

## EPC Newsletter

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### OPINION AND EDITORIAL

## Expectations are promising (and Patience is a Virtue)

Results of the Second Annual Progress Report on the state of SEPA migration in 2009

29.01.10 BY ZUZANA KALIVODOVA AND GERD HEINEN

The Second Annual Progress Report was prepared by the Commission services, in close cooperation with the ECB, in the frame of the SEPA migration review process initiated by the Economic and Financial Affairs Council (ECOFIN) and provides an update on important SEPA-related developments in 2009. The ECOFIN Council welcomed this Progress Report at its meeting of 2 December 2009<sup>1</sup>. The report provides a snapshot of the migration status of SEPA two years after its launch and identifies important developments for each SEPA payment instrument, highlighting especially the launch of the SEPA Direct Debit Schemes (SDD) in November 2009. Particular attention is paid to the migration of public administrations because of the crucial role they can play in achieving a critical mass of SEPA payments. Whilst the latest findings indicate that commitment to SEPA among public administrations is on the rise, the actual rate of migration to SCT in the public sector remained low during the reporting period. Zuzana Kalivodova and Gerd Heinen have the details.



### Positive developments

A crucial milestone has been achieved with the launch of the SDD Schemes on 2 November 2009. Previously, there was no scheme in place for direct debits in euro with cross-border reach. By 19 October 2009, over 2600 banks, representing around seventy per cent of SEPA payments volume, had signed-up for both the Core and the Business-to-Business SDD Schemes;

At this stage, most public administrations (PAs) still focus on planning for SEPA rather than actually driving migration. But commitment to SEPA in the public sector seems to be on the rise as is shown by an increasing number of PA migration end-dates, either defined at central government level or within individual PAs. PAs in four Member States (Belgium, France, Luxembourg and Slovenia) show strong commitment to SEPA by successfully coordinating migration in PAs and in that respect lead by example.

In the area of cards migration, progress has been observed on EMV implementation. In the second quarter of 2009, EMV compliance stood at 72 per cent for cards (up from 62 per cent shown in the last Progress Report), 77 per cent for POS (up from 68 per cent) and 93 per cent for ATMs (up from 83 per cent). However, the findings of the report emphasize the need for industry to urgently complete standardisation work in the cards area.

### Room for improvement remains

The SCT migration rate is still very low. In August 2009, only 4.5 per cent of credit transfers were processed in SCT format<sup>2</sup>.

High-volume payment users such as PAs - even if strongly committed to SEPA - are slow in migrating to SEPA with only 1.5 per cent weighted SCT migration rate in September 2009<sup>3</sup> and therefore being significantly below the

overall migration rate in euro area. There are however three Member States which beat the general average SCT migration trend by a large margin, namely Luxembourg, Slovenia and Belgium, with SCT rates of 100 per cent, 60 per cent and 18 per cent respectively. For PAs in the remaining Member States, the SCT migration rate is either below the average national SCT rate or even zero.

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### Related link:

[Second Annual Progress Report on the state of SEPA migration in 2009 prepared by the Commission services](#)

### Related article in this issue:

[SEPA Survey 2009: Corporate Readiness on the Rise. The findings confirm that early movers have everything to gain](#)

### Related article in previous issue:

[Public Administrations do not fully meet expectations - yet. Commission services publish latest data on SEPA preparedness of public sector \(EPC Newsletter, Issue 3, July 2009\)](#)

1. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/111670.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111670.pdf)

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

3. This rate decreased from 2.3 % shown in the second Commission services' survey on public administrations preparedness and migration to SEPA (status March 2009) to 1.5 % due to a statistical effect, namely that France provided an updated survey reply representing all of its PA transactions. Given that France has a very large number of PA transactions (852 million) and has not started to use SCT yet, this drove down the euro area average considerably by increasing the statistical base compared to the previous survey. It is therefore important to note that this should not be perceived as an actual decline of SEPA transactions in the euro area compared to the survey results published in July 2009.

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