

EPC Newsletter

FOCUS: SEPA AND BEYOND

Everybody loves E!

The role of the EPC in the creation of e-SEPA

01.02.10 BY GERARD HARTSINK

The concept of e-SEPA commonly refers to innovations in payments and other areas leveraging the SEPA infrastructure. Analysing the prevalent expectations surrounding e-SEPA, Gerard Hartsink clarifies the role and the scope of the EPC in this context and gives an update on EPC work in progress as regards the SEPA e-Payments Framework and the development of mobile channels to make SEPA payments.



Expectations flying high

According to the **European Central Bank (ECB)**, "e-SEPA means the provision of various retail payment services by means of electronic channels - such as internet - in order to offer benefits to payment service users in the form of easier access, better functionality and a more attractive user experience"¹. The **European Commission (EC)** calls for an effort beyond SEPA to realise new and standardised services - including e-Invoicing - to be built on top of the SEPA infrastructure² (see also the article "Food for Thought. The EC Expert Group on e-Invoicing Final Report" in this Newsletter; a link is included below).

From the **perspective of the vanguard of standardisers** active in the area of trade, SEPA (and even e-SEPA) covers merely a few of many process steps linking buyers and sellers whilst the aim should be to develop interoperable, standardised electronic solutions streamlining interactions between buyers and sellers along the entire supply chain (see also the article "The big Picture. Dematerialisation of business processes - in payments and beyond" in this Newsletter; a link is included below).

The scope of the EPC in general and its role in e-SEPA in particular

With regard to the visions outlined above it is important to understand which specific deliverables the EPC as the banking industry's decision-making and coordination body for the cooperative space of payment services has committed to develop and which aspects of e-SEPA are outside the scope of the EPC:

SEPA payment products and services offered by banks acting in a competitive environment; e-Invoicing and interfaces between buyers and sellers along the supply chain beyond payments are **outside the scope of the EPC.**

Following the inclusion of the optional e-mandate feature³ into the SEPA Direct Debit Schemes in 2009, the EPC decided to move forward on the SEPA e-Payments Framework and the development of mobile channels to make SEPA payments. These EPC complementary deliverables are not mandatory for all banks but are optional for banks that wish to deliver these services to their customers.

SEPA for mobile: EPC work in progress

The number and growth rate of mobile phones are much higher and much more widespread in the world today than those of bank accounts and cards and the mobile phone is expected to become an important facilitator for initiating payments. The EPC, working together with mobile operators and other stakeholders, is in the process of establishing the necessary standards and business rules with regard to the initiation and receipt of credit and debit payments (including card payments) through mobile phones. The aim is to develop proposals that are ripe for collaboration and standardisation and which form the basis for interoperability .

The intention is to establish a service framework sufficient to reach potentially all payers/payees in the European Economic Area (EEA) and to create a trusted and secure environment that multiple stakeholders can use to facilitate SEPA payments initiated through the mobile channel in a convenient way. At the same time, a common technical interoperability and business framework will avoid market fragmentation which would hinder the emergence of open, non-proprietary technology standards for user-friendly mobile payment services .

The co-operative guarantee is established through cross-industry cooperation with mobile operator associations, mobile payment pilot organisations and non-profit (standardisation) bodies, including financial institutions, payment processors, system and infrastructure manufacturers and service providers. The cooperation with these various organisations is envisaged to result in the design of frameworks and supporting technologies to enable reachability to SEPA payment schemes via m-channels. Equally important, the elaboration of minimal security and usability settings from the end-user perspective will form the second aspect of this cross-industry collaboration .

The EPC Roadmap for Mobile Payments shortlists the following work items currently being addressed:

- SEPA card proximity payments - all use cases except person to person
- SEPA card mobile remote payments for person to business, business to business and person to person
- SEPA Credit Transfer mobile remote payments - all use cases

At the same time, significant progress is being made with regard to the further development of contactless NFC-based payments using the mobile phone, a project which enjoys the highest priority. To this end, the EPC is cooperating with the global Mobile Network Operators represented by GSMA .

The standards, rules and practices developed by the EPC in this area will be made publicly available to market participants and providers within the m-channel value chain. It will be the responsibility of each of them, or of any grouping thereof, to decide when and how to adopt these, and in particular towards which segment or segments of the payments market their products and services will be geared .

The SEPA e-Payments Framework

In response to the rapidly increasing volume of e-commerce the EPC also committed to provide a Framework outlining the specific rules and standards relating to e-payment schemes making use of the SEPA Credit Transfer. The first deliverable will be the SEPA e-Payments Framework facilitating online payments with a payment-guarantee for web-retailers followed by a SEPA Credit Transfer .

The Framework will create a situation where a number of e-payment schemes existing in the market today can migrate from a national environment to a SEPA environment. E-Payment schemes are facilities which allow online buyers to have payments debited from their own current account. Many of these e-payments schemes, however, today only work within national borders. An e-payment scheme compliant with the SEPA e-Payments Framework will enable a buyer using the Internet to visit the web-shop of an online merchant regardless where he is located in SEPA, and to pay the merchant using both his own internet banking services and his current bank account⁴ . The EPC will define minimum criteria, including legal and security aspects which must be fulfilled by the e-payment scheme in order to be "SEPA-compliant ".

The long-term goal of the SEPA e-Payments Framework is full reachability for consumers, where

- All e-payment schemes in SEPA, which fulfil the minimum criteria defined by EPC, are enrolled to the Framework;

- Each bank in SEPA is a member of (at least) one e-payment scheme enrolled to the SEPA e-Payment Framework;
- Each account holder in SEPA can make SEPA e-payments;
- The use of a "SEPA" logo by enrolled e-payment schemes should provide a consistent user experience throughout SEPA.

The long-term goals associated with the Framework will be achieved by market forces, not by EPC decisions. An e-payment scheme that elects to enrol to the SEPA e-Payment Framework is obliged to become technically and commercially interoperable with all other enrolled e-payment schemes, and only enrolled schemes will be able to make use of a SEPA e-Payment Framework branding. Enrolment to the Framework is voluntary for e-payment scheme owners and participation in any e-payment scheme is at the discretion of each bank .

The business rules of the e-Payment Framework are currently subject to a further consultation of the banking communities. In addition, the EPC is in the process of reviewing legal aspects pertaining to the Framework. Approval of the SEPA e-Payments Framework is planned for June 2010.

A very friendly reminder

In the eyes of some authorities, the EPC activities in the area of e- and m-payments outlined above fall short of what the EPC should contribute to the creation of e-SEPA. To put demands for a yet broader engagement of the EPC into perspective: today, banks throughout 32 countries offer payment services based on the SEPA Schemes defined by the EPC. In addition, the EPC has taken on complementary deliverables allowing payment service providers to develop optional functionalities as part of their commercial offerings.

Rather than logging further extensive wish lists specifying yet more deliverables for the EPC, perhaps it would be appropriate *for* regulators to ensure that the SEPA infrastructure envisioned *by* regulators - and built by banks - would actually be put to use. It would be particularly encouraging to finally see broad commitment to SEPA among political leaders and in the public sector in accordance with the SEPA Roadmap adopted by the European Commission in September 2009 and endorsed by the ECOFIN ⁵ in December 2009⁶. The public sector, at this point, continues to lag behind even the modest 5.3 per cent of SEPA Credit Transfer uptake in the euro area. Cooking up visionary theories is a piece of cake. Delivery of tangible results is another matter entirely.

Gerard Hartsink is the Chair of the EPC.

Related articles in this issue:

[The big Picture. Dematerialisation of business processes - in payments and beyond](#)

[Food for Thought. The EC Expert Group on e-Invoicing Final Report](#)

Articles in previous issues on SEPA mobile payments:

[SEPA goes mobile. EPC enables SEPA payments across 32 countries via a cell phone \(EPC Newsletter, Issue 1, January 2009\)](#)

[SEPA at your Fingertips. The EPC Roadmap for Mobile Payments \(EPC Newsletter, Issue 2, April 2009\)](#)

[Joint Action. EPC and GlobalPlatform seek to align mobile contactless technology \(EPC Newsletter, Issue 3, July 2009\)](#)

[SEPA for Mobile: the linking Pin. EPC and GSMA kick off public consultation on Trusted Service Manager requirements \(EPC Newsletter, Issue 4, October 2009\)](#)

Articles in previous issues on the SEPA e-Payments Framework:

[The SEPA Highway for E-Payments. Make electronic payments from your current account across 32 countries \(EPC Newsletter, Issue 1, January 2009\)](#)

[Just a Click away. A progress report on the SEPA e-Payment Framework now out for consultation \(EPC Newsletter, Issue 3, July 2009\)](#)

¹ Keynote address by Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB at the British Bankers' Association, 7th Annual Payments Conference, London, 23 November 2009

² Innopay. Online payments 2009. European market overview.

³ The inclusion of this possibility for the creation of e-mandates brings further advantages to debtors: the debtor avoids the inconvenience of printing, signing and mailing a paper form to the creditor by using a fully electronic process. The e-mandate facility is based on secure, widely used online banking services of the debtor bank. The debtor can re-use his online banking credentials. No additional means of identification are necessary. The e-mandate features are based on global ISO standards as managed by SWIFT thus granting maximum transparency. The e-mandate solution is an optional service offered by payment services providers to their customers; i.e. it is not a mandatory part of the SEPA Direct Debit Schemes.

⁴ To enable customers to make e-payments across all SEPA countries it is also necessary to provide a payment vehicle that allows the exchange of funds between any accounts held in SEPA. Obviously, at this point the SEPA Credit Transfer (SCT) is the only payment instrument that can be used for domestic and cross-border electronic payments in Europe.

⁵ Economic and Financial Affairs Council (ECOFIN – comprising Economics and Finance Ministers of the EU member states)

⁶ Communication from the Commission: Completing SEPA: a Roadmap for 2009 – 2012 available at http://ec.europa.eu/internal_market/payments/
http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_en.pdf

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