European Payments Council

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TAKE PAYMENTS TO THE NEXT LEVEL

SHORTCUT TO SEPA

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What is SEPA?

SEPA (Single Euro Payments Area) stands for a European Union (EU) integration initiative in the area of payments. 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 (ECB) – focused on the integration of the euro payments market.

- Integrating the multitude of existing national euro credit transfer and euro direct debit schemes[1] into a single set of European payment schemes is a natural step towards making the euro a truly single and fully operational currency.
- Creating a SEPA for cards aims to ensure a consistent customer experience when making or accepting payments with cards throughout the euro area.
- Last but not least, the SEPA programme seeks to incentivise increased use of electronic payment instruments, while reducing the costs of wholesale cash distribution.

SEPA is currently defined as consisting of the EU 27 member states plus Iceland, Norway, Liechtenstein, Switzerland and Monaco. In SEPA, bank customers can make electronic euro payments within and across 32 countries under the same basic rights and obligations.

What are the benefits?

SEPA offers significant benefits for bank customers. Once SEPA is achieved, it will be possible to exchange euro payments between any accounts in SEPA as easily as it is only possible today 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 enjoy the benefits resulting from increased competition in the payments market.

The implementation of innovative and competitive SEPA payment services translates into efficiency gains for businesses and public administrations. Consumers can rely on a single set of euro payment instruments covering 32 countries: one bank account, one bank card, one SEPA Credit Transfer (SCT), one SEPA Direct Debit (SDD).

European Union Regulation defines mandatory deadlines for migration to SEPA

In February 2012, the European legislator adopted the 'Regulation establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009' (the SEPA Regulation), which defines 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will be replaced by SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD). The majority of market participants recognise the value of setting a deadline for migration to harmonised SEPA payment schemes through European Union Regulation. The EPC shares the view that an end date for phasing out legacy euro payment schemes for credit transfers and direct debits ensures planning security for all market participants.

[1] A payment scheme is a set of interbank rules, practices and standards necessary for the functioning of payment services (European Central Bank Payments and Markets Glossary). Payment schemes are developed by payment service providers operating in a cooperative and interbank environment.

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 harmonised 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 has been delivered so far?

In close dialogue with the customer community, the EPC has defined SEPA payment schemes for euro credit transfers and euro direct debits together with a SEPA data format based on global ISO standards. The SCT Scheme was successfully launched in January 2008. The SDD Core Scheme and the SDD Business to Business Scheme went live in November 2009.

The SEPA payment schemes define sets of rules and standards for the execution of SEPA payment transactions that have to be observed by payment service providers (PSPs). The SEPA schemes are set out in the SEPA scheme rulebooks approved by the EPC. These rulebooks can be regarded as instruction manuals which ensure a common understanding between PSPs on how to move funds from account A to account B within SEPA. The rules and standards which make up a SEPA payment scheme are defined by PSPs in the collaborative space – that is the EPC.

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

32 SEPA countries
500 million citizens
71.5 billion electronic payment transactions annually

Who makes SEPA happen?

1. Public authorities: the European Commission, the ECB and EU governments must create the appropriate conditions to support the migration of bank customers to the new SEPA payment instruments.

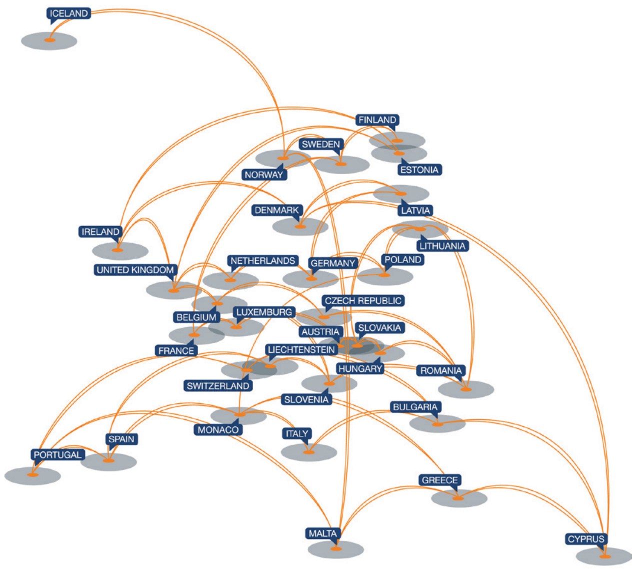
2. Banking industry: the EPC is the banking industry's decision-making and coordination body in relation to payments. The EPC has successfully delivered the necessary SEPA payment schemes and frameworks to build the integrated euro payments market (SCT, SDD and the SEPA Cards Framework).

3. Bank customers: SEPA will only succeed, if customers – in particular the business community and public administrations – embrace the new SEPA payment instruments.

How can I learn more?

Visit the EPC website at www.epc-cep.eu.

The EPC offers numerous SEPA publications responding to the information needs of specific stakeholder communities. To keep up-to-date with latest developments, sign-up for the quarterly free online EPC Newsletter also available on the EPC website.



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