

**Bilateral and Multilateral Processing of  
International Transactions in Europe  
Clearing and Settlement  
Procedures Handbook**

Version 2.0

11/01/2008

## Notice

This Specification has been prepared by the Participants of the Berlin Group. Permission is hereby granted to use the document solely for the purpose of implementing the Specification subject to the following conditions: (i) that none of the participants of the Berlin Group nor any contributor to the Specification shall have any responsibility or liability whatsoever to any other party from the use or publication of the Specification; (ii) that one cannot rely on the accuracy or finality of the Specification; and (iii) that the willingness of the participants of the Berlin Group to provide the Specification does not in any way convey or imply any responsibility for any product or service developed in accordance with the Specification and the participants of the Berlin Group as well as the contributors to the Specification specifically disclaim any such responsibility to any party.

Implementation of certain elements of this Specification may require licenses under third party intellectual property rights, including without limitation, patent rights. The Participants of the Berlin Group and any other contributors to the Specification are not, and shall not be held responsible in any manner for identifying or failing to identify any or all such third party intellectual property rights. **This Specification is provided "AS IS", "WHERE IS" and "WITH ALL FAULTS", and no participant in the Berlin Group makes any warranty of any kind, express or implied, including any implied warranties of merchantability, non-infringement of third party intellectual property rights (whether or not the Participants of the Berlin Group have been advised, have reason to know, or are otherwise in fact aware of any information), and fitness for a particular purpose (including any errors and omissions in the Specification).**

To the extent permitted by applicable law, neither the Participants of the Berlin Group nor any contributor to the Specification shall be liable to any user of the Specification for any damages (other than direct actual out-of-pocket damages) under any theory of law, including, without limitation, any special, consequential, incidental, or punitive damages, nor any damages for loss of business profits, business interruption, loss of business information, or other monetary loss, nor any damages arising out of third party claims (including claims of intellectual property infringement) arising out of the use of or inability to use the Specification, even if advised of the possibility of such damages.

The Participants of the Berlin Group are: APSS, Austria; Atos, Belgium; BKM, Turkey; Ceca, Spain; Cetrel, Luxemburg; Co.Ge.Ban, Italy; EUFISERV, Belgium; EURO Kartensysteme, Germany; Groupement des Cartes Bancaires "CB", France; Equens, The Netherlands; Vocalink, UK; SIA-SSB, Italy; Seceti, Italy; ServiRed, Spain; Sibs, Portugal; Sistema 4B, Spain; Visa Europe; Zentraler Kreditausschuss, Germany.

Participation in the Berlin Group does not imply either endorsement of any of the solutions identified in the Feasibility Study, carried out by the Berlin Group, or a commitment to implement them.

The Specification, including technical data, may be subject to export or import regulations in different countries. Any user of the Specification agrees to comply strictly with all such regulations and acknowledges that it has the responsibility to obtain licenses to export, re-export, or import the Specification.

**Content:**

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
<b>2</b>	<b>Roles .....</b>	<b>2</b>
<b>3</b>	<b>Clearing.....</b>	<b>3</b>
3.1	Operations and Procedures .....	3
3.1.1	Service Level.....	3
3.1.2	Fee Calculation .....	3
3.1.3	Currency Conversion .....	3
3.1.4	File Transfer .....	3
3.1.5	Retrieval Requests Response.....	3
3.2	Exception Handling .....	4
3.2.1	Rejected Files .....	4
3.2.2	File Response Time Out .....	4
3.2.3	Rejected Messages.....	5
3.3	Disagreements .....	5
3.3.1	Disagreements on Rejections .....	5
3.3.2	Time Frames on Disagreements.....	6
3.3.3	Disputes of Second Presentments.....	6
<b>4</b>	<b>Settlement.....</b>	<b>7</b>
4.1	Settlement Procedures.....	7
4.1.1	Standard Settlement .....	7
4.1.2	Settlement of Negative Amounts.....	7
4.2	Settlement Exception Handling .....	7
4.2.1	Incorrect or Missing Settlement Amount .....	7
<b>5</b>	<b>References.....</b>	<b>8</b>

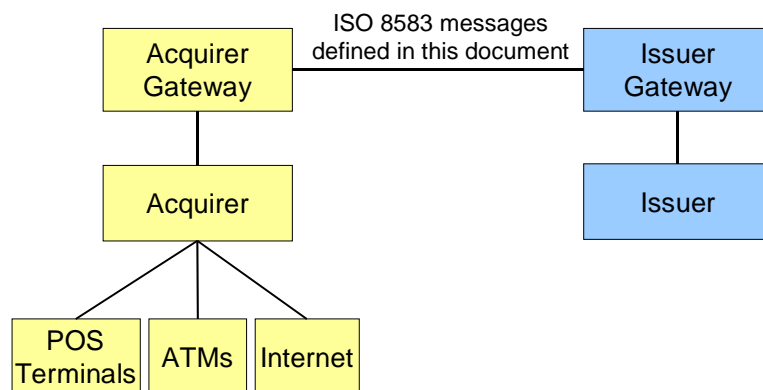


## 1 Introduction

The Berlin Group standard is a standard for the European area for bilateral/multilateral processing of international debit transactions originated by bank cards.

The Berlin Group standard considers for this processing an exchange of authorisation and clearing data between international gateways. The standard differs between the role of an acquirer gateway and an issuer gateway. The acquirer gateway receives clearing data from acquirers that process card based transactions originating from ATMs, POS terminals or the internet. The acquirer gateway communicates with the issuer gateway sending and receiving batch files containing transaction messages like presentments, reversals and charge backs for defining the reconciliation amount to be settled between issuer and acquirer for a fixed clearing period.

An overview on this infrastructure is given in the following diagram.



**Figure 1: Infrastructure for bilateral and multilateral processing of international transactions**

This document defines the procedures needed to pertain the clearing and settlement processes.

The relevant currency for clearing and settlement as defined in this document always is Euro. Nevertheless, the transaction can locally be processed in other currencies.

The time defined for some events in this document is always given as Central European Time (CET).

## 2 Roles

The following roles are defined for the clearing processing of a Berlin Group gateway:

- File Transfer Operations
- Clearing Operations
- Settlement Operations
- Dispute Contact Person

These roles will be used in the definition of the procedures in this document.

All roles have to be implemented with email address, fax address, phone number by implementing partners.

The use of fax should be limited to sending e.g. receipts; especially fax should *not* be used for communicating urgent operational matters.

### **3 Clearing**

See [BG CSR] for an overview on clearing of Berlin Group Transactions.

#### **3.1 Operations and Procedures**

The clearing cycle is following the rules defined in [BG CSR].

##### **3.1.1 Service Level**

The clearing systems are up with no scheduled out times.

##### **3.1.2 Fee Calculation**

Fees are defined bilaterally and is out of scope of this document. Fees can be different for different Acquirers connected to one acquiring gateway.

##### **3.1.3 Currency Conversion**

To be defined with the first non Euro acquirer.

##### **3.1.4 File Transfer**

It is recommended to use the Connect:Direct tool to transfer clearing files. Other tools might be used if agreed bilaterally.

In case of any problems, File Transfer Operations of the partner gateway is contacted via email, fax or phone. File names are agreed on a bilateral basis.

##### **3.1.5 Retrieval Requests Response**

Retrieval Requests are answered via fax or email with an attachment in a commonly accepted electronic format for the receipt retrieved.

The fax at least has to contain the card issuer reference data of the corresponding retrieval request, a notification for "clearing operations" and "Berlin Group".

The email has the following form:

Receiver: Clearing Operations

Header: BG operations clearing: Retrieval

Body (XML-coded):

<BG operations clearing>

<sender> sending gateway ID </sender>

<receiver> receiving gateway ID </receiver>

<timestamp> yyyyymmdd hh:mm:ss </timestamp>

<reason> Retrieval Response</reason>

<reference> content of Card issuer reference data from BMP95 of the retrieval request </reference>

</BG operations clearing>

## 3.2 Exception Handling

In the following it is defined, who starts error disputing in case of problems which cannot be handled automatically or unilaterally by inspecting error messages received.

### 3.2.1 Rejected Files

If a clearing file containing a reconciliation, received before the clearing cut off at 6 a.m. cannot be processed by the receiving gateway, then the receiving gateway will send a file rejection till 12 a.m. of the same day, if possible. The sending gateway of the original clearing file will then inspect the file rejection and will contact the Clearing Operations of the receiving gateway, if necessary.

If the Reconciliation Acknowledgement cannot be processed, then the sending gateway of the original clearing file is contacting Clearing Operations of the receiving gateway as soon as possible. At the latest, this should be done on the next inter-bank business day.

### 3.2.2 File Response Time Out

If the sending gateway of the original clearing file gets no reconciliation acknowledgement or no file rejection till 12 a.m. of the same clearing cycle, then this sending gateway generates a standard email which is sent to Clearing Operations of the receiving gateway, as defined in the following.

Receiver: Clearing Operations

Header: BG operations clearing: Reconciliation Acknowledgment not received

Body (XML-coded):

<BG operations clearing>

<sender> sending gateway ID </sender>

```
<receiver> receiving gateway ID </receiver>
<timestamp> yyyyymmdd hh:mm:ss </timestamp>
<file ID> file ID </file ID>
<reason> file response missing </reason>
</BG operations clearing>
```

### 3.2.3 Rejected Messages

If the receiving gateway rejects messages, then the sending gateway of the original clearing file will inspect the rejection reasons. This sending gateway will contact the Clearing Operations of the receiving gateway as soon as possible, to act in agreement with the receiving gateway:

Case1: Sending and receiving gateway agree that the message was erroneous. The sending gateway will fix the message and resend it in a new file.

Case2: Sending and receiving gateway agree that the message was not erroneous and should be processed. The sending gateway will resend the rejected messages in a new file.

## 3.3 Disagreements

### 3.3.1 Disagreements on Rejections

Disagreements on message or file rejections appear, if files or messages are rejected but the sender of the original clearing file does not agree with the rejections.

The sender of the original clearing file will then write a short report on the matters via email to Clearing Operations of the partner gateway.

Receiver: Clearing Operations

Header: BG operations clearing: Disagreement

Body (XML-coded):

```
<BG operations clearing>
<sender> sending gateway ID </sender>
<receiver> receiving gateway ID </receiver>
<timestamp> yyyyymmdd hh:mm:ss </timestamp>
```

```
<file ID> file ID </file ID>  
<reason> disagreement </reason>  
</BG operations clearing>
```

The report itself is attached in a commonly accepted electronic format.

### 3.3.2 Time Frames on Disagreements

The receiver of the notification will then respond the disagreement via email within one working day, just to confirm the message.

Within 5 working days, the receiver will answer the report in a written form via email.

### 3.3.3 Disputes of Second Presentments

If the receiver of second presentments does not agree with a second presentment, he starts a dispute. For this behalf, the receiver of the second presentment writes a short report on the matter via email to Clearing Operations of the partner gateway.

Receiver: Clearing Operations

Header: BG operations clearing: Dispute

Body (XML-coded):

```
<BG operations clearing>  
<sender> sending gateway ID </sender>  
<receiver> receiving gateway ID </receiver>  
<timestamp> yyyyymmdd hh:mm:ss </timestamp>  
<file ID> file ID </file ID>  
<reason> dispute </reason>  
<reference> content of Card issuer reference data from BMP95 of the retrieval  
request </reference>  
</BG operations clearing>
```

The report itself is attached in a commonly accepted electronic format.

## **4 Settlement**

### **4.1 Settlement Procedures**

#### **4.1.1 Standard Settlement**

The settlement is the transfer of money from one gateway to another for every bilateral agreement. The settlement is processed between the settlement banks acting for each gateway.

The gateway sending Reconciliation Acknowledgement Messages will also send a booking order to its settlement bank, to credit the account of the counterpart gateway for the total amount informed in this message. For every Reconciliation Acknowledgment Message one booking order is generated. The booking order contains the file ID of the file which is acknowledged by the Reconciliation Acknowledgement Message in a field which is transported to the partner within the settlement connection. If a Swift MT 103 is used for settlement, then the file ID is contained in TAG 70 ("Details of Payment, Remittance Information").

#### **4.1.2 Settlement of Negative Amounts**

The gateways define bilaterally how to settle negative amounts. Error processing is the same as for positive settlement amounts.

### **4.2 Settlement Exception Handling**

#### **4.2.1 Incorrect or Missing Settlement Amount**

If the settlement amount does not equal the reconciliation amount of the corresponding clearing file, then the gateway receiving the money contact the Settlement Operations of the Corresponding partner gateway via fax, phone or email.

The email is defined in the following:

Receiver: Settlement Operations

Header: BG operations settlement: Settlement incorrect

Body (XML-coded):

```
<BG operations settlement>  
<sender> sending gateway ID </sender>  
<receiver> receiving gateway ID </receiver>  
<timestamp> yyyyymmdd hh:mm:ss </timestamp>  
<file ID> file ID </file ID>  
<reason> settlement incorrect or settlement missing</reason>  
</BG operations clearing>
```

## 5 References

[BG CSR]           Bilateral and Multilateral Processing of International Transactions in Europe, Clearing and Settlement Rules, Version 2.0, 31/01/2007