Technical terms

Reconciliation: The process of adjusting an account balance reported by a bank to reflect transactions that have occurred since the reporting date.

Compliance: Comply with rules and regulations/legislation & reporting unusual transactions.

Transaction banking (or Global Transaction Services, as opposed to investment banking) comprises commercial banking products and services for corporate clients and financial institutions, including domestic and cross-border payments, professional risk mitigation etc. Specialist areas: *Cash Management*, Trade Finance, Securities Services, Capital Markets.

Cash management involves optimizing internal and external payments, making the best use of internal liquidity to reduce the need for external loans and/or to raise interest revenues. There are tax, regulatory and security issues to consider, amongst many others.

A **payment product** is a facility to make or to collect certain payments, e.g. a debit card. Main groups: products for distant outgoing, for distant incoming and for counter payments. **Payment channels** are for instance Electronic Banking/EFT and BPAY.

SEPA: Single Euro Payments Area (since 2008, 34 countries)
The aim of SEPA is to harmonize payment systems and products so as to eliminate differences between domestic and cross-border euro payments within the European Union.
It is as easy, efficient, secure and cheapish to make cross-border euro payments as domestic euro transactions. Besides, civilians, companies and governments in the EU are able to reach any euro country using a single payment account and a single set of payment instruments.
The project focuses on three payment instruments: two European products, SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD), plus the SEPA Cards Framework (SCF) for debit and credit cards.

PSD: Payment Services Directive (since 2009, 31 countries)
The Directive aims to create a harmonized legal framework for payments. It is not just the legal basis for SEPA, but applicable to every currency and to almost every payment product in the EU. Essential PSD topics:
- In addition to banks so-called payment institutions are allowed to offer payment services
- Banks and payment institutions must provide their clients in advance with transparent
  information on the costs of payment services, the schedule of payment execution etc.
- Value-dating of payments is prohibited (value date must equal book date).

SWIFT: Society for Worldwide Interbank Financial Telecommunications
Member-owned cooperative as well as a world-wide network of banking organisations, securities institutions and corporate clients (in all more than 11,000 in 209 countries) for exchanging automated, encrypted messages.

MT = Message Type: standard for every possible message between financial institutions

Series	Description	Example	Description
MT1xx	Customer Payments and Cheques	MT103	Single Customer Credit Transfer
MT2xx	Financial Institution Transfers	MT202	General Financial Institution Transfer
…..		…..	
MT9xx	Cash Management and Customer Status	MT940	Customer Statement Message

Generally a true international payment is made via a bank's *nostro account*, i.e. the account in a foreign currency of a domestic bank with its agent abroad (=correspondent bank).