

Roadmap for the Single Euro Payments Area

Status and progress

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- Expectations ECB, EC and European Parliament
- EPC Commitment and deliverables
- EPC Deliverables and positions for cash
- EPC Cooperation model
- Conclusions



Governing Council ECB (Eurosystem) Sixth progress report, November 2008

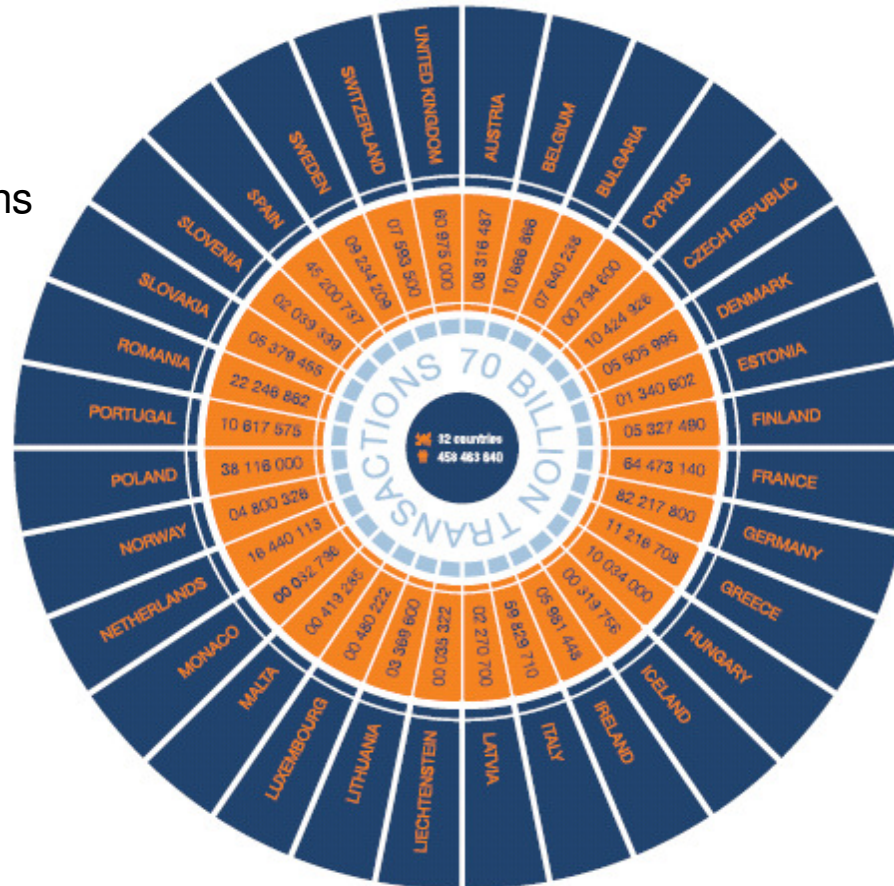


- **Vision:** “An euro area in which **all payments are domestic**, where the current differentiation between national and cross-border payments no longer exists”
- **Expected deliverables** for the Euro area (EU16):
 - **Harmonisation**
 - **SEPA credit transfer** available to customers
 - **SEPA direct debit** available for customers **at the latest from Nov. 2009**
 - **Innovation**
 - encouragement to deliver an additional **debit card scheme**
 - encouragement to deliver **e-payments and m-payments**
 - encouragement to deliver **e-invoicing**



- **Objectives Payment Services Directive**
 - The EU needs to create a **single market for payments**
- **Benefits for users and providers**
 - **Enhanced competition** by opening markets
 - **Encouraging innovation**
 - Increased **market transparency**
 - Ensuring a **level playing field**
- **Policy Provisions**
 - **Standardised rights and obligations** for providers and users of payment services in the EU, with a strong emphasis on a **high level consumer protection**
 - Creation of **Payment Institutions**
- **Transposition**
 - Deadline: November 2009

- 32 countries
- 16 euro countries
- 458 million citizens
- 70 billion electronic payment transactions





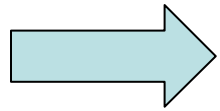
- “Emphasises its **continued support for the creation of SEPA**, which is subject to effective competition and in which there is no distinction between cross-border and national payments in euro;
- **Calls on the Commission to set a clear, appropriate and binding end-date, which should be no later than 31 December 2012**, for migrating to SEPA instruments, after which all payments in euro must be made using the SEPA standards;
- Calls on Member States to **encourage their public administrations to use SEPA instruments** as soon as possible and to give them a catalytic role in the migration process;
- Calls on the Commission to ensure that the **migration to SEPA instruments will not result in a more expensive payment system for citizens** of the Union;”

- 1 **REITERATES the importance of** and its support for **the full realisation of the Single Euro Payments Area (SEPA)**, which aims at achieving an integrated and competitive internal market for euro payments for the benefit of citizens and businesses and in this regard **WELCOMES** the Communication from the Commission: "Completing SEPA: a Roadmap for 2009-2012"
- 2 **WELCOMES the substantial progress achieved** by industry with the successful launch of the SEPA Direct Debit (SDD) following the earlier launch of the SEPA Credit Transfer (SCT);
- 5 **CALLS upon industry to complete its work** in relation to the outstanding technical standards required **in the cards market** by mid 2010,
- 8 **REGRETS** that almost two years after the successful technical launch of the SCT, the percentage of credit transfers in the euro area processed using the new SCT format remains very low and is mostly limited to cross-border payments, and **CONSIDERS it crucial to accelerate the take up of SCT, especially for national euro payments traffic;**
- 9 **CALLS** upon public authorities in all Member States to significantly step up,, their migration efforts and lead SEPA migration by example;



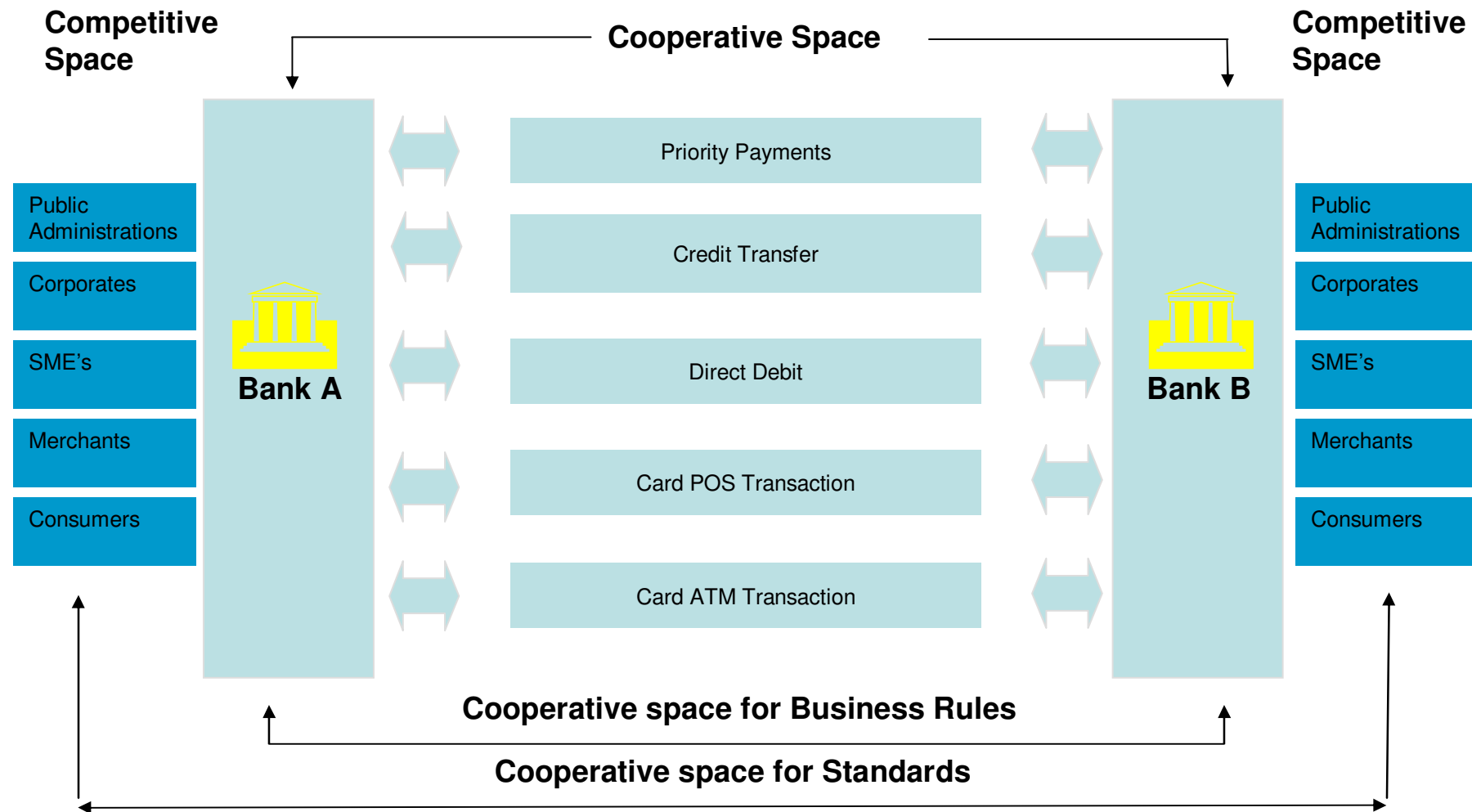
- 1. **Foster migration**
- 2. **Increase SEPA awareness** and promote SEPA products
- 3. Ensure a **sound legal environment** and strengthen SEPA compliance
- 4. Promote **innovation**
- 5. **Ensure** necessary **standardisation**, interoperability and security
- 6. Clarify and improve **SEPA governance: SEPA Council**

* European Commission, 10 September 2009 and ECOFIN 2 December 2009



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Competitive and cooperative space in SEPA (two side market)



- **Primary Deliverables***
 - Credit Transfer
 - Direct Debit
 - Cards
- **Complimentary Deliverables***
 - Cash
 - E-payments channel for web merchants
 - M-payments channel
- **Innovation by banks**
 - New services for customers
 - New network cooperation models (rulebooks and frameworks)
 - New Standards ((ISO20022, EMV)
 - New technology (XML, NFC)
 - New infrastructures

*EPC Roadmap December 2004 and EPC Declaration 17 March 2005

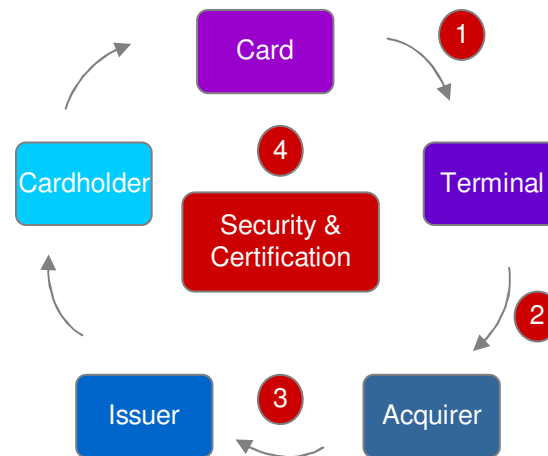
- **Design: three Scheme Rulebooks** (November 2009)
 - **SEPA Credit Transfer** Scheme Rulebook and Implementation Guidelines (version 3.3 from Nov 2009)
 - **SEPA Core Direct Debit** Scheme Rulebook and Implementation Guidelines (version 3.4 from Nov 2009)
 - **SEPA B2B Direct Debit** Scheme Rulebook and Implementation Guidelines (Version 1.3 from Nov 2009)
 - **SEPA C2B and B2C** implementation guidelines: published
 - **SEPA Core and B2B e-mandate** Service Guidelines: published
 - **PEACH/CSM Framework** (version 1.2 June 2008)

- **SCT Implementation**
 - So far over **4462 SEPA Credit Transfer Scheme Participants**
 - So far **nearly 6,7%** of the euro credit transfers have been migrated to SCT
 - So far **15 CSM disclosures** and a **SWIFT disclosure**
- **SDD Implementation**
 - **SDD services** launched by banks from **2 November 2009**
 - So far **2670 SDD core** and **2424 SDD B2B Scheme Participants**
 - **Reachability of banks for euro direct debit transactions** which are available to consumers **from November 2010** (Regulation 924/2009)

- **SEPA Cards Framework** (version 2.1 December 2009)
 - Provides a single framework for the **payment function of cards** for
 - **Banks**
 - **Card schemes**
 - **Service providers**

- **Design**

- **Cards Standardisation** programme for SEPA (approved December 2006)
 - **4 domains**



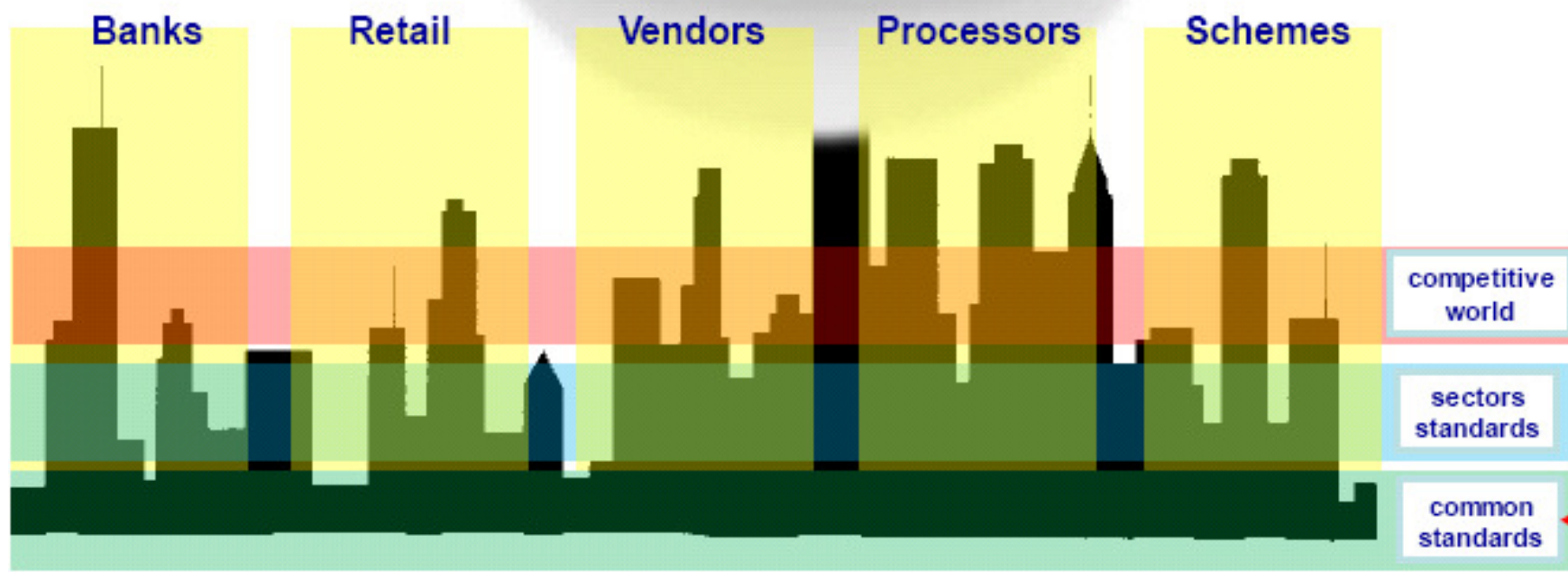
- **SEPA Cards Standardisation Volume: Book of Requirements** (version 4.0 Dec 2009)


- **Implementation**

- Migration to EMV standards from **Jan 2008 to end 2010** (Cards, POS, ATM)
 - More standardisation
 - More technical security
- **Good progress made** with roll out from Jan 2008 on **EMV standards**

SEPA for cards

Dialog platform for the cards industry



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- **Facts**
 - **Cash is King!**
 - At least **6 out of 7 payment transactions** are cash payment transactions
- **Euro – A single currency**
 - **Easy and convenient**
- **But... A single Area?**
 - The case of cross-border transport of Euro cash illustrates that **borders still exist in particular due to different national regulations**

- **EPC two pillar strategy** (approved June 2004)
 - **Efficiency Agenda** (applicable for the euro currencies)
 - **Single Euro Cash Area Framework** (version 2.1 in March 2006)
- **Repositioning Agenda** (applicable for all 1 + 11 = 12 currencies of the EU27)
 - “Best practices for discouraging the use of cash and promoting alternative means of payments”

Measures for more convergence of NCB Cash Services focused on

1. Implementation of **'remote' access** to NCB services
2. **Acceptance of coin lodgements** from professional clients at NCB counters
3. **Electronic data exchange** with professional clients for cash lodgements and withdrawals
4. Dropping the **requirement to face and orientate banknotes** for lodgements and withdrawals at NCBs
5. **Extension of opening hours** and measures with similar effects
6. **Common packaging standards** for NCB free-of-charge cash services

- It is **not possible** to build a Single Euro Cash Area (SECA)
- SECA needs **common rules** for an open level playing field
- In 2004, the EPC reviewed the **barriers** for realising SECA with a survey to understand the differences and the reasons behind:
 - ***SURVEY: Product Requirements for an intra-EU cross-border cash transportation service***

A. Portugal / Spain:



E. France / Germany:



B. Spain / France:



D. Italy / France:



F. Germany / Austria:



C. Benelux / France & Germany:



G. Austria / Italy:



...

- EPC position:
 - Impossibility to transport cash cross border is a **barrier to competition**, efficiency gains and risk reduction for service providers and recipients
 - Professional cash transporters licensed in one Member State: **allowed to serve all other cash cycle participants** provided the transporters comply with security dispositions from the Member State “visited”
 - **Also non-euro currencies** and other precious values should be covered by a cross-border CIT transport legal framework
 - **Cross border transport not limited to euro zone**: the widest possible scope to be applied covering all EU Member States. This would provide equal opportunities to CIT companies from euro and non-euro countries to compete for cross-border routes for various value types
 - An EU legislation must not provide dispositions which could negatively impact the current security levels and/or increase the cost for the users of professional national cash transport by road

- EPC delivered contributions to this matter by
 - Providing community cash transport data for an EU survey on the potential market for professional cross border euro cash transport by road
 - A formal EPC standpoint delivered to the European Commission in December 2009
 - Giving concrete illustrations/business cases in April 2010 highlighting the relevance of such EU legislation

Make cross border cash transport possible
doesn't mean make it compulsory!

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Cooperation model of SEPA stakeholders

EU Level

- Design
- Monitoring

Consumer Bodies
Merchants
Public Admins
Corporate Associations

European Commission

European Central Bank

European Payments Council

Legal Framework

Implementation Plans
Monitoring SEPA design and implementation

Design Schemes and Frameworks
Support for national implementation

National Level

- Communication
- Implementation

Stakeholders

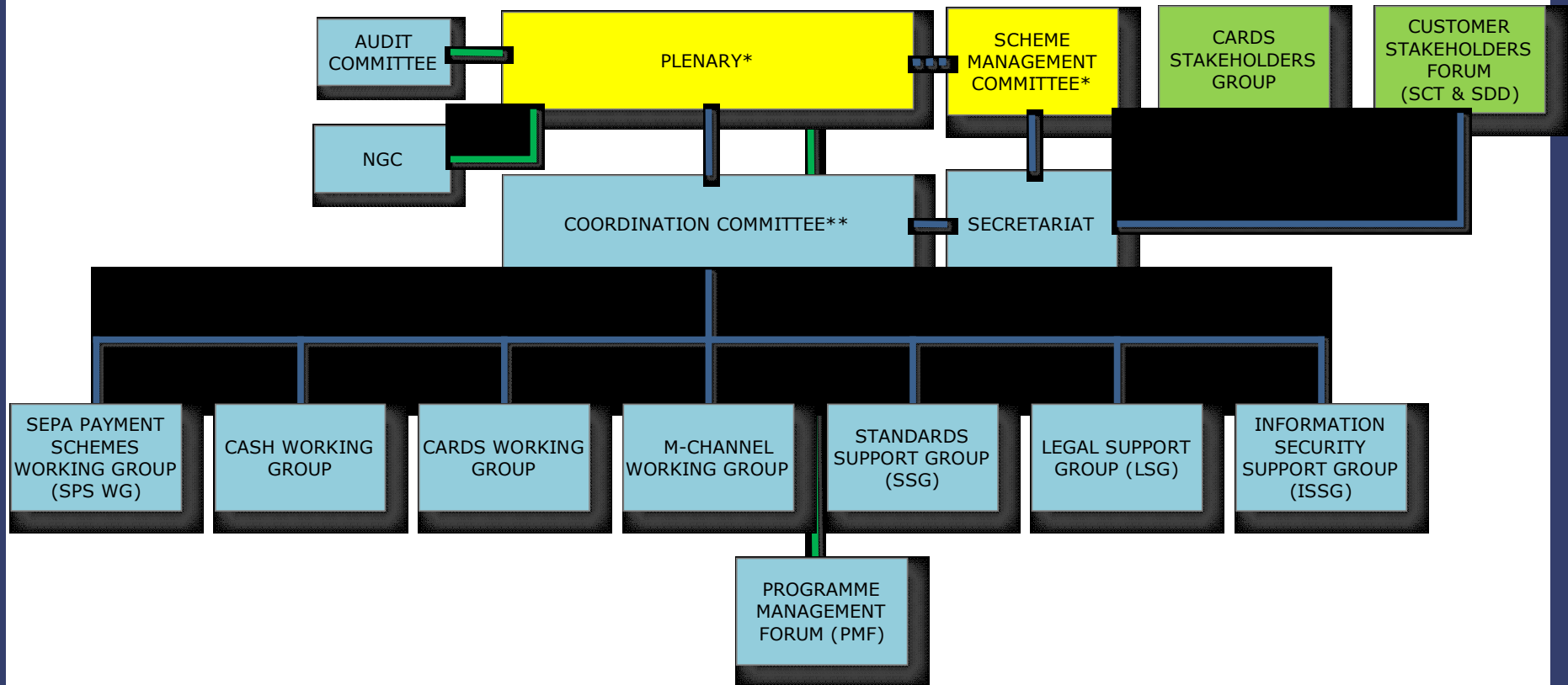
Consumer Bodies
Merchants
Public Admins
Corporate Associations

SEPA Implementation Coordinating Bodies
(Communication, national implementation and migration planning)

National Governments National Central Banks National Banking Associations

Banks

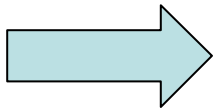
Consumers Merchants Corporates Public Admins



* Decision-making body

** Process decision-making body

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- **SEPA will create a single market for euro payments and enhance competition** as asked for by the ECOFIN, the Governing Council of the ECB and the European Parliament
- SEPA is created via **co-regulation**
 - for **legislation** by the public authorities (Payment Services Directive)
 - for **business rules and standards** by market participants
- **SEPA implementation** is taking care of by the **SEPA Committees** in the 16 Euro countries and the additional 16 SEPA countries
- SEPA payment services and SEPA value added services will create **benefits for customers** provided that they are prepared to migrate the domestic euro instruments to SEPA instruments
- **SECA** (SEPA for Cash) **is not yet a reality** for banks and for retailers



The collage features several key documents from the European Payments Council:

- SEPA for CONSUMERS**: A document explaining the benefits and rules for consumers using SEPA payments.
- MAKING SEPA A REALITY**: A document detailing the implementation of SEPA across Europe.
- SEPA DIRECT DEBIT SCHEMES**: A document providing information on direct debit schemes.
- SEPA CREDIT TRANSFER SCHEME**: A document explaining the credit transfer scheme.
- THE 10 BEST REASONS TO PRACTICE SEPA**: Documents for Business and Public Sector.
- HOW CAN I LEARN MORE**: A document providing resources for further information.
- Information for BUSINESS**: A document with the SEPA logo and the text 'How To Get Your Company Ready For SEPA'.
- Information for the PUBLIC SECTOR**: A document with the SEPA logo and the text 'A Brief Introduction To Payments SEPA'.
- Information for MEDIA**: A document with the SEPA logo and the text 'A Brief Introduction To Payments SEPA'.