Single Euro Payments Area (SEPA) – Frequently Asked Questions

see (IP/09/1296)

What is the aim of creating a Single Euro Payments Area (SEPA)?
The single market for electronic payments has been under construction for about half a decade and substantial progress has been achieved. Once completed, individuals and companies will be able to make cashless payments in euro throughout the SEPA zone (EU, the European Economic Area\(^1\) and Switzerland) from a single payment account using a single set of payment instruments as easily, efficiently and safely as they can make them today at the national level.

What are banks doing to achieve SEPA?
Price differences between cross-border and national payments in euro were eliminated in 2001.\(^2\) This gave a strong incentive to the banking industry to build up pan-European infrastructures. Since then, banks, and in particular the European Payments Council (EPC), have undertaken significant steps to achieve SEPA. Today, a harmonized framework is available for credit transfers, with common standards and, since 28 January 2008, the possibility for EU citizens to make SEPA credit transfers throughout the SEPA zone is opened. Likewise, a framework for direct debits has been developed and the first SEPA direct debits will be available as of 2 November 2009. As to cards, the SEPA cards framework has been established and standards are currently under definition.

Why a SEPA Roadmap?
The current financial crisis and economic slowdown means business is sometimes hesitating to make the necessary investments to drive SEPA forward. While SEPA is primarily a market-driven project, given its benefits and importance to the wider economy, the European Commission has a responsibility to ensure its success. Our aim is to re-kindle market enthusiasm and commitment to the project. The SEPA "Roadmap" provides a framework for action and is also a follow-up to the Commission's Communication for the spring European Council of 4 March 2009 where the Commission announced its intention to "come forward by mid-2009 with proposals to ensure that the full benefits of a Single Euro Payments Area are realised".

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\(^1\) Entered into force in 1994, the European Economic Area (EEA) Agreement allows Norway, Iceland and Liechtenstein to participate in the EU Single Market. All new relevant Community legislation is dynamically incorporated into the Agreement and thus applies throughout the EEA, ensuring the homogeneity of the Single Market.

\(^2\) Regulation 2560/2001 on cross border payments in euro. More information can be found on: [http://ec.europa.eu/internal_market/payments/crossborder/index_en.htm](http://ec.europa.eu/internal_market/payments/crossborder/index_en.htm)
Is there a need for an end-date for SEPA migration?
An end-date for SEPA migration would bring certainty to the migration process, thereby increasing current commitment and also reducing the costs of running duplicate payment systems during the migration period. These are strong arguments in favour of an end date. However, the Commission needs to consider the right way forward properly. That is why an extensive public consultation has been conducted to get the necessary facts and figures. On the basis of the responses received, the Commission will carefully assess the case and examine various options.

How is the governance of the SEPA project currently organised?
SEPA governance is currently organised at two levels: First, at EU level where the SEPA process is coordinated by the European Payments Council (EPC), with the support of the European Commission and the ECB. Secondly, at national level, where SEPA implementation is in most cases coordinated and monitored by the national SEPA Coordination Committees, typically with the support of the national banking community and the national central bank.

What could be done to ensure a proper monitoring and steering of the SEPA project?
As SEPA implementation is progressing in a period of the recent market turmoil and given its substantial benefits to the wider economy, a greater steer is needed to ensure that the SEPA project stays on track, that rapid migration is realised and that the ultimate goal of a better service for users fully materialises. The European Commission therefore considers that there is a need for an over-arching SEPA governance model at EU level, which fosters integration of the euro retail payments market in a way that meets the needs of end users and is to be developed in close cooperation with all actors concerned.

Given the crucial role of the EPC within the SEPA project, the existing governance arrangements of the EPC deserve special attention. Although the EPC has made considerable progress in balancing the interests of different stakeholders, greater transparency and early involvement of all stakeholders in the planning of future initiatives need to be ensured.

What is the Commission doing to support SEPA?
Although fundamentally SEPA remains a market driven project, to the Commission supports SEPA and SEPA migration in a variety of ways:

- Working closely with Member States to make sure the transposition of the Payments Services Directive (PSD) is in place.
- Striving to build political support for SEPA with European Finance Ministers and encouraging Member States and their public authorities to be early adopters of SEPA.
- Striving to be an early-adopter of SEPA by migrating the account databases to IBAN and BIC. The recently published call for tender now requires banks to be SEPA compliant.
Is the transposition of the Payment Services Directive still on track?
The Payment Services Directive (PSD) forms the legal foundation of SEPA, in particular for SEPA Direct Debit. The European Commission is working closely with Member States and other stakeholders through workshops and an inter-active website to make sure the transposition of the PSD is in place by 1 November 2009. With probably one exception (Sweden), all Member States should have implemented the PSD on time and in full. The Commission will continue to carefully monitor the situation. Failure to transpose the PSD on time will cause legal uncertainty for citizens and the payment industry. The European Commission will therefore not hesitate to take the necessary measures.

What are the main changes of the new Regulation on cross-border payments compared to the previous one?
The new Regulation on cross-border payments in the Community which applies as from 1st November 2009, extends the principle of equal charges for national and cross-border payments to direct debits, in addition to credit transfers, electronic payments (including card transactions) and ATM cash withdrawals. It strengthens the supervisory and complaint-solving role of the competent national authorities and provides for the establishment of out-of-court redress procedures. It also removes, up to EUR 50,000, the payments-based statistical reporting obligations that hinder the smooth flow of cross-border transactions.

In order to facilitate the launch of the SEPA direct debit scheme on 2nd November 2009, the Regulation introduces temporary rules on multilateral interchange fees and reachability for direct debit transactions. These temporary rules will give to the payments industry enough time to come forward with a long-term business model for direct debits in full respect of the competition rules.

More information on SEPA can be found on:
http://ec.europa.eu/internal_market/payments/sepa/index_en.htm