

Letter EPC035/07

Mrs Gertrude Tumpel-Gugerell
Member of the Executive Board
European Central Bank
Kaiserstrasse 29
D-60311 Frankfurt am Main
Germany

Mr Charlie McCreevy
European Commissioner for Internal Market and
Services
European Commission
Rue de la Loi 200
Berlaymont/ 9/109
B - 1049 Bruxelles

Brussels, 9 March 2007

Re: Public letter concerning progress of the SEPA programme

Dear Mrs Tumpel-Gugerell and Mr McCreevy,

As we are now within ten months of the operational launch of the Single Euro Payments Area (SEPA), we feel it is opportune to give you a progress report on where we are in the process and what issues we face.

The two instruments based on SEPA Schemes are now in implementation as follows:

1. The relevant Rulebooks for SEPA Credit Transfer and Direct Debit are Versions 2.2. These core versions are being used as the basis for product and project development by all SEPA communities.
2. The standards underpinning the schemes use the open UNIFI (ISO 20022) XML standards together with a set of SEPA Implementation Guidelines and the SEPA Data Model.
3. Clearing and Settlement mechanisms are adapting to the new schemes in accordance with an EPC SEPA Framework.
4. A SEPA Testing Framework has been created and test plans (including detailed test cases) are being actively laid.
5. Implementation organisations have been established by national banking communities.



EUROPEAN BANKING FEDERATION



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EUROPEAN ASSOCIATION OF
CO-OPERATIVE BANKS

Current work on Scheme Governance includes the drafting of a structure for compliance and administration on the one side and for future development and evolution of the schemes on the other. An open and transparent process for receiving and reviewing the suggestions of the users of payments as well as Scheme Participants will be incorporated. These arrangements are planned to be completed by June 2007. In the meantime we are seeing a growing range of contacts with users at all levels.

The need to provide for Additional Optional Services, so as to meet market needs such as continuing community specificities as well as evolving user requirements, will be accompanied by a regime of transparency and steps to ensure no threat to interoperability in the core scheme. Such steps will not inhibit competition.

Work is continuing on the SEPA Direct Debit Scheme, including the assessment of Business to Business payments and a second mandate submission model. Whilst provision for the former is well supported, there are varying views among users and banks in relation to mandates. Accordingly we have concluded that it makes sense to undertake further work on the issues with a view to coming to conclusions by June 2007.

In terms of rolling out SEPA products and services by banks based on the SEPA Credit Transfer and Direct Debit Schemes, we now see a staged process:

1. From 1 January 2008 the Credit Transfer services will be rolled out. This date will also see the adaptation of card payment services to the provisions of the SEPA Cards Framework-SCF (for the latter see below).
2. Following the transposition of the Payments Services Directive into national law in the euro-area, it will be possible to roll out SEPA Direct Debit services to customers on a euro-area wide basis. When transposition becomes effective in all EU Member States (and its provisions are adopted in other SEPA countries), it will also be possible to roll out the services throughout the SEPA as a whole. It is essential that the SEPA Direct Debit Scheme is underpinned with an effective level of legal harmonisation in force in SEPA countries. In the meantime the necessary technical preparation activities for SEPA Direct Debit are continuing.

The delay to the original schedule in the adoption of the Payments Services Directive remains a source of risk, cost and uncertainty to the SEPA programme. We look forward to hearing of further developments. We urge all those involved in the development of the Payment Services Directive to complete the process of adoption and transposition as soon as possible and reflect in the final text the operational needs of the payments market in a practical and effective way. A stable legal and regulatory environment will be critical to the success of SEPA.

We also remain concerned by the evident lack of commitment and support from public administrations as adopters of the new SEPA instruments. The conference planned by the European Commission for representatives of the public sector on 8 May 2007 is a step in the right direction and, along with other required actions, fully supported by us. Clearly the adoption of SEPA Payments by public administrations remains a fundamental element in the migration process.

Payments with cards will be a growing element of the payments landscape and SEPA, for all actors.

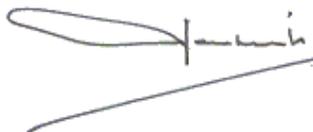
The SEPA Cards Framework will continue to effectively create a SEPA for cards starting in 2008 as confirmed above. We have also started an intensive cards standardisation process covering all domains in end to end card processing as an essential step in shaping the SEPA for cards. Recently a well attended Workshop involving our Members, various other standardisation initiatives and users, gave this project a successful launch pad. We are in close dialogue with the Eurosystem and stakeholders in the cards industry concerning the issues raised in the recent SEPA Cards Report issued by the Eurosystem.

Following the creation of a SEPA Cash Framework (SECA), we continue a close dialogue with the Eurosystem in relation to supporting mutual efforts to streamline cash handling. We are looking forward to the forthcoming Eurosystem report on the convergence of cash services delivered by National Central Banks and remain convinced that there remain many barriers to a fully unified cash area. We are also working on a set of recommendations to help all actors to re-position the societal use of cash to the benefit of cost and efficiency.

Finally we should make reference to the fact that we have recently re-focused our work on e and m payments and expect to produce proposals for consideration by our communities during the course of this year.

We look forward to answering any questions in the course of the active dialogues with your respective organisations. We hope that this progress report continues to provide the necessary assurance that the industry is moving from design to implementation, with the utmost care and commitment.

Yours sincerely,



Gerard Hartsink
Chair



Claude Brun
Vice-Chair



Charles Bryant
Secretary General

This letter is also supported by the three European Credit Sector Associations as represented below:



Guido Ravoet
Secretary General
European Banking
Federation



Chris de Noose
Chairman of the
Management Board
European Savings
Banks Group



Hervé Guider
Secretary General
European Association
of Cooperative Banks

cc:

EPC Plenary Members

Mr J-M Godeffroy

Mr E Tertak

Mr M Power

Mr J-P Gauzes

Mr J Bayer

Mr M Findeisen

Mr J-P Dryden