

■ Assessment of Bankgirocentralen BGC AB's payment system, 2008

In Sweden, Bankgirocentralen, BGC, is the main intermediary of retail payments between the banks. The Riksbank and the Swedish Financial Supervisory Authority have therefore assessed BGC's payment system for compliance with the Bank for International Settlements' "Core Principles for Systemically Important Payment Systems" (CPSIPS). CPSIPS is an international standard that consists of 10 principles with which systemically important payment systems should comply.

The assessment is based on BGC's operations during 2008, with the exception of BGC's settlement agreements, which have been revised to comply with the Riksbank's new technical system for inter-bank payments, RIX. The settlement agreements that came into effect on 9 February 2009 consequently form the basis of the assessment.

Due to the changes that will take place in conjunction with the outsourcing of large portions of BGC's operations to Vocalink, the Riksbank and the Swedish Financial Supervisory Authority have decided not to assess BGC in accordance with Core Principles VII and VIII in the assessment for 2008. These principles will be assessed in depth in the assessment for 2009.

Assessment and recommendations

The assessment of the Riksbank and the Swedish Financial Supervisory Authority is that BGC's payment system complies with the principles in accordance with the list below.

Assessment	Core Principle with this assessment
Observed	I, II, III, IV, V, VI, IX and X
Broadly observed	-
Partly observed	-
Not observed	-
Not applicable	



Bank-owned clearing organisation

BCG is a bank-owned clearing organisation, established in 1959. Through BGC's payment system, retail payments, mainly credit transfers and transfers between accounts, are made between the banks in Sweden. The majority of these payments are cleared and settled on a bilateral gross basis, that is to say, between two participants; the remainder are cleared and settled on a multilateral net basis, that is to say, between several participants. All types of payment have one or more predetermined settlement times a day. Payments are settled in SEK or EUR.

Legal status and supervision

BGC is under the supervision of the Swedish Financial Supervisory Authority and has been granted a licence by this body to conduct clearing operations in accordance with the Swedish Securities Market Act (SFS 2007:528). This Act is applicable to all companies conducting securities, stock exchange or clearing operations. BGC's settlement system has been notified and approved according to the Swedish Act on Systems for Settlement of Obligations on the Financial Market (SFS 1999:1309), which, among other things, includes regulations covering the validity of third party payment orders in the event of a participant's bankruptcy.

Ownership structure

Bankgirocentralen BGC AB is a wholly owned subsidiary of BGC Holding AB, which is owned by SEB (33.1%), Swedbank (29.2%), Svenska Handelsbanken (25.4%), Nordea (10.0%), Danske Bank (1.7%), Skandiabanken (0.3%), Kaupthing Bank Sverige (0.2%) and Länsförsäkringar Bank (0.1%). No changes took place in the ownership structure in 2008.

Operations

BGC's payment system is formed of a technical system platform, various payment systems/products with pertaining rules and regulations and a clearing and settlement service. BGC's primary activities pertain to the operation, administration and development of the Bankgiro system and associated products. The systems platform includes a large number of different systems to support the management of Bankgiro products. In conjunction with portions of the participating banks' systems, this system forms the infrastructure of the Bankgiro system. The clearing and settlement system is a function provided by BGC for all payment systems/products. In addition to various products and services concerning the mediation of payments, BGC also offers electronic invoicing and e-identification services.

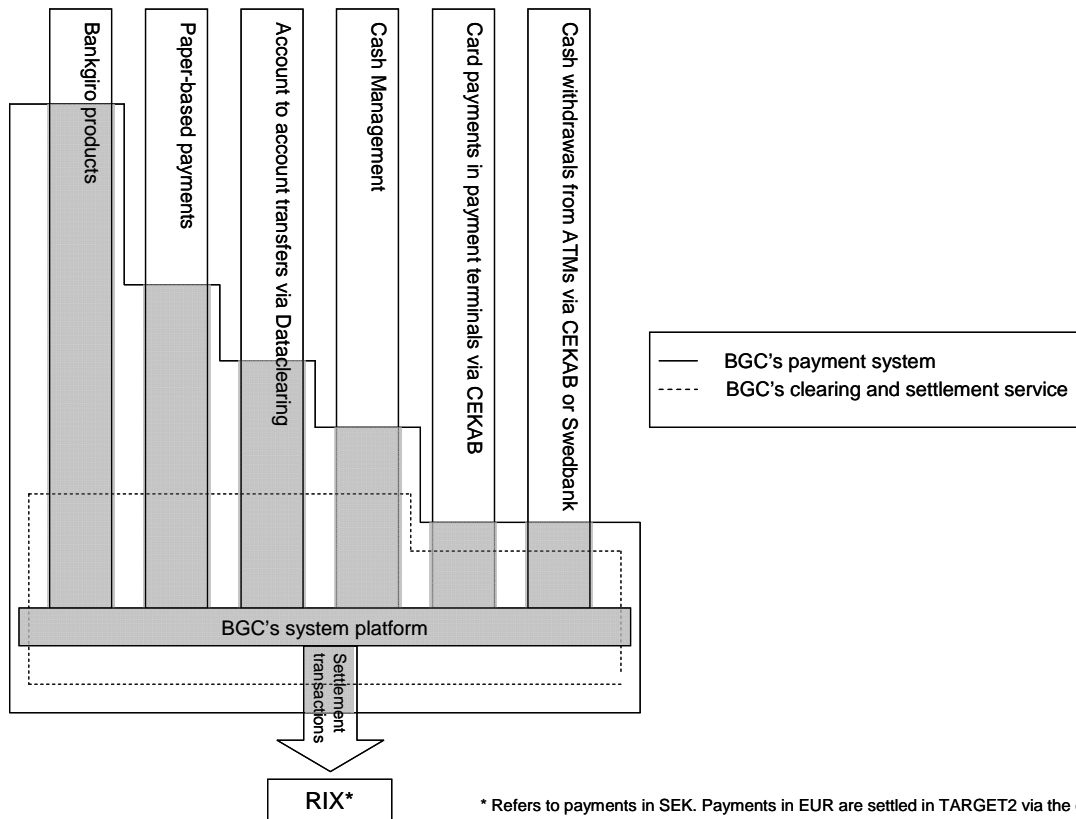


Figure 1: BGC's payment system

Figure 1 is a simplified illustration of the degree to which various payment systems/products utilise BGC's payment system, including clearing and settlement services. The white portions of the bars in Figure 1 represent those portions of the payment products processed in any pre-system external to BGC's payment system. As regards Bankgiro products, this refers to such products as Internet bank payments, supplier payments and direct debits that are produced in the banks' systems before being transferred to BGC's payment system. BGC's payment system is responsible for the mediation of payments from each pre-system to the Riksbank's settlement system, RIX, where the final settlement of the transactions takes place. For a more in-depth description of the flow of payments in BGC's payment system, refer to Appendix 1.

The Bankgiro system is an open system, implying that all banks in Sweden that satisfy the criteria for entry are able to participate. In addition to these banks, the Swedish National Debt Office is also a direct participant in the Bankgiro system. At the end of 2008, the Bankgiro system had 20 direct participants and 77 indirect participants.

Similarly, BGC's clearing and settlement service is an open system for those parties complying with the participation requirements.

The Bankgiro products

The Bankgiro products are utilised in a number of different payment situations in the retail payment market. A few examples of Bankgiro products include direct debit, supplier payments, salaries and Bankgiro deposits. The aim of these products is to offer banks and banking customers secure and efficient services for payments in Sweden.

For payments sent and received via Bankgiro products, BGC is responsible for authorisation, clearing and settlement, and for payment information to the sending and receiving banks. In addition, BGC



■ offers payment information to the payment sender and payment recipient for most of the Bankgiro products. However, the banks are responsible for the authorisation of Internet bank payments and the Privatgirot company, on behalf of the banks, is responsible for the authorisation of paper-based Bankgiro products.

BGC's *authorisation* of payment orders issued and received via Bankgiro products includes the control of the authenticity of the orders and the creation of supporting documentation for the participants, to enable these to control the presence of sufficient funds in the payers' accounts in a so-called cover check. *Clearing*, the compilation of participants' obligations under these payment orders, is carried out via gross transactions, in which no dependency exists between the players. In *settlement*, BGC creates gross positions in settlement documentation, following which payments are settled in the participating banks' accounts in the Riksbank's settlement system, RIX, for payment orders in SEK. As regards payment orders in EUR, each paying bank receives settlement documentation from BGC, subsequently forwarding this documentation to ECB's settlement system TARGET2, either directly or via its custodial bank. BGC is subsequently responsible for matching and confirming the implementation of this settlement. In addition to this, BGC's clearing and settlement system, the "clearing information system", provides information regarding the participants' settlement totals and settlement status. This makes it possible for the participants to follow their positions and thus their liquidity requirements in real time. The various Bankgiro products have one or more predetermined settlement times per day (see Principle IV).

BGC's other payment mediation services

BGC provides clearing and settlement services for certain payment products that are not Bankgiro products. Common to these payment products are that authorisation and, in some cases, portions of the clearing are carried out in systems outside the Bankgiro system – systems for which BGC is not responsible. These payment products are of great relevance to this assessment as the products are highly dependent upon the functionality of BGC's clearing and settlement services.

Account to account transfers via Dataclearing

The Dataclearing system (DCL) is a so-called mass transaction system that is mainly used for account to account transfers that do not use Bankgiro numbers. DCL consists of rules, regulations and format standards and is aimed at achieving a rational, rapid and secure system for account-to-account transfers. This system includes the notification of credits, salary transfers, telephone transfers, cheques, bank money orders and bank drafts, as well as any corrections to such transactions. The system used for DCL is based on the exchange by participants of standardised information regarding client transactions, enabling such transactions to be conducted between the banks. Participants sign a multilateral agreement regarding the types of transaction to be exchanged with the corresponding participants in DCL. It is also presumed that all participants are direct or indirect members of the Riksbank's settlement system RIX, although they need not be participants in the Bankgiro system.

Since its start in 1975, BGC has been responsible for operation and administration of the system on behalf of the system owner, the Swedish Bankers' Association (Svenska Bankföreningen). The objective of the business agreement is to utilise DCL to provide banks with operations in Sweden with the right to obtain basic transaction services from other banks on behalf of their clients.

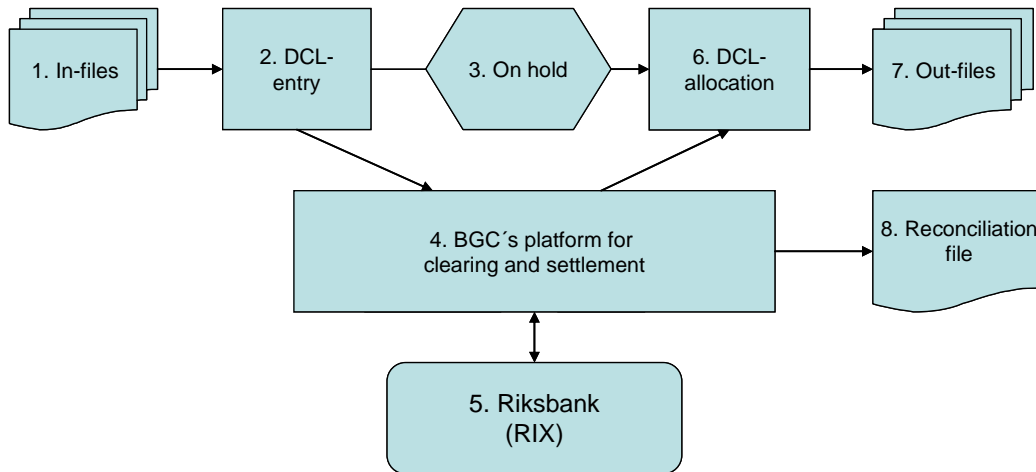


Figure 2: Dataclearing's flow

Transactions for DCL are processed by BGC's system platform and, subsequently, by the Riksbank's settlement system, RIX, where the final settlement takes place four times per day. The flow in DCL takes place in the following manner:

- 1) Issuing participants in DCL submit in-files with unique in-file identification.
- 2) These files are entered into the DCL system, following which a receipt file is issued to inform the sender that the in-file has been received.
- 3) The transactions approved for entry into DCL are placed on hold and recalculated as debit and credit totals. Following this, DCL supplies debit and credit totals to BGC's system for clearing and settlement.
- 4) BGC's system calculates the net amount of the debit and credit transactions for each participant.
- 5) The transactions are then forwarded to RIX for settlement.
- 6) In the DCL allocation, the settled debit and credit transactions are matched with the approved debit and credit totals placed on hold and the allocation and delivery of settled transactions takes place to the receiving participants.
- 7) Delivery to receiving participants takes place either on an ongoing basis, following which the newly-settled debit/credit files are released from settlement, or by way of the collected issuance of all settled transactions for the day. In conjunction with this, BGC allocates a unique out-file identification.
- 8) Once per banking day, BGC issues a reconciliation file to each participant. This file is of a general nature and, in addition to information regarding DCL payments, includes information regarding the other products utilising BGC's clearing and settlement service. As DCL has several settlement times per day, it is possible for a client to make an account-to-account transfer which both debits the issuer and credits the recipient on the same day.

Form payments via Privatgirot

Privatgirot is a supplier of paper-based payment services, with the primary assignment of scanning, interpreting and verifying paper-based documents. Privatgirot is owned by the Swedish commercial banks, with Handelsbanken, SEB, Swedbank and Nordea as major owners, and falls under the supervision of the Swedish Financial Supervisory Authority.

This private giro service provides Swedish banking clients with the possibility of making payments with the use of forms. The giro service is sold under various names, such as: Privatgiro, SEB Betalservice, Girobetalning, Skandiagirot and ICA Brevgirot. The services BG Direkt and Skattegirot can be added to this list. Bankgirot and PlusGiro payments made over the desk in bank branches are sent to Privatgirot AB for payment. Such Bankgirot payments are credited to the recipient on the same day.

that Privatgirot processes the order. PlusGiro payments are credited to the recipient on the bank day following that on which Privatgirot processes the order.

Each year, Privatgirot produces and mediates approximately 105 million paper-based payments and 11 million electronic payments. The electronic payments consist of Internet payments from ICA Banken and Länsförsäkringar Bank.

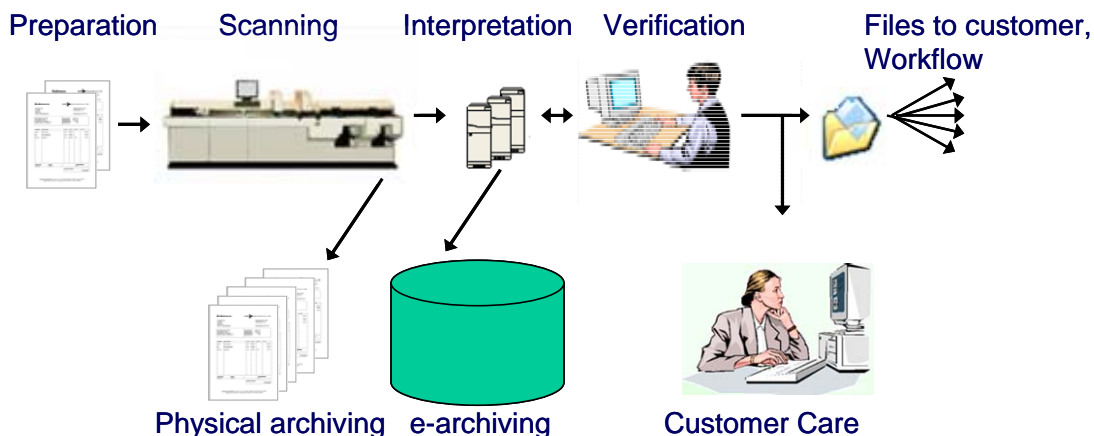


Figure 3: Document scanning flow

As can be seen from Figure 3, Privatgirot initially focuses on preparing incoming documentation by opening, scanning and archiving it. Following this, the contents are interpreted and the interpreted data and images are stored. The OCR interpretation degree amounts to 99%. The next phase is the verification of the interpreted data and the interpretation of any data not processed in the previous control. Privatgirot then sends the payment orders on to BGC in the form of data files. BGC then handles the settlement and production of settlement documentation for these payment orders in a manner corresponding to that used for electronic payments.

Withdrawals from cash dispensers via CEKAB and Swedbank

The company CEKAB carries out the authorisation and clearing of cash withdrawals from ATMs belonging to CEKAB. BGC receives a summary from CEKAB of each participant's total debt to and total receivables from other participants. BGC also receives a similar summary from Swedbank, based on withdrawals from ATMs. After registering this documentation, the BGC system calculates each participant's net debt to or net receivable from other participants in the respective flows. Accordingly, the clearing of these flows takes the form of multilateral netting and not bilateral gross. BGC then forwards the settlement documentation to RIX, where the respective participant's net debt or net claim in respect of other participants in the respective flows is settled via BGC's RIX account.

Card payments in payment terminals via CEKAB

CEKAB also conducts the authorisation of card payments for MasterCard. The initial clearing of these payments takes place via MasterCard's international network. From MasterCard, BGC receives a summary of each participant's total debt and total claim on other participants, in a similar manner to that in which equivalent information is received from CEKAB and BGC. After registering this documentation, the BGC system calculates each participant's net debt or net claim on other participants in the MasterCard flow. All net flows are aggregated to a net amount per participant and thereby cleared in the form of multilateral netting. BGC then sends the settlement documentation to



RIX, where the respective participant's net debt or net claim in respect of other participants in the Master Card flow is settled via BGC's RIX account.

Cash management

When old banknotes and coins are delivered to the Riksbank and new banknotes and coins are supplied from the Riksbank, and when banks buy and sell cash among themselves, debts and claims arise between banks and in relation to the Riksbank. BGC supplies the banks and the Riksbank with a special cash management product for settlement of these debts and claims. Information concerning the payment orders is sent to BGC several times a day, after which BGC clears and then sends on the settlement documentation to RIX, where the payments are settled.

A summary in table form is provided in Appendix 1, which shows which party is responsible for what in the payment products/flows described above.

Clearing and settlement

The majority of the payment products mediated via BGC are cleared and settled as gross amounts via the participants' accounts in the Riksbank's settlement system, RIX. As regards payment orders in EUR, each paying bank receives settlement documentation from BGC, subsequently forwarding this documentation to ECB's settlement system TARGET2, either directly or via its custodial bank. BGC is then responsible for matching and confirming the implementation of this settlement.

The estimation of settlement documentation is carried out in BGC's payment system, either as bilateral gross settlement or as multilateral net settlement. The settlement documentation is either forwarded directly to the settlement institution (the proxy method) or to the paying bank (the paying bank method), which, in turn, forwards the settlement documentation to the settlement institution. In the proxy method, the participant provides BGC with the authority to forward settlement transactions to the settlement institution on behalf of the participant. Regardless of the method, the same definition of settlement point applies in respect of implementation time and escalation time.

A small number of payment products (MasterCard, Bankomat and other ATMs) are cleared as multilateral net amounts. These are settled according to the principle "in their entirety or not at all", also known as "Concurrent batch". "In its entirety or not at all" implies that the entire multilateral flow is only settled if all participants have sufficient liquidity at the settlement time. If, on the other hand, one or several participants in the multilateral flow cannot fulfil their payment obligations, none of the participants' transactions in the multilateral flow are settled. There are predetermined settlement times for each payment product and, for certain payment products, there are several settlement times per day (see CP IV).

The settlement of payments in RIX is based on gross settlement in real time. This means that payments are settled immediately, one by one, on condition that the payer has sufficient liquid funds/money in its account. If this is not the case, the payment is placed in a queue until sufficient liquid funds have been obtained. In order for settlement to proceed smoothly, the participants have the opportunity to cover their liquidity requirements against approved collateral by borrowing from the Riksbank during the day.

Failure of settlement

The term ordinary settlement period refers to the period of time starting at the settlement time and finishing thirty minutes later. If a participant fails to contribute sufficient liquid funds during the ordinary settlement period, an escalation period is initiated. The escalation period finishes when the settlement transactions are cancelled or settled by a transfer of liquid funds to the account. For the bilateral flow, settlement transactions are cancelled upon closure of the settlement institution. For the

multilateral flow, these transactions are cancelled at the final contractual settlement time, 15:00, or at the point in time at which a participant is considered to have defaulted. In such a case, the escalation period turns into a default administration period, which is the period of time in which default procedures are applied, in accordance with default administration of SEK or EUR.

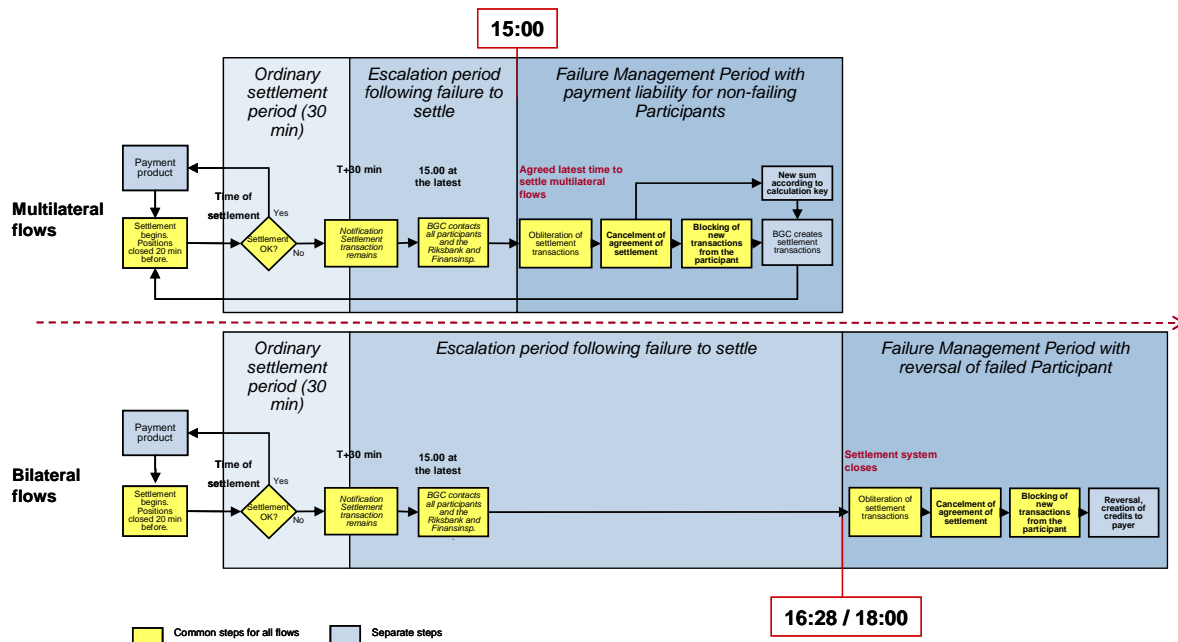


Figure 4: Multilateral and bilateral settlement flows

Handling of defaults for bilateral flows

Payment products cleared bilaterally in gross have an ordinary settlement period of thirty minutes. If it has not been possible to effect a settlement during the thirty minutes of the ordinary settlement period, an escalation period is initiated, which lasts until settlement has been confirmed, the settlement institution closes or BGC is informed that a default has occurred. During this period, the participant can contribute sufficient funds to enable settlement to be effected. Failure to do so on the part of the participant implies that the participant is considered to have defaulted.

If a default is identified, the settlement transactions are cancelled at the settlement institution and the participant's settlement agreement is revoked. In conjunction with this, BGC blocks all incoming, unregistered transactions to or from the defaulting participant within 120 minutes. Reversal is applied to any registered transactions belonging to the defaulting participant that cannot be settled according to ordinary routines. This entails that transactions that could not be settled are removed from the clearing and settlement system and that defaulting participants are provided with the opportunity to recredit funds to the accounts of previously charged clients. All stages in default management are implemented on day 1, which is to say on the same day that the participant defaults.

Handling of defaults for multilateral flows

As regards ordinary settlement periods, the same stages of treatment are applied to payment products cleared multilaterally in net as are applied to products cleared bilaterally in gross. For multilateral flows, clearing calculations are made in pre-systems for which BGC is not the principal. These are then forwarded to BGC, which sets up settlement transactions. An obligation to pay then

arises for each participant towards the collective group of participants in the pre-system. In multilateral settlement, settlement transactions are processed as one unit and can only be settled “in their entirety or not at all”.

An escalation period is also introduced here, in the event that a participant fails to settle in time. However, the escalation period is concluded at a contractual final payment time, falling at 3 pm. After this time, default management is applied, with blocking and revocation of the agreement, together with a new attempt at settlement, with responsibility to pay for non-defaulting participants. This is implemented through the calculation by BGC of the non-defaulting participants' share of amounts on the basis of a previously determined model. This model is based on the proportion of the flow provided by each participant. A participant with a greater proportion of the flow takes a greater proportion of the loss and vice versa.

Subsequently, each remaining participant pays in its initial portion of the multilateral flow, in addition to the calculated proportion that the participant is liable to pay for the defaulting participant's settlement total. The flow is processed in a separate settlement round that is only utilised in default management. In the event that a participant is unable to implement the extra settlement, this participant will also be considered to be defaulting, with a further default management consequently being initiated until RIX closes. Following this, no further translations will be made, with the settlement documentation, instead, being returned to the appropriate pre-system.

Settlement statistics

During 2008, a total of 770 million payments were mediated via BGC's payment system, an increase of approximately eight percent compared with 2007. Diagram 1 indicates that the number of payments referring to Bankgiro products increased by an average of approximately 13 percent per year and that payments via Dataclearing increased by an average of approximately six percent per year during the period 2003-2008. In contrast, the number of payments made via Privatgirot remained relatively constant during the equivalent period. The diagram also indicates that the number of payments from Privatgirot and Dataclearing is relatively low compared with those generated by the Bankgiro products.

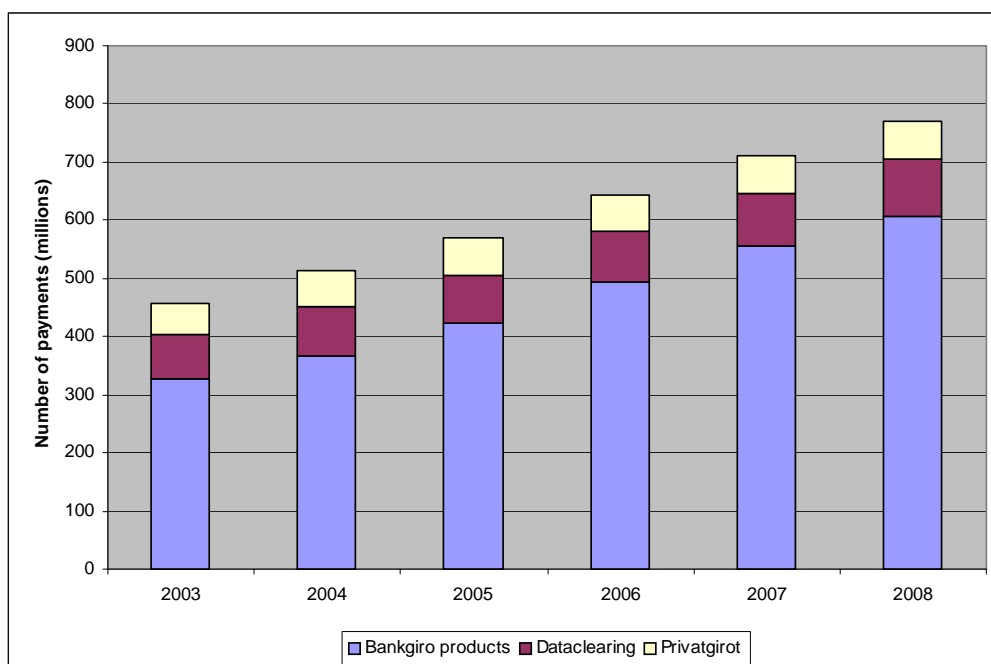


Diagram 1: Number of payments mediated through BGC's payment system 2003-2008

The total value of the payments processed through BGC's payment system during 2008 amounted to SEK 9,356 billion. This was an increase of just over five percent compared with 2007. Diagram 2 indicates that the value of payments via Bankgiro products and Dataclearing has increased by an average of 13 and 10 percent, respectively, per year during the period 2003-2008. However, the increase during 2008 was somewhat lower than in previous years of this period. In contrast, the value of the payments processed by Privatgirot has declined by a total of approximately 40 percent during the period. The diagram also indicates that Bankgiro products constitute the greatest value, followed by Dataclearing, and that Privatgirot's portion of the total value is very small.

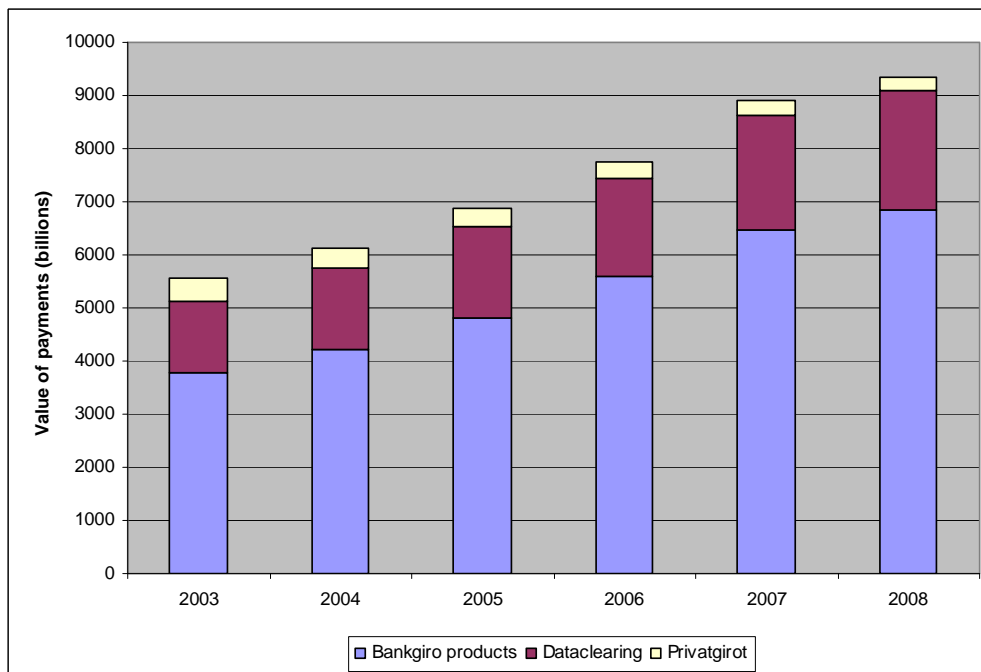


Diagram 2: Value of payments mediated through BGC's payment system 2003-2008

Development

Developments in 2008

In February 2008, BGC's collaboration with the Bank of Finland for settlement in EUR via ECB's settlement system TARGET2 came to an end. Instead, each paying bank now receives settlement documentation from BGC, which is subsequently forwarded to TARGET2, either directly or through its custodial bank. BGC is subsequently responsible for matching and confirming the implementation of this settlement.

On 9 February 2009, the Riksbank put a new version of its settlement system RIX into operation, implying a number of changes in BGC's routines for the settlement of transactions. This entailed the development of a new agreement for BGC's clearing and settlement service during 2008/2009, which entered into effect in conjunction with the launch of the new RIX system.

In 2008, BGC decided to outsource its department for system development to Logica. BGC's personnel were offered the opportunity to accompany the move, and a large portion of employees accepted. This approach allows BGC to retain competence that it would otherwise risk losing.



Outsourcing of operations to Vocalink

■ In autumn 2007, BGC decided to start strategic cooperation, mainly concerning BGC's payment system, with VocaLink in the UK, whose activities include operating the British mass payment system BACS. The objectives of this collaboration are to offer Bankgiro products at a lower price and to meet market demand for new payment products. BGC will retain its current role as regards the banks, their clients and authorities.

Work initiated in 2008

The collaboration with VocaLink has been intensified in 2008. Contractual negotiations were underway during January - May 2008, resulting in the signing, on 15 May 2008, of a "Master Services Agreement" (MSA) to regulate the outsourcing of BGC's payment system to VocaLink, in which VocaLink agrees to supply IT operations for BGC's payment system. During the same period, "Elaboration", a requirement gathering phase, was underway. Work in this phase has been concentrated on describing the Bankgiro products to be transferred to VocaLink. The programme for the transfer of IT operations regarding the Bankgiro products started on 8 May 2008. Work in this programme is proceeding according to plan.

BGC and VocaLink have also signed an Alliance Agreement to regulate any further existing possibilities for collaboration, such as the joint development of products and/or the sale, on each company's market, of the other company's products.

In order to ensure the quality of the collaboration with VocaLink, the Scandium project has been initiated. Within the framework of this project, a number of milestones have been identified as being important for collaboration as a whole. There exist various groups within the project, of which the most important is the Executive Steering Committee. This group meets on a quarterly basis and focuses on nine critical milestones in the project and the overall cooperation between them.

Dataclearing is impacted by this collaboration and requires a new technical platform as of February 2010 in order to maintain current levels of functionality. As supplier of DCL, together with the system owner, the Swedish Bankers' Association, BGC has decided that DCL will utilise VocaLink's platform.

Completed work 2009

BGC has planned for the completion of the transfer programme in February 2010. The transfer will take place in two stages. The first stage will be implemented in May 2009, entailing new direct debit and issuer payments, together with general joint functions for clearing and settlement, cover checks and crediting information. The second stage will be implemented in February 2010 and will cover the remaining products in BGC's payment system. The programme includes both a test phase and a phase of parallel processing, planned in advance of each start of operations. The parallel processing will be conducted using both the old portions of BGC's payment system and the new portions. This parallel processing is conducted in order to check that all portions of the new system are functioning and producing comparable results.

Following the programme's final date for the start of operations, the "Operation" phase will be implemented. This is the phase in which BGC purchases a service from VocaLink. During the "Operation" phase, the services will be regulated by the Service Level Agreements (SLA) included in the MSA. BGC also has a set of agreements and contracts to secure the operation of BGC's system with VocaLink.

The rules in the MSA regarding operations will be applied in conjunction with the preparation of the first products in May 2009. As of this point in time, the operation of BGC's payment system will be conducted by VocaLink, at the same time as continued project work in Scandium will continue until all operations have been transferred.



■ The relationship between BGC and Privatgirot and other pre-systems of BGC's payment system will not be affected by the transfer of IT operations to VocaLink. However, certain adjustments in the technical interface may take place.

SEPA

SEPA stands for "Single Euro Payments Area" and has the objective of creating a common mass payment market for all non-cash electronic payments in EUR. The aim of SEPA is to ensure that trans-national payments in EUR, within the Euro area, do not entail a greater cost for the consumer than equivalent national payments. This harmonisation is expected to lead to greater competition between the various banks of Europe. The new payment services are being successively introduced from 1 January 2008, with the target being full implementation by 2010. On the whole, SEPA regulates three payment services, these being account transfers (SEPA Credit Transfer), direct debits (SEPA Direct Debit) and charge cards (SEPA Cards Framework).

It should be possible to execute account transfers to another bank in Europe in the same uncomplicated and cost-effective manner as would be the case, for example, between accounts in two Swedish banks. Companies in all EU countries should be able to debit an account in the country of origin by direct debit. The prerequisites for the implementation of account transfers and direct debits in this manner are that the bank account number and bank address are stated in IBAN format and as a BIC address, respectively, and that there exists a harmonised regulatory framework in the form of a PSD, which is described in more detail below. These abbreviations stand for International Bank Account Number and Bank Identifier Code, respectively, and are based on an international standard.

As SEPA will only have an effect on payments made in EUR, no national payments in Sweden will be affected, generally speaking. Payments that will be affected will be those made in EUR between Sweden and one of the EMU countries, or vice versa. BGC's payment system handles payments in SEK and domestic EUR payments. However, no cross-border payments are handled by this system. In other words, the initial impact of SEPA on BGC will be very slight.

The Payment Services Directive

By 1 November 2009, all countries within the EU/EES, together with Switzerland, are to have implemented the so-called PSD, Payment Services Directive, in their national legislations. The PSD, which is an EU directive, will be incorporated into Swedish legislation through the Swedish Payment Services Directive

This Directive is aimed at harmonising the legislation surrounding payments across Europe, in addition to strengthening consumer protection as regards payments in both SEK and EUR. It also forms a step towards the harmonisation of the payment market that SEPA aims to achieve. BGC will primarily be affected by the Directive through the new requirements to be placed upon its direct debit function. As supplier to the banks, BGC's services must otherwise comply with the forthcoming Swedish Payment Services Act. The Swedish Payment Services Directive will regulate direct debit payers' right to request repayment of incorrectly executed direct debits.

Method

This assessment is based on questions presented to BGC by the Riksbank and Swedish Financial Supervisory Authority. These questions have been formulated with the "Core Principles for Systemically Important Payment Systems" as a starting point.

The international standard "Core Principles for Systemically Important Payment Systems" (CPSIPS) has been produced by the central banks of the G10 countries within the framework of the Bank for



■ International Settlements (BIS). These Principles consist of ten security and efficiency standards with which systemically important payment systems must comply. These Principles are the generally accepted yardsticks applied in evaluating such systems and they are used by central banks all over the world.

The Principles have been mainly developed for large-value payment systems. They can, however, also be applied to mass payment systems that are extensively used and where there are few alternative systems. Another important aspect is whether there exists a risk that confidence in the payment system as a whole may be damaged in the event that the mass payment system should crash. The criterion that "the system is to be used extensively" and the condition that "few alternative systems are available" are fulfilled by BGC's payment system, as is the statement that it may "damage confidence in the payment system as a whole".

The Core Principles that have been assessed are I, II, III, IV, V, VI, IX and X. Due to the changes to take place in conjunction with the outsourcing of major portions of BGC's operations to VocaLink, the Riksbank and Swedish Financial Supervisory Authority have decided not to assess BGC according to Core Principles VII and VIII in the assessment for 2008. These Principles will be exhaustively assessed in the assessment for 2009, following the implementation of the changes. At the same time, the fulfilment of these Principles forms the focus of ongoing supervision in the present year.



Core Principle I

“The system should have a well founded legal basis under all relevant jurisdictions.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP I is observed.

Considerations

The Swedish Securities Market Act (SFS 2007:528) (LVPM) specifies the regulations governing BGC's operations as a clearing organisation in general. The Swedish Act on Systems for Settlement of Obligations on the Financial Market (SFS 1999:1309) includes provisions regulating the point in time at which a payment order may no longer be revoked, which is defined as the point in time at which it is entered into the system. BGC's Settlement Agreement and routine description include regulations detailing the point in time at which a payment order will be considered to have been entered into the system and thus cannot be revoked. The provisions of the Swedish Act on Systems for Settlement of Obligations on the Financial Market (SFS 1999:1309), together with BGC's Settlement Agreement and routine description, provide clarity for participants in the system as regards the point in time at which a payment order may be withdrawn.

The provisions of the Swedish Act on Systems for Settlement of Obligations on the Financial Market and BGC's Settlement Agreement stipulate that Swedish law is to be applied to the system. The definition and determination of jurisdiction enables the participants to understand with which country's regulations they are to comply.

In the assessment of the Riksbank and the Swedish Financial Supervisory Authority, Swedish legislation provides an adequate basis for the operations undertaken by BGC.

Description

National legislation

The Swedish Securities Market Act (SFS 2007:528) (LVPM)

BGC has been granted permission by the Swedish Financial Supervisory Authority to conduct clearing operations in accordance with the LVPM and is, thereby, under the supervision of the Swedish Financial Supervisory Authority. This Act is based on Directive 2004/39/EC of the European Parliament and the European Council on markets in financial instruments.

In accordance with this Act, among other commitments, BGC is to conduct its operations in an honest, fair and professional manner and is to apply the principles of free access and neutrality in its operations. This implies that each party fulfilling the conditions presented in the LVPM and BGC's participant requirements for clearing services may participate in the clearing and that regulations governing the clearing member's participation in the clearing activities are to be applied in a uniform manner to all clearing participants.

BGC is to have appropriate regulations for the manner in which clearing activities are conducted. This is to be controlled both during license assessment and as a part of current supervision. The Swedish Financial Supervisory Authority exercises supervision of whether BGC is conducting its operations in accordance with the LVPM, other statutes regulating the company's operations, the company's articles of association, statutes or regulations, or internal instructions based on statutes regulating



The Bankgiro regulations

■ The Bankgiro regulations consist of bilateral agreements between BGC and the participating banks. The basic terms and conditions are laid down in the Bankgiro's Main Agreement. Terms and conditions for clearing and settlement in Bankgiro products are covered in the agreement on BGC's clearing and settlement (the Settlement Agreement). In addition, there are special product agreements, operational agreements and service agreements. The Settlement Agreement and other regulatory agreements stipulate that these are to be interpreted and applied in accordance with Swedish law

The agreements were drawn up in consultation with the participants, mainly Swedish banks, several of which are part-owners of BGC. The agreements are available to the participants. The conditions for participation in the Bankgiro system are available on BGC's website (www.bgc.se).

BGC acts as sub-contractor to the banks for the payment services provided. Accordingly, BGC does not have any contractual relationship to the private individuals or companies that use BGC's payment services.

BGC's regulations for other payment products

BGC also handles payment products which are not Bankgiro products and where authorisation and, in some cases, portions of the clearing are carried out in systems outside the Bankgiro system – systems for which BGC is not responsible. For these payment products, the contractual relationship between BGC and the user mainly consists of the operational agreement and settlement agreement. The user and the party that is product/system owner also sign a separate agreement that regulates the respective payment products.

Settlement

The payment orders mediated via BGC are settled either in the Riksbank's settlement system RIX or via the ECB's settlement system TARGET 2, depending on whether the payment is in SEK or EUR. RIX has been assessed in accordance with CPSIPS and has been assessed as satisfying the principle concerning a well-founded legal basis.

Core Principle II

■ “The system’s rules and procedures should enable participants to have a clear understanding of the system’s impact on each of the financial risks they incur through participation in it.”

Assessment

The Riksbank and the Swedish Financial Supervisory Authority assess that CP II is observed.

Considerations

The Settlement Agreement with associated appendix/routine description describes the prerequisites for the implementation of clearing and the procedure to be followed when a participant demonstrates a lack of liquidity. One risk factor in the settlement of multilateral flows arises due to the fact that this settlement is implemented in accordance with the principle of all or nothing, with responsibility to pay for non-defaulting participants. This is regulated in an appendix to the Settlement Agreement, the routine description.

In order to ensure that the participants have sufficient understanding of the full significance of the agreements and functioning procedures for all participants in BGC's clearing service, BGC will conduct two activities, “The Settlement Agreement in Practice” and “Simulation”, in conjunction with all clearing members. “The Settlement Agreement in Practice” consists of a half-day of information presentation. In “Simulation”, a production day will be simulated with the aid of a number of scenarios, progressing from a situation with a simple disruption to a default, followed by a return to normal operations.

BGC will also conduct a dialogue with each participant regarding the payment system and responsibility both for the participant's own commitments and for the payment system itself. Risk and compliance issues in the payment system will also be addressed in these discussions. Dialogues will also be conducted with each clearing member, particularly as regards compliance and risk in the clearing and settlement service. In addition to this, BGC will conduct a dialogue with each participant in the Bankgiro system, particularly as regards the payment system, the risk that problems may be spread to other participants in the event of lack of compliance with the rules and regulations regarding matters such as format and timing, and the allocation of responsibility in the event of damage.

Finally, in conjunction with the accession of new participants, a review of the rules and regulations is carried out with the new participant.

BGC's agreements are constructed in such a clear manner as to qualify participants to understand the financial risks arising from participation in the Bankgiro system or in BGC's clearing and settlement service.

Description

The Bankgiro regulations

The Bankgiro regulations are constructed around the so-called Main Agreement, as signed by all participants (see Figure 5). This specifies the parties' basic obligations and rights.

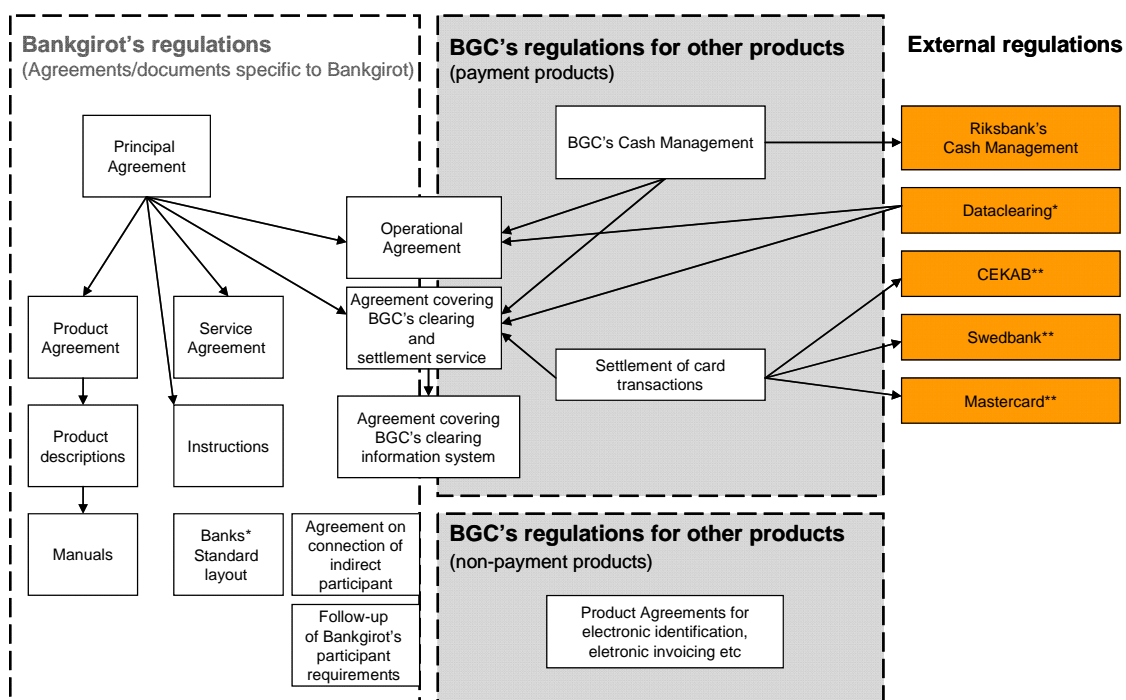
A number of underlying agreements are linked to the Main Agreement: the Product Agreement, the Maintenance Agreement, the Service Agreement and an agreement covering BGC's clearing and settlement service (the Settlement Agreement). To use the BGC clearing and settlement service, the participant is also required to have signed an agreement on the clearing information system, while those participants who have user members (indirect participants) are also required to have an

agreement on membership of indirect participants. In addition, there are product descriptions, user handbooks and instructions.

The Product Agreement specifies the Bankgirot products utilised by each participant. The Maintenance Agreement states delivery times, quality, emergency routines, follow-up, etc. The Service Agreement specifies the level of service, such as, for example, response times and the content of various services. The Settlement Agreement describes how clearing and settlement will occur under normal circumstances or in the event of disruptions, and the allocation of responsibility in the event of disruptions or default. The wording of the Settlement Agreement and the other regulatory agreements are the same for all participants - differences due to the participants' specific choices are regulated in appendices.

It is thus the Main Agreement and Settlement Agreement with associated appendix/routine descriptions that comprise the basis for the participants' ability to understand the financial risks they incur through participation in the Bankgirot system. If there are conflicts between the Main Agreement and the Settlement Agreement, the Settlement Agreement takes precedence.

In the event of serious disturbances, there is an emergency plan for each Bankgirot product, which forms the basis of internal prioritising between different flows.



* In addition to Operational and Settlement Agreements, participants sign an agreement with the "product owner" of the Dataclearing; the Swedish Bankers' Association

** Agreement between system/product owner and participating banks

Figure 5: Outline of regulatory framework

BGC's regulations for other payment products

BGC's clearing and settlement service is also used for a number of payment products for which authorisation as well as, in certain cases, portions of the clearing are conducted in systems other than BGC's payment system (see figure 5). As regards these payment products, the contractual relationship between BGC and the user primarily consists of the Operational Agreement and the



■ Settlement Agreement. The user and the party which is product/system owner also sign a separate agreement that regulates these respective payment products.

In the event of failed implementation of settlement/default administration in bilateral and multilateral flows, refer to the section "Clearing and settlement", in the appropriate section of the introduction.

BGC's regulations for other products

BGC also offers a number of other, non-payment products, such as electronic identification and electronic invoices. Electronic invoices can be utilised via the same channels of communication as the company's files to and from Bankgiro. With the aid of electronic invoices, private individuals can pay bills quickly and easily via their Internet bank accounts, while companies can both issue and receive such invoices.

External regulations

Apart from BGC's own regulations, there also exist external regulations for those products for which authorisation and, in certain cases, clearing are conducted in other systems than BGC's payment system, for example Dataclearing. In these cases, in addition to Operational and Settlement Agreements, the participant also signs agreements with the product owner of Dataclearing, the Swedish Bankers' Association.

Core Principle III

“The system should have clearly defined procedures for the management of credit risks and liquidity risks, which specify the respective responsibilities of the system operator and the participants and which provide appropriate incentives to manage and contain those risks.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP III is observed.

Considerations

Even though the payment flows via the BGC usually constitute a relatively small part of the banks' total flows, the Settlement Agreement provides an incentive for the participants to be cautious in their liquidity management. The Agreement explicitly requires participants to have sufficient liquidity in their RIX accounts. Participants can see the gross amounts they are to pay and receive in the obligatory clearing information system CIS at least 15 minutes before the agreed settlement time. Should the participant fail to make this liquidity available, an escalation period is initiated, followed by a default administration period. The Settlement Agreement thereby allows a participant who cannot meet its obligations due to liquidity problems a limited amount of time to complete settlement (see CP II).

If the participant cannot fulfil its obligations, the consequences may be serious, as the participant's Settlement Agreement is then automatically cancelled. Without the Settlement Agreement, the participant no longer has the right to participate in BGC's clearing and settlement service. Consequently, participants cannot effect payments on behalf of themselves or their clients via Bankgiro or for other flows covered by the Settlement Agreement, such as, for example, Dataclearing, Bankomat, ATM and MasterCard.

As major portions of the flow are settled using the bilateral gross amount method, and as default administration routines have been established, credit risks are of a highly limited nature. The RIX system also provides liquidity-saving and effective settlement by means of continually searching for transactions for settlement, as well as also providing the possibility of reserving liquidity for a specific settlement, thus contributing to a low liquidity risk.

Description

The greater portion of the payment products mediated by BGC is cleared using the bilateral gross amount method and settled through the participant's account in the Riksbank's settlement system RIX if in SEK, or, alternatively, through its custodial bank in the ECB's settlement system, TARGET 2, if in EUR. The RIX system also provides the possibility of conducting settlement in a resource-efficient manner in which participants need not provide more liquidity than necessary. If a participant is unable to fulfil its obligations within the specified period of time, a default administration period is initiated. This procedure is implemented during day one – that is to say, on the same day that the participant defaults.

A small number of payment products (Master Card, Bankomat and other ATMs) are cleared using the multilateral net amount method according to the principle “in its entirety or not at all” and are settled via the BGC's account in RIX. If a participant is unable to fulfil its obligations within the specified period of time, a default administration period is, again, initiated. The Settlement Agreement includes regulations specifying the allocation of losses in this type of situation. This procedure is also implemented during day one – that is to say, on the same day that the participant defaults. For more in-depth information on the default management routines mentioned above, the reader is referred to the introductory section and the chapter “Clearing and Settlement”.



Core Principle IV

■ “The system should provide prompt final settlement on the day of value, preferably during the day and at a minimum at the end of the day.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP IV is observed.

Considerations

CP IV requires that settlement be made on the same day as the system has received and accepted the payment order for settlement. The definition of an accepted order is one that has been approved by the system’s risk management mechanisms. As regards BGC’s payment system, this is considered to have occurred when a positive response is received to a coverage checking inquiry. In situations where the system applies risk management mechanisms prior to the settlement day, for instance for pre-debited payment orders, CP IV concedes that payment has been accepted as of the opening of the system on the actual settlement day.

As regards the settlement of the payment products cleared and settled using the multilateral net amount method, certain changes have been made as a consequence of the new Settlement Agreement that entered into effect on 9 February 2009. BGC has changed position from settling the multilateral flow, following which liquidity is created at BGC’s RIX account, to waiting until liquidity from all participants is present, following which the total multilateral net amount is settled. This has been implemented in accordance with the new function “in its entirety or not at all”, and reduces the credit risk for the multilateral flow. Consequently, BGC implements both settlement and any default management during day 1.

Changes have also been made to the default management of participants in the bilateral gross flow. Previously, the Settlement Agreement allowed a participant encountering payment difficulties on day one the possibility of a further settlement point on day two. This was in contravention of CP IV, as, in such a case, the settlement of payments would not be performed on the same day as the system accepted the payment order. In the new Settlement Agreement, a participant is considered to have defaulted if it is unable to fulfil its payments on day one, in which case the Settlement Agreement is cancelled and no extra settlement point is thereby allowed on day two.

All types of payment product that are processed through BGC thus meet the demand for settlement on the same day as the payment is received and registered for settlement. This is an important precondition for maintaining a low level of liquidity and credit risk in the system.

Description

Payment flows mediated through BGC are settled at least once a day. The number of daily settlement rounds for the different payment products is stated below. If settlement is in EUR and/or as multilateral net settlement, this is stated in brackets. No brackets means bilateral gross settlement in SEK.

Once per day:

Bankgiro payments (supplier payments, salaries, direct debits, etc.)

Bankgiro payments (EUR) (supplier payments)

Bankomat (multilateral net)

MasterCard (multilateral net)

ATMs (formerly Minuten) (multilateral net)



Three times per day:

- Bankgiro payments (form payments via Privatgirot)
- Bankgiro payments (Internet bank payments)
- Bankgiro payments (EUR) (Internet bank payments)

Four times per day:

- Bankgiro payments (issuer payments)
- Bankgiro payments (EUR) (issuer payments)
- Dataclearing

Five times per day:

BCG's cash handling product, which also has a sixth settlement point and is only intended for transactions in which the Riksbank is the paying party.

Settlement

The settlement times for the various payment products are evenly distributed throughout the day between 07.15 and 16.20.

Payment products that are cleared on a bilateral gross basis are settled via the participants' account in the Riksbank's settlement system RIX in the case of SEK, or either directly or via the participant's custodial bank to the ECB's settlement system TARGET2 in the case of EUR. Payment products that are cleared on a multilateral net basis are settled via BGC's RIX account – participants with net liabilities make in-payments to BGC's RIX account and, at the agreed settlement time, settlement is effected in its entirety in accordance with the principle "in its entirety or not at all".

Cover check

Prior to settlement, a cover check is conducted for most of the payment products, in which BGC sends debiting data to the payers' banks to check that the payers have sufficient funds in their accounts. During the cover check, the participant has the possibility to stop the entire payment order or certain individual payments. The remaining payment products are "pre-debited" and thus do not require any special cover check prior to settlement.

Latest transfer time

The latest transfer time to BGC is defined per payment product. These times vary between 5 pm and 11 pm on the day preceding settlement for those payment products for which BGC conducts a cover check and debiting. For these payment products, a cover check and settlement are conducted on the same day. The exception is formed by wage payments, in which the order is to reach BGC by no later than 7 pm, two bank days before the payment day. Pre-debited payment products can, on the other hand, be settled on the same day as they are received by BGC. These products may have been cover checked, and thereby approved, by the pre-system/bank on the day preceding settlement. However, settlement is always effected within 24 hours of the introduction of the payment into the system.

Default management of bilateral gross settlement

All stages in default management are implemented on day 1, which is to say on the same day that the participant defaults. For more in-depth information regarding the default management routines of bilateral gross settlement, the reader is referred to the introductory section and the chapter "Clearing and Settlement".



Core Principle V

■ *"A system in which multilateral netting takes place should, at a minimum, be capable of ensuring the timely completion of daily settlements in the event of an inability to settle by the participant with the largest single settlement obligation."*

Assessment

The Riksbank and the Swedish Financial Supervisory Authority assess that CP V is observed.

Considerations

In conjunction with the new Settlement Agreement which entered into effect on 9 February 2009, changes were made to the regulation of defaulting participants' payment obligations. This regulation now takes place on day one and not at the opening of the RIX system on day two, as had previously been the case. This implies that BGC can pay any participants who are yet to receive their receivables, thereby completing the settlement of the flow on day one. This procedure is in compliance with CP V, the minimum requirement of which is that systems handling multilateral net flows must be able to complete settlement on day one, including any default management. As a result of this change, the Riksbank and Swedish Financial Supervisory Authority have raised their assessment of CP V from "broadly observed" to "observed".

The multilateral flows (MasterCard, Bankomat and other ATMs) are increasing strongly from a low level. On high-volume days, turnover has increased by approximately 20%, from a total amount of approximately SEK 1 billion to approximately SEK 1.2 billion, with the participant with the greatest net liability as regards card transactions from Europay/Mastercard having increased the value of this liability by a factor of more than six, from MSEK 76 to MSEK 468, during the same period. Accordingly, it is worth considering whether a more secure arrangement for net settlement should be established in order to safeguard this settlement in the event of default.

Description

The settlement of the multilateral flows (MasterCard, Bankomat and other ATMs) is carried out via BGC's RIX account. Participants who have a net debt in relation to other participants in the flow pay to BGC's RIX account, while participants who have a net receivable in relation to other participants in the flow receive payment from BGC.

If a participant is unable to meet its obligations, there exists an agreed default management routine in which the other (non-defaulting) participants share the defaulting participant's debt in accordance with an agreed procedure. A more in-depth description of this routine is presented in the introductory section, under the chapter "Clearing and Settlement".

It is important to mention that no pool of collateral exists to secure settlement, and that neither do there exist any limits for the gross positions of participants towards one another.



Core Principle VI

“Assets used for settlement should preferably be a claim on the central bank; where other assets are used, they should carry little or no credit risk and little or no liquidity risk.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP VI is observed.

Considerations

Assets utilised for settlement are receivables with the Riksbank or European Central Bank (ECB).

Description

All of BGC's payment products are settled in central bank money. Payments are settled via the Riksbank's settlement system RIX or via the ECB's settlement system Target 2.



Core Principle IX

“The system should have objective and publicly disclosed criteria for participation, which permit fair and open access.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP IX is observed.

Considerations

As a clearing organisation under the supervision of the Swedish Financial Supervisory Authority, BGC is subject to the provisions of the Swedish Securities Market Act (SFS 2007:528). According to this Act, a clearing organisation must apply the principles of free access and neutrality. Potential participants who are denied access to the system may appeal to the Swedish Competition Authority. There is thus a regulatory framework supporting “open and fair access”, as well as instances to which unsatisfactory conditions can be pointed out. BGC has never denied participation in the Bankgiro system to any party fulfilling the participant requirements.

BGC is responsible for ensuring that participants are treated equally. As a rule, this work is performed by various working groups, who report directly to BGC's Board of Directors if deficiencies in competition are suspected. BGC has produced "Competition Guidelines for Customer Consultation within the Bankgiro System", a work instruction used in every form of collaboration between BGC and the banks participating in the Bankgiro system.

It is presupposed that all direct participants are or can become RIX participants. This means that the conditions for participation in RIX become a natural minimum level for participation in the Bankgiro system. However, a bank can gain access to the Bankgiro system at lower requirements, through indirect participation. As a rule, an alternative is chosen after making contact with BGC.

Checks are carried out to ensure that participants meet the criteria for participation when they enter the Bankgiro system. Following this, an annual follow-up of participants is conducted. This follow-up entails the written certification by each participant to the effect that it still fulfils the requirements, in accordance with BGC's main agreement.

Description

Participation in the Bankgiro system can take different forms. There are direct and indirect participants. A direct participant is a bank that is directly connected to the Bankgiro system, while an indirect participant is a bank that is connected via a direct participant. An indirect participant receives information on participant requirements from its representative, the direct participant. When deciding whether to apply for direct or indirect participation, the bank, as a rule, maintains contact with BGC. At the end of 2008, the Bankgiro system had 19 direct participants and 77 indirect participants. The indirect participant signs an agreement with the direct participant who, in turn, signs an agreement on indirect connection with BGC. The direct participant is responsible for the indirect participant as regards BGC and other participants. Expenses for participation in the Bankgiro system are only paid by direct participants. The direct participant, in turn, debits the indirect participant.

A direct participant can, in turn, be a direct or indirect clearing member. Direct clearing members are RIX participants and thus perform settlement via their own RIX accounts, while an indirect clearing member performs settlement via the RIX account of a direct clearing member.



Criteria for participation

■ In order to become a direct participant in the Bankgiro system, an institute must continually meet the following criteria:

(i) be entitled to run banking operations in Sweden, (ii) have equity of at least EUR 5 million or equivalent, (iii) comply with the capital adequacy rules for credit institutions and securities companies, (iv) be under the supervision of the Swedish Financial Supervisory Authority or an equivalent authority, (v) sign and constantly comply with Bankgiro's Main Agreement, Settlement Agreement, Operating Agreement, Service Agreement and Product Agreement (for the Bankgiro products that the bank wishes to use), and otherwise observe Bankgiro's regulations, (vi) have a technical connection to BGC in accordance with BGC's standards and instructions, (vii) be entitled to participate in the RIX system directly or via another participant, and (viii) be able to perform daily clearing and settlement in SEK and EUR in accordance with BGC's Settlement Agreement and routines.

The criteria for becoming an indirect participant in the Bankgiro system are somewhat simpler. A summary of the criteria for participation in the Bankgiro system are available on BGC's website (www.bgc.se).

In the case of those products that are not Bankgiro products, BGC does not stipulate any special requirements for participation over and above the requirements stemming from the Swedish Act on the System for the Settlement of Obligations on the Finance Market (SFS 1999:1309) for participants in the settlement system. Special requirements exist in agreements with external systems/product owners.

Entry and withdrawal

Entry into the Bankgiro system is granted by BGC's Board of Directors. Upon entry, the new participant pays for resources expended by BGC. This fee is to cover BGC's costs for connection, including the adjustment of BGC's own systems. No fixed entry fee or annual fee exists.

Withdrawal or exclusion from the Bankgiro system is carried out by cancelling the Main Agreement.



Core Principle X

“The system’s governance arrangements should be effective, accountable and transparent.”

Assessment

The Riksbank and Swedish Financial Supervisory Authority assess that CP X is observed.

Considerations

BGC is a public limited company and must therefore fulfil the requirements in Swedish law on accounting, routines and structure. The company’s management and governance, as well as their structure, are transparent in that the information is clear and easily available. The owners play an active role through the concentrated ownership form, the composition of the Board of Directors and the participation in various customer forums.

In the evaluation, no studies have been made of how BGC actually manages different cases. Only the organisational conditions have been examined.

Description

Bankgirocentralen BGC AB is a wholly owned subsidiary of BGC Holding AB, which is owned by SEB (33.1%), Swedbank (29.2%), Svenska Handelsbanken (25.4%), Nordea (10.0%), Danske Bank (1.7%), Skandiabanken (0.3%), Kaupthing Bank Sverige (0.2%) and Länsförsäkringar Bank (0.1%). The BGC companies are governed in accordance with the articles of association, the Swedish Companies Act and other applicable laws and regulations.

The Swedish Financial Supervisory Authority has awarded BGC a permit to run clearing operations in accordance with the Swedish Securities Market Act (SFS 2007:528) and BGC’s system has been notified and approved in accordance with the Swedish Act on Systems for the Settlement of Obligations on the Finance Market (SFS 1999:1309) (see CP I).

BGC’s Board of Directors

In accordance with Swedish law, the owners appoint a Board of Directors which in turn appoints a Managing Director. The work of the Board is regulated in the Rules of Procedure adopted by the Board. The Board has also adopted an instruction that regulates the work of the Managing Director. When voting, each Member of the Board has one vote and decisions are taken by a simple majority. At present, the Board includes representatives of Danske Bank, Länsförsäkringar Bank, SEB, Svenska Handelsbanken and Swedbank.

Information on the Members of the Board and the company management is available on BGC’s website. Detailed information on ownership, operations and auditor’s reports can also be found in the Group’s Annual Reports which can be ordered directly from BGC or downloaded from BGC’s website.

Consultation

In order to prevent and handle any conflicts of interest, there exists an internal handbook on competition law that has been produced by external legal experts on behalf of BGC. There are also special instructions on how consultation between BGC and the banks should be conducted on questions relating to Bankgiro.



■ The design of existing and new Bankgiro products is decided by BGC following consultation with the participants. Consultation takes place partly in separate meetings and partly in multilateral forums. All of the participants are invited to attend these forums and to present their views.

The following forums exist for the Bankgiro system. BGC convenes and presides at all these forums, and also sets the agenda and takes the minutes.

Bankgiro customer and market forum: This is a forum that addresses the Bankgiro system's strategic orientation and the extent of any new development or further development of the system's products and services. It furthermore addresses BGC's marketing of Bankgiro and its products. There are three to four regular meetings each year.

Product council: This forum addresses the functionality of a specific payment product or group of payment products. There are three to four regular meetings each year.

Bank working groups: These are temporary forums that exist during development projects to deal with issues specific to a particular project and to act as a channel for BGC's information to the bank and vice versa.

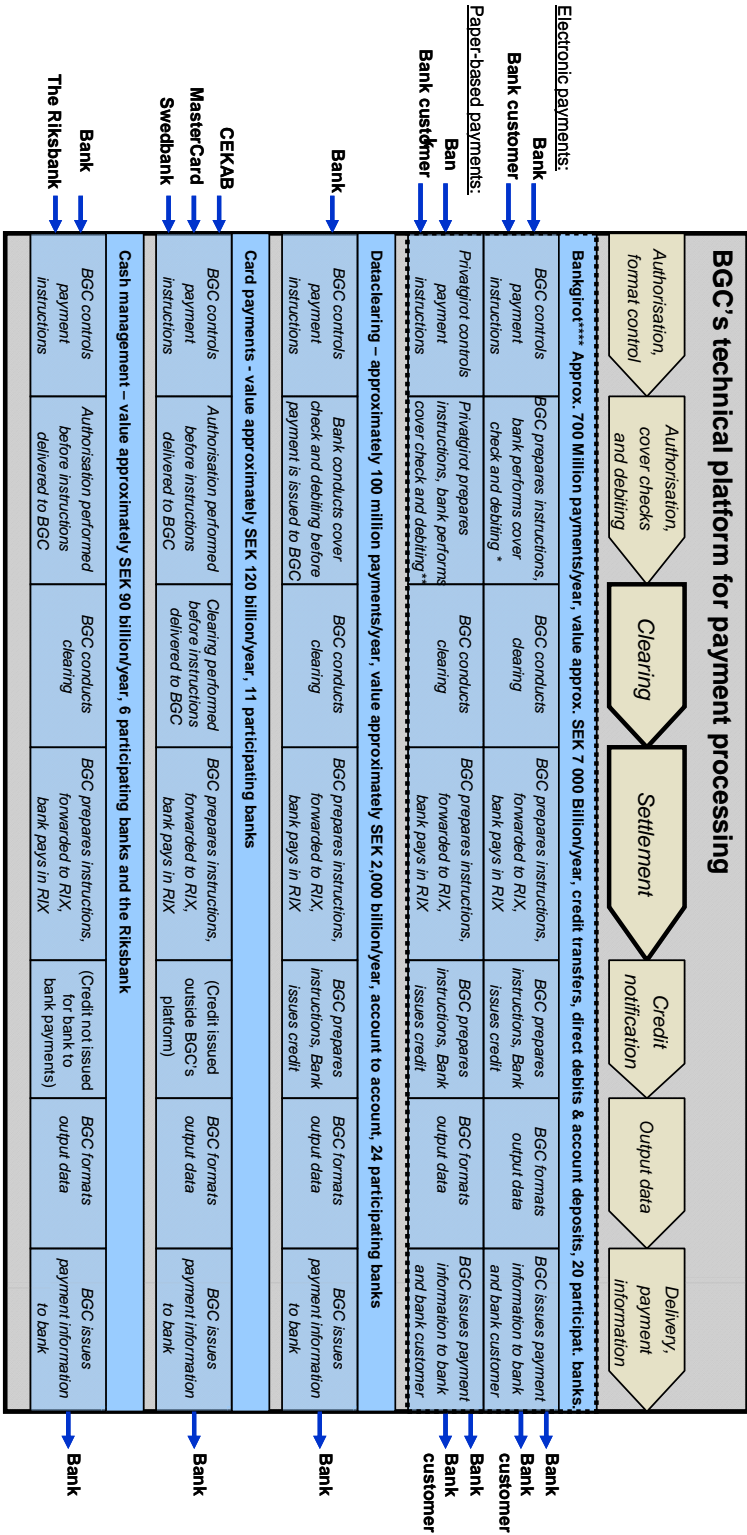
In addition, BGC has a forum for handling issues of common interest relating to BGC's clearing and settlement functions in SEK and EUR and a forum for discussions with software companies in order to ensure that support for existing and future Bankgiro products is available in the software that is offered to most of the companies and organisations that do not design their own systems.

BGC's governance arrangements

The Board of Directors of BGC is ultimately responsible for governance in accordance with section 8 of the Swedish Companies Act (2005:551).

The Swedish Financial Supervisory Authority supervises BGC in accordance with section 23, paragraph 1, of the Swedish Securities Market Act (SFS 2007:528). In addition to the Act's provisions on governance and ownership, the Swedish Financial Supervisory Authority has also issued general guidelines for governance and control in the statute FFFS 2005:1, which BGC follows.

Appendix 1: BGC's technical platform for payment mediation



* Does not apply to Internet bank payments delivered to BGC after cover check and debiting.
 ** Applies to payments from companies. So-called domestic payments are delivered to Privatgirot after cover check and debiting.
 *** The clearing and settlement function is regulated in the agreement covering BGC's clearing and settlement service, as regards RIX participants.
 **** Bankgirot has special regulations with a Main Agreement and Product Agreement, among others. The agreement covering BGC's clearing and settlement service is also included.