Single Euro Payments Area

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The **Single Euro Payments Area** (**SEPA**) is a payment-integration initiative of the European Union for simplification of bank transfers denominated in euro. As of July 2015, SEPA consists of the 28 member states of the European Union, the four member states of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland), Monaco and San Marino.[3]

Single Euro Payments Area

Member states	34 states
Area	
• Total	4,854,382 km^2 (1,874,287 sq mi)
Population	
• 2011 census	516,881,997
• Density	106.5/km^2 (275.8/sq mi)
GDP (PPP)	estimate
• Total	$11,465 billion (2012)[1]
• Per capita	$34,583 (2012)[1]
Time zone	UTC, CET, EET (UTC±0 to +2)
• Summer (DST)	WEST, CEST, EEST (UTC+1 to +3)

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Goals

The project's aim is to improve the efficiency of cross-border payments and turn the fragmented national markets for euro payments into a single domestic one. SEPA will enable customers to make cashless euro payments to anyone located anywhere in the area, using a single bank account and a single set of payment instruments.[4] People who have a bank account in a eurozone country, will be able to use it to receive salaries and make payments all over the eurozone, for example when they take a job in a new country.

The project includes the development of common financial instruments, standards, procedures, and infrastructure to enable economies of scale. This should, in turn, reduce the overall cost to the European economy of moving capital around the region (estimated as two to three percent of total GDP).[5]

Overview

There are two milestones in the establishment of SEPA:

- Pan-European payment instruments for credit transfers began on 28 January 2008; direct debits and debit cards became available later
- By the end of 2010, all present national payment infrastructures and payment processors were expected to be in full competition to increase efficiency through consolidation and economies of scale

For direct debits, the first milestone was missed due to a delay in the implementation of enabling legislation (the Payment Services Directive or PSD) in the European Parliament. Direct debits became available in November 2009, which put time pressure on the second milestone.[6]

The European Commission has established the legal foundation through the PSD. The commercial and technical frameworks for payment instruments were developed by the European Payments Council (EPC), made up of European banks. The EPC is committed to delivering three pan-European payment instruments:

- Credit transfers: *SCT – SEPA Credit Transfer*
- Direct debits: *SDD – SEPA Direct Debit*. Banks began offering this service on 2 November 2009.[7]
- Cards: *SEPA Cards Framework*

To provide end-to-end straight through processing (STP) for SEPA-clearing, the EPC committed to delivering technical validation subsets of ISO 20022. Whereas bank-to-bank messages (pacs) are mandatory for use, customer-to-bank Payment

Initialization (PAIN) message types are not; however, they are strongly recommended. Because there is room for interpretation, it is expected that several PAIN specifications will be published in SEPA countries.

Businesses, merchants, consumers and governments are also interested in the development of SEPA. The European Associations of Corporate Treasurers (EACT), TWIST, the European Central Bank, the European Commission, the European Payments Council, the European Automated Clearing House Association (EACHA), payments processors and pan-European banking associations – European Banking Federation (EBF), European Association of Co-operative Banks (EACB) and the European Savings Banks Group (ESBG) – are playing an active role in defining the services which SEPA will deliver.

Since January 2008, banks have been switching customers to the new payment instruments. By 2010, the majority were expected to be on the SEPA framework. As a result, banks throughout the SEPA area (not just the Eurozone) need to invest in technology with the capacity to support SEPA payment instruments.

SEPA clearance is based on the IBAN bank-account identification and the SWIFT-BIC bank identifier. Domestic euro transactions are routed by IBAN; earlier national-designation schemes were abolished by February 2014, providing uniform access to the new payment instruments. Since February 2016 Eurozone consumers must drop BIC sorting information for SEPA transactions, it is derived from the IBAN for all banks in the SEPA area.

An instant 24/7/365 payment scheme named SCT Inst is scheduled to be implemented by November 2017. This will allow real time payments 24 hours a day and 365 days a year.[8] The participating banks will handle the user interface and security, like for existing SEPA payments, e.g. web sites and mobile apps.

SEPA covers predominantly normal bank transfers. Payment methods which have additional optional features or services, such as mobile phone or smart card payment systems, are not directly covered.[9] However, the upcoming instant SEPA payment scheme will facilitate future payment products also on smart devices.[10]

Schemes

The different functionalities provided for by SEPA are divided into separate payment schemes, detailed below.

Credit Transfer

Credit transfer (*SCT*) allows for the transfer of funds from one bank account to another. SEPA clearing rules require that payments made before the cutoff point on a working day, be credited to the recipients account within 1 working day.

Instant credit transfer

Instant credit transfer (*SCT Inst*), when launched, will provide for instant crediting of a payees (less than 10 seconds, initially, with a maximum of 20 seconds in exceptional circumstances).[11]

Direct debit

Direct debit functionality is provided by two separate separates. The basic scheme, *Core SDD* was launched on 2 November 2009[7], is primarily targeted at consumers, and participation by banks offering SEPA payments is compulsory.[12] In addition to this, there is a second scheme, *B2B SDD*, targeted towards business users. It requires a mandate by submitted to the bank by both the creditor and debtor, and among other differences, does not allow the debtor to request a refund from their bank after their account has been debitted. Participation in the scheme is optional.[12]

Coverage

SEPA consists of 34 countries:[3]

- The 28 member states of the European Union, including
  - the 19 states that are in the Eurozone:
    - Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain
  - the nine states that are not in the Eurozone:
    - Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania, Sweden, United Kingdom.
- The three states having signed the European Economic Area agreement:
  - Iceland, Liechtenstein, Norway.
- A few other countries with agreements with the EU:
  - Monaco, San Marino, Switzerland.

All parts of a country are normally part of SEPA. However, the following countries have special territories which are not part of SEPA:

- Cyprus: Northern Cyprus is excluded.
- Denmark: the Faroe Islands and Greenland are excluded.
- France: the French Southern and Antarctic Lands, French Polynesia, New Caledonia and Wallis and Futuna are excluded. Nevertheless, the 3 last are part of SEPA COM Pacifique.
- Netherlands: Aruba, the Caribbean Netherlands, Curaçao and Sint Maarten are excluded.
- Norway: Svalbard and Jan Mayen are excluded.
- United Kingdom: The British Overseas Territories are excluded,[13] but Gibraltar and the Crown dependencies are included.

Jurisdictions using the euro that are not included: Akrotiri and Dhekelia, Kosovo, Montenegro, Andorra and Vatican City.[13]

Charges

SEPA guarantees that euro payments are received within a guaranteed time, and banks are not allowed to make any deductions of the amount transferred, introduced by a regulation in year 2001.[14] Banks and payment institutions still have the option of charging a credit-transfer fee of their choice for euro transfers if it is charged uniformly to all EEA participants, banks or payment institutions, domestic or foreign.[15] This is relevant for countries which do not use the euro; domestic transfers in euro by consumers are uncommon, and inflated fees might be charged. Sweden and Denmark have legislated that euro transfers shall be charged the same as transfers in their own currency; which has the effect of giving free euro ATM withdrawals, but charges for ATM withdrawals in other currencies used in the EU.

In Regulation (EC) 924/2009, the European Parliament mandated that charges in respect of cross-border payments in euro (of up to EUR 50,000) to other Member States shall be the same as the charges for corresponding national payments.[16][17] However, the EU Regulation does not apply to all SEPA countries; the most significant difference is the inclusion of Switzerland in SEPA but not the EU. The rule of the same price applies, even if the transaction is sent as an international transaction instead of a SEPA transaction (common before 2008, or if any involved bank does not support SEPA transactions). The regulation 924/2009 does not regulate charges for currency conversion so charges for non-euro transactions can still be applied (if not banned by national law).[18]

Key dates

1957	Treaty of Rome creates the European Community
1992	Maastricht Treaty creates the euro
1999	Introduction of the euro as an electronic currency, including introduction of the RTGS system TARGET for large-value transfers
2000	Lisbon Strategy: Meeting creates European Financial Services Action Plan
2001	EC Regulation 2560/2001 harmonises fees for cross-border and domestic euro transactions[15]
2002	Introduction of Euro banknotes and coins
2003	First pan-European ACH (PE-ACH) goes live; EC Regulation 2560/2001 comes into force for transactions up to €12,500
2006	EC Regulation 2560 cap increases euro transactions up to €50,000
2008	SEPA pan-European payment instruments become operational (parallel to domestic instruments) on 28 January[19]
2009	Payment Services Directive (PSD) enacted in national laws by November
2010	SEPA payments become dominant form of electronic payments
2011	SEPA payments replace national payments in the Eurozone
2014	1 August: Single Euro Payments Area (SEPA) becomes fully operational in all Eurozone countries.[20]
2016	Since 31 October 2016, payment service providers in non-euro countries are only able to collect euro-denominated payments using SEPA procedures. Non-Euro schemes, such as UK Direct Debit, will continue without change.[21]
2017	Starting 21 November 2017, instant SEPA payments of up to 15,000 euros within 10 seconds.[22]

Uptake

As of August 2014, 99.4% of credit transfers, 99.9% of direct debit and 79.2% of card payments have been migrated to SEPA in the euro area.[23]

The official progress report was published in March 2013.[24]

In October 2010, the European Central Bank published its seventh progress report on SEPA.[25] The European Central Bank regards SEPA as an essential element to advance the usability and maturity of the euro.

See also

- EU law
- Payment Services Directive

- European Payments Union
- ISO 11649
- ISO 20022
- Giro

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External links

- Official website (http://ec.europa.eu/finance/payments/sepa/index_en.htm)
- SEPA on ECB website (https://www.ecb.europa.eu/paym/retpaym/html/index.en.html) (and per-country links (https://www.ecb.europa.eu/paym/retpaym/paymint/sepa/html/index.en.html))
- European Payments Council (http://www.europeanpaymentscouncil.eu) (EPC), representing the European banking industry
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