

## EPC Newsletter

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### OPINION AND EDITORIAL

## Clarity and Incentives needed

ECOFIN conclusions of December 2009 on setting an end date for migration to SEPA

01.02.10 BY GERARD HARTSINK

On 2 December 2009, the ECOFIN (Economic and Financial Affairs Council - comprising the Economics and Finance Ministers of the EU Member States) concluded that "establishing definitive end-dates for migration [to SEPA Credit Transfer and SEPA Direct Debit] would provide the clarity and the incentive needed by the market, ensuring that the substantial benefits of SEPA are rapidly achieved and that the high costs of running both legacy and SEPA products in parallel can be eliminated". The ECOFIN therefore invited the European Commission, in collaboration with the ECB and in close cooperation with all actors concerned, to carry out a thorough assessment of whether legislation is needed to set binding end dates for migration to the SEPA Schemes and to come up with a legislative proposal should this assessment confirm the need for binding end dates. Gerard Hartsink comments on the ECOFIN conclusions of December 2009 with regard to the Single Euro Payments Area and reiterates: no end date, no SEPA.



### Next steps

The ECOFIN asked that the European Commission, in collaboration with the ECB and other actors concerned, assess the need to set a binding end date separately with regard to each SEPA Scheme, taking into account specific preconditions of Member States (e.g. euro zone versus non-euro zone Member States). Moreover, specific needs and interests of end consumers would have to be considered. Finally, different possibilities for setting an end date should be demonstrated, each with its advantages and disadvantages (e. g. EU-regulation, ECB-regulation, national measures).

The market is now awaiting the results of this assessment.

### Mandating an end date requires EU Regulation

The EPC recognises the value of setting a deadline for migration to SEPA services. An end date for phasing out legacy euro payment instruments creates awareness, ensures planning security for all market participants and confirms the commitment to making SEPA a reality. This view is shared by the European Central Bank as well as the European Parliament. The latter already in March 2009 called on the European Commission to set a "clear, appropriate and binding end date, which date should not be later than 31 December 2012, for migrating to SEPA products <sup>1</sup>." In the view of the EPC, mandating an EU-wide end date would require EU regulation.

### Political leadership has to materialise now

In December 2009, the ECOFIN also reiterated the importance of and its "support for the full realisation" of SEPA, which, in the words of the ECOFIN, aims at achieving "an integrated and competitive internal market for euro payments for the benefit of citizens and businesses". In addition, the ECOFIN expressed its regrets about the fact that almost two years after the successful technical launch of the SEPA Credit Transfer (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. The ECOFIN "considers it crucial to accelerate the take up of SCT, "especially for national euro payments traffic".

According to the SEPA Indicators compiled by the European Central Bank (ECB), the share of SEPA Credit Transfers (SCT) as a percentage of the total volume of credit transfers generated by bank customers amounts to 5.3 per cent as of November 2009<sup>2</sup>. As previously observed in this Newsletter, the current rate of SEPA market uptake comes as no surprise. SEPA was not started nor is it designed as a demand-driven process. Bank customers did not ask for the introduction of the euro or for current euro payment instruments to be replaced. Existing payment services are generally viewed to be efficient, secure and cheap. SEPA is an EU integration initiative and the progress of roll-out reflects the average timelines required for the implementation of other such major programmes.

However, the data available also clearly indicate that political leadership is required now to ensure successful completion of the process. The SEPA process is driven forward jointly by the public and the private sectors. The banking industry cooperating in the EPC has delivered its part. The European legislator has put in place the Payment Services Directive (PSD) which establishes the common legal framework required to achieve SEPA. It is now time for the public sector to take the next step. The public authorities that asked for SEPA should create the clarity and incentives needed to facilitate the migration of customers to the new SEPA payment instruments as requested by the ECOFIN. To make it absolutely clear: no end date, no SEPA.

A transformation process of this dimension has to be transparent and predictable. A binding end date established through EU Regulation would provide such predictability. Any other conclusion would severely misinterpret the situation. It is now up to the political authorities, in particular the national governments represented in the ECOFIN, to make the necessary calls.

*Gerard Hartsink is the Chair of the EPC.*

## Related file:

[ECOFIN Conclusions on SEPA of December 2009](#)

## Related articles in previous issues of the EPC Newsletter::

[SEPA only: the EPC Vision \(EPC Newsletter, Issue 2, April 2009\)](#)

[The X Factor. Are EU governments still committed to making SEPA a reality? \(EPC Newsletter, Issue 4, October 2009\)](#)

[Towards a SEPA migration end date? Commission services publish feedback on public consultation on possible end date\(s\) for SEPA migration \(EPC Newsletter, Issue 4, October 2009\)](#)

<sup>1</sup> European Parliament. Resolution on the implementation of the Single Euro Payments Area (SEPA). 11 March 2009.

<sup>2</sup> <http://www.ecb.eu/paym/sepa/timeline/use/html/index.en.html>.

