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# TABLE OF CONTENTS

<b>1. EXECUTIVE SUMMARY</b>	5
<b>2. SEPA: VISION AND GOALS</b>	7
2.1 The vision	7
2.2 The scope	8
2.3 The goals	8
<b>3. ABOUT EPC</b>	9
3.1 SEPA – the first milestones	10
3.2 Involvement of stakeholders	12
<b>4. MAKING SEPA A REALITY: KEY ROLE OF THE PUBLIC SECTOR</b>	13
4.1 Promoting the “e-internal market”	13
4.2 Creating critical mass	15
<b>5. SEPA FOR THE PUBLIC SECTOR: THE BENEFITS</b>	16
5.1 Have SEPA products custom-tailored for you	16
5.2 Take advantage of innovation	16
5.3 Reap the benefits of shared standardisation	16
5.4 Increase the potential of public procurement	17
5.5 Dematerialise business processes	17
5.6 Decrease IT costs	17
5.7 Streamline the back office	17
5.8 Simplify reconciliation	17
5.9 Support mobile citizens and cross-border trade	18
5.10 Make payment factories work for you	18
<b>6. PUBLIC SECTOR: CALL TO ACTION</b>	19
<b>7. THE SEPA CREDIT TRANSFER SCHEME (SCT)</b>	21
7.1 The scheme in a nutshell	22
7.2 Advantages of the SCT scheme	23

<b>8. THE SEPA CORE DIRECT DEBIT SCHEME (SDD)</b>	25
8.1 The scheme in a nutshell	25
8.2 E-mandate	27
8.3 Advantages of the SDD Core scheme	28
8.4 The launch date	28
<b>9. THE SEPA B2B DIRECT DEBIT SCHEME</b>	29
9.1 Differences from the SDD Core scheme	29
9.2 Advantages of the B2B scheme	30
9.3 The launch date	30
<b>10. GETTING YOUR PUBLIC ORGANISATION READY FOR SEPA</b>	31
10.1 IBAN and BIC	31
10.2 The SEPA mandate	32
10.3 ISO 20022 message standards	33
10.4 Remittance information	33
<b>11. THE CUSTOMER IS KING: SEPA STANDARDS FOR THE PUBLIC SECTOR</b>	35
11.1 The SEPA data format: additional features	35
11.2 Support of the ISO creditor reference standard	36
11.3 Remittance information: structure the unstructured	36
11.4 Validity period of the SEPA mandate	37
11.5 Customer-to-bank communication	37
<b>12. SEPA – THE WAY FORWARD</b>	39
12.1 E & M channels	39
12.2 Bank-to-customer messages	39
12.3 E-invoicing	40
<b>13. HOW TO MAKE SEPA A SUCCESS</b>	41
<b>14. SEPA ONLY: AN END DATE FOR LEGACY EURO PAYMENT INSTRUMENTS</b>	43
14.1 Timing of an end date: one end date or several end dates?	43
14.2 The end date: what does it actually mean?	44
14.3 Scope of migration: is there a need for availability of legacy niche products?	44
14.4 How to set an end date: self-regulation or regulation?	44
14.5 European Commission consultation on end-date for SEPA migration	44
<b>15. GLOSSARY</b>	45

# EXECUTIVE SUMMARY

## 1.

### What is SEPA?

⇒ The Single Euro Payments Area (SEPA) is the area where citizens, companies and other economic participants can make and receive payments in euro, within Europe, whether within or across national boundaries under the same basic conditions, rights and obligations, regardless of their location. The geographical scope of SEPA encompasses the 27 EU member states, Iceland, Liechtenstein, Norway, Switzerland and Monaco.

### Are SEPA payments for cross-border use only?

⇒ No. SEPA envisions the creation of one integrated euro payments market. Within SEPA, all euro payments will be domestic. Once SEPA is achieved, there will be no differentiation between national and cross-border euro payments. As such, SEPA payment instruments are designed to eventually replace national euro payment instruments existing today.

### What are the benefits for public administrations?

⇒ Once SEPA is achieved, it will be possible to exchange euro payments between any accounts in SEPA as easily as it is possible today only within national borders. Common standards, faster settlement and simplified processing will improve cash flow, reduce costs and facilitate access to new markets. Moreover, customers will benefit from the development of innovative products offered by payment sector suppliers.

### What impact will it have on the payments market?

⇒ SEPA is an EU-wide policy-maker-driven integration initiative which will have an impact on all euro payments as a result of the introduction of SEPA payment schemes and standards. Every citizen, merchant, public administration and corporate with a banking relationship in the euro area will eventually be affected by SEPA, as will everyone in the payment supply chain.

## What impact will it have on the economy and society?

⇒ SEPA will create the conditions for enhanced competition in the provision of payment services. It also generates, through harmonisation, more efficient payment systems and delivers tangible benefits for the economy and society as a whole. The common currency will be systemically strengthened by a harmonised set of euro payment instruments.

## What has been delivered so far?

⇒ The European banking industry has defined SEPA schemes for credit transfers and direct debits together with a SEPA data format based on global ISO standards. The SEPA Credit Transfer scheme was successfully launched in January 2008. The SEPA Core Direct Debit scheme and the SEPA Business to Business Direct Debit scheme go live in November 2009, the point in time when EU member states have adopted a common legal framework for payments. As of November 2009, banks gradually roll out SEPA Direct Debit services. In a step-by-step process all banks in the euro area offering direct debit services today will become reachable for SEPA Core Direct Debit by November 2010.

⇒ The recent EU Regulation on cross-border payments in euro mandates the timelines for banks to create reachability for European direct debits.

⇒ For payment cards, a SEPA Cards Framework has been agreed and is in the process of being implemented by banks, card schemes and card processors.

## Make SEPA a success!

⇒ The European banking industry has successfully delivered innovative and commonly applicable SEPA payment schemes and frameworks. It is now up to the political drivers of the SEPA initiative – EU governments, the European Commission (EC) including the ECOFIN and the Governing Council of the European Central Bank (ECB) – to create the incentives needed to facilitate the migration of bank customers to the new SEPA instruments.

## Set a migration end date!

⇒ Setting an end date for legacy euro payment systems accelerates the SEPA migration process and provides planning security for all stakeholders. In a first step, it is important now to communicate that there will be an end date. Specific timelines can be determined once the SEPA Direct Debit schemes go live in November 2009.

## SEPA: VISION AND GOALS

### 2.

#### 2.1 The vision

The Single Euro Payments Area – SEPA – will be the area where citizens, companies and other economic participants make and receive payments in euro, whether within or across national boundaries, under the same basic conditions, rights and obligations. In the long-term, the uniform SEPA schemes and standards are expected to replace the national payment systems now being operated in Europe.

⇒ SEPA is an EU-wide policy-maker-driven integration initiative in the area of payments designed to achieve the completion of the EU internal market and monetary union. Following the introduction of euro notes and coins in 2002, the political drivers of the SEPA initiative – EU governments, the European Commission and the European Central Bank – focused on harmonising the euro payments market. Integrating the multitude of national payment systems existing today is a natural step towards making the euro a truly single and fully functioning currency. SEPA will become a reality when a critical mass of euro payments has migrated from legacy euro payment instruments to the new SEPA payment instruments.

⇒ Although European banks have decided to take a leading role in this migration by self-regulation, SEPA will be realised only when key stakeholders such as the business community and public administrations embrace the SEPA vision and commit to implementing the necessary changes.

## 2.2 The scope

⇒ The euro area alone currently processes some 50 billion electronic retail transactions and between two to four times of this volume in cash each year. This massive volume is generated by 321.5 million citizens, 16-18 million large and small corporates, some 8,000 banks, 5.75 million points of sale and 293,008 ATM (ECB Blue Book).

⇒ SEPA is currently defined as consisting of the EU 27 member states plus Iceland, Norway, Liechtenstein, Switzerland and Monaco.

## 2.3 The goals

⇒ The overall goals of SEPA were defined by EU governments in the Lisbon Agenda, which envisages the EU internal market as the most competitive knowledge-based economy globally. The integration of euro payments markets is a major prerequisite for the realisation of this vision. As such, SEPA is considered a necessary step towards strengthening the European economy as a whole. At the same time, SEPA will increase competition in the payments services sector to the benefit of customers such as consumers, enterprises and public administrations.

**According to a study conducted at the request of the European Commission, the replacement of existing national payment systems by SEPA holds a market potential of up to €123 billion in benefits, cumulative over six years and benefiting bank customers.**

⇒ In addition, the European Commission and the European Central Bank expect SEPA to serve as a stepping stone towards revolutionising electronic services in the payment and public services sectors, leading to further cost reductions and efficiency gains to the benefit of customers.



## ABOUT EPC

### 3.

⇒ The SEPA vision is supported by Europe's banks working together towards the integration of euro payments markets cooperating in the European Payments Council (EPC).

⇒ In 2002, key European banks and their associations attended a workshop dedicated to the consideration of self-regulatory options to achieve payments harmonisation. The conclusions were consolidated into the White Paper "Euroland: our Single Payments Area" which described the required change programme as "the Single Euro Payments Area – SEPA". Thus "SEPA" was born. The European Payments Council, a new self-regulatory payments body, was subsequently established in June 2002 to design, specify and monitor the implementation of SEPA.

⇒ The EPC defines common positions for core payments services, provides strategic guidance for standardisation, formulates best practices and supports and monitors implementation of decisions taken.

⇒ The EPC consists of 74 members comprising banks and banking communities. More than 300 payment professionals from 32 countries are directly engaged in the work programme of the EPC, representing all sizes and sectors of the payments industry within Europe.

**The European Payments Council is the decision-making and coordination body of the European banking industry in relation to payments.**

### 3.1 SEPA: the first milestones

⇒ The SEPA schemes developed by the EPC define sets of interbank rules and standards that have to be observed when executing SEPA payment transactions. The schemes provide a common understanding between banks (payments services providers) on how to move funds from account A to account B within SEPA. The EPC is responsible for the development and maintenance of SEPA payment schemes as defined in the Rulebooks published by the EPC itself.

⇒ To ensure the highest possible level of reach, efficiency and security of a payment scheme, the rules are agreed by the payments services providers themselves. This is done in a way that enables banks to maintain self-regulation and meet regulators' and stakeholders' expectations as efficiently as possible.

⇒ Whereas the rules and standards which make up a payment scheme are defined by banks in a collaborative space, the particular payment product offered to the customer is developed by individual banks or groups of banks operating in a competitive environment. So, provided that scheme rules are respected, payments services providers are free to add features and services of their choice to the actual payment product.

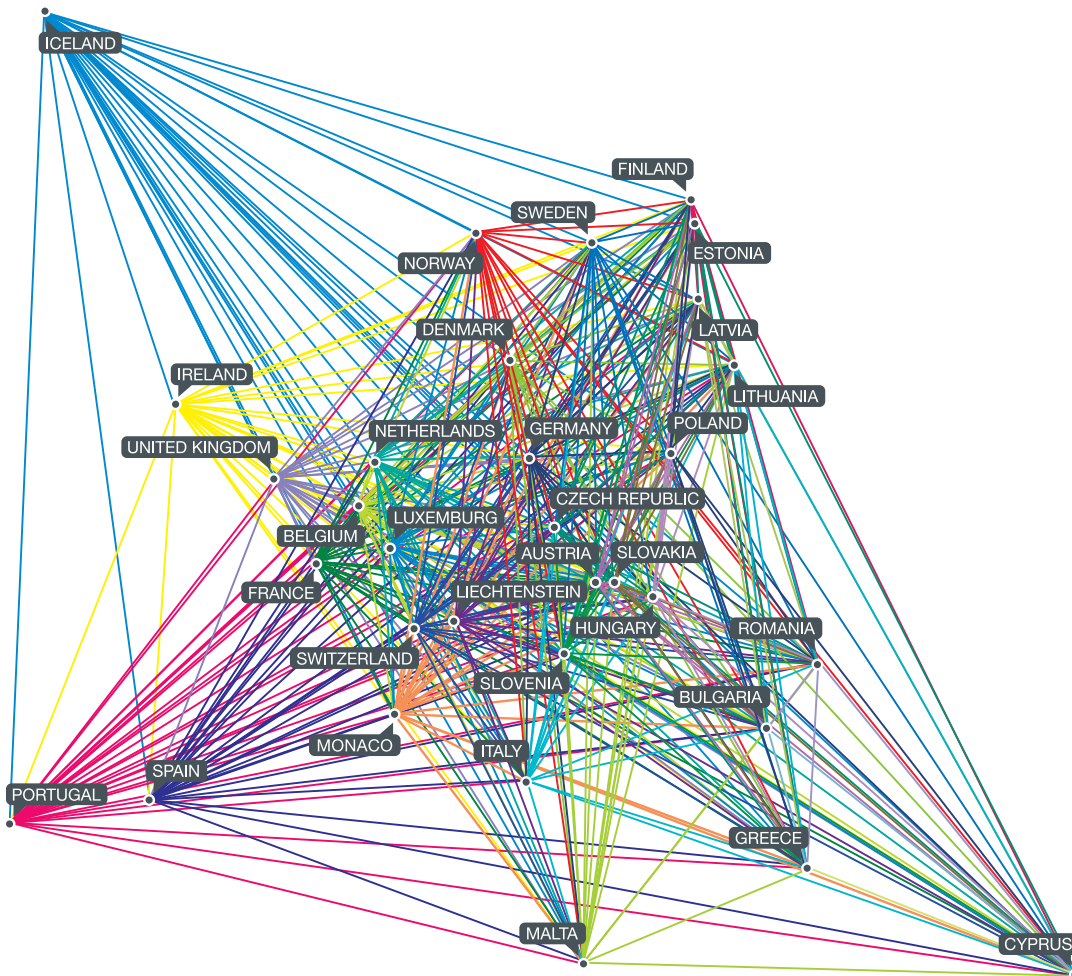
⇒ The development of payment products based on the SEPA schemes including all product-related features such as pricing is outside the scope of the EPC. For detailed SEPA customer propositions customers should contact the payments services provider of their choice.

⇒ Services offered by clearing systems and technology providers based on the SEPA schemes are governed by market forces and are outside the scope of the EPC.

**The European banking industry has successfully made available the building blocks of SEPA first defined in the EPC Roadmap 2004 – 2010. The EPC Roadmap specifies the SEPA core deliverables to be put in place in order to realise the integrated euro payments market.**

➔ The EPC has achieved the following milestones:

- ☑ In January 2008, the EPC successfully launched the SEPA Credit Transfer scheme (SCT). Today, more than 4500 banks in 32 countries representing roughly 95 percent of the payment volume in Europe offer SCT services.
- ☑ The SEPA Core Direct Debit scheme and the SEPA Business to Business Direct Debit scheme go live in November 2009. These both include the option to use electronic mandates (e-mandates) as well as or instead of the customary paper mandates. As of November 2009, banks gradually roll out SEPA Direct Debit services. In a step-by-step process all banks in the euro area offering direct debit services today will become reachable for SEPA Core Direct Debit by November 2010. The recent EU Regulation for cross-border payments in euro mandates the timelines for banks to create reachability for European direct debits.
- ☑ With the roll-out of the SEPA schemes, European banks are the first in the world to deploy a new global data format — the ISO 20022 message standards — for mass euro payment transactions. This innovation is likely to have an impact far beyond Europe, as corporates and banks in Asia and in the Americas have already started to realise the global implications of 32 countries moving jointly towards this international standard.
- ☑ Agreement on the use of a single account identifier based on global ISO standards “International Bank Account Number (IBAN)” and a single bank identifier based on the “Bank Identifier Code (BIC)”.
- ☑ Approval of a SEPA Cards Framework for euro payments with a general purpose card including principles for banks, for card schemes, for card service providers and for other stakeholders.
- ☑ Agreement on a framework for pan-European clearing infrastructures.
- ☑ Design of a Cash Framework to support the shift towards electronic payment methods aimed at reducing the costs associated with cash handling.



⇒ SEPA schemes and standards will eventually replace existing electronic euro payment instruments in the SEPA area with an impact for every citizen, corporate, small and medium sized enterprise (SME), merchant and public administration. Following the migration of existing payment systems, all customers will be able to make and receive euro payments to and from any corporate, SME and public administration using the same uniform SEPA payment instruments.

### 3.2 Involvement of stakeholders

⇒ SEPA schemes are being further developed by the EPC in accordance with a strict change management procedure and based on a predictable release schedule in close dialogue with customers. Representatives of the payments services user community cooperate in the EPC Customer Stakeholders Forum and the EPC Cards Stakeholders Forum.

## **MAKING SEPA A REALITY: KEY ROLE OF THE PUBLIC SECTOR**

### **4.**

⇒ Public administrations benefit from the implementation of innovative SEPA payment products in the same way as business enterprises. The innovation of payment processes, e.g. migrating government payments away from paper-based and cash processes, is seen as a vital component of creating modern infrastructures designed to reduce expenses, to establish efficient operational structures and, above all, to further improve public services.

⇒ Yet, as regards the public sector, the political drivers of the SEPA project envisage SEPA not just as a means to modernising payment systems but as a stepping stone towards revolutionising government services in the 21st century.

#### **4.1 Promoting the “e-internal market”**

⇒ The European Commission expects SEPA to have an impact far beyond the payments industry and related government services. SEPA will be the platform upon which e-government solutions such as e-invoicing, e-procurement, e-payments, e-signatures and e-services in relation to taxation, customs and social security will be further developed.

⇒ In line with that expectation the Commission reiterated its ambition to close gaps in the single market, particularly in services, and this includes: streamlining of procedures, reduction of administrative burdens, and promoting cross-border market access in particular for public procurement based on the implementation of interoperable standards.

**The SEPA initiative sets an example for the development of EU-wide applicable technology standards. As such, SEPA should serve as a catalyst for the development of common standards as the basis of improved e-government solutions.**

➔ Harmonised e-government solutions and the development of related information and communication technologies (ICT) should in turn further promote more efficient public services while completing a single market for the information society, a main objective of the Commission's initiative "i2010"<sup>1</sup>. This initiative aims to:

- ☒ Establish a European information space, e.g. a true single market for the digital economy so as to exploit fully the economies of scale offered by Europe's 500 million strong consumer market
- ☒ Reinforce innovation and investment in ICT research given that ICTs are a principle driver of the economy
- ☒ Promote inclusion, public services and quality of life, e.g. extending the European values of inclusion and quality of life to the information society

➔ According to the European Commission, ICT has the potential to open up the single market for the benefit of citizens, businesses and public authorities. The free movement of knowledge and innovation should be promoted as a "fifth freedom" in the single market. The EU should improve the framework conditions for innovation, in particular in the information society, by accelerating the setting of interoperable standards and moving towards more common spectrum management.

<sup>1</sup> The European Commission: Preparing Europe's digital future – i2010 Mid-Term Review. Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (April 2008).

⇒ In addition, the Commission intends to address overlapping requirements, gaps or inconsistencies in ICT implementation as these may stem from differing national legal frameworks and will encourage member states to keep pace with technological change to ensure the efficient functioning of the “e-internal market”.

**SEPA implementation in the public sector should not be viewed as an isolated measure in the payments environment. SEPA is part of an exercise aimed at innovation and improvement of a broad range of government services.**

## 4.2 Creating critical mass

⇒ SEPA will become a reality when a critical mass of transactions has migrated from national legacy systems to the new pan-European instruments. This goal can only be achieved if major players in the payments environment such as public administrations become dedicated SEPA customers.

**The public sector is a prime economic actor and accounts for up to 20 per cent or more of payments made in society. To reach a critical mass of SEPA payments, the public sector must engage.**

⇒ Moving this volume of payments made by public administrations to SEPA not only significantly contributes to creating critical mass, but will in addition trigger the adoption of SEPA instruments by others, such as corporates and consumers. Given the wider benefits for society and the political vision **underlying** the SEPA process, public administrations could and should play a major role in kick-starting migration by setting an example for all payments services users.

**The European Commission issues regular progress reports on the state of SEPA preparedness in the public sector. As of spring 2009, the Commission states, the public sector does not fully meet expectations yet.**

⇒ In July 2009 the European Commission published the results of the second survey on the preparedness and migration of public administrations to SEPA. The survey will be conducted on a regular basis to monitor the engagement of public administrations – a key user of payments services – in the SEPA process. The results will also feed into the Annual Commission Progress Report on the state of SEPA migration as called for in the ECOFIN Council conclusions of February 2009. At this stage, general SEPA preparedness of public administrations seems to be progressing at a faster pace than actual migration and consequently a significant increase in SEPA Credit Transfer (SCT) rates could be expected during the remainder of 2009 and in the course of 2010.

⇒ The results of the Commission services’ latest findings regarding SEPA preparedness of the public sector can be found at the following link:

[http://ec.europa.eu/internal\\_market/payments/docs/sepa/publ\\_adm\\_migration-2009\\_07\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/publ_adm_migration-2009_07_en.pdf)

# SEPA FOR THE PUBLIC SECTOR: THE BENEFITS

## 5.

⇒ When it comes to allocating budget resources, upgrading payment processes is not always a top priority in the public sector. Moreover, the majority of users express satisfaction with existing national payment systems as long as these function reasonably well.

⇒ However, if payments in your public administration do nothing more for you than simply “function reasonably”, SEPA might be the right opportunity to take a hard look at your current payment applications – and reconsider how you will make payments in the future.

⇒ Re-engineering payment processes based on innovative end-to-end solutions will generate substantial efficiency gains, reduce costs and drive forward the trend towards standardisation, automation and centralisation. SEPA schemes and standards are an integral part of such solutions. Immediate benefits of SEPA for public administrations are:

### 5.1 Have SEPA products custom-tailored for you

⇒ The SEPA schemes recognise that individual banks and communities of banks will provide complementary services based on the schemes in order to meet further specific customer needs.

### 5.2 Take advantage of innovation

⇒ The SEPA Credit Transfer scheme and the SEPA Direct Debit schemes developed by the EPC introduce a variety of innovative features, which will facilitate the streamlining of payment processing.

### 5.3 Reap the benefits of shared standardisation

⇒ SEPA promotes shared standardisation regarding a variety of services offered by government agencies across Europe. It plays a part in the delivery of common solutions in areas of common policy, whereas investments can be shared and productivity benefits of process transformation can be realised. Such a development would dramatically reduce the cost of implementing new processes and further drive cost efficiencies in the public sector.



## 5.4 Increase the potential of public procurement

⇒ Public procurement, e.g. the purchase of goods, services and public works by governments and public administrations in the EU is a key sector in the European economy totalling an estimated volume of 1.5 trillion euro or 16 per cent of EU GDP, according to the most recent data available<sup>2</sup>. Opening up procurement markets significantly boosts competitiveness and reduces government spending.

⇒ The EPC recommends that the SEPA standards are a requirement in any public procurement process for delivering payments services to the public administrations in the euro area.

## 5.5 Dematerialise business processes

⇒ The adoption by public administrations of the new SEPA payment instruments will give public administrations a golden opportunity to renew ageing payment applications. It has often been the case that administrative systems such as those supporting payments are updated infrequently and on a minimum basis only. SEPA will be a reality and advantage can be taken of the newest and richest technology offerings and their associated cost benefits.

⇒ Adopting SEPA instruments is one step to further dematerialise business processes, e.g. to replace paper-based and / or manual procedures by electronic services resulting in improved control and enhanced efficiency.

## 5.6 Decrease IT costs

⇒ The introduction of the ISO 20022 message standards – the SEPA data format – allows for rationalisation, which in turn will significantly reduce the costs associated today with the maintenance of the different national payment formats and related IT-standards, including system administration.

⇒ This XML-based standard is widely accepted and a huge number of standards tools exist, often licence-free.

⇒ In addition, using XML technology leads to more flexibility with a view to future adaptations of IT-systems.

## 5.7 Streamline the back office

⇒ Uniform settlement periods and exception processes for all European countries will significantly reduce current complexities. The EU Payment Services Directive (PSD) further improves legal certainty and predictability in payments.

## 5.8 Simplify reconciliation

⇒ Reconciliation of payables and receivables is a time-consuming and costly process. The SEPA data formats streamline account reconciliation through the adoption of new standards.

⇒ These standards include, for example, a special originator reference and a standard length of the remittance information. All parties in the payment processing chain are obliged to carry this remittance information unaltered from customer (originator) to customer (beneficiary).

⇒ The SEPA data formats are updated annually in line with EPC Rulebooks for the SEPA Credit Transfer scheme and the SEPA Direct Debit schemes according to a predictable release schedule to reflect customer needs.

<sup>2</sup> European Commission: A report on the functioning of public procurement markets in the EU: benefits from the application of EU directives and challenges for the future (February 2004).

5.9

## **Support mobile citizens and cross-border trade**

➔ The benefit of geographic reach is the ability to make and receive payments using the same infrastructure and channels as applied to purely domestic transactions. This is of particular importance with regard to the substantial numbers of pensioners, students and workers residing outside their original EU home country and businesses operating across the internal market.

5.10

## **Make payment factories work for you**

➔ Payment factories are companies delivering payment-related services on an industrialised scale to customers such as corporate businesses, banks, public administrations and clearing houses, among others. The realisation of an integrated euro payments market will boost the trend towards outsourcing payments. SEPA allows the acquisition of significant additional volumes by payment factories which in turn will generate scale and scope advantages.

➔ This development promotes attractive service offerings to customers wishing to benefit from centralised payments processing.

## PUBLIC SECTOR: CALL TO ACTION

### 6.

➔ SEPA is the largest payments initiative ever undertaken within Europe and possibly the world. A programme of this size and scale cannot be implemented by the combined resources of the EC, the ECB and the EPC only. Customers - in particular public administrations - have an important role to play in making the project as successful as the implementation of the euro.

- ☑ **Communicate positively:** use this document or extracts thereof to communicate positively the SEPA objectives both internally and externally to all those parties who you believe will be impacted by SEPA.
- ☑ **Assess and respond to the impact:** conduct an impact assessment to ascertain how SEPA will impact the financial, administrative, technical and operational aspects of payments processing within your organisation.
- ☑ **Assess and take the opportunity:** SEPA is not just a mandated infrastructural project. Use the change to reassess and relaunch services, processes and platforms to improve efficiency.
- ☑ **Appoint a SEPA project manager:** assign a senior individual with responsibility for coordinating all aspects of SEPA implementation and who also can act as the focal point for all internal and external SEPA communications.
- ☑ **Build and implement a SEPA plan:** have your SEPA team construct a SEPA implementation plan which can be updated as details of the SEPA schemes and frameworks are released by the EPC.

- ☒ **Support your national SEPA Committee:** work closely with your national SEPA implementation organisation and contribute input into the national SEPA implementation plan.
- ☒ **Set and end date:** administrations in six EU Member States (Austria, Belgium, Cyprus, France, the Netherlands and Slovakia) have defined a national target date after which legacy credit transfers will become obsolete; e.g. only the SEPA Credit Transfer will be used. The Commission services' findings on the state of SEPA preparedness in the public sector also observe that in Member States where a common national target end date does not exist several individual public administrations have set their own specific target dates, namely in Finland, Germany, Italy and Spain<sup>3</sup>.
- ☒ **Keep up to date:** for the latest information on the SEPA initiative and EPC deliverables please visit the EPC website and subscribe to the EPC Newsletter. Subscription is free<sup>4</sup>.

**Get started – now.**

<sup>3</sup> The results on the Commission services' latest findings reflected here (published July 2009) regarding SEPA preparedness of the public sector can be found at the following link: [http://ec.europa.eu/internal\\_market/payments/docs/sepa/publ\\_adm\\_migration-2009\\_07\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/publ_adm_migration-2009_07_en.pdf)

<sup>4</sup> [www.europeanpaymentscouncil.eu/](http://www.europeanpaymentscouncil.eu/) Newsletter.

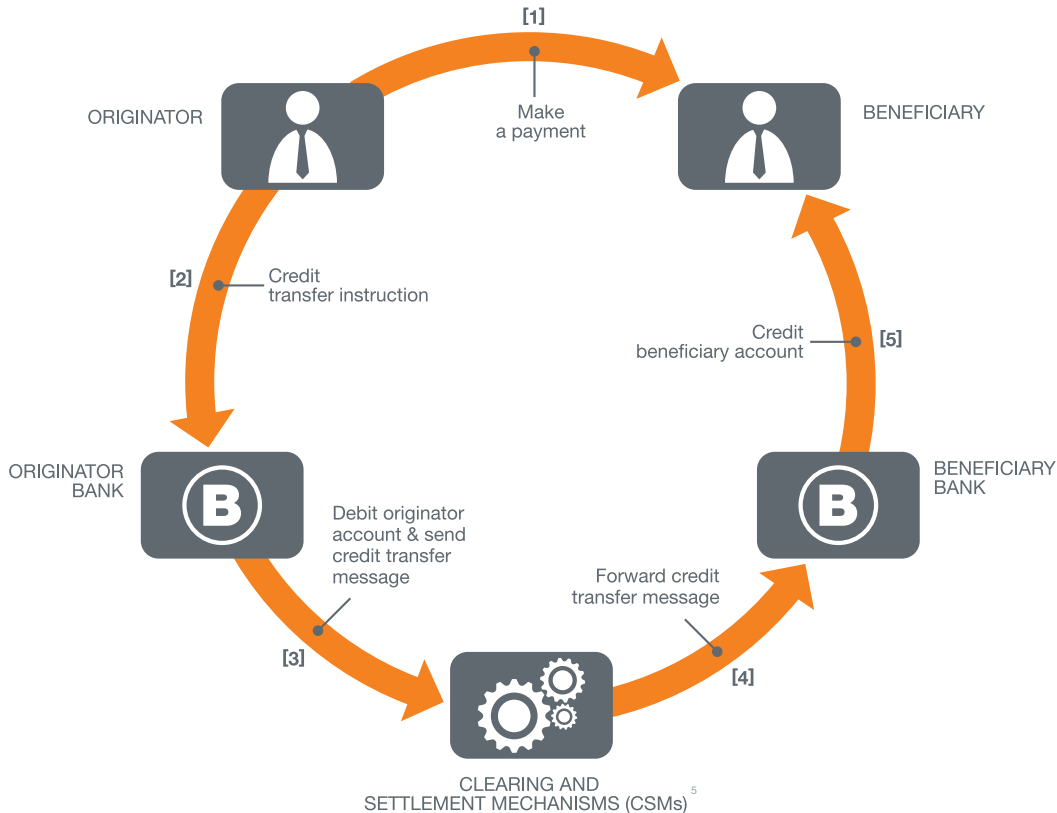
# SEPA CREDIT TRANSFER SCHEME (SCT)

## 7.

⇒ With regard to credit transfers in general, the originator (payer) completes a credit transfer instruction and forwards it to the originator's (payer's) bank by any agreed means [2].

⇒ The originator's bank receives and checks this, and rejects erroneous instructions, then the originator account is debited and the credit transfer is sent to the beneficiary's bank, where the beneficiary is credited [3].

### SEPA CREDIT TRANSFER SCHEME MODEL



<sup>5</sup> A CSM enables the exchange of funds and messages between two banks executing a payment transaction.

## 7.1 The scheme in a nutshell

➔ The SEPA Credit Transfer scheme enables payments services providers to offer a core and basic credit transfer service throughout SEPA, whether for single or bulk payments. The scheme's standards facilitate payment initiation, processing and reconciliation based on straight-through-processing (STP). The scope is limited to payments in euro within SEPA countries. The credit institutions executing the credit transfer must be scheme participants; i.e. must have formally adhered to the SEPA Credit Transfer scheme. There is no cap on the amount of the payment carried under the scheme.

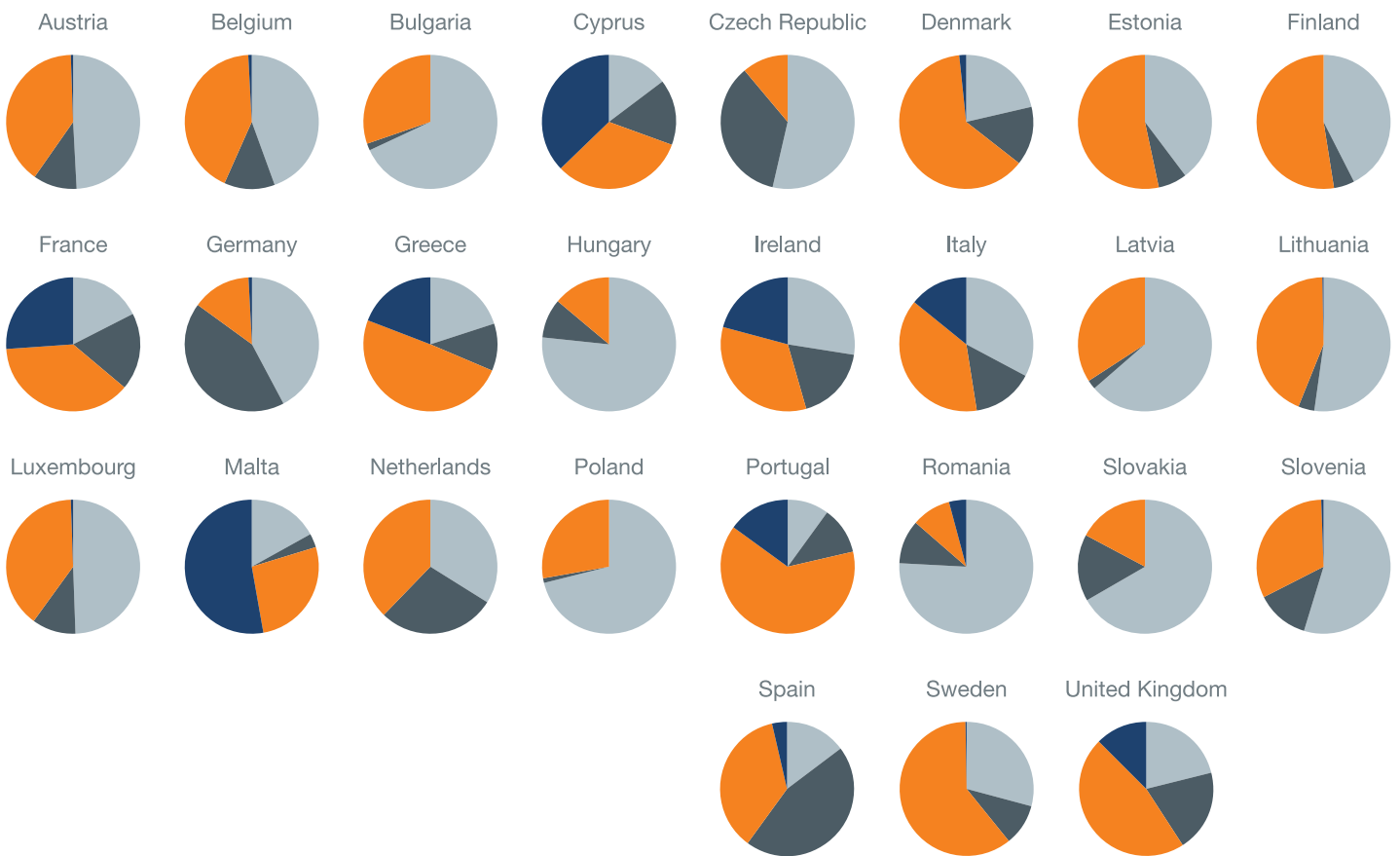
**The SEPA Credit Transfer Scheme Rulebook and the accompanying Implementation Guidelines approved by the EPC are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Credit Transfer Scheme Rulebook and Implementation Guidelines are available for download on the EPC website<sup>5</sup>.**

<sup>5</sup> [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu).

## 7.2 Advantages of the SCT scheme

- ❑ The scheme offers benefits to originators and beneficiaries in terms of functionality, cost efficiency, ease of use and straight-through-processing
- ❑ Payments are made for the full original amount – there are no deductions; a customer involved in a credit transfer payment can only be charged by his own bank
- ❑ 140 characters of remittance information are delivered to the beneficiary without alteration or omission
- ❑ These 140 characters can be unstructured (free text) or structured, as agreed between business partners
- ❑ The accounts of all business partners in SEPA can be reached as safely, quickly and easily as in their own country today
- ❑ Certainty is provided about the date when the money will be available in the account of a business partner and one's own account
- ❑ A single standard for identifying and validating an account with a bank in Europe based on IBAN (International Bank Account Number) allows the storage of trusted information in a standardised way
- ❑ Rejects and returns can be automated, because they are handled in a uniform and predictable manner
- ❑ Single payments and bulk payments (e.g. one debit to the originator's account with multiple credits to the different beneficiaries) are supported
- ❑ Separate data elements for an originator and/or a beneficiary reference party enable the initiation and receipt of "on behalf of" payments, subject to local regulation
- ❑ Identification of payment reasons thanks to the availability of specific data fields ("category purpose" and "purpose") to indicate payment types such as salaries or taxes, for example, allowing the originator bank or beneficiary bank to apply special processing rules
- ❑ There will be a process to recall funds transferred by mistake

# RELATIVE IMPORTANCE OF PAYMENT INSTRUMENTS



Source: European Central Bank



# SEPA CORE DIRECT DEBIT SCHEME (SDD)

## 8.

### 8.1 The scheme in a nutshell

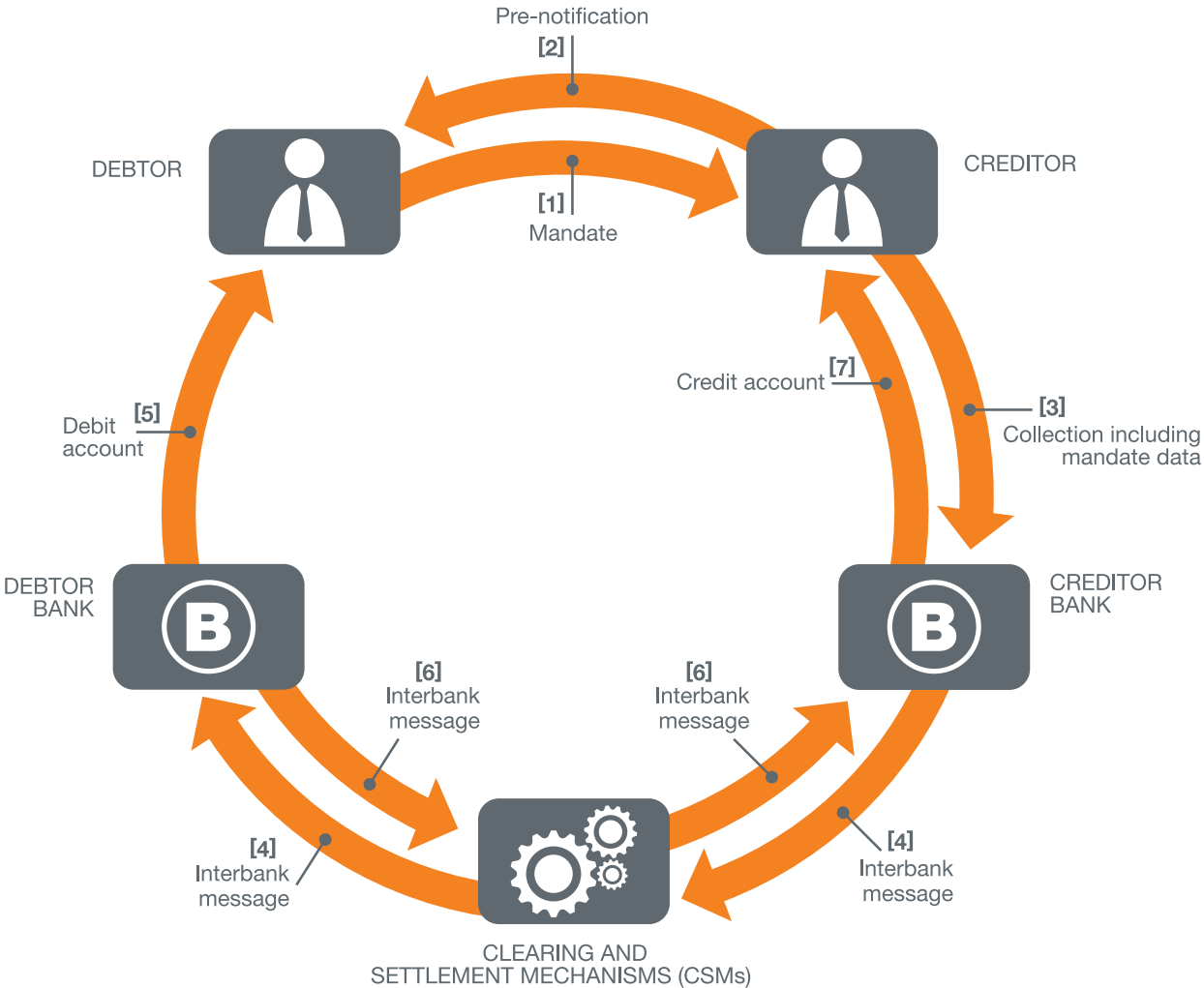
⇒ The SEPA Core Direct Debit scheme – like any other direct debit scheme – is based on the following concept: “I request money from someone else, with their prior approval, and credit it to myself”.

⇒ A mandate is signed by the debtor (payer) to authorise the creditor (payee) to collect a payment and to allow the debtor bank to pay this collection (debtors are entitled to instruct their banks not to accept any direct debit collection on their accounts). The mandate can be issued in paper form or electronically. The mandate expires 36 months after the last direct debit initiated whereupon it should be cancelled by the creditor. The signed mandate must be stored by the creditor as long as the mandate is valid and in accordance with national legal requirements.

⇒ The SEPA Core Direct Debit scheme applies to transactions in euro. The debtor and creditor must each hold an account with a credit institution located within SEPA. The credit institutions executing the direct debit transaction must be scheme participants; i.e. both must have formally adhered to the SEPA Direct Debit scheme. The scheme may be used for single (one-off) or recurrent direct debit collections; the amounts are not limited.

**The SEPA Core Direct Debit scheme creates, for the first time, a payment instrument that can be used for both national and cross-border collections throughout the SEPA area.**

# SEPA DIRECT DEBIT SCHEME MODEL



## 8.2 E-mandate

- ⇒ The SEPA Direct Debit schemes have been designed to permit the development of additional features in response to customer needs. The SEPA Direct Debit schemes include the possibility to create mandates through the use of electronic channels – called e-mandates.
- ⇒ The inclusion of this possibility for the creation of e-mandates brings further advantages to debtors: the debtor avoids the inconvenience of printing, signing and mailing a paper form to the creditor by using a fully electronic process. The e-mandate facility is based on secure, widely used online banking services of the debtor bank.
- ⇒ The debtor can re-use his online banking credentials. No additional means of identification are necessary. The e-mandate feature is based on global ISO standards as managed by SWIFT thus granting maximum transparency.
- ⇒ The e-mandate solution is an optional service offered by payments services providers to their customers; i.e. it is not a mandatory part of the SEPA Direct Debit schemes.

**The SEPA Core Direct Debit Scheme Rulebook and the accompanying Implementation Guidelines approved by the EPC are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Core Direct Debit Scheme Rulebook and Implementation Guidelines are available for download on the EPC website<sup>6</sup>.**

<sup>6</sup> [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu).

## 8.3 Advantages of the SDD Core scheme

### Advantages for creditors

- ☑ A simple and cost-efficient way to collect funds
- ☑ The possibility to define the exact date of collection
- ☑ The certainty of payment completion within a predetermined time cycle
- ☑ The opportunity to optimise cash flow and treasury management
- ☑ Straightforward reconciliation of payments received
- ☑ The ability to automate exception handling such as: returned, rejected, or refunded collections and reversals
- ☑ The ability to collect funds from debtors using a single payment instrument across 32 countries

### Advantages for debtors

- ☑ A simple means of paying bills throughout SEPA without the risk of late payments and the consequences thereof
- ☑ The SEPA Direct Debit is easy to use, because the scheme is accepted as a single, trusted payment service by all creditors in SEPA
- ☑ Straightforward reconciliation of debits on account statements
- ☑ The possibility to sign either a paper-based or a fully electronic mandate if this latter service is offered by a credit institution
- ☑ A no-questions-asked, fast and simple refund procedure is available within eight weeks of the debit date for authorised transactions and within 13 months for unauthorised transactions

## 8.4 The launch date

➡ The introduction of the SEPA Core Direct Debit scheme requires a uniform EU-wide legal framework for payments. The launch of the scheme is therefore contingent upon adoption of the EU Payment Services Directive (PSD) into the national law of member states. The PSD defines, for example, common rules on the authorisation of payments, the return of payments and customers' rights to contest direct debits.

➡ The SEPA Core Direct Debit scheme goes live on 2 November 2009, the deadline for all EU member states to have transposed the PSD into national law.

➡ As of November 2009, banks gradually roll out SEPA Direct Debit services. In a step-by-step process all banks in the euro area offering direct debit services today will become reachable for SEPA Core Direct Debit by November 2010. The recent EU Regulation on cross-border payments in euro mandates the timelines for banks to create reachability for European direct debits.

# SEPA B2B DIRECT DEBIT SCHEME

## 9.

### 9.1 Differences from the SDD Core scheme

- The SEPA Business to Business Direct Debit scheme (B2B) is the basis for the development of products catering to business customers who wish to make payments by direct debit as part of their business transactions.
- The most important differences between the SEPA Core Direct Debit scheme and the SEPA Business to Business Direct Debit scheme are:
  - ☐ In the B2B scheme, the debtor is not entitled to obtain a refund of an authorised transaction; this provides certainty of payment for the creditor.
  - ☐ The B2B scheme requires debtor banks to ensure that the collection is authorised by checking the collection against mandate information; debtor banks and debtors are required to agree on the verification to be performed for each direct debit.
  - ☐ A debtor bank cannot offer the scheme to a debtor (payer) who is a “consumer” under the law of the country where that debtor bank is providing the payment service; essentially, therefore, the B2B scheme is available only to the business community, not private individuals. By the same token, a creditor cannot offer bill payment via the B2B scheme to a customer who is a consumer.
  - ☐ Responding to the specific needs of the business community, the B2B scheme offers a significantly shorter timeline for presenting direct debits and reduces the return period.

**The SEPA Business to Business Direct Debit Scheme Rulebook and the accompanying Implementation Guidelines approved by the EPC are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Business to Business Direct Debit Scheme Rulebook and Implementation Guidelines are available for download on the EPC website.**

## 9.2 Advantages of the B2B scheme

### Advantages for creditors

- ☑ A simple and cost-efficient way to collect funds
- ☑ The possibility to define the exact date of collection
- ☑ The certainty of payment completion within a short and pre-determined time-cycle
- ☑ The opportunity to optimise cash-flow and treasury management
- ☑ Straightforward reconciliation of payments received
- ☑ The ability to automate exception handling such as returned and rejected collections and reversals
- ☑ A fast collection procedure satisfies the creditor's need for a payment instrument with a short credit risk period, delivered in combination with early finality of funds received

- ☑ Reduction of administrative costs and enhancement of security through the use of electronic mandates
- ☑ The opportunity to collect funds from debtors using a single, trusted payment instrument regardless of their location in Europe

### Advantages for debtors

- ☑ A fast and simple means of paying bills, reducing the incidence of late payments and the consequences thereof
- ☑ Allows the debtor to do business with a creditor requiring the use of the B2B scheme for making payments in an efficient way
- ☑ The debtor is easily reachable for SEPA-wide business offerings, because the B2B scheme is accepted as a single, trusted payment service by all creditors in SEPA
- ☑ The debtor has the security of knowing that the debtor bank will verify B2B scheme transactions before debiting the debtor's account

## 9.3 The launch date

- ☞ The SEPA Business to Business Direct Debit scheme goes live on 2 November 2009.

# GETTING YOUR ORGANISATION READY FOR SEPA

## 10.

⇒ To realise the benefits of uniform SEPA payment instruments for your public administration, you need to upgrade existing payment applications as a first step. If your organisation plans to set up a SEPA implementation project, several features of the SEPA schemes and standards will also have an impact on internal processes.

⇒ The following aspects, among others, need to be considered:

### 10.1 IBAN and BIC

⇒ IBAN (International Bank Account Number) and BIC (Bank Identifier Code) will be the only permissible account and bank identifiers for SEPA transactions. Whereas until now they have been used only for cross-border payments in most countries, with SEPA they apply to national payments as well. The paying customer must provide IBAN to identify the beneficiary's account and should provide the related BIC to his bank unless otherwise agreed with the bank.

#### ACTIONS REQUIRED:

- ☑ Review invoicing and accounting procedures
- ☑ Identify and adapt all systems that operate on the basis of account numbers and bank codes
- ☑ Provide easily accessible information on IBAN and BIC to your business partners and customers
- ☑ Convert existing databases containing customer account information to IBAN and BIC. The EPC recommends that national banking communities provide centralised conversion services to their business customers; information on how to find such services in your country is made available by the so-called National Adherence Support Organisations (NASO). A list of NASO is available on the EPC website<sup>8</sup> (follow the link SEPA Credit Transfer or SEPA Direct Debit / Adhere here).

<sup>8</sup> [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu).

## 10.2 The SEPA mandate

⇒ The SEPA Direct Debit scheme defines the requirements regarding the authorisation of a creditor to collect direct debits; it also details the requirements to be observed by the debtor bank to debit the account of a debtor. In many SEPA countries, such authorisations – or mandates – previously issued by debtors and in place today do not conform to the requirements of the SEPA mandate.

### IMPACT:

⇒ **Mandate migration:** to facilitate the change-over for businesses to the SEPA Direct Debit scheme, it is imperative that mandates existing today can be used under the scheme at least for a transition period, even if they do not incidentally meet all the requirements of the SEPA mandate.

⇒ It is not likely that mandates created under current national direct debit schemes will meet all of the requirements of the SEPA mandate as defined in the SEPA Core Direct Debit Scheme Rulebook – nor could they be expected to as they were created before the SEPA Core Direct Debit Rulebook was published.

⇒ Since existing mandates in the different SEPA countries vary considerably, in each country a user-friendly and legally sound means of mandate migration has to be found. Public administrations introducing the SEPA Direct Debit scheme may wish to seek guidance on the migration of existing mandates from their payments services provider.

⇒ The EPC has been addressing potential difficulties faced by creditors who wish to transfer to the SEPA Direct Debit Core scheme using existing direct debit mandates which may not be fully compliant with the scheme's requirements on form and content of SEPA direct debit mandates. The EPC therefore introduced into the SEPA Core Direct Debit Scheme Rulebook a specific section (chapter 5.17) which provides significant practical assistance to creditors by waiving certain requirements for these “legacy” mandates if used under the SEPA Direct Debit scheme.

⇒ The rules defined in section 5.17 of the SEPA Core Direct Debit Rulebook only apply to legacy mandates, e.g. mandates which have been issued under a national direct debit scheme before the creditor has changed to the SDD scheme – they do not apply to new SEPA mandates entered into after the creditor has transferred to the SDD scheme. The creditor and creditor bank must comply with all the Rulebook requirements relating to mandates created after that date.

⇒ **Translating the Mandate:** the SEPA mandate texts have been translated into all community languages. These translations are available at [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu).

⇒ **Streamlining the Mandate:** at first glance, the SEPA mandate may seem large and complicated. In actual usage, however, this will not be the case. To bring greater clarity on this point, a guidance document containing practical information on how selected information may be used in various situations is available on the EPC website<sup>9</sup> (follow the link SEPA Direct Debit / Mandate).

**To facilitate the change-over for public entities to the SEPA Direct Debit scheme, it is imperative that mandates existing today can be used under the SEPA scheme at least for a transition period.**

<sup>9</sup> [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu).



10.3

## ISO 20022 message standards

⇒ A common data format used by all parties in a payment transaction is essential for the cost-efficient handling of billions of payments. Today, dozens of different data formats are in place to process payments across different national clearing systems in the European Union.

⇒ The realisation of SEPA therefore requires agreement on a common set of data to be exchanged in a common syntax.

⇒ The SEPA data formats are based on the global ISO 20022 message standards. This format is binding for the exchange of SEPA payments between banks. Banks may, however, choose to continue to accept other formats from customers for the instruction of SEPA payments.

### ACTIONS REQUIRED:

- ☑ As part of the decision to adopt the SEPA Data Format for payment processes, determine whether or not your external system providers (e.g. ERP, accounting) offer SEPA solutions
- ☑ Develop specifications for internal systems
- ☑ Ensure electronic banking systems and / or other access channels for your payments services are SEPA-compliant
- ☑ Conduct tests with your payments services provider before going live to ensure a smooth transition

10.4

## Remittance information

⇒ The SEPA Credit Transfer scheme permits the end-to-end carrying of remittance data on a structured or unstructured basis appropriate to the nature of the payment. The length of the remittance information is now fixed at a standard length of 140 characters and banks are obliged to pass on the full remittance information.

### ACTION REQUIRED:

- ☑ Verify the length of the remittance information data fields currently used in your organisation's payment application and ensure the remittance information you provide contains no more than 140 characters

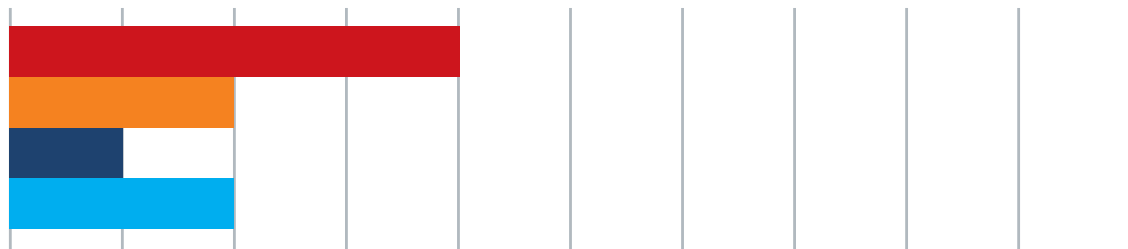
**The EPC publication “SEPA for IT Providers” outlines specific solutions required by bank customers such as public entities to adapt internal systems to the SEPA schemes and standards. This EPC publication is available for download on the EPC website<sup>10</sup>.**

<sup>10</sup> [www.europeanpaymentscouncil.eu/SEPA Customers](http://www.europeanpaymentscouncil.eu/SEPA%20Customers)

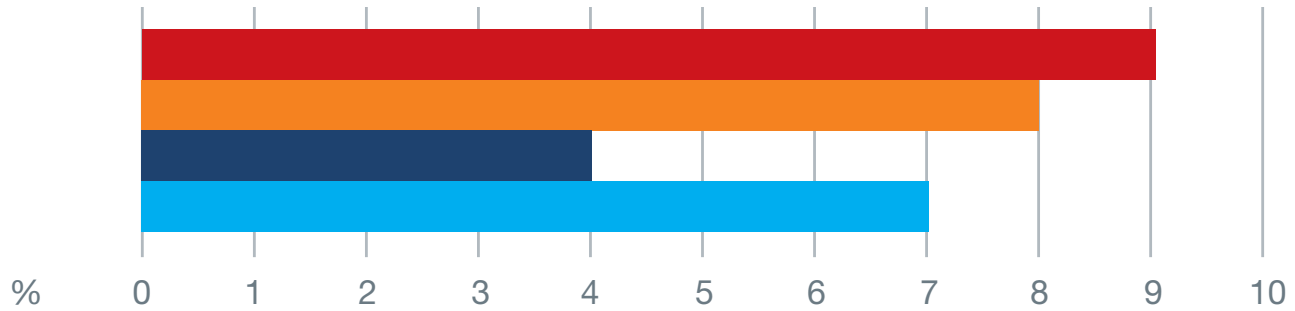
## CROSS-BORDER TRADE IN FINANCIAL SERVICES

- Bank account
- Credit card
- Private pension plan
- Car insurance

Have ever obtained in another EU country



Would consider obtaining from another EU country



Source: European Commission

# THE CUSTOMER IS KING

## SEPA STANDARDS FOR THE PUBLIC SECTOR

### 11.

⇒ SEPA schemes are being further developed by the EPC in accordance with a strict change management procedure and based on a predictable release schedule in close dialogue with the user side.

⇒ The following suggestions of the customer community have already been addressed:

#### 11.1 The SEPA data format: additional features

⇒ To accommodate requirements expressed by the customer community, the following additional elements were incorporated and are available as of February 2009:

- ☑ Separate data elements for an originator and a beneficiary reference party enabling the initiation and receipt of “on behalf of” payments, subject to local regulation
- ☑ Introduction of payment reasons (“category purpose” and “purpose”) to enable identification of payment types such as salaries or taxes, for example, allowing the originator bank or beneficiary bank to apply special processing rules

## 11.2 Support of the ISO creditor reference standard

⇒ EPC recognises that structured creditor reference to remittance information offers potential SEPA-wide application of automatic reconciliation between invoices and related payments. The related ISO standard will contribute to the improvement of the automated reconciliation at the beneficiary's level.

⇒ A guidance document published by the EPC (EPC 142-08) for the use of this ISO standard in the context of the SEPA schemes can be available for download on the EPC website<sup>11</sup>.

## 11.3 Remittance information: structure the unstructured

⇒ The EPC supports a proposal developed by the European Association of Corporate Treasurers (EACT), which allows companies to agree on a structure for remittance information. The EACT suggestion on how to structure the “unstructured” remittance fields supports, amongst others:

- ☑ Up to seven invoice numbers/credit notes or combinations thereof
- ☑ Or an identification of a remittance advice which is sent separately
- ☑ As well as the e-mail address of the recipient of the remittance advice
- ☑ And/or the purpose of payment
- ☑ And/or a customer number

⇒ Banks will carry information structured in this way unaltered throughout the process chain.

<sup>11</sup> [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu) / Knowledge Bank.

## 11.4 Validity period of the SEPA mandate

⇒ The SEPA Direct Debit Scheme Rulebooks now define an extended 36 months validity period for mandates that have not been used.

## 11.5 Customer-to-bank messages

⇒ Key stakeholders, including individual banks, the EPC, SWIFT, and several players represented in the EPC Customer Stakeholders Forum have addressed the fact that community implementation guidelines for payment initiation have interpreted the SEPA schemes differently.

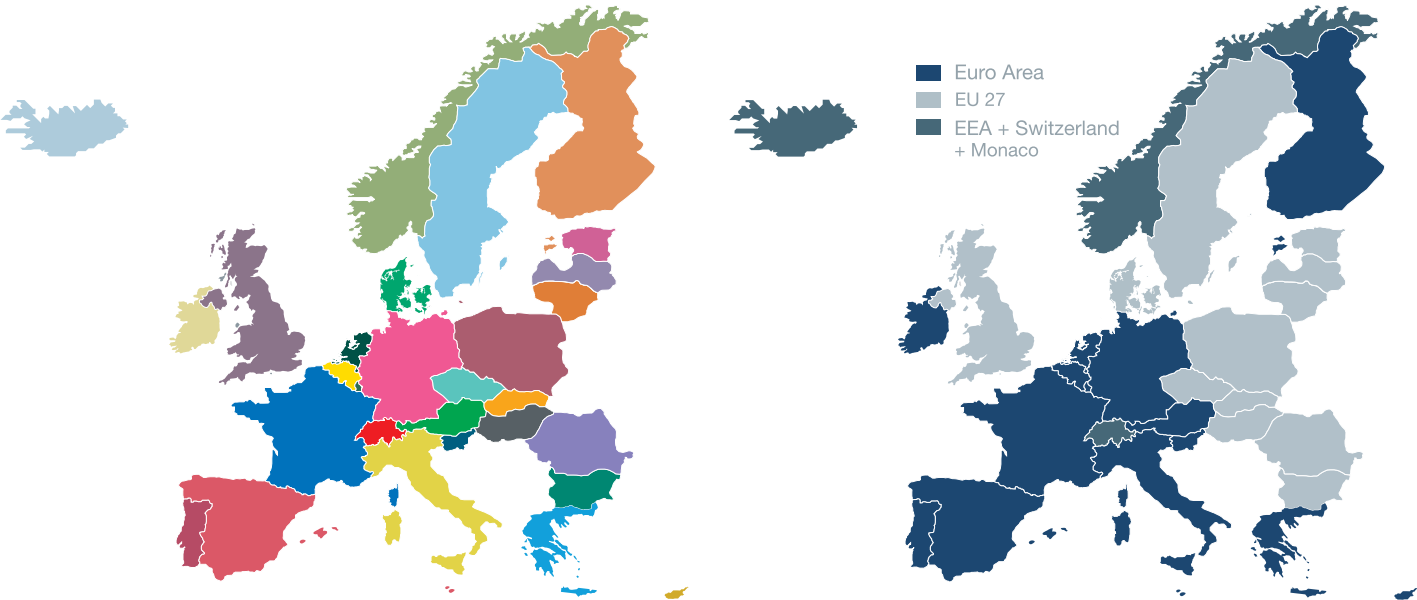
⇒ Work has been done to further enhance the implementation guidelines applying to the ISO 20022 customer-to-bank credit transfer and direct debit messages. These guidelines are based on a number of existing community guidelines. Harmonised specifications for the customer-to-bank communication are available now for optional but strongly recommended implementation for SEPA Credit Transfer and for SEPA Direct Debit.

⇒ Such guidelines are of particular importance to businesses and public administrations in their communication with their banks.

**The evolution of the SEPA schemes takes place in close dialogue with the business community and representatives of all other user groups cooperating in the EPC Customer Stakeholders Forum.**

# THE SEPA VISION

**PRE-SEPA** **SEPA**



PRE-SEPA	SEPA
National / local solutions	Common solutions with additional optional services
Different payment instruments and standards, customer experiences, consumer laws	Common core payment instruments and standards, consistent customer experience, application of harmonised consumer protection laws
Cross-border complexity and risk	Reduced complexity and improved efficiency: all SEPA payments are domestic payments

# SEPA – THE WAY FORWARD

## 12.

➔ Going forward, the EPC is focusing on additional features designed to even further increase the possibilities associated with the implementation of SEPA payment instruments. In response also to the requests of the customer community, the following aspects are currently being addressed:

### 12.1 E & M channels

➔ The EPC is currently developing electronic and mobile channels for the initiation of SEPA payments including necessary standards and security requirements. This will allow customers to initiate SEPA payments either online or via a mobile phone.

### 12.2 Bank-to-customer messages

➔ Ultimately, the “outcome” of a payment transaction must be communicated by a bank to the customer. This information takes place via electronic or paper based reporting messages (reports, notifications, and account statements) which inform a bank customer about payment transactions affecting his account.

➔ Since the ISO standards necessary to allow the development of uniform reporting messages for SEPA transactions are now available, the EPC plans to give guidance on how to map SCT and SDD Rulebook requirements to the ISO 20022 reporting messages. The “Guidance on Customer Reporting of SEPA Credit Transfers and SEPA Direct Debits” will be published on the EPC web site once approved by the EPC.

## 12.3 E-invoicing

⇒ Electronic invoicing – or e-invoicing – is a solution for the secure exchange of electronic invoices inclusive the relevant data between suppliers and buyers involving the upgrade of their sales and procurement systems. The purpose of electronic invoicing is to streamline the administration of the billing and payment process by eliminating paper handling for both buyers and suppliers. E-invoices can be archived in an electronic format making it easier and cheaper to retrieve them when necessary. E-invoicing is a relatively new concept with few examples of local authorities and private sector organisations using it at the moment.

⇒ The development of a European standard for e-invoicing is outside of the scope of the EPC. The EPC is closely monitoring the progress of an expert group set up by the European Commission which is evaluating a way forward to define a European Electronic Invoicing Framework.

⇒ It is believed by some that the availability of an e-invoicing standard would encourage the implementation of SEPA schemes on the user side, in particular by small and medium-sized enterprises.



## HOW TO MAKE SEPA A SUCCESS

### 13.

- ⇒ The SEPA vision will not be realised via the existence of high-quality SEPA schemes and standards alone – just as the EU monetary union did not materialise simply because of the existence of euro notes and coins.
- ⇒ The vast majority of users never asked for SEPA payment instruments with a view to replacing national ones. SEPA is not a market-driven process. SEPA is an EU-wide policy-maker-driven integration initiative designed to generate macro-economic benefits and technological innovation.
- ⇒ Macro-economic benefits, however, may not be a key determining factor for individual businesses and public administrations when it comes to investment decisions. Even when considering the substantial benefits of SEPA payment solutions, it has to be recognised that existing payment applications are generally viewed to work well. In other words, customers may have other priorities than upgrading their payment processes.

**SEPA is an EU-wide policy-maker-driven integration initiative – not a demand-driven process. It is therefore essential that the political initiators of the SEPA process create the incentives needed to facilitate the change-over for customers.**

### European Commission:

- ☑ Secure the continued commitment of EU governments to the realisation of SEPA
- ☑ **Create** the appropriate regulatory and legal environment for the SEPA instruments to be implemented
- ☑ Provide support on a scale comparable to the introduction of the euro

### EU governments:

- ☑ Demonstrate leadership in the national SEPA Committees together with all other stakeholders including National Central Banks as was done for the euro-introduction
- ☑ Encourage and support **SEPA** implementation by public administrations at national, regional and local level. The buy-in of public administrations is of vital importance as the public sector generates more than 20 per cent of payment traffic in the EU
- ☑ Collectively agree end-dates for migration of the public sector to SEPA payment instruments
- ☑ Allocate the resources for SEPA implementation and migration in annual budgets **now**
- ☑ Require the use of SEPA standards in public procurements for payments services allowing banks to deliver SEPA payments services to any public administration in the SEPA area
- ☑ Design and implement incentives to ease the change-over from legacy payment instruments to SEPA instruments for bank customers – such as granting tax breaks for early movers, for example
- ☑ Facilitate, if necessary, the continued legal validity of existing direct debit mandates under the SEPA Direct Debit scheme

### European Central Bank:

- ☑ Differing balance-of-payments reporting requirements as established by various National Central Banks pose legal barriers to the concept of one domestic euro payments market and must be removed – immediately
- ☑ For the change-over to the euro a substantial communication budget was made available; a comparable communication effort should be afforded for SEPA implementation by the European Central Bank acting as a principle catalyst of the SEPA process

**At this point, the success of SEPA depends – above all – on the continued commitment of and practical support by the political drivers of this project.**

# SEPA ONLY: AN END DATE FOR LEGACY EURO PAYMENT INSTRUMENTS

## 14.

- ⇒ At this point, the majority of concerned parties share the view that one or several end dates have to be defined if SEPA momentum is to be maintained and planning security for all stakeholders is to be ensured. The EPC recognises that making public the fact that there will be an end date is actually more important now than selecting the actual end date.
- ⇒ The European Central Bank (ECB) observes that “corporations and public administrations (...) still take a cautious approach” towards SEPA implementation. To break that circle of “wait and see”, states the ECB, “a migration end date from which point onwards only the European payment instruments will exist is needed”<sup>12</sup>.
- ⇒ The European Parliament supports this position and recently on the European Commission to set a “clear, appropriate and binding end date, which date should not be later than 31 December 2012, for migrating to SEPA products”<sup>13</sup>.
- ⇒ The European Commission believes that an end date would send a strong signal to all stakeholders that SEPA migration is an irreversible process and would provide certainty so that stakeholders could adopt a SEPA strategy and plan necessary investments in the next few years<sup>14</sup>.

### 14.1 Timing of an end date: one end date or several end dates?

- ⇒ In the view of the EPC there should be one migration end date for both SEPA Credit Transfer and SEPA Direct Debit at European level. An individual community within the 16 euro countries may set an earlier end date for either or both schemes if it so wishes. In setting a date, consideration should be given to the normal investment cycle of 3 to 5 years. Whenever a current non-euro zone SEPA country joins the euro zone, it should be free to determine its own migration end date, but by the latest, 5 years after the adoption of the euro.

<sup>12</sup> The Quest for the Holy Grail? - European Financial Integration: Achievements and Hurdles. Speech by Getrude Tumpel-Gugerell, Member of the Executive Board of the ECB. Workshop on “Securing the Future Critical Financial ICT-Infrastructure (CFI)” organized by Parsifal. Frankfurt, 16 March 2009.

<sup>13</sup> European Parliament. Resolution on the implementation of the Single Euro Payments Area (SEPA). 12 March 2009.

<sup>14</sup> European Commission Internal Market and Services DG. Second Meeting of the EU Forum of National SEPA Committees. Discussion Paper on possible End-Date(s) for SEPA Migration. 23 March 2009.

## 14.2 The end date: what does it actually mean?

⇒ The EPC defines end date as the latest date after which services for sending and receiving euro payments based on current domestic SCT or SDD equivalent/corresponding schemes are no longer available to customers for sending and receiving euro payments within SEPA. This also applies to “on-us” euro payments (where the originator bank and beneficiary bank is the same bank).

## 14.3 Scope of migration: is there a need for availability of legacy niche products?

⇒ The EPC believes that potentially some particular legacy instruments may remain available after the migration end date, provided that in any community the total traffic volume generated by these residual instruments is less than 10% of the community total. In a next step, the EPC will identify any such niche instruments in place on community level that may not be susceptible to migrate to a SEPA scheme.

## 14.4 How to set an end date: self-regulation or regulation?

⇒ The EPC is of the opinion that mandating an EU-wide end date requires EU regulation. Such a regulation should oblige payment services users to use SEPA payment services rather than euro payment services based on the current national schemes, thereby not leaving migration responsibility only to the banking sector. In absence of such a regulation, it would be essential that the EPC and the national banking communities agree on a common procedure for setting an end date. It would also be necessary that the act of setting any migration end date is approved in advance by the European and the appropriate national competition authorities. Communication of the end date will be paramount; if the date is set by regulation, the lead in this area falls to the European Commission and European Central Bank.

## 14.5 European Commission consultation on end-date for SEPA migration

⇒ In June 2009 the European Commission launched a consultation on whether and how deadlines should be set for the migration of existing payment products – i.e. credit transfers and direct debits – to the new SEPA instruments. Feedback from all stakeholders will help the Commission to identify whether there is a need for action in this respect and at which level. Results of the consultation and related recommendations of the European Commission are expected to be published by end 2009.

## GLOSSARY

### 15.

TERMS	DEFINITION
ACH	Automated Clearing House
ATM	Automated Teller Machine
Bank Identifier Code (BIC)	An 8 or 11 character ISO code assigned by SWIFT and used to identify a financial institution in financial transactions (ISO 9362).
CIT	Cash-in-transit company
Clearing	The process of transmitting, reconciling and, in some cases, confirming payment orders prior to settlement, possibly including the netting of instructions and the establishment of final positions for settlements.
Clearing and Settlement Mechanism ("CSM")	A clearing and settlement mechanism as described in the CSM Framework. For more information please check the document "PE-ACH CSM Framework" published by the European Payments Council ( <a href="http://www.europeanpaymentscouncil.eu">www.europeanpaymentscouncil.eu</a> / Knowledge Bank).
Direct Debit Collection	A collection is the part of a direct debit transaction starting from the collection initiated by the creditor until its end through the normal debiting of the debtor's account or until the completion by a reject, return or refund.
EMV	Europay MasterCard Visa programme to implement CHIP & PIN security for card transactions.
EPC	The European Payments Council
EU	The European Union
Eurosystem	The Eurosystem comprises the European Central Bank and the National Central Banks of those countries that have adopted the euro.
Euro Area	As of 2009, 16 countries using the euro as legal tender.
Funds	In relation to a payment transaction shall mean cash, scriptural money and electronic money as defined in Directive 2000/46/EC.
IBAN	An expanded version of the basic bank account number (BBAN) intended for use internationally that uniquely identifies an individual account at a specific financial institution in a particular country (ISO 13616).

TERMS	DEFINITION
ISO	International Organisation for Standardisation
SECA	Single Euro Cash Area
Single Euro Payments Area (SEPA)	The definition of SEPA is part of the EPC Roadmap 2004-2010 approved by the EPC Plenary in December 2004. SEPA will be the area where citizens, companies and other economic actors will be able to make and receive payments in euro whether between or within national boundaries under the same basic conditions, rights and obligations regardless of their location within Europe. SEPA is currently defined as consisting of all the EU member states plus Iceland, Norway, Liechtenstein, Switzerland and Monaco.
SEPA payments instruments	The pan-European payment instruments for payments in euro that will be delivered by banks under the SEPA programme.
SEPA payment scheme	The rules and practices for the provision and operation of a SEPA payment instrument agreed at interbank level in a collaborative environment.
SEPA Business to Business Direct Debit scheme	The SEPA Business to Business Direct Debit scheme is the payments scheme for making direct debits across SEPA by business customers, both the debtor and the creditor, as set out in the SEPA Business to Business Direct Debit Scheme Rulebook.
SEPA Core Direct Debit scheme	A SEPA Core Direct Debit is the payment instrument governed by the rules of the SEPA Core Direct Debit scheme for making direct debit payments in euro throughout SEPA from bank accounts to other bank accounts as set out in the SEPA Core Direct Debit Scheme Rulebook.
SEPA Credit Transfer scheme	The SEPA Credit Transfer scheme is the payments scheme for making credit transfers across SEPA, as set out in the SEPA Credit Transfer Scheme Rulebook.
Stakeholders	Banks (and their associations and infrastructures), their customers (and their associations), and regulators.
Settlement	An act that discharges obligations with respect to the transfer of funds between creditor bank and debtor bank.
Terms and Conditions	The general terms and conditions that a bank has with its customers and which may contain dispositions about their rights and obligations. These dispositions may also be included in a specific agreement, at the bank's choice.
TARGET2	The Eurosystem's replacement for TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system).
(EPC) White Paper	The document which launched the European banking industry's vision and action plan for SEPA in 2002.

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