

## EPC Newsletter

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### SEPA MARKET UPTAKE

## Facing the Facts in January 2010

The EPC Newsletter tracks the progress of SEPA implementation

19.03.10 BY HERMAN SEGERS

To allow all parties concerned, including the business community, public administrations, banks and the political drivers of the SEPA initiative to track the progress of SEPA roll-out, the EPC Newsletter provides the latest data available on the subject. In addition, the EPC Market Uptake Report keeps an eye on the availability of measures put in place by public authorities to facilitate the change-over for customers. Last but not least, the debate on setting an end date for migration to SEPA is tracked. Whilst recent indicators regarding SEPA readiness in the corporate and public sectors are encouraging, the rate of actual market uptake as of January 2010 remains essentially unchanged compared to previous reports in this Newsletter. Herman Segers has the facts.



### Percentage of banks in SEPA offering SEPA Credit Transfer services

As of January 2010, nearly 4500 banks in 32 countries offer SEPA Credit Transfer (SCT) services for euro payments. The payment service providers offering SCT services today represent roughly 95 percent of payment volume in Europe. Due to mergers and acquisitions the absolute number of SCT scheme participants has slightly decreased compared to previous SEPA Market Uptake Reports featured in this Newsletter. The EPC SCT Participant Register is publicly available at [http://epc.cbnet.info/content/adherence\\_database](http://epc.cbnet.info/content/adherence_database).

### Percentage of SCT transactions compared to total volume generated by customers

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 (up from 4.8 per cent in October 2009; latest data available).

The ECB SEPA Indicators are publicly accessible at <http://www.ecb.int/paym/sepa/timeline/use/html/index.en.html>.

A figure of 100 per cent would indicate that only SEPA services are used and have fully replaced the non-SEPA instruments.

The SEPA Indicators are based on aggregated data provided by clearing and settlement infrastructures in the euro area processing SEPA transactions. These data exclude SEPA transactions sent for example via links between infrastructures to avoid double-counting. The data also exclude "on-us" transactions (SEPA Credit Transfers between accounts at the same bank) as well as transactions cleared between banks bilaterally or via correspondent banking.

The ECB SEPA Indicators also show SCT market uptake by country. The SCT Scheme was launched in January

2008.

## Percentage of banks in SEPA offering SEPA Direct Debit services

The EPC launched the SEPA Core Direct Debit Scheme (SDD Core) and the SEPA Business to Business Direct Debit Scheme (SDD B2B) on 2 November 2009. As of this date, banks throughout SEPA are 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. As of January 2010, 2647 banks representing about seventy per cent of SEPA payment volumes have signed up to the SEPA Core Direct Debit Scheme. Of those, 2411 banks have also adhered to the SEPA Business to Business Scheme. The EPC Participant Registers for the SDD Core and the SDD B2B Schemes, respectively, are publicly available at [http://epc.cbnet.info/content/adherence\\_database](http://epc.cbnet.info/content/adherence_database).

## Percentage of SDD transactions compared to total volume generated by customers

It is yet to be determined when the first SDD Indicators will be published.

## SEPA for Cards: tracking EMV roll-out

As reported in the previous issues of the EPC Newsletter, good progress is being made in the realisation of a SEPA for Cards. The latter's aim is to enable a consistent customer experience when making or accepting payments with cards. The EPC's SEPA Cards Framework (SCF) outlines high level principles and rules that when implemented by banks and card schemes will deliver this consistent experience. The SCF recognises the EMV standard as the technology platform for Europe-wide acceptance of payments with cards at very high levels of security. EMV stands for Europay MasterCard Visa programme to implement CHIP and PIN security for card transactions.

An important indicator on the progress in this area is the number of cards, POS (points of sale: terminals at retailers' check outs) and ATMs now in the market that require the use of PIN and CHIP for the authorisation of a card payment. More specifically, the percentage of so called EMV-compliant cards, POS and ATMs in SEPA is monitored. According to the latest findings of the EPC Cards Working Group, as of end third quarter 2009; EMV compliance is 70 per cent for cards, 78 per cent for POS and 94 per cent for ATMS.

## SEPA preparedness of the public sector

SEPA is a policy-maker-driven public harmonisation initiative launched by EU-governments, the European Commission and the European Central Bank, designed to complete the EU internal market and monetary union. As a matter of principle it may therefore be expected that the public sector will act as the launching customer of the new SEPA payment services.

The *First Annual Progress Report on the State of SEPA Migration in 2008* (February 2009) issued by the European Commission concluded that "since its launch, the uptake of SCT in the public sector has been very limited."

The results of the *Second Survey on the Preparedness and Migration of Public Administrations to SEPA (July 2009)* published by the Commission services for the reporting period of March 2009 indicated that general SEPA preparedness of public administrations would be progressing at a faster pace than actual migration and consequently a significant increase in SEPA Credit Transfer rates could be expected during the remainder of 2009 and in the course of 2010.

The *Second Annual Progress Report on the state of SEPA migration in 2009 (November 2009)* prepared by the Commission finds that high-volume payment users such as public administrations - 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>1</sup> and therefore being significantly below the overall migration rate in euro area. There are however 3 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 public administrations in the remaining Member States, the SCT migration rate is either below the average national SCT rate or even zero. For detailed information on the results of the Second Annual Progress Report on the state of SEPA migration in 2009 refer to the article "Expectations are promising (and Patience is a Virtue)" in this Newsletter; a link to this article is set out below.

The EPC will monitor closely whether the significant rise in SEPA market uptake by public administrations in the course of 2010 as predicted by the Commission services' reports will actually materialise.

## SEPA preparedness of the corporate sector

The *SEPA Readiness Survey 2009* by Deloitte focusing on the corporate sector finds that SEPA readiness has significantly increased compared to 2008. The Survey shows that those corporates which have a dedicated SEPA team and strategy in place are already deriving significant benefits from implementation. At the same, the majority of companies now identify SEPA not only as a compliance issue, but also as a business opportunity. For detailed findings of the SEPA Readiness Survey 2009 refer to the article "SEPA Survey 2009: Corporate Readiness on the Rise. The findings confirm that early movers have everything to gain"; a link to this article is set out below.

## Validity of existing mandates under the SEPA Direct Debit Scheme

In any direct debit scheme, a mandate is completed by the debtor (a customer purchasing goods or services) to authorise the creditor (the provider of goods or services) to collect payments via direct debit. At the same time, a mandate usually includes the authorisation of the debtor bank to pay these collections. To facilitate migration of customers to the SEPA Direct Debit Scheme, it is imperative that mandates existing today can be used under the SEPA scheme, even if these do not incidentally meet all the requirements of the SEPA mandate. Where necessary, EU Member States must devise legislative solutions to ensure the continued legal validity of existing mandates under the SEPA Direct Debit Scheme.

According to the *Second Annual Progress Report on the state of SEPA migration in 2009* this issue has been addressed in all Member States "with the important exception of Germany". Direct debits are used twice as much in Germany as in the whole of the European Union<sup>2</sup>.

## Setting a deadline for migration to SEPA

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. In the view of the EPC, mandating an EU-wide end date would require EU regulation. The European Central Bank (ECB) observes that "corporations and public administrations (...) still take a cautious approach" towards SEPA implementation. To break that circle of "wait and see", the ECB states that a migration end date is needed from which point onwards only the European payment instruments will exist<sup>3</sup>. 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"<sup>4</sup>. The European Commission believes that an end date would send a strong signal to all stakeholders that SEPA migration is an irreversible process and would provide certainty so that stakeholders could adopt a SEPA strategy and plan necessary investments in the next few years<sup>5</sup>.

In June 2009 the European Commission launched a consultation on whether and how deadlines should be set for the migration of existing payment products - i.e. credit transfers and direct debits - to the new Single Euro Payments

Area (SEPA) products. For details on the feedback received during this consultation please refer to the article "Towards a SEPA migration end date? Commission services publish feedback on public consultation on possible end date(s) for SEPA migration"; a link to this article is included below.

On 2 December 2009, the ECOFIN (Economic and Financial Affairs Council - comprising the Economics and Finance Ministers of the EU Member States) stated that "establishing definitive end-dates for SDD and SCT migration 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. In this regard, each SEPA product shall be assessed separately and specific preconditions of Member States have also to be taken into account (e.g. in Eurozone versus non-Eurozone Member States). Moreover, specific needs and interests of end consumers have to be considered. Finally, different possibilities for setting an end-date shall be demonstrated, each with its advantages and disadvantages (e. g. EU-regulation, ECB-regulation, national measures)". The ECOFIN therefore invited the 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 SDD and SCT and to come up with a legislative proposal should this assessment confirm the need for binding end dates.

The market is now awaiting the results of this assessment. For a commentary on the ECOFIN conclusions on SEPA, refer to the article "Clarity and Incentives needed. ECOFIN conclusions of December 2009 on setting an end date for migration to SEPA" in this Newsletter; a link to this article is set out below.

*Herman Segers is the Secretary General of the EPC.*

### Related link:

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

### Related articles in this issue:

[Expectations are promising \(and Patience is a Virtue\). Results of the Second Annual Progress Report on the state of SEPA migration in 2009](#)

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

[Clarity and Incentives needed. ECOFIN conclusions of December 2009 on setting an end date for migration to SEPA](#)

### Related articles in previous issues:

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

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

[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> 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.

<sup>2</sup> SEPA2008: Uniform Payment Instruments for Europe. Association of German Banks. 2nd revised edition. September 2008.

<sup>3</sup> The Quest for the Holy Grail? - European Financial Integration: Achievements and Hurdles. Speech by Getrude Tumpel-Gugerell, Member of the Executive Board of the ECB. Workshop on "Securing the Future Critical Financial ICT-Infrastructure (CFI)" organized by Parsifal. Frankfurt, 16 March 2009.

<sup>4</sup> European Parliament. Resolution on the implementation of the Single Euro Payments Area (SEPA). 11 March 2009.

<sup>5</sup> European Commission Internal Market and Services DG. Second Meeting of the EU Forum of National SEPA Committees. Discussion Paper on possible End-Date(s) for SEPA Migration. 23 March 2009.

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