

EPC Newsletter Issue 6 April 2010

FOCUS: SEPA MIGRATION

On SEPA and US Health Care Reform

The EC paper 'SEPA Migration End-Date': a commentary

16.07.10 BY GERARD HARTSINK

It is not uncommon for regulators to get cold feet once the conclusion of major policy projects actually requires decisive regulatory action. The discussion paper "SEPA Migration End-Date" recently tabled by the European Commission - contemplating, among others, legislative measures to set a mandatory deadline for migration to SEPA - vividly illustrates this phenomenon: after European authorities clearly expected and encouraged the banking industry to deliver a single set of SEPA payment schemes as developed by the EPC, the Commission now equates these with a "*private monopoly*" and considers mandating migration to "*multiple, competing*" SEPA schemes compliant with so-called "*essential requirements*" instead. Gerard Hartsink outlines how the "*essential requirements*" approach would effectively defeat the purpose of the SEPA harmonisation exercise originally defined by European authorities and turn nil the intended benefits for bank customers. In case EU lawmakers require a dose of inspiration to successfully conclude this particular EU policy project, taking a closer look at the action taken by US Congress to ensure reform of the US health care system might help.

This summary further includes the main points detailed in the article:

- The European Commission's (EC) discussion paper "SEPA Migration End-Date" confuses apples with oranges: if the SEPA Schemes developed by the EPC represent a "*private monopoly*", then European regulators established this monopoly.
- The European regulators consistently requested migration to the SEPA Schemes developed by the EPC.
- Standardisation and integration based on a single set of SEPA payment instruments generate scale and scope advantages benefiting all market participants.
- Migration to the SEPA Schemes developed by the EPC does not imply migration to specific SEPA *products and services* offered by individual payment services providers.
- Existing national payment systems operate on the basis of a single set of payment instruments developed by national banking communities; a fact that has not been challenged by competition authorities in EU Member States; hence, it is not plausible to assume that migration to a single set of SEPA Schemes developed by the European banking industry could be challenged on grounds of public policy.
- Creating multiple SEPA Schemes compatible with so-called "*essential requirements*" as contemplated in the EC discussion paper minimises the benefits for bank customers inherent to SEPA.
- The SEPA Schemes developed by the EPC evolve according to a transparent, predictable and inclusive change management mechanism providing all stakeholders with the opportunity to engage in the process. Any proposed changes to the SEPA Schemes are subject to a three-month public consultation. Proposed changes to the SEPA Schemes

that find broad acceptance in the entire user community are taken forward.

- The SEPA vision defined by regulators aspires to create one domestic euro payment market where the current differentiation between national and cross-border euro payments no longer exists. The EPC calls on EU lawmakers to ensure that the full benefits of the legal and technical SEPA harmonisation exercise for all market participants can be realised by setting an end date through EU Regulation for migration to the single set of SEPA Schemes developed by the EPC.



US health care reform: a case study in political leadership to inspire EU lawmakers dealing with SEPA

On 23 March 2010, the day President Obama signed into law the Patient Protection and Affordable Care Act (commonly referred to as US health care reform), the Pulitzer Prize winning editorialist Maureen Dowd commented in "The New York Times": *"The Democrats were walking around in a state of shock. Holy cow, they were saying to themselves. We're not total wimps! (...) We can actually get something done if we suck it up and find a way to pull together. One minute they were legislative losers, squabbling and scrambling for the off-ramps. The next they were history-makers, sharing chest bumps and goose bumps at the White House. How had the lofty president and the wily speaker suddenly steered them off Jimmy Carter Highway and onto F.D.R. Drive? (...) The Democrats held hands, held their breath and jumped over the cliff - not that it was a radical bill. And, mirabile dictu, nothing awful happened. The markets went up. The polls went up. Their confidence went up."*¹

The Patient Protection and Affordable Care Act is considered the most ambitious public policy project in US history since implementation of the New Deal² under President Franklin D. Roosevelt in 1937. The bill will provide health care insurance coverage to an estimated 30 million US citizens who currently lack it. The bill was passed following a year-long heated public debate³.

SEPA is the most ambitious policy-maker-driven EU integration initiative in the area of payments following the introduction of the euro. SEPA is designed to strengthen the common currency, to drive forward the integration of the internal market and to generate tangible benefits for bank customers. This Newsletter has tirelessly promoted the rationale for the SEPA initiative spelled out by European authorities. For details; refer to the links included below (the article "On Bananas and the Integration of Euro Payments" linked below refers to a particularly convincing argument for migration to a single set of SEPA schemes put forth by Gertrude Tumpel-Gugerell, member of the Executive Board of the European Central Bank). To turn the SEPA vision into reality, EU governments, the European Commission and the European Central Bank called on the banking industry to develop a single set of SEPA payment instruments, e.g. the SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes developed by the EPC.

Like any other major public policy project impacting all market participants, SEPA generates considerable, and occasionally heated, public debate. This debate currently culminates in the question whether a mandatory deadline for migration to SEPA should be defined by EU legislation. Not wishing to implicate any particular political persuasion of EU lawmakers involved in the process, moving forward they will have to hold hands, hold their breath, suck it up and pull together if SEPA is to be brought to a successful conclusion.

At this point in time it is unclear whether they have what it takes to make it happen.

To make SEPA a success, a binding end date for migration to the SEPA Schemes developed by the EPC set through EU Regulation is required

To realise the benefits associated with SEPA, a binding end date for migration to the SEPA Schemes developed by the EPC through EU Regulation is required. An end date is the latest date after which services for sending and

receiving euro payments based on current domestic schemes equivalent / corresponding to the SEPA Credit Transfer Scheme (SCT) and to the SEPA Direct Debit Schemes (SDD) are no longer available to customers for sending, collecting and receiving euro payments within SEPA. For further details on the EPC position regarding the meaning of the term "end date" in the context of SEPA migration see also the article "SEPA only: the EPC Vision" published in a previous edition of this Newsletter; a link is included below.

The European Commission's discussion paper "SEPA Migration End-Date" confuses apples with oranges: if the SEPA Schemes developed by the EPC represent a "private monopoly", then European regulators established this monopoly

On the day the US President signed US health care reform into law, the European Commission introduced the discussion paper titled "SEPA Migration End-Date" (see link below). A principle issue raised in the Commission's paper is whether an end date should be established by a binding Community instrument (e.g. EU legislation) and if a related Regulation or Directive should mandate migration to the SEPA Schemes defined by the EPC. As outlined in the EC discussion paper, this option has the advantage of a concrete and tangible basis for migration. However, the paper also argues that the *"the main drawback of this approach would be the regulatory endorsement of payment instruments which have been developed under self-regulation by the banking industry as represented in the EPC. (...) this de facto grants a private monopoly to the EPC. This could be challenged on general public policy grounds and raises the very important and currently still open question as to how sufficient transparency and adequate stakeholder representation (in particular from the demand side) can be guaranteed during the future development process of the SCT and SDD schemes"*⁴.

Alternatively, rather than referring to specific schemes, a number of "essential requirements" could be defined. Under this option, as of a defined end date all relevant transactions would have to comply with these "essential requirements". According to the EC paper, the benefit of this approach would be *"to define the characteristics which need to be respected by pan-European payment schemes without mandating the EPC schemes on a de jure basis. The essential requirements approach thereby provides a way to define pan-European payment instruments while avoiding a regulatory endorsement of one specific scheme which was developed by the industry. In contrast to a scheme-based reference, this option would retain the possibility for new competing credit transfer and direct debit schemes to emerge under the condition that they are compliant with the essential requirements"* [underscore added]⁵.

In light of the fact that the European regulators de facto mandated the European banking industry to develop one single set of SEPA payment instruments to replace the multitude of national payment instruments existing today, the EPC is surprised to learn that the EC discussion paper now equates the scheme-based migration approach with endorsing a *"private monopoly of the EPC"*. The EPC is not aware that the regulators would ever have called on any other industries to develop competing SEPA schemes in parallel (which would obviously have defeated the purpose of the SEPA harmonisation exercise to begin with). If the EPC is a monopoly, then the regulators established this monopoly.

The European regulators consistently requested migration to a single set of SEPA Schemes for credit transfer and direct debit developed by the EPC

The European regulators have consistently referred to a single set of euro payment instruments developed by the EPC, e.g. the SEPA Credit Transfer Scheme (SCT) and the SEPA Direct Debit Schemes (SDD), when reflecting legislative intervention to achieve the SEPA objectives:

In consideration of legislative measures to ensure migration of a critical mass of euro payments to the new SEPA payment instruments, the **EC Consultative Paper on SEPA Incentives** in 2006 offered the following options: "Should we make adherence to EPC DD and CT rulebooks mandatory for all payment service providers by the same date i.e. 2008⁶? (...) Should the scope of regulating SEPA compliance be limited to payment service providers that are already domestically offering corresponding national products? (I.e. if a bank currently offers direct debit services domestically to its customers, the bank has to offer the SEPA Direct Debit product by 1 January 2008"^{7 8}.

In March 2006, the then **EU Commissioner Charlie McCreevy for Internal Market and Services** reiterated that "despite all our efforts and the good progress achieved, there may be a number of areas where the current EPC work in conjunction with the New Legal Framework [Payment Services Directive] may not be sufficient to achieve our vision for SEPA. The European Central Bank also shares these concerns (...). For this reason, the Commission and the ECB have both expressly reserved the right to propose legislation, should this be necessary"⁹.

In a **joint statement of the European Commission and the European Central Bank** in May 2006 both institutions reiterated their "common vision for the Single Euro Payments Area"¹⁰. In this joint statement the EC and the ECB further announced: "The introduction of the euro as the single currency of the euro area will only be completed when SEPA has become a reality, i.e. when consumers, businesses and governments are able to make cashless payments throughout the euro area from a single payment account anywhere in the euro area using a single set of payment instruments as easily, efficiently and safely as they can make payments today in the domestic context. (...) The Commission and the ECB take the opportunity to stress their support for the objectives set by the EPC (...): That EU citizens, enterprises and public administrations should have the possibility to use the SEPA credit transfer and the SEPA direct debit payment instruments defined by the EPC".

On the occasion of the "SEPA Summit" in 2006, **Jean-Claude Trichet, President of the European Central Bank**, declared: "For SEPA, the development of a common set of rules and business practices is a necessity. This is referred to as the 'rulebooks' that ensure a common treatment for transferring funds. The EPC has agreed on the common rulebooks for credit transfers and direct debits and a framework for card payments. This single set of rules will allow different entities to provide core services throughout the euro area. The ECB fully supports the EPC's work in this field"¹¹.

In December 2009, the **ECOFIN** considered it "crucial to accelerate the take up of SCT, especially for national euro payments traffic". In addition, the ECOFIN considered "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". 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"¹².

The **European Parliament resolutions** of March 2009 and March 2010 on the implementation of the Single Euro Payments Area called "on the Commission to set a clear, appropriate and binding end-date, which should be no later than 31 December 2012, for migrating to SEPA instruments, after which all payments in euro must be made using the SEPA standards"¹³.

Standardisation and integration based on a single set of SEPA payment instruments generate scale and scope advantages benefiting all market participants

Going forward, the EPC would welcome it if the Commission would communicate positively and unambiguously the objectives of the legal and technical SEPA harmonisation exercise when discussing migration to SEPA. As such, it could be argued that the concept of SEPA defined by the regulators requires creation of one euro payment system for one domestic euro payment market. In other words, the SEPA Schemes developed by the EPC are a precondition for market integration, which in turn strengthens the common currency while increasing competition and trade across the internal market, to name just a few of the benefits.

In addition, the Commission should re-enforce its efforts to explain to stakeholders the nature of network effects resulting in scale and scope advantages for all market participants. In the case of SEPA, these advantages can only be generated if a binding end date is set for migration to a single set of euro payment instruments. Realising the full benefits of SEPA for bank customers is further contingent upon rapid migration as has been demonstrated in a study requested by the European Commission already in 2007¹⁴. As mentioned above, the EC discussion paper recognises that the scheme-based migration approach provides a concrete and tangible basis for migration. Similar examples can be identified in other industries operating on the basis of common standards.

Reference to paragraph 3 of article 101 of the Treaty on the Functioning of the European Union (TFEU)¹⁵ might be helpful when making the case for the scheme-based migration approach: a certain level of standardisation as reflected in the SEPA Schemes developed by the EPC in fact boosts rather than restricts competition thus resulting in more and better choices for customers.

Migration to the SEPA Schemes developed by the EPC does not imply migration to specific SEPA products and services developed by payment services providers

It must also be reiterated that there is a material difference between the SEPA *Schemes* developed by the EPC and the SEPA *products and services* offered by payment services providers. The EPC SEPA Scheme Rulebooks and corresponding Implementation Guidelines based on global ISO 16 standards (the SEPA *Schemes*) describe sets of rules and standards that have to be observed by payment services providers when executing SEPA payment transactions. The Rulebooks are instruction manuals which provide a common understanding between banks on how to move funds and remittance information (maximum 4 x 35 characters) from account A to account B within SEPA. The rules and standards which make up a payment scheme are defined by payment services providers in a collaborative space - that is the EPC.

The particular SEPA payment *products and services* offered to the customer are developed by individual payment service providers or groups thereof operating in a competitive environment. Provided that scheme rules and standards are respected, payment services providers are free to add features and services of their choice to the actual payment product. Thus, mandating migration to a set of harmonised SEPA *Schemes* does not mean mandating migration to a specific *product*. Rather, mandating migration to a single set of harmonised SEPA payment schemes is the condition that must be met to ensure continued innovation in the payments market to the benefit of customers.

It should further be kept in mind that the SEPA Schemes have open access criteria in line with article 28 of the Payment Services Directive (PSD) and encourage additional competition at the level of payment services providers and infrastructure providers.

Existing national payment systems operate on the basis of a single set of payment instruments developed by national banking communities; a fact that has not been challenged by competition authorities in EU Member States

Last but not least: national payment systems today operate on the basis of a single set of payment instruments for direct debit and credit transfer developed by national banking communities; a fact that has not been challenged on the grounds of general public policy or by competition authorities in EU Member States. It is therefore not plausible to assume that mandatory migration to a single set of euro payment instruments developed by the European banking industry as basis for the creation of one domestic euro payments market could effectively be challenged on these grounds. Consequently, the forthcoming legislative intervention will need to promote the irreversible movement from legacy domestic euro retail credit transfer and direct debit schemes to the SEPA Schemes, for both purely national and cross border euro payments within the Single Euro Payments Area.

In the view of the EPC it is the task of the European regulators to build a sound and robust legal argument which reconciles their ambition to create one integrated euro payments market with the fact that by definition SEPA is contingent upon migration to a single set of euro payment instruments; e.g. the SEPA Schemes developed by the EPC.

Creating multiple SEPA Schemes compatible with so-called "essential requirements" minimises the benefits for bank customers inherent to SEPA

By contrast, the existence of competing SEPA schemes compliant with so-called "*essential requirements*" as suggested in the EC discussion paper would defeat the very purpose of a harmonised and competitive euro payments market as the present fragmentation of the euro payments market along national borders would simply be transposed to a European level. The Commission should be mindful that the "*essential requirements*" approach could be challenged on the same grounds cited with regard to the scheme-based approach if such requirements

were defined with a view to de facto enforce migration to the EPC SEPA Schemes.

The "*essential requirements*"-approach would only be valid if additional SEPA Schemes would have a realistic chance to go to market; e.g. if the European legislator would force payment services providers to adhere to such alternative schemes. Absent such enforcement, payment services providers might choose to adhere to the SEPA Schemes developed by the EPC which would leave the Commission facing renewed accusations based on the - flawed, see above - "*monopoly*" argument. Properly thought through, therefore, the "*essential requirements*" approach would lead - to a situation where payment services providers would have to offer different sets of SEPA services and products based on different sets of SEPA schemes each compliant with the "*essential requirements*". As a result, bank customers such as enterprises and public administrations, for example, would have to continue to support multiple payment applications to conduct business and manage cash flow throughout SEPA. Such a scenario, however, would - de facto and de jure - reduce to pieces the SEPA vision promoted by regulators throughout the last decade.

The benefits for bank customers associated with SEPA, e.g. opening the market to increase competition in the provision of payment services, can only be realised if a single set of SEPA Schemes based on the same standards is implemented.

The EPC therefore recommends that the Commission abandons the "*essential requirements*" approach in the context of setting an end date for migration to SEPA.

The SEPA Schemes developed by the EPC evolve according to a transparent, predictable and inclusive change management mechanism providing all stakeholders with the opportunity to engage in the process

The EPC greatly appreciates the dialogue taking place in the EPC Customer Stakeholder Forum (CSF) established in 2007. The CSF provides organisations representing customer interests on a European level with the opportunity to bring their ideas regarding the evolution of the SEPA Schemes to the table. Obviously, there are differentiated - and occasionally mutually exclusive - views on SEPA requirements among and within individual customer segments. It therefore needs to be recognised that the benefits resulting from the SEPA harmonisation exercise are at risk if all market participants insist on cementing their own legacy payment habits via the SEPA Schemes. Some adjustments are required by all parties.

The SEPA Schemes evolve based on a transparent and inclusive change management process defined in the SEPA Scheme Management Internal Rules (see link below) which stipulate that literally anybody, e.g. all stakeholders, may formally introduce suggestions for changes to the schemes. The EPC is required to evaluate the feasibility of such suggestions based on a fixed catalogue of objective criteria also set out in the SEPA Scheme Management Internal Rules. Any proposed changes to the SEPA Schemes are subject to a three-month public consultation. Proposed changes to the Schemes that find broad acceptance in the entire user community are taken forward. Change requests that lack such broad support are not - regardless whether such a change is proposed by a payment services provider or a customer representative. As a result of this change management process, the SEPA Schemes now incorporate numerous features introduced by end users.

This being said, it also needs to be recognised that the EPC is neither a grassroots movement nor an exercise in participatory democracy. The EPC represents the European payments industry, e.g. the supply side. The EPC assumes that industry is entitled to organise itself just as much as any other stakeholder group. It would be appreciated if going forward regulators would abstain from raising unrealistic expectations to the contrary.

In 2006, the then **Commissioner Charlie McCreevy acknowledged**: "The EPC has already accomplished sterling work with the existing credit transfer and direct debit rulebooks necessary for the launch of SEPA products. Securing the agreement of 7000 or so European banks is no mean achievement and one for which I should like to heartily congratulate the EPC" ¹⁷.

Steering SEPA from Jimmy-Carter-Highway (or the European equivalent thereof) to Robert-Schuman-Drive

The "essential requirements" migration approach proposed in the EC discussion paper "SEPA Migration End-Date", as demonstrated above, does not foster innovation nor does it boost competition - on the contrary. The "essential requirements" rather reflect the European regulators' timid reluctance at this point to navigate the dire straits of a public debate on mandatory migration to a single set of SEPA payment instruments that promises to be contentious should the regulators engage in a serious campaign promoting their original SEPA vision.

Moving forward, the hope remains that the relevant EU institutions and EU lawmakers will muster up the determination necessary to steer SEPA from Jimmy-Carter-Highway (or the European equivalent thereof) to Robert-Schuman 18-Drive; e.g. mandatory migration to the SEPA Schemes developed by the EPC at a date to be set through EU Regulation.

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Related links:

[European Commission discussion paper "SEPA Migration End-Date"](#)

[SEPA Scheme Management Internal Rules](#) (see section 3 regarding the principles governing the evolution of the SEPA Schemes developed by the EPC)

Related article in this issue:

[The Art of communicating SEPA. Fringe observations on the Single Euro Payments Area](#)

Related articles in previous issues:

[Clarity and Incentives needed. ECOFIN conclusions of December 2009 on setting an end date for migration to SEPA \(EPC Newsletter, Issue 5, January 2010\)](#)

[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 recommendations on end date for SEPA migration \(EPC Newsletter, Issue 2, April 2009\)](#)

[Every Road has got to end somewhere: the Need for a SEPA Migration End Date. Re-emphasised by the European Central Bank \(EPC Newsletter, Issue 2, April 2009\)](#)

[On Bananas and the Integration of Euro Payments. The SEPA commitment of EU governments \(EPC Newsletter, Issue 2, April 2009\)](#)

¹ Maureen Dowd: "Hail the Conquering Professor", The New York Times, 23 March 2010. The complete article is available at <http://www.nytimes.com/2010/03/24/opinion/24dowd.html>

² The New Deal was a series of economic programs passed by US Congress during the first term of Franklin D. Roosevelt, 32nd President of the United States, from 1933 to his re-election in 1937. The programs were responses to the Great Depression, and focused on what historians call the 3 Rs: relief, recovery and reform. That is, relief for the unemployed and poor, recovery of the economy to normal levels, and reform of the financial system to prevent a repeat depression (Wikipedia).

³ To learn more about the public debate surrounding US health care reform, the interested reader might refer to the following source: Brendan Nyhan: "The Fight Is Over, the Myths Remain", The New York Times, 24 March 2010 available at <http://www.nytimes.com/2010/03/25/opinion/25nyhan.html?scp=6&sq=health%20care%20reform&st=cse>

⁴ European Commission discussion paper "SEPA Migration End-Date" (PSMEG/002/10), section 2.1 (15), page 3

⁵ European Commission discussion paper "SEPA Migration End-Date" (PSMEG/002/10), section 2.3 (20), page 4

⁶ The introduction of the SEPA Direct Debit Schemes required a uniform EU-wide legal framework for payments; the launch date of the SDD Schemes therefore aligned with the 1 November 2009 deadline for EU Member States to transpose the Payment Services Directive (PSD) into national law.

⁷ Regulation (EC) No 924/2009 repealing Regulation 2560/2001 establishes mandatory availability ("reachability") of payment accounts for direct debit payments across the European Union as of November 2010. For Member States which have not yet adopted the euro, the rules on mandatory availability will apply a year after their entry into the euro area, but no later than 2014.

⁸ European Commission, Directorate-General Internal Market and Services: Consultative Paper on SEPA Incentives, February 2006 available at http://ec.europa.eu/internal_market/payments/docs/sepa/sepa-2006_02_13_en.pdf

⁹ Speech Charlie McCreevy, then European Commissioner for Internal Market and Services: "Banking regulation: Next steps", French Banking Federation Conference, Paris, 21 March 2006 available at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/188&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁰ Press Release of 4 May 2006: Single Euro Payments Area. Joint statement from the European Commission and the European Central Bank available at <http://www.europeanpaymentscouncil.eu/documents/PR%20joint%20statement%20ECB%20EC%2004052006.pdf>

¹¹ Speech by Jean-Claude Trichet, President of the European Central Bank: "Creating an integrated market for the euro area". Conference "SEPA Summit" at the Euro Finance Week, Frankfurt am Main, 13 November 2006 available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=36

¹² ECOFIN Conclusions on SEPA (December 2009) available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=343

¹³ European Parliament Resolutions on the Implementation of the Single Euro Payments Area: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0139&language=EN&ring=B6-2009-0111> (March 2009) and <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0057+0+DOC+XML+V0//EN> (March 2010)

¹⁴ SEPA: Potential Benefits at Stake (Capgemini) available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=283

¹⁵ Treaty on the Functioning of the European Union (TFEU): <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0047:0199:EN:PDF>

¹⁶ International Organisation for Standardisation, see www.iso20022.org.

¹⁷ Speech by Charlie McCreevy, then EU Commissioner for Internal Market and Services: "Time to deliver on SEPA". Conference "SEPA Summit" at the Euro Finance Week, Frankfurt am Main, 13 November 2006 available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=37

¹⁸ Robert Schuman, 29 June 1886 - 4 September 1963, was a noted French statesman. Schuman was a Christian Democrat (M.R.P.) and an independent political thinker and activist. Twice Prime Minister of France, a reformist Minister of Finance and a Foreign Minister, he was instrumental in building post-war European and trans-Atlantic institutions and is regarded as one of the founders of the European Union, the Council of Europe and NATO (Wikipedia)

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EPC LATEST NEWS

Update EPC Plenary Meetings Main decisions taken in March 2010

29.04.10 BY GERARD HARTSINK

Gerard Hartsink summarises the main decisions taken at the March 2010 EPC Plenary meeting including approval of the latest version of the SEPA Fixed Amount Direct Debit Scheme Rulebook (SDD FA) - a new optional SDD Scheme in the pipeline - for public consultation;

approval to include a new functionality in the next version of all SEPA Direct Debit Scheme Rulebooks to be published in November 2010 providing an extended timeline for the optional verification of mandate information by the payer's bank (debtor bank); and approval of an updated version of the application pack for non-credit institutions seeking adherence to the SEPA Schemes.



Approval of the optional SEPA Fixed Amount Direct Debit Scheme Rulebook for public consultation

The EPC Plenary approved release of the latest version of the SEPA Fixed Amount Direct Debit Scheme Rulebook (SDD FA) and Implementation Guidelines for public consultation; a link to the consultation documents is included below. For further details on the public consultation refer to the article "[New optional SDD Fixed Amount Scheme. Public consultation to close on 13 May 2010](#)" in this Newsletter. For details on the new SDD FA Scheme refer to the article "[Optional SEPA Direct Debit Scheme in the Pipeline. Additional SDD Fixed Amount Scheme provides maximum planning security to consumers and billers](#)" published in the previous issue of this Newsletter.

The EPC Plenary is favourable to support the development of a "Code of Conduct" specifying the type of goods and services adequate to be paid for through direct debit collections under the new SDD FA Scheme. The aim of such a "Code of Conduct" is to ensure sufficient consumer protection. Usage of the SDD FA Scheme could be limited to payment for goods and services which consumers can purchase or have access to without delay and which by their nature cannot be returned such as, for example, lottery tickets.

This "Code of Conduct" should build on principles accepted at a European level together with all relevant market players. The EPC will support the development of this "Code of Conduct" with a view to make it available as soon as possible. The ownership of the "Code of Conduct" should be shared with the regulators and associations representing consumers and corporates. Creditor banks servicing creditors (billers) should require these creditors to respect the "Code of Conduct". Furthermore, the appropriate governance model allowing relevant parties to supervise the correct application of the "Code of Conduct" will have to be defined.

The EPC will take the necessary actions to bring this matter to the attention of the customer associations representing consumers and corporates. The EPC will open the adherence process allowing payment services providers to seek participation in the new SDD Fixed Amount Scheme following approval of the SDD FA Rulebook version 1.0 in June 2010 and further clarification regarding the envisaged "Code of Conduct".

Going forward, the EPC will discuss with the members of the EPC Customer Stakeholder Forum representing bank customers their involvement in the process of defining such a code.

Approval of the "New Mandate Check" functionality as an option in the three SEPA Direct Debit Scheme Rulebooks providing an extended timeline for the optional verification of mandate information by the payer's bank (debtor bank)

The EPC Plenary addressed concerns perceived by the Bureau Européen des Unions de Consommateurs (BEUC) with regard to mandate management options of the payer's bank (debtor bank) under the SEPA Core Direct Debit Scheme. With a mandate, the payer (debtor) authorises a biller (creditor) to collect payment by direct debit. At the same time the mandate authorises the payer's bank (debtor bank) to debit the payer's account when a direct debit collection is presented.

In a letter to the EPC with regard to the points raised by the BEUC, the European Commission and the European Central Bank confirmed that the SEPA Direct Debit Scheme is based "on proven national concepts, fully meets the respective legal requirements and - in some points - goes even further than required by the Payment Services

Directive in order to better satisfy customer needs". In their letter to the EPC, both the European Commission and the European Central Bank also recognised that "factual and perceived security may not always coincide". The EPC Plenary noted that the European Central Bank acts as an observer in all EPC Working and Support Groups and also in the EPC Plenary. As such, the European Central Bank has closely followed and monitored the development of the SEPA Schemes.

The EPC Plenary considered means to further accommodate the requirements of bank customers used to a pre-SEPA direct debit model based on the so-called "debtor-driven mandate flow" (see below).

The pre-SEPA direct debit models existing on national level today fall into two broad categories as regards the process of issuing a mandate:

1. The "creditor-driven" mandate flow: (1) the payer (debtor) completes and signs a paper-based mandate and (2) sends it directly to the biller (creditor). The biller (creditor) is responsible for storing the original mandate, together with any information regarding amendments relating to the mandate or its cancellation. In this scenario, the payer's bank (debtor bank) does not receive any mandate-related information from its customer nor is the payer's bank (debtor bank) responsible for checking the right of a biller (creditor) to collect payment from a payer's account. This model is used in a large number of EU Member States today.
2. The "debtor-driven" mandate flow: (1) the biller (creditor) informs the payer's bank (debtor bank) that the payer (debtor) indicated to wish making payments by direct debit; (2) the payer's bank (debtor bank) then issues the actual mandate and informs the payer (debtor) accordingly; e.g. the mandate stays with the payer's bank (debtor bank). When a biller (creditor) presents a direct debit collection to the payer's bank (debtor bank), the payer's bank (debtor bank) might choose to check the authorisation of the biller (creditor) to collect payment based on the mandate.

The SEPA Direct Debit Schemes (SDD) are based on the first model; e.g. the creditor-driven mandate flow.

To give even more comfort to those bank customers who are used today to pre-SEPA direct debit models existing in some EU Member States based on the debtor-driven mandate flow, the EPC will deliver an optional "New Mandate Check" functionality to be included in the next release of the SEPA Direct Debit Scheme Rulebooks to be published in November 2010. The "New Mandate Check" functionality provides an extended timeline for the optional verification of mandate information by the payer's bank (debtor bank) thus increasing its ability to widen its mandate management in relation to its customers. This functionality could also serve as basis for banks and communities of banks to develop further Additional Optional Services (AOS) building on this functionality and facilitating migration from legacy direct debit systems to the SEPA Direct Debit.

The EPC will discuss and agree the practical and technical modalities of this additional optional functionality with the representatives of the European associations of consumers and businesses in its Customer Stakeholder Forum together with the European Commission and the ECB (Eurosystem) with a view to stabilising the SDD Core Scheme to the satisfaction of all bank customers. The timelines defined in section 3 of the SEPA Scheme Management Internal Rules (see link included below) which govern the SEPA Scheme Change Management Process apply.

In addition, the EPC will reinforce ongoing efforts to explain to all European organisations representing consumers and businesses in yet greater detail the principles governing the SDD Core Scheme which already today enable payment services providers to supply the services requested by the BEUC. The EPC Chair reported that on the occasion of a meeting of the European Consumer Consultative Group convened by the Directorate-General for Health and Consumers, for example, it became clear that not all consumer advocate groups are aware which SDD services are already possible to be delivered based on the current SDD Rulebooks.

The EPC Plenary reiterated that

- The SDD Schemes are fully aligned with consumer rights as defined in the EU Payment Services Directive (PSD).
- Even exceeding the requirements of the PSD, the SEPA Core Direct Debit Scheme grants payers a "no-questions-asked" refund right during the eight weeks following the debiting of a payer's account; e.g. during this time any funds collected by SEPA Direct Debit will be credited back to the payer's account upon request.

- In the event of an unauthorised direct debit collection, the payer's right to a refund extends to thirteen months as stipulated in the PSD.
- The SDD Core Scheme is built on the same business assumptions and basic trust between the parties involved as the established pre-SEPA, national direct debit model used for decades in a large number of EU Member States.
- Payment services providers servicing billers who collect direct debit payments must ensure that only trustworthy billers are able to collect payments via SEPA Direct Debit. This is also in the interest of payment services providers as they would have to cover any losses resulting from fraudulent and / or erroneous direct debits.
- To help in meeting the preferences of bank customers living in countries currently using a direct debit model based on the debtor-driven mandate flow, the SEPA Direct Debit includes the option to create mandates through the use of electronic channels - called e-mandates. If the payer issues an e-mandate, the mandate information stays directly with the payer's bank (debtor bank). In this case, the payer's payment services provider has the option to verify whether the payer authorised a direct debit collection (see also the article "[Have it Your Way! The EPC e-Mandate option: a secure way to authorise a SEPA Direct Debit payment](#)" in this Newsletter).

Approval of application pack for adherence of non-credit institutions to the SEPA Schemes

The EPC Plenary approved an updated version of the "*Application Pack for Adherence to the SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes for Applicants that are neither licensed credit institutions in accordance with Article 6 of Directive 2006/48/EC (or licensed Swiss banks) nor entities listed under Article 2 of Directive 2006/48/EC*" - in short, the Non-CI Application Pack. The updated version 3.0 was aligned with the latest version of the SEPA Scheme Rulebooks for credit transfer and direct debits. A link to the Non-CI Application Pack version 3.0 is included below.

Gerard Hartsink is the Chair of the European Payments Council..

Related links:

[SEPA Fixed Amount Direct Debit Scheme Rulebook - Public Consultation](#)

[SEPA Scheme Management Internal Rules](#)

[Non-CI Application Pack \(Application Pack for Adherence to the SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes for Applicants that are neither licensed credit institutions in accordance with Article 6 of Directive 2006/48/EC \(or licensed Swiss banks\) nor entities listed under Article 2 of Directive 2006/48/EC\) version 3.0](#)

ARTICLE116

EPC LATEST NEWS

EPC Annual Report 2009

Driving forward the SEPA vision

29.04.10 BY GERARD HARTSINK

The recently published EPC Annual Report 2009 documents the continued commitment of the European banking industry to making SEPA a reality. The report provides an overview of the progress achieved to-date as well as an outlook on EPC deliverables to be completed in 2010. Thus, the report also serves to further clarify the specific role of the EPC in the SEPA process. Last, but not least, the report reflects the latest findings confirming that early movers have the

most to gain from SEPA implementation. Gerard Hartsink presents the EPC highlights 2009 and calls on the political drivers of the SEPA process to set the stage for successful conclusion of the SEPA process early in the foreseeable future.

Clarifying the role of the EPC in the SEPA process

One of the objectives of the EPC Annual Report 2009 is to facilitate a clear understanding of the role of the EPC in the SEPA process. The EPC develops the payment schemes and frameworks necessary to realise SEPA. The EPC is not responsible for the over-all management of the SEPA process.

The purpose of the EPC is to promote the Single Euro Payments Area (SEPA). The EPC defines common positions, provides strategic guidance for standardisation, formulates rules, best practices and standards and supports and monitors implementation of decisions taken. The EPC consists of 76 members representing banks, banking communities and payment institutions. More than 300 professionals from 32 countries are directly engaged in the work programme of the EPC, representing all sizes and sectors of the banking industry within Europe.

The EPC is responsible for the development and maintenance of SEPA payment schemes as defined in the SEPA Credit Transfer Scheme Rulebook and the SEPA Direct Debit Scheme Rulebooks. The SEPA Scheme Rulebooks and corresponding Implementation Guidelines describe sets of rules and standards that have to be observed by payment service providers when executing SEPA payment transactions. The Rulebooks provide a common understanding between banks on how to move funds and remittance information (maximum 4 x 35 characters) from account A to account B within SEPA.

The rules and standards which make up a payment *scheme* are defined by banks in a collaborative space - that is the EPC. The particular payment *products* and *services* offered to the customer are developed by individual banks or groups of banks operating in a competitive environment. Provided that scheme rules and standards are respected, payment service providers are free to add features and services of their choice to the actual payment product.

The EPC delivers key elements required to achieve SEPA: the SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes

In November 2009, the EPC successfully launched the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme. As of this date, banks throughout SEPA were 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.

Also in November 2009, the EPC released updated versions of the SEPA Scheme Rulebooks including new mandatory and optional elements which reflect further customer requirements as identified during the annual three month public consultation.

SEPA data formats: recommendations on the reporting of SEPA transactions by banks to their customers



The realisation of SEPA requires agreement on a common set of data to be exchanged in a common syntax. The SEPA data formats specified by the EPC for the exchange of SEPA payments represent such a common data set. The SEPA data formats are a subset of the ISO 20022 message standards. Following release of enhanced Implementation Guidelines for the customer-to-bank communication, in 2009 the EPC approved recommendations on the reporting of SEPA transactions by banks to their customers allowing for fully automated Straight-Through-Processing of SEPA transactions along the entire process chain (customer-to-bank; bank-to-bank; bank-to-customer).

Extended character set solution supporting the use of any characters existing in the SEPA languages when making SEPA payments

Part of a payment instruction is information facilitating reconciliation of the payment on the side of the receiving party such as the name of the payer or the reason for payment. The SEPA Schemes require such information to be provided using Latin characters, unless banks agree to accept other characters as well (ä, à, ñ, for example). To allow unrestricted communication between bank customers (and their banks) across 32 SEPA countries, the EPC has developed - based on ISO and UNICODE character set standards - an extended character set solution that supports the use of any characters existing in the SEPA languages. The aim is to have a consistent way of handling an extended character set catering for SEPA national language requirements to minimise any related rejects and other return transactions.

Online and mobile SEPA payments

In response to changing customer habits, significant progress was achieved in the design of the SEPA e-Payments Framework facilitating online payments with a payment-guarantee for web-retailers followed by a SEPA Credit Transfer. In addition, the EPC Roadmap for Mobile Payments approved in March 2009 spells out the main deliverables in the areas of SEPA card proximity payments and SEPA card mobile remote payments.

SEPA for Cards: promoting the use of open standards

The aim of creating a SEPA for Cards is to ensure a consistent customer experience at a very high level of security when making (consumers) or receiving (merchants) card payments throughout SEPA. The SEPA for Cards will be achieved to the greatest extent possible through the use of open standards, available to all parties within the card payment value chain. In 2009, the EPC together with representatives of the main sectors also active in the cards domain including retailers, vendors, processors and card schemes established the Cards Stakeholders Group (CSG). The CSG is mandated to progress the SEPA Cards Standardisation Volume - Book of Requirements. In 2009, the EPC published an updated version of the Volume addressing card-not-present transactions.

Single Euro Cash Area (SECA): moving to a less-cash society

The EPC continues to push for a Single Euro Cash Area (SECA) seeking, amongst other objectives, to increase the efficiency of the wholesale cash processing cycle; e.g. the processes required to put euro bank notes and coins in circulation and to transport them. The EPC closely monitors implementation of the roadmap defined by the European Central Bank / Eurosystem in support of the SECA objectives. In addition, the EPC developed a set of recommendations with a view to ensure greatest possible effectiveness of a regulation on cross-border euro cash transport by road. It is expected that the European Commission will introduce a related proposal in the second quarter of 2010.

Latest findings confirm: early movers have the most to gain

The EPC Annual Report confirms that it is now the time for the political drivers of the SEPA project to incentivise market transition to the SEPA payment instruments. 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. As of end 2009, however, the public sector continued to lag behind even the modest average of SCT uptake across the EU Member States.

The "SEPA Readiness Survey 2009" (Deloitte), by comparison, finds that SEPA readiness has significantly increased in the corporate sector 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 time, the majority of companies now identify SEPA not only as a compliance issue, but also as a business opportunity. The survey results demonstrate that early movers have most to gain. It is hoped that the public sector will absorb this lesson sooner rather than later.

Call to action: setting a deadline for migration to SEPA

The EPC Annual Report 2009 demonstrates the continued commitment of the European payments industry to making SEPA a reality. The successful conclusion of this harmonisation exercise requires action by all stakeholders. The EPC welcomes the fact that the EU Finance Ministers represented in the Economics and Financial Affairs Council - ECOFIN - recognise that setting a deadline for migration to the SEPA payment instruments provides the clarity and the incentive needed by the market; will ensure 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 EPC reiterates: a transformation process of this dimension must be transparent and predictable for all market participants. Mandating an EU-wide end date requires EU Regulation.

Gerard Hartsink is the Chair of the European Payments Council.

Related link:

[EPC Annual Report 2009](#)

Related articles in this issue:

[On SEPA and US Health Care Reform. EC paper "SEPA Migration End Date": a commentary](#)

[Don't get lost in Translation. EPC publication "SEPA for the Public Sector" now available in all EU languages courtesy of the ECB](#)

Related articles in previous issues:

[SEPA Survey 2009: Corporate Readiness on the Rise. The findings confirm that early movers have everything to gain \(EPC Newsletter, Issue 5, January 2010\)](#)

[Expectations are promising \(and Patience is a Virtue\). Results of the Second Annual Progress Report on the state of SEPA migration in 2009 \(EPC Newsletter, Issue 5, January 2010; this article in particular reflects migration to SEPA in the public sector\)](#)

ARTICLE109

EPC LATEST NEWS

SEPA Scheme Change Management 2010: Public Consultation

All stakeholders are invited to participate in the evolution of the SEPA Schemes

26.05.10 BY HERMAN SEGERS

The SEPA Schemes evolve based on a transparent and inclusive change management process defined in the SEPA Scheme Management Internal Rules which stipulate that all stakeholders

may formally introduce suggestions for changes to be included in the SEPA Scheme Rulebooks. The EPC is required to evaluate the feasibility of such suggestions based on a fixed catalogue of objective criteria also set out in the SEPA Scheme Management Internal Rules. Any proposed changes to the SEPA Schemes are subject to a three-month public consultation. Proposed changes to the SEPA Schemes that find broad acceptance in the entire user community are taken forward. Herman Segers invites stakeholders to participate in the public consultation on possible modifications to be introduced into the next release of the SEPA Scheme Rulebooks. The consultation starts on 19 May 2010.



The evolution of the SEPA Schemes

Driving forward innovation in payments the EPC encourages all players acting in the payments market to actively contribute to the evolution of the SEPA Schemes. The change management process governing the development of the SEPA Credit Transfer Scheme (SCT) and the SEPA Direct Debit Schemes (SDD) is set out in the SEPA Scheme Management Internal Rules annexed to the SCT and the SDD Rulebooks (a link to the SEPA Scheme Management Internal Rules is included below).

The EPC change management process provides all stakeholders a unique opportunity to shape the future of euro payments: banks offering SEPA services and their customers are called upon to take part in the public debate on the changes to be incorporated into the SEPA Scheme Rulebooks.

Public consultation of the Change Request

The public consultation on the Change Requests outlining possible modifications to be introduced into the SEPA Scheme Rulebooks to be released in November 2010, starts on 19 May 2010. The Change Requests pertaining to the SEPA Credit Transfer Scheme Rulebook, the SEPA Core Direct Debit Scheme Rulebook and the SEPA Business to Business Direct Debit Scheme Rulebook detail suggestions for changes submitted by customer representatives, banking communities and by EPC Working and Support Groups. The Change Requests also contain recommendations of the EPC SEPA Payment Schemes Working Group (SPS WG) on the changes to be incorporated into the next release of the SEPA Scheme Rulebooks.

All stakeholders are invited to forward their comments on the recommended changes by 17 August 2010.

Evaluating suggestions for change: the principles

The suggestions for changes submitted by stakeholders and detailed in the Change Requests to be published for public consultation have been evaluated by the SPS WG in light of the following criteria defined in the SEPA Scheme Management Internal Rules:

- the change presents a case for wide SEPA market-acceptance;
- the change is underpinned by a cost-benefit analysis;
- the change is aligned with the strategic objectives of the EPC; and
- the change is feasible to implement.

The EPC is mindful that the SEPA Schemes must meet the requirements of a broad range of stakeholders. Therefore, the Scheme rules must allow for the development of competitive and custom-tailored SEPA payment products. At the same time, a majority of users including consumers should not have to bear the complexities and costs associated with the addition of specific features if such features are required exclusively by a particular customer segment. The EPC recommendations for the evolution of the SEPA Schemes therefore seek to balance requests to include several highly specific features into the standard Scheme on the one hand and the resulting impact on the stakeholder community as a whole on the other.

Next steps

Taking into account comments received during the 2010 public consultation, the SPS WG will complete a Change Proposal with regard to each of the SEPA Scheme Rulebooks together with updated versions of the SEPA Scheme Rulebooks for submission to the EPC Plenary in September 2010. Subject to approval by the EPC Plenary,

- the SEPA Credit Transfer Scheme Rulebook version 5.0;
- the SEPA Core Direct Debit Scheme Rulebook version 5.0;
- and the SEPA Business to Business Direct Debit Scheme Rulebook version 3.0

will be published in November 2010. The SEPA Scheme Rulebooks released in November 2010 will take effect in November 2011.

Herman Segers is the Secretary General of the European Payments Council.

Related links:

[SEPA Scheme Management Internal Rules](#) (see section 3 on the evolution of the SEPA Schemes);

[Public Consultation on 2011 SEPA Scheme Rulebooks](#)

Related articles in this issue:

[New optional SDD Fixed Amount Scheme. Public consultation to close on 13 May 2010](#)

Related article in previous issues:

[Think ahead. The SEPA scheme change management process \(EPC Newsletter, Issue 2, April 2009\)](#)

ARTICLE114

EPC LATEST NEWS

Don't get lost in Translation

EPC publication 'SEPA for the Public Sector' now available in all EU languages courtesy of the ECB

29.04.10 BY HERMAN SEGERS

SEPA is a policy-maker-driven EU integration initiative in the area of payments designed to achieve the completion of the EU internal market and monetary union. SEPA will become a reality when a critical mass of payment transactions has migrated from national legacy systems to the new SEPA payment instruments. This goal can only be achieved if major players in the payments environment such as public administrations become dedicated SEPA customers. To ensure that migration to SEPA does not get lost in translation, the EPC publication "SEPA for the Public Sector" has been published in all EU languages courtesy of the European Central Bank. The EPC wishes to express its appreciation for these translations provided by the ECB in cooperation with EU national central banks. A link to the translations is included at the end of this article.



To make SEPA a success, the public sector must engage

The public sector is a prime economic actor and is responsible for as much as 50 per cent of the GDP in the euro area and accounts for up to 20 per cent or more of electronic payments made in society. Moving this volume of payments made by public administrations to SEPA not only significantly contributes to creating critical mass, but will in addition trigger the adoption of SEPA instruments by others, such as corporates and consumers. Given the wider benefits for society, public administrations could and should therefore play a major role in kick-starting migration by setting an example for all payment service users.

The *Second Annual Progress Report on the state of SEPA migration in 2009* (November 2009) prepared by the Commission Services finds that high-volume payment users such as public administrations - even if strongly committed to SEPA - are slow in migrating to SEPA; e.g. in September 2009 the SEPA Credit Transfer (SCT) migration rate in the public sector was significantly below the overall migration rate in the 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 public administrations in the remaining Member States, the SCT migration rate is either below the average national SCT rate or even zero.

No more excuses

In December 2009, the ECOFIN (Economic and Financial Affairs Council - comprising the Economics and Finance Ministers of the EU Member States) emphasised that *"the full benefits of SEPA can only be obtained through the full migration of existing national euro payments transactions"*; stressed *"the important role that should be played by users with high payment volumes such as significant public authorities, corporates and other large entities in such migration"* and called on *"public authorities in all Member States to significantly step up, unless already done, their migration efforts and lead SEPA migration by example"*. In addition, the ECOFIN invited *"public authorities to demonstrate, unless already done, their willingness to drive forward the migration process by drawing up integrated and synchronised national migration plans for all public authorities, in order to achieve full migration of national public administrations to SEPA standards, products and services"*.

The EPC invites public administrations across the 32 SEPA countries to refer to the EPC publication "SEPA for the Public Sector" which contains valuable information designed to assist in the set up of SEPA implementation projects. Thanks to the translations of this publication in all EU languages provided by the ECB in cooperation with EU national central banks, moving forward the language barrier should not pose an obstacle to speedy SEPA migration by public entities any longer.

Herman Segers is the Secretary General of the European Payments Council.

Related links:

[Translations of the EPC publication "SEPA for the Public Sector" in all EU languages courtesy of the European Central Bank](#)

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

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

Related articles in previous issues:

[Expectations are promising \(and Patience is a Virtue\). Results of the Second Annual Progress Report on the state of SEPA migration in 2009 \(EPC Newsletter, Issue 5, January 2010\)](#)

ARTICLE119

OPINION AND EDITORIAL

The Art of communicating SEPA

Fringe Observations on the Single Euro Payments Area

29.04.10 BY JAVIER SANTAMARÍA

The "Fringe Observations on SEPA" feature voices of EPC members that are delivering SEPA services to customers. Their commentaries highlight aspects transcending the day-to-day management of the process aimed at making SEPA a reality in the foreseeable future. In this issue, Javier Santamaría reflects on the art of SEPA communication and demonstrates why payment services providers - contrary to expectations voiced by the EU Economic and Financial Affairs Council - should definitely not take the lead in this area.



Who communicates what to whom?

In December 2009, the Economic and Financial Affairs Council comprising the Economics and Finance Ministers of the EU Member States (ECOFIN) stated in its conclusions on SEPA that: "*extensive communication efforts by service providers, when marketing SEPA products, are urgently needed in order to raise SEPA awareness*"¹. Indeed: given the moderate 6.7 percent market uptake of the SEPA Credit Transfer Scheme² two years after its launch, it is generally recognised that raising SEPA awareness is the order of the day. The question at hand is: how?

If one were to follow the logic of the ECOFIN, a compelling script jointly staged by payment services providers drumming home the SEPA objectives would culminate in banks and their customers happily walking off into the sunset, violins gently whispering the European anthem, the promised SEPA land on the horizon. Unfortunately, this concept fails to consider the following:

Is communication the key to generating a critical mass of SEPA payment transactions? Assuming for a second that this would be the case - are we talking about communication or pedagogy? If the latter - are payment services providers best suited to engage in educational campaigns transporting the socio-economic benefits associated with EU integration in general and the SEPA harmonisation exercise in particular? Who would be the target audience of such communication campaigns orchestrated by the banking industry? Are payment services providers the most appropriate spokespersons to convey the objectives of the SEPA programme? (There is a reason why marketing professionals like to recruit popular performance artists, sport icons or scantily clad females, and males, to sell a message). In other words, who should communicate what to whom? Has anybody posed these questions prior to sentencing that there is a need for payment services providers to communicate - extensively and urgently as requested by the ECOFIN - on SEPA?

Identifying the appropriate message

When I was a schoolboy I was taught that for communication to occur there must be a sender, a receiver, a channel through which transmission takes place and a message for the target audience or receiver (this simple model may be completed with two more elements, as we will see later). Let us start with the most obvious requisite: to communicate we need something to be communicated; preferably, the message should be positive, unambiguous and easy to absorb.

The European authorities promote the message that the SEPA harmonisation exercise will strengthen the common currency, drive forward integration of the internal market and foster competition in payment services resulting in tangible benefits for European citizens and enterprises. At the same time, the European regulators - after having exercised political pressure for more than a decade on the banking industry to build a SEPA infrastructure - like to pretend that the SEPA programme would be a "market-driven" process. In these instances, the regulator tends to forget that bank customers never asked for existing payment instruments, which generally are viewed to be efficient and convenient, to be replaced by harmonised SEPA payment instruments.

The European regulators leave it to payment services providers to convey the following vital piece of information to bank customers such as corporates, SMEs and public administrations: to realise the benefits commonly associated with SEPA in the long run requires not just banks but also the demand side to invest into the upgrade of their payment architecture.

As of late, the European Commission equates the single set of SEPA payment instruments developed by the EPC at the request of regulators with a "private monopoly" of the EPC. The Commission now seems to advocate the development of additional, competing SEPA Schemes. (For further details on this matter refer to the article "On SEPA and US Health Care Reform" in this Newsletter; a link is included below). Summing it up, European authorities seem to expect the payments industry to launch comprehensive marketing activities based on the following storyline: "*SEPA is a process promoted by banks and bank customers eager to invest into new payment applications compliant with different sets of SEPA payment schemes, a diversity which prevents market integration and minimises possible scale and scope advantages for all stakeholders. We have no idea how the investment into new payment applications compliant with different sets of SEPA Schemes could possibly strengthen the common currency. But, believe me, SEPA is great*". Not even legions of the most imaginative communication experts could turn this lame duck into a blockbuster.

Messages to the general public promoted by the European Commission are incoherent with those directed towards the financial industry. The Commission should reconsider their positioning and deploy a serious and realistic SEPA communication strategy. Hiding behind cloud number seven when painting the SEPA picture is detrimental to effective communication; people generally are aware of the fact that there is no free lunch.

Identifying the appropriate sender

Even if the authorities would manage to define the clear-cut messages needed to communicate the rationale for SEPA, individual payment services providers are not the appropriate senders to disseminate this message for two simple reasons: firstly, the sales staff in the payments industry are trained and paid to promote cash management solutions; they do not usually sit down with their customers to discuss financial policy issues. Secondly, given their current approval ratings, banks are unlikely to be the most efficient promoters of the SEPA objectives. Justified or not, chances are that aggressive SEPA marketing campaigns launched by the banking industry would create a backlash rather than broad support among the general public.

Last but not least: SEPA is about breaking down the national borders preventing the evolution of one domestic euro payments market. And this is not a message that payment services providers may transmit with credibility.

Payment services providers operating in a competitive market promote SEPA products and services if and when this fits their business strategy

Any payment services provider with an interest in the SEPA business is free to choose a payment strategy and to define services and products which add value to the underlying basic operating principles. Hence, the SEPA product portfolios of banks will differ necessarily and each one will send a distinct message to its customers stressing the differences and value added compared to products and services offered by competitors. As a result of product promotion by competitors in the commercial payments environment we should expect diversity, differentiation, creativity and specialisation benefiting individual customers rather than common messages supporting shared objectives that unite the European public under the SEPA banner.

Identifying the appropriate target audience

Even the most convincing message transported through the most appropriate communication channels is lost if targeting the wrong audience. Bank customers do not approach their payment services providers seeking lectures on EU integration but to acquire fast, efficient and secure payment services. The lead in selling the benefits of EU integration to the general electorate falls to the relevant European institutions and EU Member States.

It is also an oversimplification to think that there is a homogeneous audience acting as the recipient of SEPA communication. Supply side diversity is a trifling story compared to demand side expectations. It is impossible to create a limited number of messages to address all relevant specificities. In fact, attending demand side needs would require from SEPA apostles not a communication strategy but an army of SEPA pedlars knocking door by door. It could be far more effective for corporates, SMEs, public administrations and consumers to device themselves a set of positive SEPA messages adapted to the information needs of each particular stakeholder group ³.

The rationale for the demand side to migrate to the new SEPA payment instruments is the same as for the payments industry, e.g. the benefits generated through EU integration. Consequently, the banking sector trusts that the ECOFIN will address the relevant bodies and ask them to roll out SEPA communication efforts targeting their own constituencies.

The limits of communication

The above demonstrates that the call of the ECOFIN on the payment services industry to take a leading role in SEPA communication is based on a fundamentally flawed perception of who needs to communicate what to whom. The only other explanation for this misplaced call to action might be the fact that the relevant European authorities so far seem to have no appetite whatsoever to dedicate necessary resources to SEPA communication. In case this is a secret to some: defining messages, communication channels and target audiences is only the first step. Once these preliminaries are dealt with, somebody will have to cough up the budget it takes to translate these elements into marketing and information campaigns that will make SEPA a household name among 490 million European citizens in 32 countries.

At the very beginning I mentioned that the simplistic model applied to communication specifying the sender, the message, the channel and the receiver should include two more elements: (1) the objective of the communication and (2) the desired feedback to be generated among receivers. Communication, as any other human venture, must have a meaning; it should be pursued if benefits exceed costs. Along this article I think that I have brought evidence to back the idea that we have not yet responded adequately to the question "why communicate on SEPA".

Incidentally, regulators perceived the need to communicate on SEPA based on the naïve belief that the lack of SEPA market uptake would result from a lack of information. At this point, however, even the regulators have woken up to the fact that the lack of SEPA market uptake is based on a lack of market demand for SEPA payment instruments as perceived by individual users of payment services. What is needed to generate migration to SEPA is an EU Regulation setting a mandatory end date for migration. Going forward, communication in the context at hand will have the objective of explaining the rationale for mandatory migration - it is important to internalise this fact.

Feedback as a requirement for complete communication proves that it is not a one-way process. The receiver reacts to communication, and even to lack of communication. We should analyse in advance what is the feedback we intend to inspire among receivers. From my viewpoint we should start studying what the receivers of SEPA messages, e.g. SEPA users, really need to embrace SEPA. Is it communication for informational purposes or other kind of help from those who are pushing SEPA? Of course they should understand the SEPA concept, but communication is not the only means to produce understanding. Maybe they require time to adapt, or the right incentives to move (sticks and carrots), or the conviction that there is no other alternative. Communication does not answer adequately to all of these needs.

Let's discuss before we communicate

The SEPA Council now being established under the joint chairmanship of the European Commission and the European Central Bank bringing together the demand and the supply sides could serve as a forum to discuss related matters.

Last but not least: whichever parties eventually decide to launch targeted SEPA communication campaigns should leave the job to those who have the tools and the language that actually allow reaching people. For all their skills and competence - evidence shows that this is not necessarily a forte of European regulators, lobbyists and, oh well, bankers.

Javier Santamaría represents Banco Santander. Banco Santander is a member of the European Payments Council.

Related articles in this issue:

[On SEPA and US Health Care Reform. The EC paper "SEPA Migration End Date": a commentary](#)

[Don't get lost in Translation. EPC publication "SEPA for the Public Sector" now available in all EU languages courtesy of the ECB](#)

¹ ECOFIN Conclusions on SEPA (December 2009) available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=343.

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

³ The EPC has made available extensive communication material to assist explaining the impact of SEPA on different stakeholder groups available for download at www.europeanpaymentscouncil.eu / SEPA Customers.

ARTICLE117

OPINION AND EDITORIAL

SEPA Global Impact I: the View from Japan

EPC Newsletter series takes a look at the impact of SEPA beyond Europe

30.04.10 BY KAZUSHI ISHIJIMA

The SEPA harmonisation exercise aimed at the integration of the euro payment market is being closely monitored by banking communities around the globe. Starting with this edition, the EPC Newsletter launches a series outlining the impact of SEPA in regions other than Europe. Pioneering the implementation of the ISO 20022 message standards with the launch of the SEPA Schemes in Europe has inspired the Japanese banking community: by November 2011, the Japanese retail payment system will be upgraded to the ISO 20022 standards with a view to enhance efficiency, convenience and interoperability. At the same time, Japanese financial institutions are evaluating the benefits associated with SEPA for Japanese corporates and SMEs doing business in Europe as well as for individuals seeking investment opportunities in the internal market. SEPA may not be a household name in Japan, says Kazushi Ishijima, but the Japanese payment industry closely monitors related developments.



Following the SEPA pioneers: Japanese banks to implement the ISO20022 standards

The SEPA harmonisation exercise - in particular the pioneering role of the European banking industry with regard to the implementation of the ISO 20022



message standards¹ - is closely monitored in the Japanese transaction banking sector.

The realisation of SEPA requires agreement on a common set of data to be exchanged in a common syntax. The SEPA data formats specified by the EPC for the exchange of SEPA payments represent such a common data set. The SEPA data formats are a subset of the ISO 20022 message standards. These formats are binding for the exchange of SEPA payments between Scheme Participants (payment service providers offering SEPA services) ². With the

launch of the SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes, European banks are the first in the world to deploy this new global data format - the ISO 20022 message standards - for mass euro payment transactions. This innovation is likely to have an impact far beyond Europe, as corporates and banks in Asia and in the Americas have already started to realise the global implications of 32 countries moving jointly towards this international standard.

The ISO20022 message standards will also be implemented in the Japanese retail payment system *Zengin* by November 2011. The *Zengin* System is the nation-wide payment system in Japan operated by the Tokyo Bankers Association. For Japanese financial and capital markets to be more competitive, it is important to improve further the security, efficiency and convenience of the payment and settlement systems by keeping pace with the advancement in information technologies. Introducing the ISO20022 format into the *Zengin* System is expected to further enhance interoperability with other systems, strengthen resilience against future changes, and to facilitate inclusion of new functionalities going forward.

Whilst the adaptation of the *Zengin* system to international ISO standards takes place largely unnoticed by the average payment service user, SEPA does offer new possibilities for Japanese bank customers.

SEPA for the Japanese consumers: investment in and travel to Europe made easy

The average Japanese bank customer to-date is unfamiliar with the term "SEPA" given the fact that SEPA does not affect Japanese bank accounts or payments. However, SEPA will immediately benefit those Japanese customers travelling to and doing business in Europe. This is in particular the case for the so-called "Dankai" generation; e.g. citizens born between 1947 and 1949 who form the largest demographic group in Japan.

The Dankai generation - generally expected to continue being active in business after retirement from the work force, known to be IT-savvy and likely to travel abroad in the years to come - holds the majority of Japanese private sector assets in the total amount of 1.500 trillion yen or 11 trillion euro (this sum roughly represents the GDP of the 27 EU countries). Due to long running low interest rates, these customers increasingly are seeking investment opportunities. In consequence, the Japanese financial industry endeavours to activate these assets and to promote investments including in the European market.

To manage such investments, the international players can offer their Japan-based customers to open a non-resident bank account in Europe and to handle all related payments business via SEPA Credit Transfer and SEPA Direct Debit across the 32 SEPA countries. The convenience of managing a European account from anywhere in the world should further be increased based on e-invoicing as well as mobile and web-based cash management services.

Given the time available for travel following retirement especially for the Dankai generation, international players can issue credit and debit cards compliant with the SEPA Cards Framework (SCF) linked to the non-resident accounts of their Japanese customers. As a result, Japanese citizens travelling in Europe are spared the need to carry high amounts of cash or traveller cheques (and having to pay commission for currency exchange). In addition, tax refunds for duty-free purchases at the airport can be credited to the European non-resident account of a Japanese citizen for future use. Last but not least, holding a non-resident account in Europe allows Japanese travellers to take advantage of currency rates playing out to their advantage when contemplating the best time to travel to Europe.

SEPA for Japanese enterprises doing business in Europe

The advantages of holding a non-resident bank account in SEPA extend not only to Japanese consumers, but also to Japanese enterprises doing business in Europe. In particular, collecting payments throughout Europe will be significantly streamlined due to the roll-out of SEPA Direct Debit services which in turn will generate cost reductions and efficiency gains while ensuring reliable cash-flow for businesses of all sizes.

In light of the above, SEPA is expected - once fully implemented - to have an impact beyond Europe: the harmonisation of the euro payment market will deliver the infrastructure needed to boost inter-regional trade and economic activity on a global level.

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Related Link:

[EPC publication "Shortcut to the SEPA Data Format"](#)

www.iso20022.org

Related articles in previous issues:

[The silent Revolution. The impact of ISO 20022 on payments services in general and SEPA in particular \(EPC Newsletter, Issue 3, July 2009\)](#)

[Improving the Bottom Line. ISO 20022 meets key corporate expectations \(EPC Newsletter, Issue 3, July 2009\)](#)

[Take Payments to the next Level. Benefits of ISO 20022 for bank customers: optimised control and increased efficiency \(EPC Newsletter, Issue 3, July 2009\)](#)

¹ To learn more about the SEPA data formats based on the global ISO 20022 message standards refer to the EPC publication "Shortcut to the SEPA Data Formats"; a link to this publication is included at the end of this article. See also www.iso20022.org.

² Following the release of enhanced Implementation Guidelines for the customer-to-bank communication, in 2009 the EPC approved recommendations on the reporting of SEPA transactions by banks to their customers. As a result, fully automated Straight-Through-Processing of a SEPA transaction along the entire process chain (customer-to-bank; bank-to-bank; bank-to-customer) is now possible. Implementation of the SEPA data formats in the customer-to-bank and bank-to-customer communication is not mandatory, but strongly recommended.

ARTICLE110

SEPA DIRECT DEBIT

New optional SDD Fixed Amount Scheme

Public consultation to close on 13 May 2010

29.04.10 BY JAVIER SANTAMARÍA

As reported in the previous issue of this Newsletter, the EPC is in the process of developing a new optional SEPA Direct Debit Fixed Amount Scheme (SDD FA). The new SDD FA Scheme will apply the default regime defined in the Payment Services Directive (PSD) with regard to

refund rights; e.g. the refund right is excluded in cases of authorised transactions when the exact amount of the direct debit collection is agreed between the payer (debtor) and the biller (creditor). In April 2010, the EPC initiated a six-week public consultation on the latest version of the SDD FA Rulebook; this online consultation covers the refund processes defined in the SDD FA Rulebook. Javier Santamaría encourages stakeholders to forward their comments to the EPC by 13 May 2010 and links to the relevant documentation.



The new SEPA Fixed Amount Direct Debit Scheme (SDD FA)

The new SDD Scheme will apply the default regime defined in the Payment Services Directive (PSD) with regard to refund rights; e.g. the refund right is excluded in cases of authorised transactions when the exact amount of the direct debit collection is agreed between the payer (debtor) and the biller (creditor). This option is contingent upon the payer (debtor) and the biller (creditor) having agreed the exact amount and the frequency of collections in the mandate. The mandate to be signed by a payer (debtor) authorising a biller (creditor) to collect payments under the new SDD Fixed Amount Scheme will clearly highlight the difference to the SDD Core Scheme as regards the exclusion of the refund right in case of authorised transactions to avoid misuse of the "no-refund" feature.

In the event of unauthorised direct debit collections, the payer's right to claim a refund as stipulated in the PSD extends to thirteen months. Naturally, the right to a refund in case of an unauthorised transaction during a period of thirteen months is granted to the payer (debtor) also under the new optional SDD Fixed Amount Scheme, in full compliance with the PSD.

The mandate to be signed under the SDD FA Scheme will specify the exact amount of the collection as well as the frequency of the collections. If the biller (creditor) collects a different amount than the amount stated in the mandate, or if the biller (creditor) diverts from the frequency of collections agreed in the mandate, the payer (debtor) can make a claim for a refund citing a case of an unauthorised transaction.

Public consultation on the latest version of the SDD Fixed Amount Scheme Rulebook

The latest version of the SDD FA Rulebook (see link included below) was approved by the EPC Plenary at its meeting on 24 March 2010 as being fit for a six-week public consultation launched at the beginning of April 2010. Since this new Rulebook is based on the already-established SDD Core Rulebook (see link to the SDD Core Rulebook version 3.4 included below) with changes only to the texts and processes covering refunds, this consultation only addresses those changes listed in Annex V of the SDD FA Rulebook. During the consultation period, the legal review will also be completed.

Stakeholders are invited to participate in the online consultation and to forward their response using the response template posted on the EPC web site (a link to this template is included below). Deadline for submitting comments to the EPC is 13 May 2010.

Javier Santamaría is the Chair of the EPC SEPA Payment Schemes Working Group.

Related links:

[SEPA Direct Debit Fixed Amount Public Consultation - Online Questionnaire / Response Template](#)

[SEPA Fixed Amount Direct Debit Scheme Rulebook version 0.8](#)

Related articles in previous issues:

[Optional SEPA Direct Debit Scheme in the Pipeline. Additional SDD Fixed Amount Scheme provides maximum planning security to consumers and billers \(EPC Newsletter, Issue 5, January 2010\)](#)

ARTICLE113

SEPA DIRECT DEBIT

Have it Your Way!

The EPC e-Mandate option: a secure way to authorise a SEPA Direct Debit payment

01.05.10 BY BJÖRN FLISMARK, JAVIER SANTAMARÍA AND ULRIKE LINDE

The option to issue an electronic mandate, e-Mandate, included in the SEPA Direct Debit Schemes provides an additional means of authorising direct debit collections. The EPC e-Mandate solution is based on secure, widely used online banking services and will be made available as an optional service offered by banks to their customers. The e-Mandate option is compatible with a direct debit process established in a large number of EU countries today which relies on a mandate issued by a payer (debtor) to be sent directly to the biller (creditor). At the same time, the e-Mandate helps in meeting the needs of payers (debtors) used to a pre-SEPA direct debit model which relies on the payer's bank (debtor bank) to issue the mandate. The e-Mandate feature thus effectively illustrates the principle governing SEPA Scheme design: the SEPA Schemes meet the requirements of a broad customer base while including the possibility to add extras on demand. Björn Flismark, Javier Santamaría and Ulrike Linde highlight the benefits of the e-Mandate, explain how this feature works in practice and outline the security architecture of the EPC e-Mandates e-Operating Model.

Different models exist in the EU today with regard to the mandates used to authorise a direct debit collection

With a mandate the payer (debtor)¹ authorises a biller (creditor) to collect payment by direct debit. At the same time the mandate authorises the payer's bank (debtor bank) to debit the payer's account when a direct debit collection is presented.

The pre-SEPA direct debit models existing on national level today fall into two broad categories as regards the process of issuing a mandate:

1. The "creditor-driven" mandate flow: (1) the payer (debtor) completes and signs a paper-based mandate and (2) sends it directly



to the biller (creditor). The biller (creditor) is responsible for storing the original mandate, together with any information regarding

amendments relating to the mandate or its cancellation. In this scenario, the payer's bank (debtor bank) does not receive any mandate-related information from its customer nor is the payer's bank (debtor bank) responsible for checking the right of a biller (creditor) to collect payment from a payer's account. This model is used in a large number of EU Member States today.

2. The "debtor-driven" mandate flow: (1) the biller (creditor) informs the payer's bank (debtor bank) that the payer (debtor) indicated to wish making payments by direct debit; (2) the payer's bank (debtor bank) then issues the actual mandate and informs the payer (debtor) accordingly; e.g. the mandate stays with the payer's bank (debtor bank). When a biller (creditor) presents a direct debit collection to the payer's bank (debtor bank), the payer's bank (debtor bank) might choose to check the authorisation of the biller (creditor) to collect payment based on the mandate.

The SEPA Direct Debit Schemes are based on the creditor-driven mandate flow

The SEPA Direct Debit Schemes (SDD) are based on the first model; e.g. the creditor-driven mandate flow. The SDD Schemes thus build on the same business assumptions and basic trust between the parties involved as the established pre-SEPA, national direct debit model used for decades in a large number of EU Member States. To protect the payer (debtor) from unwanted debits to his account, the SEPA Core Direct Debit Scheme - exceeding the requirements of the EU Payment Services Directive (PSD) - grants payers (debtors) a "no-questions-asked" refund right during the eight weeks following the debiting of a payer's account: during this time any funds collected by SEPA Direct Debit will be credited back to the payer's account upon request. In the event of unauthorised direct debit collections, the payer's right to a refund extends to thirteen months as stipulated in the PSD.

The timelines underlying a direct debit collection as defined in the current version of the SEPA Core Direct Debit Scheme Rulebook allow the payer's bank (debtor bank) to offer services presently offered in some EU countries; e.g. verification of mandates by the payer's bank (debtor bank). To give even more comfort to those bank customers who are used today to the debtor-driven mandate flow, the EPC will also deliver an optional "New Mandate Check" functionality to be included in the next release of the SEPA Direct Debit Scheme Rulebooks to be published in November 2010. The "New Mandate Check" functionality provides an extended timeline for the optional verification of mandate information by the payer's bank (debtor bank) thus increasing its ability to widen its mandate management in relation to its customers. This feature could also serve as basis for banks and communities of banks to develop further Additional Optional Services (AOS) building on this functionality and facilitating migration from legacy direct debit systems to the SEPA Direct Debit.

Last but not least: payment service providers servicing billers (creditor banks) must ensure that only trustworthy billers (creditors) are able to collect payments via SEPA Direct Debit. This is also in the interest of banks as they would have to cover any losses resulting from fraudulent and / or erroneous direct debits.

The e-Mandate option in the SEPA Direct Debit Schemes: meeting the needs of payers used to a debtor-driven mandate flow

To help in meeting the preferences of payers (debtors) living in those EU Member States currently applying the debtor-driven mandate flow, the option to create mandates through the use of electronic channels - called e-Mandates - was included in the SEPA Direct Debit Schemes. The e-Mandate option in the SEPA Direct Debit provides an additional means of authorising direct debit collections. The e-Mandate solution is based on secure, widely used online banking services offered by banks today. The e-Mandate solution is an optional service supported and offered by banks to their customers.

The e-Mandate: advantages for payers (debtors) making payments by SEPA Direct Debit

When issuing an e-Mandate, payers (debtors) can re-use their online banking credentials or other bank-provided electronic access channels for completing the mandate online with the biller (creditor). No additional means of

identification are necessary. When issuing an e-Mandate, the payer (debtor) wishing to pay by SEPA Direct Debit avoids the inconvenience of printing, signing and mailing a paper form to the biller (creditor) by using a fully electronic process instead.

When a payer (debtor) issues an e-Mandate, the mandate information stays directly with the payer's bank (debtor bank). Thus the payer's bank (debtor bank) has the option to verify the authorisation of a direct debit collection presented by a biller (creditor) - as is the case today in those EU Member States using pre-SEPA direct debit models based on the debtor-driven mandate flow.

The e-Mandate: advantages for billers (creditors) collecting payments by SEPA Direct Debit

The inclusion of the e-Mandate feature in the SEPA Direct Debit Schemes offers a variety of benefits for billers (creditors) as well: the solution allows fully automated end-to-end processing of e-Mandates including issuing, amendment and cancellation of such mandates while the collection process stays the same as defined in the SDD Schemes. The e-Mandate is agreed on in a secure way; the confirmation of the payer's right to access the account indicated by the payer (debtor) to the biller (creditor) is confirmed by the payer's bank (debtor bank). In addition, the e-Mandate process allows automatic storage and retrieval of e-Mandate data.

The e-Mandate: advantages for banks offering SEPA Direct Debit services

The e-Mandate option increases the attractiveness of SEPA Direct Debit services offered by payers' banks (debtor banks) servicing payers (debtors) making payments by SEPA Direct Debit and by billers' banks (creditor banks) servicing billers (creditors) collecting payment by SEPA Direct Debit. Payers' banks (debtor banks) can offer additional mandate management services to their customers based on the e-Mandate option.

The e-Mandate process: this is how it works

Banks offering SEPA Direct Debit services may choose to act as a payer's bank (debtor bank) or as a biller's bank (creditor bank) or in both roles when offering the e-Mandate related services. Billers (creditors) are free to use this process when offered by the biller's bank (creditor bank). Payers (debtors) making payment by SEPA Direct Debit are free to use this process provided that the e-Mandate option is supported both by their bank (debtor bank) and by the biller (creditor) and biller's bank (creditor bank) involved in the e-Mandate to be issued.

Typically, issuing an e-Mandate takes place in the following manner: a payer (debtor) such as a consumer, for example, chooses to purchase goods or services from a service provider, i.e. a utility company. The service provider; e.g. the biller (creditor), offers the payer (debtor) the option to pay by SEPA Direct Debit and to authorise the SEPA Direct Debit collection(s) based on an electronic mandate. In a first step, the payer (debtor) must enter all the required data including the Bank Identifier Code (BIC) of his own bank (debtor bank) on the biller's website. The biller (creditor) then submits the e-Mandate proposal to the payer's bank (debtor bank).

At the same time, the payer (debtor) is routed from the biller's website to the website of his own bank (debtor bank). The payer's bank (debtor bank) validates the BIC and the payer chooses the IBAN (International Bank Account Number) of the account that shall be debited. In addition, the payer's bank (debtor bank) verifies the payer's account access rights: the payer (debtor) must identify and authenticate himself with his online banking credentials as agreed with his bank. After successful authentication, the payer (debtor) confirms the e-Mandate to his own bank (debtor bank). This last step of confirming the e-Mandate is essentially equivalent to the signing of a paper-based mandate. The payer (debtor) is then routed back to the biller's website.

In addition, the payer's bank (debtor bank) delivers the "signed" e-Mandate to the biller (creditor). The biller's website acknowledges the receipt of the e-Mandate and confirms this to the payer (debtor). Moving on, biller (creditor) and payer (debtor) exchange goods or services and payments as agreed.

Multiple signatories of e-Mandates in the business-to-business environment

The example given above illustrates the process taking place when a consumer issues an e-Mandate. The

e-Mandate option is also available to businesses purchasing goods and services from other businesses and who wish to make related payments by SEPA Direct Debit. In the business environment, however, authorisation of a payment usually requires the sign-off by several persons.

The SEPA Business to Business Direct Debit Scheme Rulebook version 2.0 (SDD B2B) to take effect in November 2011 includes the option to provide authorisation by several persons with a SEPA mandate issued electronically whilst increasing the timeline for the payers' bank (debtor bank) to verify the authenticity of an electronic SEPA mandate featuring multiple signatures.

The bottom line is: the e-Mandate option included in the SEPA Direct Debit Schemes enables payers' banks (debtor banks) to emulate the services that payers (debtors) are accustomed to who live in EU countries where pre-SEPA direct debit models are based on the debtor-driven mandate flow.

The e-Mandate option will also be included in the new optional SEPA Direct Debit Fixed Amount Scheme currently being developed by the EPC. A link to an article in the previous issue of the EPC Newsletter providing detailed information on this new optional SDD Scheme is included below.

The security architecture of the EPC e-Mandates e-Operating Model

The payer's bank (debtor bank) validates the e-Mandates issued by a payer (debtor) wishing to make payments by SEPA Direct Debit either itself or through a validation service provider acting on behalf of the payer's bank (debtor bank). The routing service necessary to facilitate the communication between all parties involved in the process is supplied to the biller (creditor) by the biller's bank (creditor bank) or by one or more routing service provider(s) acting on behalf of the biller's bank (creditor bank). The biller (creditor) and his bank should have an agreement on the conditions for use of routing service(s).

The messages sent from the biller (creditor) via the routing service to the validation service of the payer's bank (debtor bank) are routed via open networks by making use of the Internet. In order to make this message exchange reliable and secure, the EPC has defined a standard for this messaging which is called the "EPC e-Mandates e-Operating Model". This is a high-level definition describing message flows, a data model and general requirements as regards the solution itself and the parties executing it. In addition, the detailed specifications of the EPC e-Mandates e-Operating Model facilitate consistent implementation of the e-Mandate feature by the parties involved in the process. Last but not least, the EPC e-Mandates e-Operating Model establishes a secure environment based on defined security requirements. The messages exchanged via the EPC e-Mandates e-Operating Model must be compliant with the ISO 20022 standard² set out in the e-Mandate-Service Implementation Guidelines for the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme, respectively. Links to these Implementation Guidelines are set out below.

The EPC e-Mandates e-Operating Model also spells out the requirements to be met by EPC-approved Certification Authorities (CAs). It is the role of the EPC-approved Certification Authorities to securely qualify legitimate validation service providers and routing service providers. The CAs will issue certificates to validation service providers and routing service providers that meet the requirements of the EPC e-Mandates e-Operating Model.

The EPC-approved Certification Authorities provide a common trust (and hence liability) model enabling secure message flows between the validation service providers and the routing service providers facilitating the e-Mandate service. Thanks to the Certification Authorities, there is no need for the parties involved in the e-Mandate process flow to establish bilateral agreements.

The EPC will allow any Certification Authority approved by the EPC according to a dedicated approval process, based on well accepted international standards, to provide certificates to validation service providers and routing service providers. The public key certificates identifying EPC-approved Certification Authorities for e-Mandate Services are published in a so called Trust-Service Status List (TSL) for e-Mandate Services. The EPC has contracted a Trust Body to establish and publish this Trust Service List on the EPC web site.

Any Certification Authority that wants to get EPC-approval can submit its registration request to the EPC with indication of its auditor. If the auditor is not yet accredited by the EPC, the auditor must be accredited by the EPC according to the requirements outlined in the EPC document "Approval Scheme for EPC Approved CAs" (a link is included below). The auditor prepares an audit report confirming that the examination was conducted in accordance with the standards and specifications published by the EPC and the candidate CA will sign an agreement with the EPC clarifying the liabilities between the EPC and this CA. Once the EPC has granted approval, the CA will be published as "EPC-approved CA for e-Mandates" on the EPC web site.

Enjoy secure and convenient SEPA Direct Debit - either way

The process of defining SEPA Direct Debit Schemes to suit the needs of corporate enterprises, small and medium-sized businesses, public administrations and consumers across 32 countries can be compared to designing a car: the basic model must meet key market requirements. At the same time, the SEPA Schemes must be flexible enough to include options to make suitable additions. This concept guarantees maximum choice to customers without forcing the majority of customers to buy special features they do not need. The SEPA Schemes evolve in accordance with this concept.

The inclusion of the e-Mandate option in the SEPA Direct Debit Schemes effectively illustrates this principle. The e-Mandate option caters in particular to bank customers used to pre-SEPA direct debit models that are based on the debtor-driven mandate flow. At the same time, the e-Mandate option is compatible with a direct debit process based on a creditor-driven mandate flow as established in the majority of EU countries today.

Bridging different payment cultures is not an easy thing to accomplish. The SEPA Direct Debit does it.

Björn Flismark is the Chair of the EPC Information Security Support Group. Javier Santamaría is the Chair of the EPC SEPA Payment Schemes Working Group. Ulrike Linde is a member of the EPC e-Mandate Task Force.

Related links:

[SEPA e-Mandates Storyboard for suppliers](#)

[SEPA e-Mandates Storyboard for Consumers](#)

[EPC e-Mandates e-Operating Model Detailed Specification v1.01 approved](#)

[SEPA Core Direct Debit Scheme e-Mandate Service Implementation Guidelines v 3.4](#)

[SEPA Business to Business Direct Debit Scheme e-Mandate Service Implementation Guidelines v 1.3](#)

[Approval Scheme for EPC Approved CAs](#)

The e-Mandate Service Implementation Guidelines pertaining to the SDD Rulebooks to take effect in November 2011 are also already available:

[SEPA Core Direct Debit Scheme e-Mandate Service Implementation Guidelines v 4.0](#)

[SEPA Business to Business Direct Debit Scheme e-Mandate Service Implementation Guidelines v 2.0](#)

Related article in previous issue:

[Optional SEPA Direct Debit Scheme in the Pipeline. Additional SDD Scheme provides maximum planning security to consumers and billers \(EPC Newsletter, Issue 5, January 2010\)](#)

¹ The EPC SEPA Direct Debit Scheme Rulebooks refer to the payer as the debtor and to the payer's bank as debtor bank. The biller is referred to as the creditor and the biller's bank is referred to as the creditor bank.

² See www.iso20022.org.

ARTICLE107

SEPA FOR CASH

Significant Growth in cashless Payments in Europe

Yet cash will remain predominant payment method in 2014

29.04.10 BY ROB WALKER

One important objective of the SEPA initiative is to encourage a shift from cash to electronic payments. Yet despite political and strategic imperatives to reduce cash usage, and the fact that it accounts for a falling proportion of retail payments, cash is still the predominant retail payment method in Europe. It accounted for 78% of the 388 billion retail payments in the continent in 2008, or nearly 301 billion transactions, based upon an analysis of the latest data for 28 countries conducted by Retail Banking Research (RBR) for its new independent report *The Future of Cash and Payments*. In 2008 the total cost of distributing, managing, handling, processing and recycling cash and of accepting cash payments was €84 billion; equivalent to 0.60% of Europe's GDP or €130 per person. The report also forecasts that there will be a significant increase in the use of cashless payments in Europe between now and 2014, accompanied by a general decline in the number of cash payments. However, cash will remain the continent's main retail payment method even at the end of this period. Rob Walker summarises some of the report's main findings.



The continued dominant status of cash in Europe is despite sustained growth in the volume of cashless retail payments, which grew by 160% or a Compound Annual Growth Rate (CAGR) of 6.2% between 2000 and 2008, from 54 billion to 87 billion transactions. Of these, 78 billion retail cashless payments (90%) were in western Europe, 9 billion were in central and eastern Europe, and 56 billion (64%) were in the eurozone. As a comparison, retail cashless payments in the USA increased by a CAGR of 4.5% between 2000 and 2008, to 102 billion transactions.

Debit cards potentially offer best business case for cash substitution

The long-term future of retail payments in Europe depends partially upon the business cases for substituting cash payments at retailers' points of sale with those made by (contact or contactless) payment cards, mobile phones and other devices. Numerous issues apply to the establishment of these business cases, which are explored in the RBR

report. Overall, the future usage of different retail payment methods will be influenced by drivers such as the Payment Services Directive; the Single Euro Payments Area; reduced MSCs and interchange rates for payment card purchases, and especially low-value transactions; and socio-demographic factors.

In 2008, debit cards were the main card type when measured by both purchase volumes and values in almost all European countries. The exceptions were France, Slovenia and Spain, where this was the charge card; Greece, where this was the credit card; and Ireland, where there were more debit card transactions but credit cards had the highest total transaction value.

Excluding atypical e-purse transactions, debit card purchases have the next lowest unit and marginal transaction costs (after cash) of all payment methods used at retailers' point of sale. They therefore potentially offer the best business case for cash substitution, which would be strengthened by increased debit card usage.

Increased debit card usage means banks might obtain processing economies of scale; consumers would have lower 'transaction fees' (calculated by dividing initial and annual card fees by the number of debit card purchases per year, and, in Norway, by adding purchase transaction charges); and retailers would benefit from the higher utilisation, and therefore the lower infrastructure costs per transaction, of their POS terminals and EFTPOS systems.

Financial crisis and recession will affect payments

The financial crisis and the accompanying recession have had a dramatic impact upon the economies of European countries. Their overall effects on the use of cash are unclear, but they are expected to have some impact up to 2011 on the use of cash and cashless payments. This is because there is evidence from earlier recessions of a 'flight to cash'; cash tends to be used to pay for low-value essential items rather than discretionary higher-value purchases; and in most European countries there is a correlation between higher GDP and greater use of cashless payments.

Giving explicit pricing signals would aid cash substitution

Although there are wide variations between the commercial practices of banks, acquirers and issuers in different European countries, in general European consumers are infrequently given explicit pricing signals in relation to their use of different payment instruments (except in countries such as Finland, Norway and Sweden), and even more rarely are they given such signals for the payment methods they use at retailers' points of sale.

There is widespread evidence, however, that the rate of decline in the use of cash as a retail payment method could be accelerated if transparent and direct pricing signals were given to consumers on the real costs of cash. In effect this means ensuring that there is a correct balance between the relative costs of an ATM cash withdrawal and a debit card purchase transaction. The potential prize is huge, for it is conservatively estimated that the provision of direct pricing signals to consumers on the real costs of cash would accelerate cash substitution by between 1% and 2% per year.

Contactless payments offer large opportunity

Contactless payments, where payment cards or other devices such as a mobile phones, go-tags or key fobs are used to make payments without the cards or devices being swiped or inserted at point of sale terminals or other acceptance devices, offer significant potential for cash substitution.

This is highlighted by the successful closed transport contactless card schemes that exist in cities such as Copenhagen, London (the Oyster card), Paris (the Navigo card) and Moscow, and that are planned for other cities such as Brussels.

Contactless card payments for non-transport applications, using general-purpose cards issued by members of national or international payment card organisations, EMV standards and non-proprietary technology such as RFID and NFC, are expected to take off in 2010 in France and the UK. Other countries such as Italy, Poland and Switzerland will be relatively active but some distance behind.

M-commerce pilots and trials have occurred in many European countries such as France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland and the UK; and there are operational m-commerce arrangements in

Belgium, Denmark and Spain. Transaction volumes to date have been low, however, and it is expected that it will be at least 2011 before there is a significant rollout of m-payments infrastructure and usage.

Cashless payments to grow significantly

It is forecast that there will be a significant increase in the use of cashless payments in Europe between now and 2014, accompanied by a general decline in the number of cash payments. However, cash will remain the continent's main retail payment method even at the end of this period.

In a "moderate" scenario - which consists of an extrapolation of historic trends, a continuation of existing retailer- and consumer-related commercial practices, and an assimilation of known drivers and initiatives - the number of cash payments will decrease by a CAGR of 2.3% between 2009 and 2014, although they will still account for 63% of the estimated 414 billion retail payments in the region at the latter date. Cash usage will vary widely between different countries, however; it is forecast that cash will represent less than half of retail payments in 11 countries in 2014, with much lower proportions occurring in Finland, Norway and Sweden.

There are opportunities for greater levels of cash substitution in an "accelerated" scenario, but it is forecast that cash would still represent 56% of retail payment transactions in Europe in 2014 in this case.

It is forecast that there will be major changes to the European payments mix up to 2014. The rapidity of change will vary between countries, and for an individual country will depend upon a number of factors, including the impact of the financial crisis and recession on its economy; its banking and payments infrastructures; its banks' and acquirers' commercial practices; consumer payment preferences and habits; and the development and implementation of product and technological initiatives that may lead to cash substitution, such as contactless payments.

Many implications and actions

The movement away from cash and towards cashless payments up to 2014 will have implications for individual payment industry stakeholders - regulators, governments and public institutions, central banks, payment card organisations, retail banks, issuers, acquirers, retailers, consumers and others. In general, stakeholders will need to take the explicit and positive actions identified in the report if they want to accelerate cash substitution.

Rob Walker is RBR's cards and payments expert, who has worked exclusively on retail payments, and especially payment cards, since 1985.

This article has been reprinted from Banking Automation Bulletin, January 2010.

Related link:

www.rbrlondon.com/futureofcash

Related article in previous issue:

[Overcoming the Homer Simpson in us. How to create a less-cash society \(EPC Newsletter, Issue 2, April 2009\)](#)

ARTICLE112

SEPA FOR CARDS

European ATM Fraud Losses down 36 Percent

EMV rollout at ATMs in Europe is helping to reduce skimming losses in some SEPA countries

29.04.10 BY LACHLAN GUNN

The EPC's SEPA Cards Framework (SCF) recognises the EMV standard; e.g. implementation of CHIP and PIN, for SEPA-wide acceptance of card payments at very high levels of security. 94% of ATMs in SEPA are now EMV-compliant. The European ATM Security Team (EAST), is a non-profit organisation whose members are committed to gathering information from, and disseminating EAST outputs to ATM deployers and networks within their countries/regions. The mission of EAST is to gather and provide information to the European ATM industry and to facilitate effective representation of ATM related security issues at relevant European central institutions, through a pan-European co-ordination of ATM security resources. EAST has just published a European ATM crime report covering the full year 2009. 23 countries with an installed base of 368,559 ATMs supplied full or partial information for the report. The report shows a 36% drop in ATM related fraud losses in 2009, with total losses of €312 million reported. Despite the overall European figure, nine countries reported an increase in such losses, in some cases a significant increase. Annual losses due to card skimming have fallen for the first time since EAST began reporting in 2004 (down from €484 million in 2008 to €310 million in 2009), a further indication that the EMV rollout at ATMs in Europe is helping to reduce skimming losses. The main findings of the EAST report are highlighted.

Decrease in skimming losses

International losses due to skimming attacks fell by 43%, continuing a downward trend for each six monthly reporting period first noticed at the end of 2007. This is further indication that the EMV rollout at ATMs in Europe (now 94% complete) is helping to reduce skimming losses, and also that fraud counter-measures, fraud monitoring capabilities and fraud detection continue to improve. Losses continue to be reported globally, and the risk of counterfeit EMV cards being used to withdraw cash fraudulently from ATMs in parts of the world that are not EMV compliant remains.



In a skimming attack the card details and PIN are captured at the ATM and used to produce counterfeit cards for subsequent fraudulent cash withdrawals. The customer sees a normal transaction and retains the card. Multiple cards are compromised in one attack at one ATM.

A number of preventative measures can be taken by ATM operators to stop or reduce skimming. The EPC developed several recommendations with regard to such measures; a link to the relevant EPC document is included below.

Incidents of card trapping are on the rise

Despite this drop in losses, overall ATM related fraud attacks rose 8% with a total of 13,269 incidents reported. This rise has been led by a 209% increase in the number of cases of card trapping while the total number of skimming incidents reported decreased by 1% over the same period. Card trapping is when a card is physically captured at the ATM, and the PIN is compromised. Later the card is used to make fraudulent cash withdrawals. The customer loses the card. One card is lost in each attack.

EAST first reported an increase in card trapping incidents at the end of the first six month period in 2009 and the figures for the second six months have shown a further increase. Assuming the PIN has been compromised, a captured EMV card can be fraudulently used at EMV compliant ATMs and other payment terminals, until it is

blocked by the issuing bank.

Fewer physical attacks on European ATMs

Physical attacks on European ATMs, have fallen by 2% when compared with 2008 (down from 2,520 to 2,468 incidents), primarily due to a decrease in the number of reported ram raids and ATM burglaries. In these attacks the ATM is either ripped out (Ram Raid) or the safe attacked in-situ (Burglary). The attacks can be carried out by brute force, or by using explosives or gas.

Despite this drop in incidents, overall losses rose 7% to €28 million (up from €26 million in 2008). Attacks on staff involved in the cash replenishment and servicing of ATMs rose by 40% (from 365 to 510 incidents) although the number is still well below the 1,950 cases reported in 2007.

More information on EAST and the report can be found on the EAST website at www.european-atm-security.eu.

Lachlan Gunn is Coordinator and a Director of EAST.

Related links:

<https://www.european-atm-security.eu>

[EPC recommended anti-skimming Solutions within SEPA.](#)

These recommendations should not be seen as a complete or permanent solution and further recommendations may follow in due course.

ARTICLE115

LEGAL AND REGULATORY ISSUES

November 2010: Mandatory Reachability for cross-border Direct Debits

Commission services publish guidance note on application of Article 8 of Regulation (EC) No 924/2009

29.04.10 BY KEVIN BROWN

On 9 October 2009 Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 was published in the Official Journal of the European Union. Article 8 of Regulation (EC) No 924/2009 establishes mandatory reachability for cross-border direct debits in the euro area as of 1 November 2010. Kevin Brown highlights the "Note on Application of Article 8 of Regulation (EC) No 924/2009 - Reachability for Direct Debit Transactions" published by the Commission services in April 2010, which states that the deadline for the application of the reachability obligation to branches of credit institutions is determined only by the location of the branch (inside or outside the euro area), regardless of the location of the parent company. Furthermore, no distinction should be made between the branches with head office located outside the EU and those with head offices inside the EU. Payment services providers seeking adherence to the SEPA Core Direct Debit Scheme in readiness of the 1 November 2010 deadline must submit their application to the EPC by 10 September 2010.



Article 8 of Regulation (EC) No 924/2009 establishes mandatory reachability for cross-border direct debits



Article 8 (1) of Regulation (EC) No 924/2009 (see link below) states that a "payment service provider of a payer reachable for a national direct debit transaction denominated in euro on the payment account of that payer shall be reachable, in accordance with the direct debit scheme, for direct debit transactions denominated in euro initiated by a payee through a payment service provider located in any Member State." Article 8 (2) further establishes that paragraph 1 shall only apply to direct debit transactions which are available to consumers under the direct debit scheme; Article 8 (3) mandates that payment service providers shall comply with the requirements of paragraphs 1 and 2 by 1 November 2010.

Article 8 (4) specifies that "notwithstanding paragraph 3, payment service providers located in a Member State which does not have the euro as its currency shall comply with the requirements of paragraphs 1 and 2 for direct debit transactions denominated in euro by 1 November 2014. If, however, the euro is introduced as the currency of any such Member State before 1

November 2013, the payment service provider located in that Member State shall comply with the requirements of paragraphs 1 and 2 within 1 year of the date on which the Member State concerned joined the euro area".

Guidance of the Commission services on application of article 8 of Regulation (EC) No 924/2009 to branches of credit institutions inside and outside the euro area

On 22 April 2010 the Commission services issued a "Note on Application of Article 8 of Regulation (EC) No 924/2009 - Reachability for Direct Debit Transactions" (see link below). The Commission services' note clarifies that the "interpretation of Community Law provided in this note is without prejudice to any future findings by the Court of Justice of the European Union, which is the only European Institution competent to issue binding interpretations of the EU law. This explanatory note does not represent the views of the Commission, but the Commission services, and is not, in any way, binding".

The Commission services' note on the application of Article 8 of Regulation (EC) 924/2009 specifically considers how to apply the reachability application to branches of:

1. credit institutions with head office located in the euro area where the branches are located outside the euro area;
2. credit institutions with head office located outside the euro area where the branches are located in the euro area, and;
3. credit institution with head office located outside the European Union where the branches are located in the euro area or outside it.

The Commission services' note states that "branches" as defined in Directive 2007/64/EC (the 'PSD') and Directive 2006/48/EC (the 'CRD') form an integral part of the parent company and have no legal personality. The Commission services further state that according to the new text of Article 1 (1) (a) of the PSD, as amended by Directive 2009/111/EC, every branch, located in the EU, of a credit institution having their head office inside or outside the EU is now qualified per se as a "payment services provider" within the meaning of that Directive.

The Commission services conclude that therefore, according to the new Article 1 (1) (a) of the PSD, read in conjunction with Articles 2 (4) and 8 (3) and (4) of Regulation (EC) No 924/2009, the deadline to apply the reachability obligation to branches (1 November 2010 or 1 November 2014) of credit institutions is determined by the location of the branch (inside or outside the euro area), regardless of the location of the parent company. The Commission services argue that in this respect the equal treatment between third country branches and EU branches is ensured by the clear wording of Article 1 (1) (a) of the PSD, which does not differentiate between branches of credit institutions having their head office inside or outside the EU.

According to the interpretation of the Commission services, the deadline for the application of the reachability obligation to branches of credit institutions under Article 8 (1) is determined only by the location of the branch (inside or outside the euro area), regardless of the location of the parent company. Furthermore, no distinction should be

made between the branches with head office located outside the EU and those with head offices inside the EU.

Applications for adherence to the SEPA Core Direct Debit Scheme in readiness of 1 November 2010 must reach the EPC by 10 September 2010

Payment services providers seeking adherence to the SEPA Core Direct Debit Scheme (SDD Core) in readiness of 1 November 2010 must submit their application for adherence to SDD Core to the EPC Secretariat by 10 September 2010, the latest. Information on the adherence process including the relevant documentation as well as the contact information of the relevant National Adherence Support Organisation (NASO) can be obtained following the link below.

Kevin Brown is the Chair of the EPC Legal Support Group.

Related links:

[Regulation \(EC\) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation \(EC\) No 2560/2001](#)

[European Commission: Note on Application of Article 8 of Regulation \(EC\) No 924/2009 - Reachability for Direct Debit Transactions](#)

[Information for payment service providers seeking adherence to the SEPA Core Direct Debit Scheme](#)

Related article in previous issue:

[A mixed Bag. European Parliament approves revised Regulation 2560/2001 on cross-border payments \(EPC Newsletter, Issue 2, April 2009\)](#)

¹ Following publication of the article "A mixed Bag. European Parliament approves revised Regulation 2560/2001 on cross-border payments" in issue 2 of the EPC Newsletter (April 2009), the EU legislator decided to put in place Regulation (EC) No 924/2009 repealing Regulation (EC) No 2560/2001 rather than publishing a revised version of Regulation (EC) No 2560/2001. The contents of the article "A mixed Bag. European Parliament approves revised Regulation 2560/2001 on cross-border payments" thus reflect the provisions of Regulation (EC) No 924/2009.

ARTICLE120

LEGAL AND REGULATORY ISSUES

PSD in Practice: a Follow-Up

Further clarification of key PSD concepts required to ensure full legal harmonisation

30.04.10 BY RUTH WANDHÖFER

To-date, bringing the Payment Services Directive (PSD) into force via national law remains outstanding in six countries of the European Economic Area (EEA). Banks therefore still have to deal with the fact that differing legal regimes remain in place in SEPA. Inconsistent practices emerging where the PSD is now fully in place might pose a further challenge to the intended legal harmonisation of the European payment landscape. Ruth Wandhöfer gives an update on the PSD implementation status and several PSD concepts which could benefit from further clarification.



Update on PSD transposition

According to latest information provided by the European Commission as well as by national banking communities, 24 EU/EEA Member States have now completed the process of bringing the PSD into force via national law. This remains outstanding in the following six countries:

Estonia has completed its transposition but a "grace period" is in place which is due to last until 22 May

Sweden has revised its projected go-live date from 1 April 2010 to 1 July 2010

Finland has also revised its projected go-live date from 1 May 2010 to 1 July 2010

The go live dates for Greece, Iceland, and Poland still have to be clarified

To help banks manage the fact that there continue to be different legal regimes in place across SEPA, the banking industry's PSD Expert Group identified best practices recommended for adoption by banking communities in countries still awaiting transposition of the PSD into national law. Details on these recommendations were outlined in the article "PSD in Practice" published in the previous edition of the EPC Newsletter. A link to this article is included below.

PSD in practice - emerging issues

Inconsistent practices emerging under the new regime in countries that have transposed the PSD into national law were initially attributed to being a consequence of the market going through an inevitable period of adjustment, and thus were expected to be of a transitional nature. However, six months after go-live of the PSD in most EEA Member States, there is a concern that several such inconsistent practices might possibly become the norm in some cases. To ensure full compliance across the entire market so that all bank customers can realise and appreciate the full benefits inherent to this legal harmonisation exercise, banks need to resolve the following issues which have occasionally been observed in the PSD environment:

- Inconsistent usage - and handling - of charging options (OUR/SHA/BEN) due to differing interpretations of the PSD's requirements: it is clear that SHA¹ is now the default and best practice approach for all EEA payments.
- Significant and/or unexpected deductions/lifting fees applied by beneficiary banks without having clearly agreed such deductions in advance with their customers. In such cases, the beneficiary of a payment receives a lesser amount than expected. As a result, the originator of the payment, e.g. employers, for example, may be asked by their employees (the beneficiary) to compensate for the deducted amount. However, it is the responsibility of the beneficiary's bank to agree with its customer any charges it deducts from the original amount being transferred by the originator.
- New "non-STP" fees or "SHA-claims" being levied by some beneficiary banks: With regard to so-called "non-STP" fees it may serve the interests of transparency and predictability to have a common definition of the term "non-STP" in the PSD context². With regard to so-called "SHA-claims" levied back up the payment chain by some beneficiary or intermediary banks, it needs to be recalled that the PSD intends to establish transparency of pricing for customers and banks and the idea is not to re-introduce the same principle under SHA as used to exist for OUR³.

Next steps of the PSD Expert Group

The banking industry's PSD Expert Group continues to monitor the status of PSD transposition across the 30 EU/EEA countries as well as emerging issues in the live PSD environment. The results of this exercise are reported regularly in this Newsletter.

The Expert Group will shortly publish a supplement to its existing PSD Guidance document covering the following topics:

- Derogation usage and gold-plating on a country-by-country basis; e.g. implementation of diverging options

- that are not explicitly prohibited by the PSD but create legal and practical inconsistencies across markets
- Existing market best practice with regard to various PSD-related topics, including the usage and handling of charging codes
 - Additional clarifications and best practice proposals relating to a number of core PSD concepts and scope where there is evidence pointing to a lack of consistent interpretation or understanding in the market to-date
 - Suggested best practice principles regarding return transactions under the PSD

A link to the first edition of the PSD Guidance Document is included below.

Ruth Wandhöfer chairs the PSD Expert Group and is a member of the EPC Plenary.

Related links:

[PSD Expert Group Guidance Document](#)

[PSD website of the European Commission](#)

Related article in previous issue:

[PSD in Practice. Discrepancies in national transposition pose a challenge to banks \(EPC Newsletter, Issue 5, January 2010\)](#)

¹ The "Share" (SHA) principle means that the originator and beneficiary of a payment are charged separately and individually by the originator bank and beneficiary bank. This is to ensure that charges are not deducted from the amount of the payment. The basis and level of charges to customers are entirely a matter for individual banks.

² The processing of retail payments usually requires highly standardised information to ensure low cost automation or Straight-through-processing (STP), e.g. processing without manual intervention.

³ The "OUR" charging principle stipulates that the sending party (originator) pays the charges levied by the originator and / or the beneficiary bank and / or an intermediary bank with the result that the beneficiary is credited the full amount.

ARTICLE106

SEPA STANDARDS

Making the Connection

EPC cooperates with MobeyForum to boost mobile payments across SEPA

29.04.10 BY DAG-INGE FLATRAAKER AND RON VAN WEZEL

The EPC and the global cross-industry consortium MobeyForum recently signed a cooperation agreement with the objective to support the uptake of mobile payments across SEPA. Specifically, this cooperation seeks to ensure the definition of compelling mobile payment use cases based on industry input and to improve interoperability between mobile payment solutions in the market. In addition, the EPC provided input to MobeyForum in the process of preparing the MobeyForum white paper "Alternatives for Banks to Offer Secure Mobile Payments". Dag-Inge Flatraaker and Ron van Wezel report on the joint projects of the EPC and MobeyForum currently in the pipeline.



DAG-INGE FLATRAAKER



RON VAN WEZEL

Way forward on remote payments

Today's consumers require convenient and secure payment services that are easily available anytime, for example, through their mobile phone. Mobile financial services must be convenient to use whilst meeting standard security requirements. In light of these facts, the banking industry is developing competitive value models for mobile payments which make everyday banking even easier. Given the proliferation of mobile phones and related service levels throughout the EU, the mobile channel is also considered an ideal launch pad for SEPA payment instruments.

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 SEPA payments through mobile phones. To this end, the EPC has joined forces with, among others, MobeyForum¹, the global cross-industry consortium whose mission is to create the mobile financial services ecosystem and to enable banks to offer mobile financial services. Specifically, this cooperation seeks to ensure the definition of compelling mobile payment use cases based on industry input and to improve the interoperability between mobile payment solutions in the market.

In a next step, the EPC and MobeyForum aim to develop remote mobile payments use(r) cases and service descriptions with a view to:

- leveraging both organisations' resources and competence
- fostering cross-industry coordination and consensus
- delivering content contributions to further inform the different stakeholder communities about the potential of the mobile channel for remote payments and related services as well as business opportunities.

Way forward on open secure element alternatives

In addition, the EPC is addressing the usage of multiple types of secure element (SE), a tamper-resistant hardware module located within a mobile device, which is required to securely facilitate mobile financial services, such as contactless payments using near field communication (NFC)² a subject likewise explored by MobeyForum which recently published the white paper "Alternatives for Banks to Offer Secure Mobile Payments". This white paper provides an analysis of the mobile financial ecosystem, its stakeholders, and

the value chain positions that can be achieved by banks through different business models. The paper focuses on the role of the secure element. It highlights the features, application and impact of different secure element technologies including stickers, secure micro SD (Secure Digital) cards³, universal integrated circuit cards (UICC)⁴, embedded secure elements and trusted mobile bases. Taking into consideration the important insights provided in the MobeyForum white paper, the EPC will move forward on deliverables related to secure elements as agreed in the EPC Roadmap for Mobile Payments. The aim is to assist financial institutions in deciding the role they will adopt in the mobile financial services value chain and to provide them with the information necessary to select a deployment model that aligns with their current business requirements and technical architecture.

Dag-Inge Flatraaker is the Chair of the EPC M-Channel Working Group. Ron van Wezel is the Chair of MobeyForum.

Related link:

The MobeyForum White Paper "Alternatives for Banks to Offer Secure Mobile Payments" is available for download free of charge at www.mobeyforum.org.

Related articles in previous issues:

[Everybody loves E! The role of the EPC in the creation of e-SEPA \(EPC Newsletter, Issue 5, January 2010\)](#)

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

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

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

¹ www.mobeyforum.org

² NFC refers to a contact-less technology that enables data to be transmitted wirelessly over very short distances, for example between a mobile phone and a card payments terminal at the check-out of a retailer.

³ In the context of the MobeyForum white paper, secure micro SD (Secure Digital) cards refer to memory card products that hold an embedded chip which can be used as a secure element (SE). These SD products may or may not hold a Near Field Communication (NFC) antenna in addition.

⁴ UICC stands for the Universal Integrated Circuit Card, also known as a SIM card.

ARTICLE108

SEPA MARKET UPTAKE

Facing the Facts in April 2010

The EPC Newsletter tracks the progress of SEPA implementation

29.04.10 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. Progress is monitored with regard to SEPA implementation by the banking industry as well as with regard to SEPA readiness in the public and corporate sectors. In addition, the EPC SEPA Market Uptake Report keeps an eye on the availability of measures put in place by public authorities to facilitate the transition for customers. Last but not least, the debate on setting an end date for migration to SEPA is followed. Herman Segers reports.



Percentage of banks in SEPA offering SEPA Credit Transfer services

As of April 2010, nearly 4500 banks in 32 countries offer SEPA Credit Transfer (SCT) services for euro payments. The payment services providers offering SCT services today represent roughly 95 percent of payment volumes 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 listing scheme participants, e.g. payment services providers offering SCT services, is publicly available at http://epc.cbnet.info/content/adherence_database.

Percentage of SCT transactions compared to total volume generated by customers

According to the SCT Indicators compiled by the European Central Bank (ECB), the share of SEPA Credit Transfers as a percentage of the total volume of credit transfers generated by bank customers amounts to 6.7 per cent as of February 2010.*** The ECB SCT Indicators are publicly accessible at <http://www.ecb.eu/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 SCT 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 SCT Indicators also show SCT market uptake by country.

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 cross-border direct debits; e.g. SEPA Core Direct Debit, by 1 November 2010 as mandated by Regulation (EC) No 924/2009 (Article 8). In April 2010 the Commission services published a "Note on Application of Article 8 of Regulation (EC) No 924/2009 - Reachability for Direct Debit Transactions". For further information, refer to Regulation (EC) 924/2009, the related guidance note published by the Commission services and the article "November 2010: Mandatory Reachability for cross-border Direct Debits" in this Newsletter (links are included below).

As of April 2010, 2692 banks representing about seventy per cent of SEPA payment volumes have signed up to the SEPA Core Direct Debit Scheme. Of those, 2442 banks have also adhered to the SEPA Business to Business Direct Debit Scheme. The EPC Participant Registers for the SDD Core and the SDD B2B Schemes listing Scheme Participants, e.g. payment services providers offering SDD Core and / or SDD B2B services, respectively, are publicly available at 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 ECB 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 for SEPA-wide acceptance of payments with cards at very high levels of security. EMV is an industry standard 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 first quarter 2010, EMV compliance is 70,05 per cent for cards, 77,98 per cent for POS and 93,63 per cent for ATMS. The progress of EMV roll-out based on the EPC findings is also reflected by the ECB SEPA Card Indicators.

The Eurosystem has in addition developed a SEPA Card Indicator for migration to EMV at transaction level. An "EMV transaction" is understood to be a card payment transaction in which the following criteria are satisfied: an EMV-compliant card is used at an EMV-compliant terminal and EMV technology is used in the processing of the transaction. The indicator is calculated as the number of EMV transactions at POS terminals divided by the total number of transactions at POS terminals (irrespective of the country of issuance of the card). The indicator is affected slightly by transactions conducted using cards issued outside the SEPA area. According to the ECB SEPA Card Indicators, as of December 2009 some 52% of card payment transactions are EMV-compliant.

Last but not least, the ECB SEPA Card Indicators also track cardholders' actual use of their cards when travelling abroad. That use depends on three things: first, the technical capabilities of the card and the terminal; second, the merchant's acceptance of the card in question; and third, the extent to which people do indeed have a uniform "customer experience" across the SEPA area. This indicator is calculated as the number of POS transactions conducted using cards issued outside the country divided by the total number of POS transactions.

Cross-border transactions accounted for around 3.5% of POS transactions in the euro area at the beginning and end of 2008. However, the indicator also shows higher values during the period from July to September 2008. This might be a result of summer holidays, as more people travel during the summer months. In 2009, the indicator was around 1%-point higher compared to 2008, with a similar pattern occurring in summer. A move to a significantly higher level would indicate that SEPA had been successful in changing the card industry, the card acceptance practices of merchants and/or the payment behaviour of cardholders.

The information cited above as regards the ECB SEPA Card Indicators plus additional data provided by the ECB on this subject are available at <http://www.ecb.int/paym/sepa/timeline/use/html/index.en.html>

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 *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 2009¹ 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.

To ensure that migration to SEPA in the public sector does not get lost in translation, the EPC publication "SEPA for the Public Sector" has been published in all EU languages courtesy of the European Central Bank. The EPC wishes to express its appreciation for these translations provided by the ECB in cooperation with EU national central banks (a link to the translations is included below).

SEPA preparedness of the corporate sector

No new and / or additional data on the state of SEPA readiness in the corporate sector have become available since reporting the following in the previous issue of the EPC Newsletter: 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

No new and / or additional information on the continued legal validity of existing direct debit mandates has become available since reporting the following in the previous issue of the EPC Newsletter: 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 Union².

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", states the ECB, a migration end date from which point onwards only the European payment instruments will exist is needed³. 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"⁴. EU Commissioner Michel Barnier, head of the Directorate-General Internal Market and Services, reiterated in April 2010: "(...) we need to give SEPA (...) a renewed momentum. I believe that binding end-dates are important in this regard"⁵.

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." 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 this need.

At the meeting of the European Commission's Payment Systems Market Expert Group (PSMEG) on 23 March 2010, the European Commission tabled a discussion paper titled "SEPA Migration End-Date", which contemplates, amongst others, legislative measures to set a mandatory deadline for migration to SEPA. For an EPC commentary on this paper refer to the article "On SEPA and US Health Care Reform" in this Newsletter (a link is included below).

Herman Segers is the Secretary General of the EPC.

***Please note: data, facts and figures cited in this article represent the latest data available as of the publication date of this issue of the EPC Newsletter (29 April 2010).

Related links:

[Regulation \(EC\) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation \(EC\) No 2560/2001](#)

[European Commission: Note on Application of Article 8 of Regulation \(EC\) No 924/2009 - Reachability for Direct Debit Transactions](#)

[Translations of the EPC publication "SEPA for the Public Sector" in all EU languages courtesy of the European Central Bank](#)

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

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

Related articles in this issue:

[On SEPA and US Health Care Reform. EC paper "SEPA Migration End Date": a commentary](#)

[November 2010: Mandatory Reachability for cross-border Direct Debits . Commission services publish guidance note on application of Article 8 of Regulation \(EC\) No 924/2009](#)

[European ATM Fraud Losses Down 36 Percent. EMV rollout at ATMs in Europe is helping to reduce skimming losses in some countries](#)

Related articles in previous issues:

[Clarity and Incentives needed. ECOFIN conclusions of December 2009 on setting an end date for migration to SEPA \(EPC Newsletter, Issue 5, January 2010\)](#)

[Expectations are promising \(and Patience is a Virtue\). Results of the Second Annual Progress Report on the state of SEPA migration in 2009 \(EPC Newsletter, Issue 5, January 2010\)](#)

[SEPA Survey 2009: Corporate Readiness on the Rise. The findings confirm that early movers have everything to gain \(EPC Newsletter, Issue 5, January 2010\)](#)

[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 \(EPC Newsletter, Issue 4, October 2009\)](#)

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

¹ 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.

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

³ 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.

⁴ European Parliament Resolutions on the Implementation of the Single Euro Payments Area:

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0139&language=EN&ring=B6-2009-0111> (March 2009) and

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0057+0+DOC+XML+V0//EN> (March 2010)

⁵ Michel Barnier, EU Commissioner for Internal Market and Services - Forging A New Deal Between Finance And Society: Restoring Trust In The Financial Sector - European Financial Services Conference, Brussels, 26 April 2010

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