

EPC Newsletter

FOCUS: LAUNCH OF THE SEPA DIRECT DEBIT SCHEMES

EPC launches SEPA Direct Debit Schemes

European payments industry confirms commitment to making SEPA a reality

27.01.10 BY GERARD HARTSINK

The European Payments Council (EPC), the coordination and decision-making body of the European banking industry in relation to payments, launches the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme on 2 November 2009. Banks throughout the Single Euro Payments Area (SEPA) are now gradually starting to deliver SEPA Direct Debit services to their customers. All branches of banks in the euro area must be reachable for SEPA Core Direct Debit by 1 November 2010 as mandated by the EU Regulation on cross-border payments in the Community. EPC Chair Gerard Hartsink confirms a successful kick-off: to-date 2607 banks representing about 70 per cent of SEPA payment volumes have signed up to the new schemes and are ready to roll-out SEPA Direct Debit services from 2 November 2009 onwards. Of those, 2366 banks are offering both SDD Core and SDD B2B services. Moving forward, the focus must be on accelerating migration to the new SEPA payment instruments.



All building blocks required to build SEPA are now in place

SEPA Direct Debit services enable customers - for the first time ever - to make and receive both domestic and cross-border euro direct debit payments throughout the 32 SEPA countries, i.e. the 27 EU Member States, Iceland, Liechtenstein, Norway, Switzerland and Monaco. The direct debit is a major payment instrument widely used in many euro area countries.

The introduction of the SEPA Direct Debit Schemes requires a uniform EU-wide legal framework for payments; the launch date of the SDD schemes therefore aligns with the 1 November 2009 deadline for EU Member States to transpose the Payment Services Directive (PSD) into national law.

Following the introduction of euro notes and coins in 2002 the political drivers of the SEPA process - the Economic and Financial Affairs Council (ECOFIN), the European Commission, the European Parliament and the European Central Bank - called on the payments industry to bolster the common currency by developing a set of harmonised schemes and frameworks for electronic euro payments. The industry has delivered: the SEPA Credit Transfer Scheme, the SEPA Direct Debit Schemes and the SEPA Cards Framework developed by the EPC in close dialogue with the customer community strengthen the monetary union. The SEPA schemes also support cross-border trade within the internal market.

First and foremost, SEPA offers significant benefits for bank customers

SEPA offers significant benefits for bank customers. The implementation of innovative and competitive SEPA payment services based on global ISO standards translates into efficiency gains for businesses and public administrations, while consumers can rely on a single set of euro payment instruments covering 32 countries: one

bank account, one bank card, one SEPA Credit Transfer, one SEPA Direct Debit. Last but not least, according to the European Commission, SEPA holds a market potential of up to 123 billion euro in benefits over 6 years with a significant upside for bank customers.

The impact of SEPA, however, transcends monetary policy and payments services. The European Commission expects the legal and technical SEPA harmonisation exercise to facilitate the dematerialisation of business processes by replacing paper-based procedures with standardised electronic solutions such as e-invoicing.

Focus must now shift to SEPA migration

Today, more than 4500 banks offer SEPA Credit Transfer (SCT) services. Eighteen months after the launch of the SCT, 4.4 per cent of all euro credit transfers in the EU are actually based on the SCT scheme. The current rate of SEPA market uptake is in line with expectations considering the average timelines required for the roll-out of other major EU integration initiatives. However, moving forward, the focus must be on accelerating migration to the new euro payment instruments.

The SEPA vision will not be realised through the existence of high-quality SEPA schemes and standards alone - and neither banks nor their customers should be blamed for that fact. The EU monetary union did not materialise by distributing euro notes and coins to the market hoping that those beloved national currencies would be enthusiastically abandoned. European integration is rarely carried forward by grassroots movements and SEPA is no exception to this rule.

The political drivers of the SEPA project therefore have to incentivise market transition now. The SEPA Roadmap recently published by the European Commission is a positive step in this direction. In addition, the European Commission, the European Central Bank and EU governments should implement a SEPA communication campaign comparable in impact to that afforded for the euro introduction. At the same time, public administrations - accountable for up to 20 per cent of electronic payments made in society - must speed up implementation. Moving public sector payments to SEPA will create critical mass and trigger implementation by other market participants.

Setting a deadline for migration to SEPA ensures planning security for all market participants

Political leadership is also required with regard to the ultimate goal of SEPA: eventually, existing national payment services will be replaced by SEPA services. A transformation process of this dimension must be transparent and predictable. The majority of concerned parties including the European Central Bank agree that 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. The European Parliament 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" ¹.

The EPC also recognises the value of setting a deadline for migration to SEPA as asked for by the European Parliament and the European Central Bank. In the view of the EPC there should be one migration end date for both SEPA Credit Transfer and SEPA Direct Debit at European level. Mandating an EU-wide end date requires EU regulation. Such a regulation should oblige customers to use SEPA payment services rather than euro payment services based on the current national schemes, thereby not leaving migration responsibility only to the banking sector.

In this context it should also be kept in mind: migration to the euro would never have happened without a clear deadline for completion of the project. The market is now awaiting recommendations of the European Commission on the most effective way forward in this matter.

Gerard Hartsink is the Chair of the EPC.

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

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