight is thus designed to be as comprehensive as possible, reflecting the growing role that CCPs play in the stability of the financial system and the scale of interdependencies in their activities, which a single authority would be unable to address satisfactorily.

In this regard, when the first colleges were held to form an opinion on the EMIR authorisation for European CCPs, it became clear that liquidity risk management by CCPs was vital, especially for European CCPs that are located outside the euro area but clear euro-denominated products. This risk, and the appropriateness and EMIR compliance of CCP responses, can be properly and exclusively assessed by the Eurosystem only, in its capacity as the central bank of issue for the euro, rather than by any another authority.

The Banque de France is one of the three national competent authorities involved in the oversight of LCH.Clearnet SA, the French CCP, alongside the Autorité des marchés financiers and the Autorité de contrôle prudentiel et de résolution. It chairs and coordinates the CCP’s EMIR college and organises information sharing within the college, drawing on past experience to ensure its smooth operation.

In setting up and coordinating the EMIR college for LCH.Clearnet SA, the Banque de France was able to capitalise on the experience acquired over more than 13 years in the cooperative oversight of a CCP.

EMIR Articles 14, 15, 17 and 49-1 provide that colleges vote on CCP compliance with EMIR provisions, extensions of business and any significant changes. EMIR also provides for a dispute settlement process in case of disagreement between national competent authorities and a two-third majority of the college.

When assessing a CCP and voting, each authority is expected to act based on the mandate it has been assigned and which accounts for its membership of the college. Participation in the college, the purpose of which is to facilitate cooperative oversight of a CCP does not extend the mandate and powers

Box 1

The Banque de France participation in CCP colleges in the European Union

The composition of the college of regulators for a CCP established within the Union is defined in Article 18 of EMIR, which provides for the participation, alongside the national competent authorities of the CCP, of the competent authorities responsible for the supervision of the clearing members of the CCP that are established in the three Member States with the largest contributions to the default fund of the CCP; the competent authorities responsible for the supervision of trading venues served by the CCP; the competent authorities supervising CCPs with which interoperability arrangements have been established; the competent authorities supervising central securities depositories to which the CCP is linked; the relevant members of the ESCB responsible for the oversight of the CCP and the relevant members of the ESCB responsible for overseeing the CCPs with which interoperability arrangements have been established; and the central banks of issue of the most relevant Union currencies of the financial instruments cleared.

As part of these cooperative oversight arrangements, the Banque de France is a member of the college of the German CCP Eurex Clearing AG (in its capacity as overseer for Euroclear France, a CSD used by the German CCP) and for CC&G SpA, an Italian CCP with which LCH.Clearnet SA has established interoperability arrangements on the Italian sovereign debt.

The Banque de France also takes part as the ECB’s alternate in the college of the British CCP LCH.Clearnet Ltd, where it represents the Eurosystem as the central bank of issue for the euro, the currency of denomination for a major share of trades cleared by LCH.Clearnet Ltd.

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6 These meetings began in September 2013 and continued throughout 2014.
of an individual authority beyond its assigned duties under domestic law; the ultimate aim is to enable that authority to fulfil its mandate more effectively thanks to its involvement, through the college, in the key decisions taken by national competent authorities, when such authority has a stake in the proper functioning of the CCP.

1|3 ECB regulation on systemically important payment systems (SIPS)

The regulatory environment for payment systems also underwent a major change during the period under review, with the entry into force on 11 August 2014 of ECB Regulation 2014/28 for systemically important payment systems (SIPS).8 The ECB regulation transposed the PFMI applicable to SIPS and established criteria to identify such systems based on business volume, market share, cross-border business and links to other infrastructures.9 The list of SIPS is updated every year.

In a decision dated 12 August 2014 the Governing Council identified four SIPS based on the criteria of ECB Regulation 2014/28: two large value payment systems, TARGET2 and EURO1, and two retail payment systems, STEP2 and CORE (FR).

While TARGET2, EURO1 and STEP2 are pan-European, cross-border systems subject to cooperative oversight arrangements under the lead of the ECB (see below), CORE (FR) is the only SIPS with a national anchorage.10 It is based in France, and as such is overseen by the Banque de France on behalf of the Eurosystem. SIPS shall comply with the new rules upon the expiration of a transitional period of one year from the notification of their status, i.e. until 19 August 2015.

1|4 Adoption of the European Central Securities Depositories Regulation (CSDR)

Major changes are also underway in the regulatory framework for CSDs and SSS with European Regulation 909/2014, known as the Central Securities Depositories Regulation (CSDR), which was published on 28 August 2014 and which transposed the PFMI applicable to these infrastructures.11 CSDR will apply once ESMA and the European Banking Authority (EBA), in close cooperation with the ESCB, have laid down the technical standards for its implementation. The new regulation will apply in France to Euroclear France, as CSD, and to ESES France, as SSS operated by Euroclear France.

2| Developments in payment instruments

2|1 Work by SecuRe Pay

The European Forum on the SECUrity of REtaiL PAYments (SecuRe Pay) was set up in 2011. Chaired by the ECB as a forum for dialogue, SecuRe Pay brings together the representatives of central banks and of prudential authorities of Member States of the European Economic Area (EEA), the EBA, the European Commission and Europol. It seeks to establish a common vision among members on the main risks to the security of payment instruments and, where applicable, to issue harmonised recommendations at the European level for transposition into European and domestic legal frameworks.

SecuRe Pay initially focused on the security of internet payments, publishing the final version of its recommendations on the topic12 in January 2013 after a public consultation.

9 The framework that applied to SIPS before the PFMI was adopted by the Governing Council in June 2013 was made up of the Core Principles for Systemically Important Payment Systems (CPSS, January 2001) and the Business Continuity Oversight Expectations (ECB, June 2006).
launched in the Spring of 2012. Payment service providers and payment system operators are expected to implement the recommendations by 1 February 2015 at the latest. Through measures such as strong customer authentication for the most at-risk payments, the recommendations are designed to combat internet payment fraud, which, in the area of payment cards, accounts for around 60% of the total amount of fraudulent payments and

**Box 2**

**Strong customer authentication**

SecuRe Pay adopted a common definition endorsed by all members of the concept of strong customer authentication when it published its 2013 recommendations for the security of internet payments.

According to the definition, strong customer authentication is a set of procedures based on the use of two or more of the following components:

1. Something only the user knows, e.g. a password or PIN.
2. Something only the user possesses, e.g. a token, mobile phone or smart card.
3. Something linked to the user himself, e.g. biometric characteristics, such as a fingerprint or voice.

The selected elements must be mutually independent, i.e. the breach of one should not compromise the other(s). At least one of the components should be non-reusable and non-replicable (except for biometrics). The strong authentication procedure should be designed to protect the confidentiality of authentication data.

In practice, strong customer authentication is mostly based on the use of a one-time password (OTP) given to the customer using a variety of channels, for example a text message to a mobile phone, a password generated on the customer’s online banking website, or a card reader, display card or token. When a payment is being made, the e-commerce website puts the customer in touch with the card-issuing bank so that it can authenticate the customer through the current protocol, 3D-Secure (see below):

1. The customer initiates a card payment on a merchant’s website.
2. Automatically redirected to the customer’s bank.
3. The customer receives an authentication request from his or her bank.
4. The customer authenticates him or herself.
5. The customer’s bank confirms authentication.
6. The merchant remits the payment to its bank.

Source: Banque de France.

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withdrawals in Europe\textsuperscript{13} and for 64.6\% of fraud in France,\textsuperscript{14} even though online payments only account for approximately 11\% of the total amount of payments and withdrawals in French territory.

SecuRe Pay also prepared an assessment guide for central banks and prudential supervisors that have to ensure compliance with the recommendations.\textsuperscript{15}

Furthermore, the forum studied the risks that arise from new unregulated parties presenting themselves as third-party providers (TPPs) offering payment initiation or account information services. Payment initiation services, which may be offered by e-commerce websites, for example, consist in accessing the customer’s account that is held with another institution at the customer’s request. Account information services are based on the same concept of accessing the user’s bank account and provide consolidated information on the customer’s accounts with different institutions. The forum’s final recommendations, designed to ensure the safe set-up of those services, were published in March 2014 following a public consultation launched in 2013.\textsuperscript{16} They will be taken into account during the revision of the European Payment Services Directive, which is intended to regulate these new participants.\textsuperscript{17}

The forum also examined the risks linked to payments initiated via mobile phones. Draft recommendations were published in November 2013.\textsuperscript{18} The analysis of the stakeholders’ feedback is nearing completion.

\textbf{Box 3}

\begin{center}
\begin{tabular}{c}
\textbf{Third-party providers offering payment initiation and account information services}\\
\end{tabular}
\end{center}

\begin{center}
\begin{tikzpicture}
\node (Customer) at (0,0) {Customer};
\node (Merchant) at (5,0) {Merchant};
\node (CustomerBank) at (0,2) {Customer’s bank};
\node (MerchantBank) at (5,2) {Merchant’s bank};
\node (TPP) at (2.5,1) {Third-party service provider};
\node (AccessPlatform) at (2.5,0) {Access platform of third-party service provider};
\node (Interbank) at (2.5,2) {Interbank settlement phase};
\node (Transaction) at (2.5,-1) {Transaction phase};

\draw[->] (Customer) -- (CustomerBank);
\draw[->] (Merchant) -- (MerchantBank);
\draw[->] (CustomerBank) -- (AccessPlatform) node[midway, above] {Payment initiation/ account consultation};
\draw[->] (AccessPlatform) -- (TPP) node[midway, above] {Information returned in consolidated format};
\draw[->] (TPP) -- (CustomerBank) node[midway, above] {Information returned in consolidated format};
\draw[->] (TPP) -- (MerchantBank) node[midway, above] {Information returned in consolidated format};
\draw[->] (CustomerBank) -- (Interbank) node[midway, above] {Payment initiation/ account consultation};
\draw[->] (Interbank) -- (Transaction) node[midway, above] {Interbank settlement phase};
\draw[->] (Transaction) -- (CustomerBank) node[midway, above] {Information returned in consolidated format};
\draw[->] (Transaction) -- (MerchantBank) node[midway, above] {Information returned in consolidated format};
\end{tikzpicture}
\end{center}

\begin{flushright}
Source: Banque de France.
\end{flushright}

\begin{footnotesize}
\textsuperscript{14} See the Observatory for Payment Card Security’s 2013 report of the unit responsible for: https://observatoire.banque-france.fr/uploads/media/OSCP-Rapport-annuel-2013-EN.pdf
\textsuperscript{15} See the ECB website: http://www.ecb.europa.eu/pub/pdf/other/assessmentguidesecurityinternetpayments201402en.pdf
\textsuperscript{16} The recommendations are posted on the ECB website: http://www.ecb.europa.eu/pub/pdf/other/pubconsultationoutcome201403securitypaymentaccountaccessservicesen.pdf
\textsuperscript{18} See the ECB website: http://www.ecb.europa.eu/paym/cons/pdf/131120/recommendationsforthesecurityofmobilepaymentsdraftpc201311en.pdf
\end{footnotesize}
The scope of payment instruments oversight was extended to include special paperless payment vouchers

Act 2013-100 of 28 January 2013 entrusted the Banque de France with overseeing the security and relevance of standards for special paperless payment vouchers, as provided by the new Article L.525-4 of the Monetary and Financial Code.

The legal concept of special paperless payment vouchers covers various classes of instruments which use is restricted either to the acquisition of a limited number of goods or services or to a limited acceptance network. The list of these vouchers was established by the Executive Order of 17 June 2013 and includes pre-paid universal employment vouchers and meal vouchers.

The assignment of this mission to the Banque de France is a major development, as for the first time the central bank’s scope of oversight has been extended to include vouchers that are not classified as payment instruments.

As part of its new duties, the Banque de France drew up a reference framework describing the security objectives to be met by companies that issue and manage the special paperless payment vouchers referred to in the Executive Order of 17 June 2013. The Banque de France also prepared a data gathering framework to support its oversight duties. These two documents were discussed with market participants, notably through meetings organised by the Banque de France. In addition, an assessment guide derived from the security framework will be published at the end of 2014.

Following the preparation and distribution of these documents, the first assessment reports on issuers of special paperless payment vouchers will be carried out in 2015.
Oversight of financial market infrastructures

1) LCH.Clearnet SA

1)1 Business

LCH.Clearnet SA is a CCP established in France. It offers clearing services for financial instruments based on four business lines:

• cash products: equities and convertibles listed on Euronext markets;

• listed derivatives: equity and commodity derivatives listed on Euronext markets;

• outright trades and repos in government securities: Italian, French and Spanish sovereign debt securities. This business line includes €GCPlus, a new repo clearing service where collateral is managed on a triparty basis (see box 4);

• OTC-traded euro-denominated credit default swaps (CDS) based on indices or single names.19

Chart 1
LCH.Clearnet SA: credit default swaps (CDS) (thousands) (EUR billions)

Source: Banque de France.

Chart 2
LCH.Clearnet SA: cash equities and listed derivatives (thousands) (EUR billions)

Source: Banque de France.

Chart 3
LCH.Clearnet SA: outright trades and repos in government debt (thousands) (EUR billions)

Source: Banque de France.

19 Cleared index CDS include iTraxx Europe Main, iTraxx Europe Crossover and iTraxx Europe HiVol.
Recent changes and development projects

LCH.Clearnet SA's ownership structure changed considerably during the period under review, as the London Stock Exchange Group PLC (LSE), which operates the United Kingdom and Italian cash equity markets, acquired a majority interest in the capital of LCH.Clearnet Group Ltd, which owns LCH.Clearnet SA as well as CCPs in the United Kingdom and the United States, respectively LCH.Clearnet Ltd and LCH.Clearnet LLC.

The deal was finalised in May 2013, giving LSE a 57.8% interest in the LCH.Clearnet group, with the remaining shares divided among the members of the group’s clearing houses and other market businesses.

There were significant developments in contractual dealings with trading venues, including the renewal of clearing contracts for Euronext-listed cash instruments and derivatives. The two contracts, covering cash instruments and derivatives respectively, were negotiated separately. They should allow LCH.Clearnet SA to continue clearing these instruments through 2018.

The CDS clearing business continued to expand. In 2013 LCH.Clearnet SA’s share in clearing for these products stood at around 12% of euro-denominated CDS cleared in Europe.

In June 2014 LCH.Clearnet SA opened its central clearing service for repos based on the triparty collateral management services offered by Euroclear France. The service, which started with four participants, gained momentum in the second half of 2014.

Assessment

In accordance with EMIR Article 14, LCH.Clearnet SA filed an authorisation application in September 2013 with the French national competent authorities. Under EMIR Article 18, the college of authorities involved in authorising and supervising LCH.Clearnet SA, which is chaired by the Banque de France, was established in January 2014 and comprises 18 authorities, including ESMA as a non-voting member (see box 5 below for composition and operating procedures).

Between the end of 2013 and early 2014 the French authorities conducted a full assessment of the risks relating to the CCP’s operation and business, pursuant to EMIR Article 19.1. The Banque de France also assessed LCH.Clearnet SA on behalf of the Eurosystem, as central bank of issue for the euro. The college voted in April 2014 and issued a favourable opinion on LCH.Clearnet SA’s compliance with EMIR requirements and on the compliance of the interoperability link with Cassa di Compensazione e Garanzia (CC&G), the Italian CCP. As a result, the ACPR notified LCH.Clearnet SA of its authorisation under EMIR in May 2014.

The assessment of LCH.Clearnet SA’s EMIR compliance highlighted the entity’s robust risk management framework. Notably, the CCP’s framework for managing credit risk is even more demanding than EMIR requirements, with initial margin covering losses to a confidence level of at least 99.7%, compared with the minimum requirement of 99.5% under EMIR. Regarding the management of liquidity risk, LCH.Clearnet SA’s credit institution status allows it to access intraday credit from the Banque de France under regular conditions as well as Eurosystem standing facilities. LCH.Clearnet SA has the resources to cope effectively and safely with liquidity risk, even in extreme but plausible market situations, such as the default of the two largest participants, as required by EMIR.

In view of its authorisation under EMIR, LCH.Clearnet SA also took steps to revise and strengthen the risk management framework covering its interoperability link with CC&G, its Italian counterpart. The two CCPs now

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20 Autorité des marchés financiers (AMF), Autorité de contrôle prudentiel et de résolution (ACPR) and the Banque de France.
share a common framework for dealing with the extremely unlikely case of the other’s default. The common framework includes the final solution of an orderly shut-down of the clearing service through this link in a manner designed to prevent the spread of the systemic risk that such an event would create for financial stability.
The risk assessment carried out by the national competent authorities demonstrated that LCH.Clearnet SA complied fully with EMIR requirements. The French competent authorities and the college nevertheless recommended that LCH.Clearnet SA should consider additional steps to improve its risk monitoring arrangements by tracking LCH.Clearnet SA’s intraday exposure more closely, so as to better monitor credit and liquidity risk in relation to members and CC&G and the valuation of the collateral portfolio. This area has received special attention in the ongoing oversight of LCH.Clearnet SA.

includes the settlement activities of the SSS managed by the national CSDs of the Euroclear group for Belgium, France and the Netherlands.21

2| ESES France

2|1 Business

ESES France is the French securities settlement system (SSS). It is managed by Euroclear France and integrated into the ESES platform, which

2.2 Recent changes and development project

Euroclear France provides post-trade services for triparty collateral management as part of the €GCPlus service described above (see box 4).

Euroclear France has additionally committed to joining the TARGET2 Securities (T2S) platform, which is currently being developed by the Eurosystem, in March 2016. T2S is a key project for the harmonisation and efficiency of the European post-trade sector. It consists in setting up a platform and shared rules for pan-European settlement in central bank money. CSDs joining T2S will thus outsource operational management of settlement to the Eurosystem. In 2013 and 2014 the Banque de France and the other authorities involved monitored the preparations of the CSDs of the ESES platform in order to migrate to T2S. A first major milestone was reached in October 2014 when Euroclear France began participating in the T2S bilateral operating tests. The bilateral testing phase, during which Euroclear France ensures that its systems can connect to T2S, will be supplemented from May 2015 by multilateral tests with other CSDs and central banks that have joined T2S, and then from September 2015 onwards by “community” tests involving participants of Euroclear France.

2.3 Oversight framework

The ESES SSS/CSDs are subject to a cooperative oversight arrangement between the French, Belgian and Dutch authorities, in charge of the oversight and the regulation of the central securities depositories and the securities settlement systems of Euroclear Group. The National Bank of Belgium chairs the cooperative meetings, organises the practical arrangements for the meetings and acts as a point of entry for exchanging information with the ESES SSS/CSDs. Banque de France participates as overseer of ESES France. Each ESES supervisor/overseer remains solely and fully responsible for the execution of its respective competencies vis-à-vis its local SSS/CSD.

Besides, since 2010, the Belgian and Dutch CSDs have outsourced to Euroclear France the operational management of their settlement activity. A Memorandum of Understanding was concluded in July 2011 between the Belgian and French authorities to define the modalities of cooperation and exchange of information between authorities regarding the regulation and control of the settlement operations.

2.4 Assessment

ESES France was assessed in 2011 against the ESCB-CESR recommendations for EU settlement systems. The assessment revealed a high level of compliance with the recommendations, with ESES France found to be in line with all the recommendations except for Recommendation 19 on risks in cross-border links, for which it received a “broadly compliant” assessment because legal opinions on the three direct links set up by Euroclear France with Iberclear (Spain), Clearstream Banking Frankfurt (Germany) and Monte Titoli (Italy) had not been updated and did not capture the full applicable legal framework. As manager of ESES France, Euroclear France gradually updated the opinions in 2011 and 2012. Similarly, the direct links with Clearstream Banking Frankfurt and Monte Titoli were changed over the course of 2012 into relayed links in which Euroclear Bank plays the role of intermediary. The new legal opinions submitted to the Banque de France in this context confirmed that the relayed links comply with the ESCB-CESR recommendations.

An assessment of ESES France’s compliance with the PFMI began in 2014.

2.5 Recovery plan

In 2014, at the request of the overseers, and to implement the PFMI, Euroclear Group started elaborating a recovery plan for the Group’s CSDs. A first version of the plan, common to the three CSDs, was drafted and approved by the ESES Board in October 2014.
The objective is to facilitate the implementation of recovery measures to ensure the continuity of critical activities of the three ESES CSDs.

This first draft may be complemented, by quantifying scenarios and assessing the feasibility of the recovery options envisaged, in stress periods. Also, it is foreseen that this plan will be revised on an annual basis, to ensure that all recovery options have been considered, and that their impact and feasibility have been correctly assessed.

### 3| CORE (FR)

CORE (FR) is the French retail payment system. It allows participants to combine and submit domestic retail transactions for clearing, with multilateral net positions settled daily in TARGET2-Banque de France at 3:00 pm CET. Based on the Eurosystem criteria for classification of retail payment systems,\(^{22}\) in August 2014 the ECB Governing Council identified CORE (FR) as a systemically important payment system because it fulfils two of the four criteria set by the regulation, namely the value of payments settled daily in the system (over EUR 10 billion) and the market share in relation to the total volume of euro-denominated payments.\(^{23}\)

#### 3|1 Business

Since 2012 transactions cleared in CORE (FR) have increased by 3.5% in volume, with a 1.5% increase in 2013. The volume of card payments has been increasing steadily, while the share of cheques has been shrinking. As the deadline for migrating to SEPA drew closer, the final quarter of 2013 featured substantial SCT\(^{24}\) volumes and an exponential increase in SDD\(^{25}\) volumes. Meanwhile, the value of transactions processed in CORE (FR) has changed little overall since 2011.

#### 3|2 Recent changes and development projects

In 2013 and the first half of 2014 STET helped participants prepare for and effect the migration to SEPA payment instruments. An orderly migration was ensured notably through regular consultation with the CORE (FR) Clients’ Committee, the system’s governance body, and with technical committees, through steps to bring the system’s operating rules into line with the transposed EPC\(^{26}\) rules on credit transfers and direct debits, and through appropriate allocation of technical resources. No incidents linked to the operation of CORE (FR) were recorded during this crucial period.

Since the end of February 2013, STET has been hosting the Centre for Exchange and

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23 The four criteria are value of payments settled, market share, cross-border relevance and provision of services to other infrastructures.

24 SEPA Credit Transfer.

25 SEPA Direct Debit.

26 European Payments Council.
Clearing (CEC) for the Belgian community on the CORE platform. It acts as a critical service provider for the CORE (BE) system managed by the CEC under the supervision of the Banque nationale de Belgique.

The operator is also working on setting up a third production site that will be designed to strengthen the resilience of the technical infrastructure.

The Banque de France monitored these projects and checked that their implementation terms complied with the oversight framework to ensure CORE (FR)’s efficiency and security.

3|3 Assessment

Follow-up on the 2011 assessment

The CORE (FR) assessment report finalised by the Banque de France in August 2011 set out two recommendations on Principles V and X. To implement these recommendations, two sets of measures were undertaken:

• under the financial protection mechanism, a participant with a multilateral net debit position which fails to post individual collateral will be excluded, starting from the final call for supplementary collateral. Though based on a multilateral clearing balance that is incomplete because the defaulting party’s transactions are excluded, the settlement cycle between non-defaulting participants takes place at the normal time. The defaulting party has until 8:00 am the next morning to settle its obligations, failing which it is excluded permanently from the system;

• the operator revised its governance arrangements and formally established an internal control function coupled with a general framework for risk management that is regularly revised.

These measures enabled the infrastructure to comply fully with the principles and the Business Continuity Oversight Expectations (BCOE).

Impact of the new oversight framework on CORE (FR)

On 20 August 2014 the ECB notified STET that it had been classified as a SIPS operator under ECB Regulation/2014/28 because CORE (FR) met two out of the four criteria set by the regulation (total average value of euro-denominated payments settled daily in the system exceeds EUR 10 billion and market share is at least 15% of the total volume of euro-denominated payments). The ECB Regulation/2014/28. The Banque de France monitors this work closely.

Cooperation agreement

As part of the service offered to the Belgian community, the Banque nationale de Belgique and the Banque de France established a draft cooperation agreement to share information about STET and the CORE platform that is relevant to the oversight of CORE (BE) and CORE (FR).

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28 The two other criteria set by the regulation are (i) cross-border activity (i.e. participants established in a country other than that of the SIPS operator and/or cross-border links with other payment systems) involves five or more countries and generates a minimum of 33% of the total volume of euro-denominated payments processed by the SIPS; (ii) the system is used for the settlement of other FMIs.

29 The regulation sets two other thresholds for the market share criterion: 5% of the total volume of euro-denominated cross-border payments, and 75% of the total volume of euro-denominated payments at the level of a Member State whose currency is the euro. A system is classified as a SIPS if it meets one of these two thresholds.
Box 6

The Banque de France participation in different cooperative oversight frameworks

In addition to overseeing infrastructures based in France, the Banque de France takes part in the oversight of several infrastructures that are active at European or international level and which business has an impact on the French financial system.

European infrastructures include TARGET2, the future TARGET2-Securities platform, EURO1 and STEP2, which oversight is conducted within the framework established by the Eurosystem.

TARGET2 is the Eurosystem large value payment system, which is technically built on a common platform (Single Shared Platform – SSP). From a legal and functional point of view, TARGET2 gathers the payment systems operated by the Eurosystem’s central banks. In France, the national component of TARGET2 is TARGET2 – Banque de France (T2BF), a payment system notified to the European Commission. The Banque de France participates in the oversight of TARGET2 under the leadership of the ECB which is the primary overseer. In this context, in 2013, the Banque de France contributed to the gap analysis between TARGET2 functionalities and the requirements set in the new CPMI-IOSCO Principles, to prepare for compliance with the ECB regulation concerning oversight requirements applicable to systemically important payment systems.

The oversight framework of T2S, in its development phase, is subjected to a cooperative arrangement between (i) the Eurosystem, in which the ECB has the primary responsibility for assessing the design of T2S services, (ii) central banks of issue for currencies settled in T2S, (iii) overseers of CSDs participating in T2S and having signed the Framework Agreement, (iv) competent authorities for the supervision of those CSDs, and (v) ESMA. It allows for a proper exchange of information for each participating authority to fulfil its duties towards participating CSDs, as well as the common assessment of the platform against the relevant ESCB-CESR recommendations. This framework is planned to continue and evolve in the operational phase of T2S.

The Banque de France participates in the cooperative oversight of the payment systems operated by EBA Clearing, EURO1 (large value payment system) and STEP2 (retail payment system). Under the lead of the ECB, as primary overseer, the Banque de France contributed over the 2012-2014 period to several assessments, notably:

- the introduction of a new settlement cycle in STEP2;
- changes in the participation rules of EURO1;
- changes in EURO1 risk framework (reduction in the mandatory limit and suppression of the “51% rule”1 for exclusion of a participant).

The international, non-Eurosystem infrastructures which oversight is based on international cooperation agreements include CLS, SWIFT and DDRL.

CLS, as the operator of the world’s largest multi-currency cash settlement system to mitigate foreign exchange settlement risk, is subject to a cooperative oversight arrangement organised and administered by the Federal Reserve of the United States, as lead overseer. The CLS Oversight Committee includes the 17 central banks of issue of CLS-settled currencies (including the Banque de France). Between 2013 and 2014, various projects from CLS were submitted to the authorities as members of the Oversight Committee including: (i) analysis regarding liquidity risk management, (ii) information CLS would like to disclose in line with the CPMI-IOSCO Disclosure

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1 A participant could be excluded from the EURO1 system when at least 51% of the counterparties in the system (i.e. the other participants) would no longer grant to such participant any discretionary limit (limit brought down to zero).
Framework and (iii) the first draft of a recovery plan as required by CPMI-IOSCO principles 3 (comprehensive framework for the management of risks) and 15 (general business risk).

SWIFT is a financial communication infrastructure critical for the banking community. Based in Belgium, it is subject to a cooperative oversight, with the National Bank of Belgium as lead overseer. Since 2011, oversight authorities including the Banque de France have been following up on SWIFT’s main projects such as the set-up of a new data center (“Distribute Architecture”), and the upgrade of its FIN application (“FIN Renewal”). They are also particularly involved in the oversight of SWIFT’s comprehensive risk framework and fight against cyberthreats.

The Banque de France participated in the cooperative oversight of DDRL Ltd TR, which belongs to the American group DTCC and which is based in the United Kingdom. DDRL registers listed and OTC derivatives transactions (equity, credit, interest rate) and responds to transparency requirements on derivatives transactions. In the EMIR framework, the oversight of this infrastructure is now devoted to the European securities markets authority (ESMA – European Securities and Markets Authority). The cooperative oversight arrangement which preexisted EMIR was ended in Spring 2014. Since then, the control that EMIR requirements are complied with by TRs is ensured by ESMA, which authorizes them, ensures their smooth operation and safety through off and on-site controls, and has sanctioning powers against them (EMIR Title VI). The devolution of the oversight of European TRs to ESMA, with no collegial framework, constitutes a notable change in the oversight of TRs, which were previously overseen under cooperative arrangements.

Banque de France participation in the cooperative oversight of cross-border financial market infrastructures

<table>
<thead>
<tr>
<th>Infrastructures</th>
<th>Main overseer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurosystem oversight framework</td>
<td>ECB</td>
</tr>
<tr>
<td>T2</td>
<td>ECB</td>
</tr>
<tr>
<td>T2S</td>
<td>ECB</td>
</tr>
<tr>
<td>EURO1</td>
<td>ECB</td>
</tr>
<tr>
<td>STEP2</td>
<td>ECB</td>
</tr>
<tr>
<td>EMIR College participation</td>
<td></td>
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<tr>
<td>LCH.Clearnet Ltd</td>
<td>Bank of England</td>
</tr>
<tr>
<td>EUREX</td>
<td>Bafin</td>
</tr>
<tr>
<td>CC&amp;G</td>
<td>Banca d’Italia</td>
</tr>
<tr>
<td>International cooperative oversight framework</td>
<td></td>
</tr>
<tr>
<td>SWIFT</td>
<td>Banque nationale de Belgique</td>
</tr>
<tr>
<td>CLS</td>
<td>Federal Reserve System</td>
</tr>
</tbody>
</table>

Source: Banque de France.
Oversight of payment instruments

1| Ongoing oversight work by the Banque de France

1|1 Protecting online payments

Amid sharp growth in e-commerce, protecting online banking and payment card transactions remains a major issue for all participants in the payment chain, as well as for the Banque de France.

All banks have now provided customers with strong authentication systems to protect sensitive transactions such as credit transfers and the online order of new payment instruments.

In the case of internet-based card payments, the widespread introduction of strong authentication of card holders reduced the fraud rate for this type of transaction in 2013 for the second year running, to 0.229%. These results reflect concerted efforts among the members of the Observatory for Payment Card Security.30

Furthermore, the failure rate for transactions authenticated using strong authentication methods fell to 15.3% in 2013, bringing it closer to the failure rate for unauthenticated transactions, which is 14.3%. This decrease is an extremely positive signal for online merchants that have not yet set up strong authentication systems. The adoption by online merchants of such systems is a strategically important issue as it will allow to further enhance the security of online transactions, as just 43% of online merchants used strong authentication systems in 2013.

Accordingly, in 2012 the Banque de France began a series of initiatives to raise awareness among e-merchants about enhancing the security of internet payments. These included holding a symposium on the topic on 12 November 2012. In October 2014 the Banque de France also organised an international conference on the work carried out by the SecuRe Pay Forum to further the security of internet and mobile payments and improve the security of payment account access services provided by TPPs. Moreover, in early 2013, the Banque de France began partnering with the CB Bank Card Consortium to organize meetings with e-merchants who reported especially high levels or amounts of fraud in order to urge them to adopt strong authentication systems.

1|2 Role of the Banque de France in the authorisation procedure for payment institutions and electronic money institutions

When reviewing authorisation applications, the Autorité de contrôle prudentiel et de résolution (ACPR) consults with the Banque de France in accordance with Article L141-4 of the Monetary and Financial Code on the technical, IT and organisational resources relating to the security of the payment instruments provided by applicants within the scope of their proposed activities. Following this consultation, the Banque de France drafts an opinion.

Between 1 January 2012 and 31 December 2014 the ACPR authorised nine payment institutions and electronic money institutions. In all, twenty-five companies were exempted from payment institution or electronic money

institution status, receiving a positive opinion from the Banque de France. As of 31 December 2014, 282 payment institutions that had received a prior authorisation in other European Member States were approved to do business in France based on the principle of mutual recognition of authorisations between the authorities of different Member States under the freedom of establishment or the freedom to provide services. Like other payment service providers operating in France, these entities are subject to the Banque de France’s oversight.

1|3 Development of alternative currencies

Act 2014-856 of 31 July 2014 introduced the concept of complementary community currency instruments into the Monetary and Financial Code. These instruments are issued by corporations that pursue community goals, as defined by the Act of 31 July 2014, and whose sole corporate purpose is to issue such instruments.

To exercise their activity, corporations that issue or manage complementary community currency instruments are required to have payment service provider status. The actual authorisation arrangements depend on the medium chosen for the issuance of the complimentary currency, with exemption options available in each case.

Since these currency instruments are considered to be payment instruments, the Banque de France is in charge of overseeing their security if they are issued in non-cash form. It also issues opinions on the security of such activities when reviewing authorisation and exemption applications.

“Virtual” currencies comprise a second class of alternative currencies. These currencies do not qualify as payment instruments or electronic money within the meaning of the Monetary and Financial Code. As a result, the Banque de France does not oversee their issuance. However, the Banque de France does monitor the development of virtual currencies and has issued public warnings about the risks that they represent.31

Furthermore, while the issuance of virtual currencies is unregulated, intermediation (i.e. receiving funds from a buyer or seller for exchange against bitcoins) qualifies as provision of a payment service under the Monetary and Financial Code (ACPR Position 2014-P-01). To conduct this business in France, for example on an online exchange platform, authorisation as a payment service provider must be obtained from the ACPR, prior to which the Banque de France will have given its opinion on the security of the payment service.

2| Verifying the security and orderly operation of credit transfers and direct debits in France

As part of the migration to SEPA payment instruments, two rounds of on-site inspections were held during the 2011-2013 period to assess the security and orderly operation of credit transfers and direct debits in France’s banking groups.

The first inspection round, conducted between October 2012 and March 2013 at French institutions selected for their size and representativeness, assessed the proper operation of credit transfers, particularly those in the SEPA format. The assessment looked specifically at the security of both order-placing tools provided to customers and processing systems. The fraud management processes set up by institutions were also reviewed.

The second round was carried out between June and July 2013 to assess the readiness of the main French banking groups to migrate to the SEPA

[31 On 5 December 2013, the Banque de France published a special focus article on bitcoin that is posted on its website: https://www.banque-france.fr/uploads/bdgrandesdates/Focus10-the_dangers_linked_to_the_emergence_of_virtual_currencies_the_example_of_bitcoins-GB.pdf]
payment instruments. The inspections were chiefly designed to verify the institutions’ ability to process payment orders in the SEPA format in accordance with Regulation (EU) 260/2012, particularly in the event the receipt of high volumes of transactions. The communication policies and the customer support services provided by the institutions during the migration were also assessed.

The two rounds of inspections showed that by summer 2013 the main institutions on the French marketplace were ready to receive and process payment orders in the SEPA format, and that they offered a variety of order-placing products allowing customers to conduct credit transfers simply and effectively. The measures in place to protect order processing systems were also broadly in line with expectations. The Banque de France noted only a few incidents or cases of fraud involving credit transfers; and those that did occur were adequately dealt with by the affected institutions, notwithstanding differences in organisational arrangements and management approaches.

However, the Banque de France did identify several areas of improvement. In terms of internal management, it emphasised the need to bolster measures to protect data confidentiality, whose level varied in some cases depending on the channel used to submit credit transfer orders. In terms of external communication, the Banque de France called on institutions to step up measures aimed at supporting customer migration to SEPA and reaching out to companies that had not begun the changeover process.

The recommendations issued by the Banque de France and their follow-up over the SEPA migration period enabled French banking institutions to materially improve their in-house preparations and manage customer migration to SEPA payment instruments.

Box 7

SEPA migration in France

By 1 August 2014 France’s migration to SEPA payment instruments was complete.

Chart

Migration to SEPA payment instruments

<table>
<thead>
<tr>
<th></th>
<th>SEPA credit transfers</th>
<th>SEPA direct debits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2011</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>April 2011</td>
<td>90</td>
<td>0</td>
</tr>
<tr>
<td>June 2011</td>
<td>80</td>
<td>0</td>
</tr>
<tr>
<td>Aug. 2011</td>
<td>70</td>
<td>0</td>
</tr>
<tr>
<td>Oct. 2011</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td>Dec. 2011</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Feb. 2012</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>April 2012</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>June 2012</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Aug. 2012</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Oct. 2012</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Banque de France.
However, migration trajectories for the two types of payment instrument differed: whereas migration to SEPA credit transfers rose steadily following the launch in 2008, the take-up of SEPA direct debits came at a later date, particularly after November 2013.

Regulation (EU) 260/2012, which came into effect on 31 March 2012, set 1 February 2014 as the deadline for SEPA migration. However, given the pace of migration across affected countries, Regulation (EU) 248/2014 of 26 February 2014 introduced an additional six-month transition period to lessen the risks of disruption for consumers and businesses.

Thus, according to Regulation (EU) 248/2014 amending Regulation (EU) 260/2012, banking institutions have been banned from processing orders received in national format since 1 August and must accordingly reject them.

The 1 August date, though, is merely an additional stage in the SEPA project (see timeline). In accordance with options taken when Regulation (EU) 260/2012 was adopted, the French community is now required to organise the migration of “niche” products by 1 February 2016. Niche products are legally defined for each Member State as products which operating procedures are equivalent to credit transfers or direct debits and which cumulative market share amounts to less than 10% of the total number of credit transfers or direct debits respectively recorded in each Member State. France’s two reported niche products are interbank payment orders (titre interbancaire de paiement – TIP) and electronic payment orders (télérèglement).

**Figure**

Timeline for migration to SEPA payment instruments

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 January 2008</td>
<td>Launch of SEPA credit transfers</td>
</tr>
<tr>
<td>1 November 2010</td>
<td>Launch of SEPA direct debits in France</td>
</tr>
<tr>
<td>1 March 2012</td>
<td>Entry into force of Regulation (EU) 260/2012</td>
</tr>
<tr>
<td>1 August 2014</td>
<td>End of exceptional transition period introduced by Regulation (EU) 248/2014</td>
</tr>
<tr>
<td>1 February 2014</td>
<td>Deadline for end of migration set by Regulation (EU) 260/2012</td>
</tr>
<tr>
<td>1 February 2016</td>
<td>End of migration for niche products under options provided for in Regulation (EU) 260/2012</td>
</tr>
</tbody>
</table>

Source: Banque de France.
3| Change in the data gathering framework for statistics

The central banks of EU Member States collect statistics on the domestic use of payment instruments according to a common framework set up in 2007. These data are published on the ECB website.

With a view to completing the single euro payments area, the ECB and central banks undertook a project to overhaul the data collection framework. This project was the subject of a cost/benefit analysis in which stakeholders were involved at national level. In France, consultation was mainly organised within cross-market bodies and particularly the National Centre for Banking Organisation and Standardisation (CFONB) in 2012.

The new framework for collecting payment statistics was published as an EU regulation on 24 December 2013 and supplemented by an ECB guideline of 4 April 2014. The framework, which came into effect on 1 July 2014, introduces the collection of finer-grained statistics on cross-border payments with a cross-country breakdown for certain indicators.

Alongside this work on the regulatory framework, the Banque de France began a project to overhaul the IT system used to collect statistical disclosures from payment service providers established in France.

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32 See Guideline of the ECB of 1 August 2007 on monetary, financial institutions and markets statistics (recast).
33 Available at http://sdw.ecb.europa.eu/reports.do?node=100000760. Note that these statistical series were previously referred to as the Blue Book Addendum.
36 Including outgoing credit transfers to Germany, the United Kingdom and other countries, and incoming direct debits from Italy, Sweden and other countries.
ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CCP</td>
<td>Central counterparties</td>
</tr>
<tr>
<td>CLS</td>
<td>Continuous Link Settlement</td>
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<tr>
<td>CORE (FR)</td>
<td>French retail payment system</td>
</tr>
<tr>
<td>CPMI</td>
<td>Committee on Payments and Market Infrastructures</td>
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<tr>
<td>CSD</td>
<td>Central Securities Depositories</td>
</tr>
<tr>
<td>CSDR</td>
<td>Central Securities Depositories Regulation</td>
</tr>
<tr>
<td>EBA</td>
<td>European Banking Authority</td>
</tr>
<tr>
<td>EMIR</td>
<td>European Market Infrastructure Regulation</td>
</tr>
<tr>
<td>ESCB-CESR</td>
<td>European System of Central Banks and Committee of European Securities Regulators</td>
</tr>
<tr>
<td>ESES France</td>
<td>Euroclear Settlement of Euronext-zone Securities France</td>
</tr>
<tr>
<td>ESMA</td>
<td>European Securities and Markets Authority</td>
</tr>
<tr>
<td>EURO1</td>
<td>Pan-European large value payment system</td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organisation of Securities Commissions</td>
</tr>
<tr>
<td>NCBOS</td>
<td>National Centre for Banking Organisation and Standardisation</td>
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<tr>
<td>PFMI</td>
<td>Principles for Financial Market Infrastructures</td>
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<tr>
<td>SCT</td>
<td>SEPA Credit Transfer</td>
</tr>
<tr>
<td>SDD</td>
<td>SEPA Direct Debit</td>
</tr>
<tr>
<td>SIPS</td>
<td>Systemically Important Payment Systems</td>
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<tr>
<td>SIT</td>
<td><em>Système interbancaire de télécoupe</em></td>
</tr>
<tr>
<td>SSS</td>
<td>Securities Settlement System</td>
</tr>
<tr>
<td>STEP2</td>
<td>Pan-European retail payment system</td>
</tr>
<tr>
<td>STET</td>
<td><em>Systèmes technologiques d’échange et de traitement</em></td>
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<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
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<tr>
<td>T2S</td>
<td>TARGET2-Securities</td>
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<td>TARGET2</td>
<td>Trans-European Automated Real-time Gross Settlement Express Transfer</td>
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<td>TR</td>
<td>Trade Repositories</td>
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1 For further information, cf. the BIS glossary terms: [http://www.bis.org/cpmi/publ/d00b.htm](http://www.bis.org/cpmi/publ/d00b.htm)
Box 5 initials

<table>
<thead>
<tr>
<th>Initials</th>
<th>Full Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFM</td>
<td><em>Autoriteit Financiële Markten</em>, Netherlands authority for the financial markets</td>
<td></td>
</tr>
<tr>
<td>Bafin</td>
<td><em>Bundesanstalt für Finanzdienstleistungsaufsicht</em>, German Federal Financial Supervisory Authority</td>
<td></td>
</tr>
<tr>
<td>BNB</td>
<td><em>Banque nationale de Belgique</em>, National Bank of Belgium</td>
<td></td>
</tr>
<tr>
<td>CMVM</td>
<td><em>Comissão do Mercado de Valores Mobiliários</em>, Portuguese Securities Market Commission</td>
<td></td>
</tr>
<tr>
<td>CNMV</td>
<td><em>Comisión Nacional del Mercado de Valores</em>, agency in charge of supervising and inspecting the Spanish Stock Markets</td>
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</tr>
<tr>
<td>CSSF</td>
<td><em>Commission de surveillance du secteur financier du Luxembourg</em>, public institution which supervises the professionals and products of the Luxembourg financial sector</td>
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<tr>
<td>DNB</td>
<td><em>De Nederlandsche Bank</em>, Dutch Central Bank</td>
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<tr>
<td>ESMA</td>
<td>European Securities and Markets Authority</td>
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<tr>
<td>FCA</td>
<td>Financial Conduct Authority, United Kingdom</td>
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<tr>
<td>FSMA</td>
<td>Financial Services and Markets Authority, Belgium</td>
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<tr>
<td>PRA</td>
<td>Prudential Regulation Authority, United Kingdom</td>
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