

Setting end-dates for Single Euro Payments Area (SEPA)



SEPA, the Single Euro Payments Area, is one of the largest payment initiatives ever undertaken. It aims to create an integrated market for non-cash euro payments so that businesses and consumers can make euro payments throughout the whole of the EU as rapidly, reliably and cheaply as they can do today in the Member States with the most developed payments markets.

This autumn has been a particularly busy time for the development of SEPA. On 1 November, the Payments Services Directive (PSD) and the new Regulation on Cross-Border Payments (CBP) entered into force. The PSD provides the legal framework for the SEPA Direct Debit (SDD), which was launched by industry on 2 November, while the CBP Regulation extends the principle of equal pricing for corresponding domestic and cross-border euro payments to direct debits.

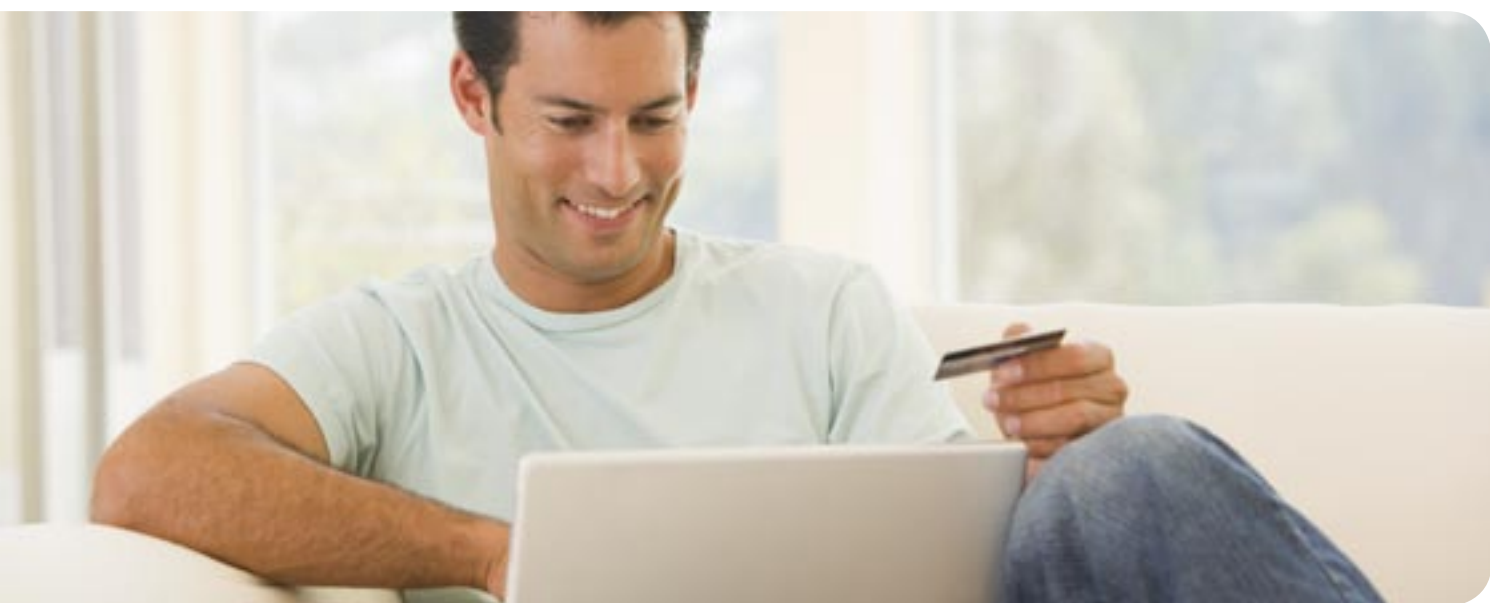
However, although the SEPA project has been making good progress on the legal and technical fronts. The financial crisis and the general economic downturn has given expression to fears that enthusiasm for the project may be waning and that the Commission needs to become more involved. At the same time, there have been calls in the market place that a formal end-date for SEPA migration needs to be established by legal means.

The Commission's SEPA Roadmap

Therefore, in order to inject some new momentum and commitment into the SEPA project, on 10 September the Commission adopted a Communication¹ on 'Completing SEPA: a Roadmap for 2009-2012'. The Roadmap, which was prepared in close consultation with the European Central Bank (ECB), provides a framework for action to achieve the full benefits of SEPA. To do this, the Roadmap identifies

a series of clear actions with concrete deadlines to be undertaken by industry and users, as well as by EU and national authorities, over the next three years focussing on six priority areas. These are:

- (1) **Fostering migration:** Rapid migration from existing national payment instruments to the new SEPA products is crucial to reduce the costs of running legacy and SEPA systems in parallel. Public authorities should be early adopters of SEPA products and setting an end-date could significantly boost migration.
- (2) **Increasing SEPA awareness and promote SEPA products:** There is a need for tailor-made information and communication initiatives by the banking industry, payment providers and national authorities which should be complemented at EU level.
- (3) **Designing a sound legal environment and strengthening SEPA compliance:** Clarity on the regulatory framework and how SEPA compliance works in a self-regulatory context is required.
- (4) **Promoting innovation:** SEPA should be a driver for developing internet and mobile payments as well as environmentally friendly e-invoicing solutions.
- (5) **Ensuring necessary standardisation, interoperability and security:** Standards and the standard-setting process are of crucial importance in a network business like payments.
- (6) **Clarify and improve SEPA governance:** There is a need for greater user involvement and a clear strategic vision for SEPA, monitoring and supporting SEPA migration while ensuring transparency and accountability.



¹ http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_en.pdf

Consultation shows general support for a SEPA migration end-date

Although the SEPA Credit Transfer (SCT) was successfully launched in January 2008, the market uptake has been relatively slow. According to the latest ECB figures², actual SCT usage is still below 5% of all euro credit transfers. Increasing SEPA migration by public authorities and the launch of the SEPA Direct Debit now will be a welcome shot in the arm for SEPA migration, but even so, many consider that a legally mandated end date to SEPA migration is needed to provide market certainty and to unlock necessary SEPA investment.

Therefore to acquire a clear picture of stakeholder views, the Commission carried out last summer an extensive public consultation on whether and how deadlines should be set for the migration of existing national credit transfers and direct debits to the new SEPA instruments.

The results³ showed that a large majority of respondents supported the idea of setting end-dates to stimulate SEPA migration. However, many users stressed that any end-date needed to be linked

to reassurance on the quality of SEPA products, a satisfactory governance framework and sufficient time for users to become familiar with the new products. A large majority also considered that separate end-dates should be set for SCT and SDD and that the end-date(s) should be set at European level, but with national flexibility to set earlier end-dates.

Both the European Parliament and the European Central Bank favour establishing an end-date. More recently, on 2 December, Member States adopted Council Conclusions⁴ on SEPA which recognised the advantages of establishing definitive end-dates for SCT and SDD migration. They invited the Commission, in collaboration with the ECB, to carry out a thorough assessment of whether legislation is needed. The Commission has therefore now started this assessment with a view to making a possible legislative proposal.

² <http://www.ecb.int/paym/sepa/timeline/use/html/index.en.html>

³ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1372&format=HTML&aged=0&language=EN&guiLanguage=en>

⁴ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111670.pdf

Info

Michael THOM, MARKT-H-3 Tel. +32 22960668

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