P27 – Working towards a pan-Nordic payment infrastructure
The Nordic payment infrastructure around summer 2017: Fragmented along national borders with huge initiatives in the pipeline

- **Clearing system:** NICS
  - **System owner:** Bits
  - **Ongoing projects:** Betalinger med Raskere Oppgjør (BRO) og ISO 20022

- **Clearing system:** BANKgirotsystemet, Dataclearingen, BIR
  - **System owners:** Bankgirot og Bankföreningen
  - **Ongoing projects:** Framtida Betalinfrastruktur (FBI)

- **Clearing systems:** Sumclearingen, Intradagclearingen, Straksclearingen
  - **System owner:** Finans Danmark
  - **Ongoing projects:** Pre-study of further modernization initiatives

- **Clearing system:** STEP2
  - **System owner:** EBA Clearing
  - **Ongoing projects:** Instant payments in euro (RT1)
Early 2018, seven major Nordic banks* agreed on a common vision and some core principles

The vision of P27 is to ...

Establish within the Nordic countries the world’s first integrated region for domestic and cross-border payments in multiple currencies through an open-access, common infrastructure that should deliver state-of-the-art payment experiences to customers across the Nordics

... following some guiding principles

1. P27 should support a level playing field among PSPs in the Nordics
2. The common infrastructure should be based on a modular approach
3. P27 should align on international standards as a ground rule
4. Simplification may require sacrifices in terms of product and service offerings
5. Project planning should ensure early benefits and respect obligations
6. Transparency during the entire project is a key priority
7. P27 should aspire to the highest level of overall risk mitigation and resilience

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1 Danske Bank, DNB, Handelsbanken, Nordea, OP Financial Group, SEB and Swedbank
P27 can bring significant benefits for ...

The *Nordic banking communities* …

- Potential lower vendor costs
- Stronger voice in international fora
- Potential reduced internal costs
- Better foundation for innovation

... and for *society and end-users* as well

- Increased efficiency in payments handling
- Increased marked integration (goods, services, labor)
- Instant payments across the Nordics
- More innovation in payment products and services
P27 target state design is organized in two layers

1. **Layer 1:** Single Nordic clearing platform
   - Mandatory for all participants
   - Batch and instant

2. **Layer 2:** Standardized and shared pan-Nordic solutions
   - Optional for participants
   - Clearing services and payment products

3. **Outside P27:** Country or region-specific products and services, incl. customer-to-bank processes
Target is to sign with vendor before end of Q1 2019; next step is to down select vendors

Timeline to signing with final vendor

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Completed</th>
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<tbody>
<tr>
<td>Early July</td>
<td>CEO meeting - approved initiating the RFP to shortlisted vendors</td>
<td>✓</td>
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<tr>
<td>Mid July</td>
<td>Initiated RFP followed by vendor Q&amp;A</td>
<td>✓</td>
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<tr>
<td>September</td>
<td>Received RFP responses and began workshops and vendor evaluation</td>
<td>✓</td>
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<tr>
<td>October</td>
<td>Ranked vendors based on design, delivery and commercial</td>
<td>✓</td>
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<tr>
<td>Mid October</td>
<td>Down select vendors that will go into negotiations</td>
<td>✓</td>
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<tr>
<td>November</td>
<td>Customer reference visits, migration deep-dives, and discussions on commercial terms</td>
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<tr>
<td>December / January</td>
<td>Technical deep-dives and site visits</td>
<td></td>
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<tr>
<td>Q1 2019</td>
<td>Sign contract with final vendor(^1)</td>
<td></td>
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</tbody>
</table>

\(^1\) Subject to potential competition law requirements, including compliance with a stand-still obligation
A dual entity structure to govern P27 has been suggested. Dual entity structure allows complete separation of governance operational activities and scheme management (similar to other payment infrastructures in Europe, e.g. EPC).

- **Cost-plus** limited liability company
- **Responsible for all operational activities**
- **Outsources operational activities** to the vendor to the extent possible
- **To be owned** by banks or bank-owned companies

**P27 Operations**
- Owners
- Board of Directors
- P27 Operations
- Vendor

**P27 Scheme Management entity**
- 4 Nordic NBAs
- SME\(^1\) Board
- Secretariat
- Rulebook management committee
- Working groups

**Collaborative cross-border regulator and central bank oversight**

- **Owns and manages** different schemes
- **Governance principles** similar to the EPC structure for SEPA schemes, but with adaptations and simplifications
- To be **established and governed** by the national bankers associations
Milestones for P27

Description of milestones to be achieved

**Fall 2018**
- Finalize migration plan
- Register P27 Operating Entity
- Set up P27 Scheme Management Entity

**Q1, 2019**
- Receive feedback from decisions in banking communities
- Go/no go decisions by P27 CEOs
- Sign contract with vendor, subject to compliance with potential standstill obligation

**Q2-Q4, 2019**
- Obtain merger clearance
- Obtain clearing license
- Development and test

**2020**
- Process first transactions through the P27 service
Key external stakeholders have a positive view of P27

- The **broader banking community** are involved through the national bankers’ associations
- Representatives from the **NBAs participate in selected workstreams**
- Input are gathered through **national sounding boards** and a **Nordic reference group**

- The central banks have **coordinated their dialogue with P27 and stated their support of the vision**

- Other relevant authorities have been **informed** as well, **with no roadblocks identified**
Questions to P27