ROADMAP

Title of the initiative: **Legislation on end date for migration to SEPA**
Type of initiative (CWP/Catalogue/Comitology): **CWP (Non- Strategic)**
Lead DG/contact person/details: **DG MARKT/H3**
Expected date of adoption of the initiative (month/year): **September 2010**
Date of modification:
Version No:

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

The Single Euro Payments Area (SEPA) project was triggered from the start by the adoption of a Regulation in 2001 which equalised the charges which could be levied on users for national and cross-border payments within the EU, even though SEPA has then been developed by the market (or rather the banks) on a self regulation basis. A SEPA Communication: 'Completing SEPA, a Roadmap for 2009-2012' was adopted by the Commission on 10 September 2009. It announces various measures including the one under analysis.

What are the main problems identified?

Despite the potential benefits the Single Euro Payments Area (SEPA) could bring to the payments market, but also to the single market and to the society as a whole, migration from existing types of payments to the new Pan-European payments remains slow. A means of supporting migration could be setting some deadlines ('end-dates') for the migration to SEPA products (credit transfers and direct debits).
Our sources: public statements, informal feedbacks and a public consultation conducted in 2009.

The EP called for such end-dates and the ECOFIN called on the Commission on 2 Dec 2009 to come up with a legislative proposal should a thorough impact assessment confirm the need for binding end dates.

Who is affected?

Payment service providers and payment service users

(i) Is EU action justified on grounds of subsidiarity?

Yes. By its nature an integrated euro payments market requires a Community-wide approach as the underlying standards, rules and processes have to be consistent across all Member States. Only a European approach, co-ordinated on the supply and demand side, can unlock the full potential of the network benefits. The alternative to a Community-wide approach would be a system of multilateral or bilateral agreements whose complexity and costs would be prohibitive as compared to legislation at European level. A possible intervention at EU level therefore complies with the subsidiarity principle.

(ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)?

At this stage, national migration plans to SEPA exist in almost all Member States. While all these plans support SEPA migration, only a few aim for the systematic and full replacement of legacy payment instruments by a given deadline and they are often contingent on other conditions. These plans therefore do not provide sufficient momentum for swift and comprehensive migration to SEPA, and are also not coordinated between Member States.

(iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

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B. Objectives of EU initiative

What are the main policy objectives?

The study undertaken on behalf of the Commission estimates potential benefits for SEPA of up to EUR 123 billion over a six year period (2007–2012). But, if migration is slow, losses could amount to EUR 43 billion. Consumers benefit of SEPA in any of these scenario (their benefits may however vary from EUR 12 per head up to EUR 129). The other stakeholders (banks, corporate, public administrations) may incur benefits if SEPA is implemented quickly and comprehensively, but may loose money if this is not the case. This is because a protracted migration to SEPA forces those banks and payment service users who have started to migrate to SEPA to incur the duplicate cost of running national legacy and new payment platforms. Over time, these duplicate costs offset SEPA benefits and can even lead into overall losses at total market level.

The main policy objective, therefore, would be to create transparency and market certainty regarding SEPA completion for credit transfers and direct debits and the phase-out of corresponding national legacy payment instruments.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

No.

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered?
(iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

End-dates could be set at a national level (but this would lead to national differences and raise level playing field concerns) or at a European level. They could be set by the market itself (but this could raise competition issues and would require reaching an agreement among many stakeholders with different views), by a non-binding Community instrument (which is unlikely to have a stronger effect than self-regulatory efforts), by a binding ECB instrument (this would have limited effect, since it would only apply to euro area Member States) or by regulation.

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

Other policy areas potentially concerned: competition and consumer policy.

For banks, an integrated payments market would lower entry barriers across borders, thereby attracting new market players and intensifying competition. Furthermore, standardised payment instruments under SEPA would allow consumers, businesses, and public administrations to more easily compare payment products proposed by different banks and thus allow users to benefit from a more intense competition in payments markets.

An integrated payments market will help to increase the competitiveness of small and large businesses across the EU. A potentially more affordable and broader choice of basic payment services through different payment initiation channels could also positively contribute to financial inclusion of under-banked consumers.

Explain how the options respect the proportionality principle.

The proposal respects the proportionality principle, since it aims to ensure full harmonisation only of the issues that are necessary to overcome the obstacles to the development of a single market for electronic payments and that were identified during the public stakeholder consultation.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

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Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

No impact on EU budget.

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

No impact in terms of administrative burden reduction or of compliance costs.

Limited impact on relations with third countries:
An impact on third countries is possible, if a proposed binding law is extended to the three European Economic Area countries which are not members of the EU. The decision on such extension would need to be taken by the EEA Joint Committee and would require an amendment to the Annex XII of EEA Agreement. In such case the same impacts as described above would affect the relevant stakeholders in Iceland, Liechtenstein and Norway. No direct impact on other countries is to be expected.

E. Planning of further impact assessment work

When will the impact assessment work start?

We are currently working on an impact assessment. The work on the IA has started in September 2009 and is expected to be finalised in May 2010.

(i) What information and data are already available?

- SEPA Study carried out by Capgemini Consulting

http://ec.europa.eu/internal_market/payments/docs/sepa/sepa-capgemini_study-final_report_en.pdf

- Comprehensive replies from a public stakeholder consultation on whether and how deadlines should be set for the migration of existing national credit transfers and direct debits to the new SEPA payment instruments.

(ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out?

No.

(iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when?
(v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

No further information gathering planned.

Which stakeholders & experts have been/will be consulted, how and at what stage?

Yes, a consultation took place in 2009