

EPC Newsletter Issue 13 January 2012

FOCUS: SEPA MIGRATION

SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission

EPC Chair comments on the new regulatory reality governing the integration of the euro payments market

30.01.12 BY GERARD HARTSINK

In February 2012, the European Parliament will adopt the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation), which will define 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will have to be replaced by the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes. With this legislative act, the European Union (EU) lawmaker forcefully reiterates that SEPA is a policy-maker driven EU integration initiative. In this article, Gerard Hartsink, Chair of the European Payments Council (EPC), outlines the main provisions to be introduced with the SEPA Regulation and shares with readers the view of the EPC. He highlights that this is the fourth (and most likely not the last) major regulatory intervention within a decade designed to achieve a harmonised euro payments market. Concluding, Hartsink calls again on the European authorities to refrain from stating that SEPA would be a "self-regulatory project run by the banking sector". This claim was erroneous in the past and is untenable today. The EPC has not been responsible for the overall management of the SEPA programme at any stage of the process. Today, the EPC has no choice but to recognise that the expertise of the banking industry with regard to the evolution of the SEPA payment schemes - the original scope of the EPC - may come second to the requirements defined by the regulator. Going forward, the SCT and SDD Schemes will need to be adapted as mandated by the European Commission.

Key Information in this Article

European Payments Council (EPC) Chair, Gerard Hartsink, summarises the EPC's view on the following elements of the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation):

- Migration deadlines.
- Provisions with regard to direct debit.
- Provisions with regard to the International Bank Account Number and the Business Identifier Code.
- Provisions on the use of the ISO 20022 XML standards.
- Provisions empowering the European Commission to amend the technical requirements set out in the Annex to the SEPA Regulation through 'delegated acts'.

With regard to Recital 5 on SEPA governance introduced with the SEPA Regulation, Gerard Hartsink clarifies:

- To-date, the EPC develops the payment schemes and frameworks required to make SEPA a reality. The EPC was not, is not – and certainly will not be – responsible for the overall management of the SEPA process.
- The EPC ensures that the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes evolve based on an open and inclusive change management process.
- SEPA is a policy-maker driven European Union (EU) integration initiative shaped in accordance with EU law and policies. Any interest group is free to engage with the EU institutions subject to applicable procedures.
- The EPC is not responsible to impose migration by bank customers to the SCT and SDD Schemes.

All references in this article relate to the version of the SEPA Regulation as published by the Council representing EU Member States on 16 December 2011. A link to this version is included at the bottom of the article. Italics in the article reflect direct quotes from this version.

Migration deadlines introduced with the SEPA Regulation

All references in this article relate to the version of the forthcoming 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros and amending Regulation (EC) No 924/2009', as published by the Council representing European Union (EU) Member States on 16 December 2011 (see 'related links' below). This legislative act is commonly referenced as the 'Single Euro Payments Area Regulation' ('SEPA Regulation' for short). It is expected that the SEPA Regulation will be formally adopted by the Plenary of the European Parliament and endorsed by the Council representing EU Member States in February 2012.

Articles 5 and 17.1: deadlines for compliance with the SEPA Regulation

Article 5 of the SEPA Regulation defines 1 February 2014 as the deadline in the euro area for compliance with this Regulation (see related press releases of the European Commission and the European Parliament under 'related links' below). For non-euro countries, the date will be 31 October 2016 (see Article 17). Effectively, this means that by this date existing national euro credit transfer and direct debit schemes will have to be replaced by the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes developed by the European Payments Council (EPC).

Article 17.2: transitional period for niche products

The SEPA Regulation stipulates in Article 17.2 that EU Member States may waive until 1 February 2016 some or all of the requirements applicable to euro credit transfer and direct debit schemes, for those credit transfer or for direct debit transactions with a cumulative market share of less than ten percent of the total number of credit transfer or direct debit transactions in that EU Member State. In other words, the deadline for migration of so-called 'niche products' can be extended - also in the euro area - to February 2016.

The view of the EPC

The majority of market participants recognise the value of setting a deadline for migration to harmonised SEPA payment schemes through EU Regulation. The EPC shares the view that an end date for phasing out legacy euro payment schemes for credit transfers and direct debits ensures planning security for all market participants. The EPC also welcomes that the SEPA Regulation establishes one end date for compliance of euro credit transfer and direct debit schemes with this Regulation, as opposed to two separate end dates originally envisaged by the

European Commission. This will spare bank customers such as businesses and public administrations the duplication of implementation efforts and required resources.

The EPC very much appreciates that the EU legislator deleted the requirement to create 'interoperability' between payment schemes originally proposed by the European Commission. The proposal for the SEPA Regulation tabled by the European Commission in December 2010 implied a theoretical scenario of multiple Union-wide payment schemes for euro credit transfers and direct debits. This concept of 'interoperability' of multiple Union-wide schemes, if it would have been included in the SEPA Regulation, would have put at risk the fundamental requirement of full reachability of all payment service providers (PSPs) across SEPA; countered the objective of overcoming the fragmentation of the euro payments market; and disregarded the principles governing an optimally efficient payment environment.

Provisions with regard to direct debit introduced with the SEPA Regulation

The SEPA Regulation specifies the technical requirements applicable to euro direct debit transactions. The Regulation also introduces provisions regarding direct debit mandates and multilateral interchange fees (MIFs).

Recitals 10a, 25a, and Articles 4a.3d, 4a.6: mandate checking obligations applicable to direct debit payments

The SEPA Regulation makes it mandatory for PSPs to offer specific mandate management features. A mandate is signed by the payer to authorise the biller to collect a payment and to instruct the payer's bank to pay those collections. The SEPA Regulation states that: "*the payers shall have the right to instruct their PSP:*

- *To limit a direct debit collection to a certain amount or periodicity or both.*
- *Where a mandate under a payment scheme does not provide for the right to a refund, to verify each direct debit transaction, and to check whether the amount and periodicity of the submitted direct debit transaction is equal to the amount and periodicity agreed in the mandate, before debiting their account, based on the mandate-related information.*
- *To block any direct debits to the payer's account or to block any direct debits coming from one or more specified payees or to authorise direct debits only initiated by one or more specified payees."*

Recital 9a and Article 4a.3d (da) clarify that these mandate checking obligations do not apply to the SEPA Direct Debit (SDD) Business to Business Scheme developed by the EPC.

The view of the EPC

The EPC recommended refraining from introducing such complex mandate management obligations into the SEPA Regulation. The SDD Core Scheme allows for all of these, and more, checking options. The scheme does not, however, oblige a PSP to offer these checks, given that more than 75 percent of consumers making direct debit payments in the EU today do not request them. The low acceptance of direct debits in countries which today rely on complex mandate checking features implies that introducing them into the SDD Core Scheme will not affect demand for direct debit in these countries. The only likely effect will be to make this payment instrument more costly and complex for the majority of direct debit users in countries such as Austria, Germany, the Netherlands and Spain, for example, who today demonstrate strong demand for the SDD Core direct debit model (for details, see the article 'Direct Debit. Killing it Softly' under 'related articles in previous issues' below).

Recital 17a and Article 5a: direct debit mandates issued under a legacy direct debit scheme continue to be valid under the SDD Scheme

Article 5a of the SEPA Regulation states that any "*valid payee authorisation to collect recurring direct debits in a legacy scheme prior to 1 February 2014 shall continue to remain valid after that date and shall be considered as representing the consent to the payer's PSP to execute the recurring direct debits collected by that payee in compliance with this Regulation in the absence of national law or customer agreements continuing the validity of direct debit mandates*". In other words, this Article ensures the continued legal validity of existing mandates under the SDD Schemes.

The view of the EPC

The EPC very much welcomes this provision. To facilitate migration by bank customers to the SDD Scheme it is imperative to ensure the continued legal validity of existing mandates.

Recitals 14, 15, 15a and Articles 6 and 18.2: MIF for direct debit transactions

The SEPA Regulation stipulates that the prohibition of MIF for regular cross-border direct debit payments applies as of November 2012. For national direct debit payments, a clause allows the existing practices to be continued until February 2017. Regulation (EC) 924/ 2009 will be amended accordingly (for details on Regulation (EC) 924/2009 refer to the link 'SEPA Legal and Regulatory Framework' under 'related links' below). Interchange fees for so-called 'R transactions' are admitted under certain strict conditions. Article 2 (26) of the SEPA Regulation defines 'R' transactions as follows: *"R-transaction' means a transaction which cannot be properly executed by a PSP or which results in exception processing, inter alia because of a lack of funds, revocation, a wrong amount or a wrong date, a lack of mandate or wrong or closed account."*

The view of the EPC

The EPC advocated that Articles and Recitals related to interchange fees for direct debits should be removed from the SEPA Regulation (for details on the EPC position see the EPC document 'Executive Summary - EPC Comments on SEPA Regulation' under 'related links' below).

Provisions with regard to the International Bank Account Number and the Business Identifier Code introduced with the SEPA Regulation

The Annex to the SEPA Regulation details the use of the International Bank Account Number (IBAN) and the Business Identifier Code (BIC). The SEPA Regulation also details timelines leading to the application of the so-called 'IBAN only' rule.

Recitals 7a, 10a and Articles 4a.4, 4a.7, 17.2c: use of the IBAN and the BIC

For cross-border payments the 'IBAN only rule' will apply as of February 2016; i.e. payment service users (PSUs) will not be required to provide the BIC with a payment instruction. For national payments, the 'IBAN only rule' will apply as of February 2014, however individual EU Member States have the option to delay this to February 2016 if required.

Recital 12a and Article 17.1: option for continued use of national account identifiers by consumers until 1 February 2016

Article 2 (14) of the SEPA Regulation defines Basic Bank Account Number (BBAN) as follows: *"BBAN' means a payment account number identifier, which unambiguously identifies an individual payment account with a PSP in a EU Member State and which can only be used for national transactions while the same account is identified by IBAN for cross-border transactions."* The Regulation includes a provision (Article 17), which states that EU Member States are *'permitted to allow, until 1 February 2016, PSPs to provide PSUs with conversion services for national payment transactions, enabling PSUs that are consumers to continue using BBAN' instead of the IBAN.*

The view of the EPC

The SCT and SDD Schemes are based on the use of both the IBAN and BIC. The EPC is not aware of any valid data which would indicate that providing both the IBAN and the BIC would constitute an obstacle to SEPA migration. The EPC notes that early movers on the customer side in several euro countries have successfully accomplished conversion of millions of account data to IBAN and BIC already. The banking industry and other service providers have developed a host of tools supporting the conversion of account data to IBAN and BIC. In many EU countries, consumers today already use IBAN and BIC without any difficulties. The EPC is therefore surprised that the EU legislator identified the need to abolish the BIC at the 25th hour of the legislative process leading to the adoption of the SEPA Regulation.

Provisions on the use of the ISO 20022 XML standards introduced with the SEPA Regulation

Article 2(17): definition of the ISO 20022 XML standard

Article 2 (17) of the SEPA Regulation defines the meaning of the ISO 20022 XML message standard as follows: *"ISO 20022 XML standard' means a standard for the development of electronic financial messages as defined by the International Organization for Standardization (ISO), encompassing the physical representation of the payment transactions in XML syntax, in accordance with business rules and implementation guidelines of Union-wide schemes for payment transactions in scope of this Regulation."*

The 'implementation guidelines of Union-wide schemes' referred to in this definition are, for example, the implementation guidelines published by the EPC with regard to the SCT and SDD Schemes. These guidelines are available for download on the EPC Website (see links to 'SEPA Credit Transfer' and 'SEPA Direct Debit' under 'related links' below). For more information on the ISO 20022 message standards see www.iso20022.org.

Recital 11, Articles 4a.1d, 4a.1e, 17.2b, Point 1 (b) of the Annex: mandatory use of ISO 20022 XML standards in the remittance of payment instructions by payment service users

Article 4 a. 1d of the SEPA Regulation states that the PSP *"shall ensure that where a PSU that is not a consumer or a micro-enterprise, initiates or receives individual credit transfers or individual direct debits which are not transmitted individually, but are bundled together for transmission, the message formats specified in point (1)(b) of the Annex are used"*. Point (1) (b) of the Annex specifies that the message formats referred to in Article 4a. 1d are the ISO 20022 XML message standards.

The view of the EPC

The SEPA data formats; i.e. the ISO 20022 message standards as specified in the implementation guidelines published by the EPC with regard to the SCT and SDD Schemes, are binding for the exchange of SEPA payments between PSPs that are SCT or SDD scheme participants. The use of the SEPA data formats in the customer-to-bank communication is recommended by the EPC, yet not mandated. The SEPA Regulation however mandates the use of the ISO 20022 XML message formats by PSUs as cited above. With regard to the fact that the SEPA Regulation confers the power upon the European Commission to amend the technical requirements set out in the Annex to the SEPA Regulation (see next section in this article), the EPC wonders whether the European Commission considers it within its remit to redefine standards developed by ISO such as the ISO 20022 messages and the IBAN?

Provisions empowering the European Commission to amend the technical requirements set out in the Annex to the SEPA Regulation through 'delegated acts'

The concept of 'delegated acts' was introduced by the Lisbon Treaty, which entered into force in December 2009 and more specifically, by Article 290 of the Treaty on the Functioning of the European Union (TFEU). Whereas European legislation is adopted by the EU legislators; i.e. the European Parliament and the Council representing EU Member States, Article 290 TFEU allows the EU legislative bodies to delegate the power to adopt non-legislative acts to the European Commission (the executive body). For further details on the procedure to be followed by the European Commission for determining and amending the technical requirements applicable to euro payment schemes, refer to the article 'The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts' (see 'related articles in this issue' below).

Recitals 10, 22, 23 and Articles 4a.1, 4a.2, 4a.3, 12, 13 and Annex: the European Commission is empowered to amend the technical requirements set out in the Annex to the SEPA Regulation through 'delegated acts'

The technical requirements detailed in the Annex to the SEPA Regulation are applicable to euro credit transfer and direct debit schemes, such as the SCT and the SDD Schemes. The SEPA Regulation confers the power upon the European Commission to amend these technical requirements through 'delegated acts'.

The view of the EPC

The EPC had recommended to not confer these broad executive powers to the European Commission to amend the technical requirements set out in the Annex to the SEPA Regulation through delegated acts (for details on the EPC position see the EPC document 'Executive Summary - EPC Comments on SEPA Regulation' under 'related

links' below).

At the start of the SEPA process a decade ago, the European authorities tasked the banking industry to design harmonised instruments for electronic euro payments. The banking industry, represented by the EPC, delivered as requested: the EPC developed the SCT and SDD Schemes in close dialogue with the customer representatives and the European authorities. The EPC notes that the EU lawmaker has now de facto transferred the responsibility of SEPA scheme management to the European Commission.

It remains the EPC's objective to ensure that the SCT and SDD Schemes and adjacent implementation guidelines evolve in response to proven market needs, and to publish updated versions of the scheme rulebooks based on a predictable release schedule (see 'SCT / SDD Rulebook Release Management and Scheme Development' under 'related links' below). The EPC must, however, clarify that it can no longer be held accountable in this regard.

Moving forward, the EPC will be under the legal obligation to align the SCT and SDD Rulebooks with the technical requirements as amended by the European Commission and according to the timelines mandated by this authority. All market participants obliged to adapt systems and operations with the technical requirements applicable to the SCT and SDD Schemes decreed by the European Commission, would greatly appreciate the regulators making specific information on the principles and timelines governing the further evolution of the schemes available. To-date, both the legislator and the European Commission remain silent on the matter.

Recital on SEPA governance introduced with the SEPA Regulation

Recital 5: the European Commission should review the governance arrangements of the whole SEPA project, including the composition of the EPC, before the end of 2012

Recital 5 of the SEPA Regulation states: *"Self-regulatory efforts of the European banking sector through the SEPA initiative have not proven sufficient to drive forward concerted migration to Union-wide schemes for credit transfers and direct debits on both the supply and demand sides. In particular, consumer and other user interests have not been taken into account in a sufficient and transparent way. The voice of all relevant stakeholders should be heard. Moreover, this self-regulatory process has not been subject to appropriate governance mechanisms, which may partly explain the slow uptake on the demand side. While the recent establishment of the SEPA Council represents a significant improvement to the governance of the SEPA project, fundamentally and formally governance still remains very much in the hands of the European Payments Council (EPC). The Commission should therefore review the governance arrangements of the whole SEPA project before the end of 2012 and where necessary make a proposal. This review should examine, inter alia, the composition of the European Payments Council (EPC), the interaction between the EPC and an overarching governance structure, such as the SEPA Council, and the role of this overarching structure."*

The view of the EPC: Recital 5 of the SEPA Regulation misrepresents the role of the EPC

The EPC clarifies - again:

To-date, the EPC develops the payment schemes and frameworks required to make SEPA a reality. The EPC was not, is not - and certainly will not be - responsible for the overall management of the SEPA process

Recital 5 of the SEPA Regulation, which states that *"fundamentally and formally, [SEPA] governance still remains very much in the hands of the EPC"*, misrepresents the role of the EPC in the SEPA process. The EPC was not, is not - and, as demonstrated above, certainly will not be - responsible for the overall management or governance of the SEPA process.

The EPC, as mandated by the relevant European authorities, develops the SEPA payment schemes and frameworks based on global technical standards developed by international standardisation bodies. The schemes are key elements required to making SEPA a reality. The EPC however, is not responsible for the overall management of the SEPA process. This is the task of the relevant public authorities including the European Commission, the European Parliament, the Council representing EU Member States, the European Central Bank and EU governments. The representatives of bank customers are a very important partner in the process. As

highlighted above, the European Commission will assume the responsibility of SEPA scheme management in the future. The banking industry will only have a marginal voice in the preparatory process leading to the adoption of delegated acts by the European Commission to amend technical requirements applicable to SEPA payment schemes set out in the Annex to the Regulation.

The EPC ensures that the SCT and SDD Schemes evolve based on an open and inclusive change management process

Recital 5, which states that the principles governing the EPC scheme management would not take into account consumer and other user interests *"in a sufficient and transparent way"* misrepresents the EPC. The SCT and SDD Schemes are developed by the EPC in close dialogue with the entire European payment community (demand and supply sides), and have evolved based on an open and inclusive scheme change management process. This process provides all stakeholders with the opportunity to actively introduce suggestions for modifications to the schemes and to take part in the annual three-month public consultation on updates to be incorporated into the schemes (see 'SCT / SDD Rulebook Release Management and Scheme Development' under 'related links' below). The EPC has a proven track record of consulting stakeholders with regard to EPC deliverables.

It should be noted that some suggestions for changes to the schemes repeatedly brought forth by specific interest groups fail to find broad support on both the demand and supply sides of the entire SEPA payment market. The EPC however, is bound to respect majority views as identified during the annual public consultation on scheme development. As a result, the EPC cannot incorporate such requests into the SCT and or SDD Schemes which lack broad support. In the view of the EPC it is inappropriate to disqualify a process designed to identify majority views as 'ignoring user requests'.

SEPA is a policy-maker drive EU integration initiative shaped in accordance with EU law and policies. Any interest group is free to engage with the EU institutions subject to applicable procedures

SEPA is an EU integration initiative shaped in accordance with EU law and policies. Subject to applicable procedures, any interest group is free to engage in dialogue with the EU institutions. Available data indicates that there are up to 30,000 lobbyists active in Brussels. The legislative process leading to the adoption of the SEPA Regulation confirms that lobbying organisations representing specific interest groups on the demand side have successfully channelled their views into this Regulation. As such, the SEPA process was never driven exclusively by the banking industry. Anyone who feels that the EU decision-making process is at fault is certainly free to challenge the EU institutions on the matter, however, should refrain from fabricating a 'SEPA governance issue' (for details, see the EPC Blog 'SEPA Governance: Setting the Record Straight' under 'related links' below).

The EPC is not responsible to impose migration by bank customers to the SCT and SDD Schemes

Recital 5 of the SEPA Regulation states: *"Self-regulatory efforts of the European banking sector through the SEPA initiative have not proven sufficient to drive forward concerted migration to Union-wide schemes for credit transfers and direct debits on both the supply and demand sides."* This statement blatantly disregards the fact that it is not the responsibility of the banking industry to drive forward EU integration initiatives. As discussed in greater detail in the article 'Reflections on Recent Contributions from the European Commission Directorate General Competition to the Innovation in Payments Debate' (see 'related articles in this issue' below), the integration of the euro payments market requires the political will and mandate to achieve it. The substantial efforts of the banking industry to develop and implement harmonised SEPA payment schemes at the request of the EU authorities did not - and, in light of EU antitrust law, could not - entail a responsibility of the industry to impose the replacement of existing national schemes by the new SEPA instruments. The fact that the mere existence of harmonised SEPA payment schemes did not trigger mass migration on the customer side should not have come as a surprise to the EU legislator: SEPA is a political vision, bank customers never asked for it. This is why there is a need for regulatory action to mandate the phasing out of national euro payment schemes.

In December 2009, the Economic and Financial Affairs Council (ECOFIN), which comprises the Economics and Finance Ministers of the EU Member States, called on public authorities in all EU Member States (i.e., themselves) to "significantly step up their migration efforts and lead SEPA migration by example"¹. The ECOFIN also invited "Member States to encourage communication efforts made by industry and by public authorities in order to ensure that appropriate information campaigns are launched." In June 2010, the SEPA Council² - bringing together

representatives of both the demand and supply sides including the EPC - endorsed a formal declaration which stressed, among other things, the need for "targeted communication efforts by the national authorities, the banking industry and the national SEPA Coordination Committees to improve the general perception of the project and to facilitate user-friendly market migration" (see 'related links below'). In the view of the EPC, educating the general public on the SEPA objectives is the prime responsibility of the political authorities - such as EU governments - driving EU integration.

The banking industry looks forward to exchanging views with all SEPA stakeholders and the European Commission on the future evolution of the SEPA payment schemes

The SEPA Regulation is the fourth (and most likely not the last) major regulatory intervention within a decade designed to achieve a harmonised euro payments market (for details, see the link 'SEPA Legal and Regulatory Framework' under 'related links' below). With this legislative act, the European lawmaker forcefully reiterates that SEPA is a policy-maker driven EU integration initiative. The EPC also notes that the European Commission recently adjusted the composition of the Payment Systems Market Expert Group (PSMEG). The PSMEG is a consultative entity representing the demand and supply sides of the payments market. The PSMEG helps the European Commission, among other things, in the preparation of 'delegated acts'. Representatives of banks are now a minority in the PSMEG; the EPC has only an observer status in this body (see 'related links' below for the list of PSMEG members).

In light of the regulatory reality, the EPC has no choice but to recognise that the expertise of payment experts employed by the banking industry may come second to the requirements defined by the EU legislator and the European Commission as regards the debate on the evolution of the SEPA payment schemes. Going forward, the SCT and SDD Schemes will need to be amended as mandated by the European Commission.

The banking industry calls again on the European authorities to refrain from stating that SEPA would be a "self-regulatory project run by the banking sector". As demonstrated above, this claim was erroneous in the past and is untenable today.

Gerard Hartsink is the Chair of the EPC.

Related links:

[Proposal for a Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation \(EC\) No 924/2009 - Approval of the final compromise text. 16 December 2011](#)

[European Commission Press Release of 20 December 2011: 'Commissioner Michel Barnier Welcomes Agreement by Council and Parliament Establishing SEPA Migration End-Dates'](#)

[European Parliament Press Release of 20 December 2011: 'Cheaper, Faster and Safer Cross-border Payment Services'](#)

EPC Website: [SEPA Legal and Regulatory Framework](#)

[Executive Summary - EPC Comments on SEPA Regulation](#)

EPC Website: [SEPA Credit Transfer](#)

EPC Website: [SEPA Direct Debit](#)

EPC Website: [SCT / SDD Rulebook Release Management and Scheme Development](#)

EPC Blog: [SEPA Governance: Setting the Record Straight](#)

[SEPA Council: Formal Declaration on End-Date\(s\) \(June 2010\)](#)

[European Commission Payment Systems Market Expert Group \(PSMEG\): List of Members](#)

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[The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts'. SEPA Regulation empowers the European Commission to mandate technical requirements applicable to SEPA payment schemes](#)

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[The 2012 Payment Services Directive Review: Too Much too Soon? The European Commission must present its report on the application of the Payment Services Directive by 1 November 2012](#)

[Ahead of the Curve: Deutsche Post Pension Service Completes SEPA Migration. This early mover currently disburses 22.5 million SEPA payments monthly](#)

Related articles in previous issue(s):

[Brave New World: the European Commission Becomes the SEPA Scheme Manager. The EPC offers the regulator some insight on scheme development and rulebook release management](#) (EPC Newsletter, Issue 12, October 2011)

[SEPA Governance: Setting the Record Straight. SEPA is European integration in action. This process allows any party to engage. There is no 'SEPA governance issue'](#) (EPC Newsletter, Issue 12, October 2011)

[Direct Debit: Killing it Softly. Reflections on the likely demise of one of the most popular payment instruments in Europe](#) (EPC Newsletter, Issue 11, July 2011)

¹[Economic and Financial Affairs Council \(EU Finance Ministers\): SEPA Conclusions of December 2009.](#)

²The objective of the SEPA Council established by the European Commission and the European Central Bank is to promote the realisation of an integrated euro retail payments market by fostering consensus between all major stakeholders on the next steps towards the full realisation of SEPA.

ARTICLE218

LEGAL AND REGULATORY ISSUES

The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts'

SEPA Regulation empowers the European Commission to mandate technical requirements applicable to SEPA payment schemes

30.01.12 BY DERMOT TURING AND GAIL ORTON

Following months of negotiations, agreement on the final text of the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation), was finally reached by European Union (EU) legislators in December 2011. It is expected to be formally adopted and published in the Official Journal of the EU in the coming months. The SEPA Regulation stipulates the mandatory deadlines for compliance of euro credit transfer and direct debit schemes with this legislative act. In the euro area, this will be 1 February 2014; in non euro countries, the deadline will be 31 October 2016. Effectively, the Regulation defines the dates for migration to harmonised SEPA payment schemes. The SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes, developed by the European Payments Council (EPC), will have to comply with the technical requirements detailed in Article 4a and in the Annex to the SEPA Regulation. The SEPA Regulation will give power to the European Commission to amend the technical requirements set out in the Annex to the Regulation through 'delegated acts'. Dermot Turing and Gail Orton examine the procedure to be followed by the European

Commission for determining and amending the technical requirements applicable to euro payment schemes. The authors point out that the details of how the European Commission intends to consult the market (demand and supply sides) on the evolution of the SCT and SDD Schemes are not yet available.

Key Information in this Article

'Delegated acts' are a new addition to the European Union (EU) decision-making landscape. They were introduced by the Lisbon Treaty, which entered into force in December 2009 and more specifically, by Article 290 of the Treaty on the Functioning of the European Union (TFEU).

Whereas European legislation is adopted by the EU legislators: the Council of Ministers (made up of representatives of the 27 EU Member States) and the European Parliament (made up of 754 directly elected members), Article 290 TFEU allows the Council and European Parliament to delegate the power to adopt non-legislative acts to the European Commission (the executive body).

In the future, the European Commission will be responsible for making decisions regarding the features of the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes. It will do this by means of 'delegated acts', which empower the European Commission to amend the Annex to the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation).

When adopting these acts, the European Commission has committed to consulting experts appointed by EU governments in its preparatory work. It is uncertain to what extent the European Commission will consult SEPA stakeholders not appointed by EU governments on the evolution of the SCT and SDD Schemes.

The European Commission has reiterated that it has a lot of autonomy in relation to adopting delegated acts and "experts will have a consultative rather than an institutional role in the decision-making procedure".

The SEPA Regulation and delegated acts

The 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros', commonly referenced as the 'Single Euro Payments Area Regulation' ('SEPA Regulation' for short), stipulates the mandatory deadlines for compliance of euro credit transfer and direct debit schemes with this Regulation. In the euro area, this will be 1 February 2014; in non euro countries, the deadline will be 31 October 2016. Effectively, the Regulation defines the dates for migration to harmonised SEPA payment schemes. A SEPA payment scheme will have to comply with the technical requirements set out in Article 4a and in the Annex to the SEPA Regulation. These technical requirements are applicable to the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes developed by the European Payments Council (EPC).

The SEPA Regulation delegates power to the European Commission to amend the parts of these technical requirements that are set out in the Annex to the Regulation only (not the elements contained in Article 4a). The EPC will be under the legal obligation to align the SCT and SDD Rulebooks with the technical amendments adopted by the European Commission. All references in this article relate to the version of the SEPA Regulation as published by the Council, representing European Union (EU) Member States (the Council) on 16 December 2011 (see link below).

Background on delegated acts

Delegated acts are a new addition to the EU decision-making landscape. They were introduced by the Lisbon Treaty, which entered into force in December 2009 and more specifically, by Article 290 of the Treaty on the Functioning of the European Union (TFEU). Whereas European legislation is adopted by the EU legislators: the Council of Ministers (made up of representatives of the 27 EU Member States) and the European Parliament (made up of 754 directly elected members), Article 290 TFEU allows the Council and Parliament to delegate the power to adopt non-legislative acts to the European Commission (the executive body).

Delegated acts are used when the Council and European Parliament choose to delegate to the European Commission the power to adopt measures that they could have adopted themselves as an integral part of the

legislation, but in the interests of efficiency chose not to. There can be various reasons for this but in the case of the SEPA Regulation, it is because (a) the technical requirements are considered to be precisely that: technical in nature rather than political and (b) delegated acts are more easily amended than legislation that must be passed by the European Parliament and the Council under the ordinary legislative procedure (formerly known as co-decision, see 'related links' below for detailed information on the procedure).

In relation to payments, the possibility of technological and other developments make it highly likely that the technical requirements contained in the Annex to the SEPA Regulation will need to be updated. The Council and European Parliament have therefore granted the European Commission the power to do this without the need to trigger another round of negotiations between the EU legislators.

The SEPA Regulation therefore grants the European Commission a quasi-legislative role to amend the Annex to the Regulation in order to take account of technical progress and market developments. The framework within which the powers are to be exercised by the European Commission are defined in Articles 12 and 13 of the SEPA Regulation. Power is delegated to the European Commission for a period of five years from the date of entry into force of the SEPA Regulation. This could be extended for a further five years, unless the European Parliament or Council opposes it three months before the end of the five year period.

The use of delegated acts is generally still in its infancy and there are institutional question marks about the practical arrangements. A detailed prediction of how the SEPA Regulation delegated power will play out is therefore not possible at this early stage. Some broad principles about how the European Commission should proceed have however, been agreed.

Process for adopting delegated acts

Delegated acts do not need to undergo the full legislative process, but are formally adopted by the College of 27 European Commissioners (one from each EU Member State). A European Commission Communication from December 2009 (see link below), sets out how Article 290 TFEU should be implemented (the '2009 Communication'). For those who follow closely EU decision-making, a similar 'comitology' procedure existed prior to the Lisbon Treaty and was known as the 'regulatory procedure with scrutiny'.

According to the 2009 Communication, the European Commission intends "systematically to consult experts from the national authorities of all the Member States", except where its preparatory work does not require any new expertise. This consultation will be carried out "in plenty of time, to give the experts an opportunity to make a useful and effective contribution to the Commission". In financial services, the European Commission has committed to continuing to consult experts appointed by the 27 Member States in the preparation of delegated acts, in accordance with established practice. It may also form new expert groups. It is currently unclear what (informal) role the new London-based European Banking Authority (EBA) may play in relation to the Annex to the SEPA Regulation.

On several occasions, the European Commission has reiterated that it has a lot of autonomy in relation to adopting delegated acts and "experts will have a consultative rather than an institutional role in the decision-making procedure". Indeed, the European Parliament and Council inserted new wording in Recital 22 of the SEPA Regulation requiring the European Commission to "carry out appropriate and transparent consultation during its preparatory work [on delegated acts], including with the European Central Bank and all relevant stakeholders". The European Commission issued a declaration in response, stating that it could not accept the new wording of Recital 22 because it was not consistent with what had previously been agreed in relation to delegated acts in a 'common understanding' between the three institutions, i.e. that the European Commission would "carry out appropriate consultations during its preparatory work, including at expert level".

These tussles between the three institutions are common. Despite delegated acts being intended as a process to speed up decision-making and leave technical decisions to the European Commission, what has resulted, is ever more highly politicised negotiations between the institutions and repeated efforts by the Council and European Parliament to ensure they maintain a tight control over how the delegation of power plays out.

Scrutinising the European Commission's use of the delegated power

It is always the legislators who choose to delegate power, but once it has been granted the European Commission has a fair degree of autonomy in exercising that power. There is however, a role for the Council and European Parliament in scrutinising its use through a right of revocation and / or a right of objection (within agreed time limits). In order to exercise either of these powers of control, the Council must act by a qualified majority and the European Parliament by a majority of its members. In relation to the SEPA Regulation, the exact manner in which these rights are to be exercised is set out in Article 13.

In addition, Article 13 stipulates that the European Commission must notify the European Parliament and Council simultaneously "as soon as it adopts a delegated act".

For commentary on the impact of the European Commission's power to amend the Annex to the SEPA Regulation on the SCT and SDD Rulebook change management please refer to the article by EPC Chair Gerard Hartsink 'SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme management to the European Commission' in this issue of the EPC Newsletter.

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Related links:

[Clifford Chance briefing, New EU decision-making landscape: Delegated acts & implementing acts](#)

[Proposal for a Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation \(EC\) No 924/2009 - Approval of the final compromise text, 16 December 2011 \[register.consilium.europa.eu/pdf/en/11/st18/st18222.en11.pdf\]\(http://register.consilium.europa.eu/pdf/en/11/st18/st18222.en11.pdf\)](#)

[Council statement on agreement with European Parliament, 20 December 2011](#)

[European Commission statement welcoming agreement by Council and European Parliament establishing SEPA migration end-dates, 20 December 2011](#)

[European Commission frequently asked questions on SEPA](#)

[Communication from the European Commission to the European Parliament and the Council: Implementation of Article 290 of the Treaty on the Functioning of the European Union COM\(2009\)673](#)

[Common Understanding on Practical Arrangements for the use of Delegated Acts, 14 April 2011](#)

For more information on the 'ordinary legislative procedure' (co-decision) governing the European Union legislative process, click [here](#)

[EPC Blog \(17 November 2011\): Important Notice to all SEPA Stakeholders: the European Commission Will Assume SEPA Scheme Management](#)

[EPC Blog \(30 November 2011\): SEPA for All: What Customers Want. The EPC Shares Lessons Learnt with the European Commission on How to Align SEPA Payment Schemes with Proven Market Needs](#)

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[EPC Scheme Change Management 2012 \(and Beyond\) - Call to Stakeholders: Stay Engaged and Prepare for Impact of SEPA Regulation. Suggestions for changes to SCT and SDD must reach the EPC by end February 2012](#)

[The 2012 Payment Services Directive Review: Too Much too Soon? The European Commission must present its report on the application of the Payment Services Directive by 1 November 2012](#)

[Reflections on Recent Contributions from the European Commission Directorate General Competition to the Innovation in Payments Debate. Seeking common ground between policy makers and technical experts](#)

Related articles in previous issue(s):

[SEPA Regulation: Last Call to Legislators. EPC invites European lawmakers to align Regulation with bank customer requirements](#) (EPC Newsletter, Issue 12, October 2011)

[Brave New World: the European Commission Becomes the SEPA Scheme Manager. The EPC offers the regulator some insight on scheme development and rulebook release management](#) (EPC Newsletter, Issue 12, October 2011)

All EPC Newsletter articles published in the '[Legal and Regulatory Issues](#)' section.

ARTICLE208

LEGAL AND REGULATORY ISSUES

The 2012 Payment Services Directive Review: Too Much too Soon?

The European Commission must present its report on the application of the Payment Services Directive by 1 November 2012

30.01.12 BY RUTH WANDHÖFER

Directive 2007/64/EC, of the European Parliament and of the Council (13 November 2007), regarding payment services in the internal market, is usually referred to as the Payment Services Directive (PSD). The PSD was implemented by most European Union (EU) Member States by 1 November 2009. The PSD aims to establish a modern and comprehensive set of rules applicable to a wide range of payment services in the EU. As such, the PSD is not restricted to SEPA transactions. Article 87 of the PSD requires the European Commission to present a report on the implementation and impact of the Directive, together with proposals for its revision by 1 November 2012. In this article, Ruth Wandhöfer analyses the implications of this requirement and provides an overview of possible amendments to the PSD as a result of the review process.

Key Information in this Article

The European Commission must carry out a review of the Payment Services Directive (PSD) and report its findings to the European Parliament, the European Council representing European Union (EU) Member States, the European Central Bank and the European Economic and Social Committee by 1 November 2012.

Article 87 of the PSD defines the items which the European Commission must consider in its review of this Directive:

- The possible need to extend the scope of the Directive to payment transactions in all currencies and to payment transactions where only one of the PSPs is located in the community (so-called 'one leg' transactions).
- The application and functioning of Articles 69 and 75 (the 'D+1'¹ execution time provision and the liability regime in relation to the execution of payment transactions) for all kinds of payment instruments.
- The possible need to revise the scope of the PSD with respect to low value payment instruments and electronic money.
- The possible impact of the PSD's authorisation requirements of payment institutions (PIs) on competition between PIs and other payment service providers (PSPs), as well as on barriers to market entry by new PSPs.
- The application of Articles 6, 8 and 9 concerning prudential requirements for PIs, in particular with regards to their 'own funds' requirements and safeguarding requirements (so-called 'ringfencing').
- The possible impact of the granting of credit by PIs related to payment services, as set out in Article 16(3).

Based on a call for tender to conduct a study on the application of the PSD and Regulation (EC) 924/2009 issued by the European Commission in 2011, it seems likely that the European Commission will also address the following items:

- Impact of the PSD on the cost of payment systems and services and on the availability of efficient payment services within the European Union.
- Impact of derogations implemented at national level on the objectives of advancing integration and increasing competition in the European payments market.
- The scope of the PSD.

The Payment Services Directive review, although premature at this stage, will significantly impact payment service providers

Article 87 of the Payment Services Directive (PSD) requires the European Commission to carry out a review of the PSD and report its findings to the European Parliament, the European Council representing European Union (EU) Member States, the European Central Bank (ECB) and the European Economic and Social Committee by 1 November 2012. Although it may seem premature, considering that Poland only approved its legislation at the end of 2011 (the last EU country to complete its national transposition), and implementation of the Single Euro Payments Area (SEPA) is not as advanced as EU regulators had projected it would be, the fact remains however, that the forthcoming PSD review will go ahead and will prove to be a time consuming exercise, both for the industry and the regulator throughout 2012. The outcome of this process is likely to have a significant impact on payment service providers (PSPs).

The mandatory scope of the review

Article 87 of the PSD defines the items which the European Commission must consider in its review. Those who closely followed the start of this Directive, will recall that Article 87 served as a 'parking lot' for issues which could not be resolved when the legislative act was first considered by the EU legislator between 2001 and 2007. These items are as follows:

- The possible need to extend the scope of the Directive to payment transactions in all currencies and to payment transactions where only one of the PSPs is located in the community (so-called 'one-leg' transactions).
- The application and functioning of Articles 69 and 75 (the 'D+1'¹ execution time provision and the liability regime in relation to the execution of payment transactions) for all kinds of payment instruments.
- The possible need to revise the scope of this Directive with respect to low value payment instruments and electronic money (not least in relation to the various existing derogations implemented at EU Member State level with regard to these types of instruments described in Articles 34 and 53).

- The possible impact of the PSD's authorisation requirements of payment institutions (PIs) on competition between PIs and other PSPs, as well as on barriers to market entry by new PSPs.
- The application of Articles 6, 8 and 9 concerning prudential requirements for PIs, in particular with regards to their 'own funds' requirements and safeguarding requirements (so-called 'ringfencing').
- The possible impact of the granting of credit by PIs related to payment services, as set out in Article 16(3).

Further need for amendment of the PSD results from Recital 25, as included in the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation), expected to be adopted by the European Parliament in February 2012. This Recital states that: "In order to ensure broad public support for SEPA, a high level of protection for payers is essential, particularly for direct debit transactions. The current and only pan-European direct debit scheme for consumers developed by the [European Payments Council] EPC provides for a no-questions-asked, unconditional refund right for authorised payments during a period of eight weeks from the date on which the funds were debited, while this refund right is subject to several conditions under Articles 62 and 63 of Directive 2007/64/EC [the PSD]. In the light of the prevailing market situation and of the necessity to ensure a high level of consumer protection, the impact of these dispositions should be assessed in the report that, according to Article 87 of Directive 2007/64, the Commission shall (...) present". In other words, the SEPA Regulation requires the European Commission to review the PSD with regards to the nature and application of the refund right regime, as defined in Articles 62 and 63 of the PSD.

Additional elements likely to be addressed in the review

In August 2011, the European Commission issued a call to tender for a "study on the impact of the PSD on payment services in the internal market and on the application of Regulation (EC) No 924/2009 on cross-border payments in the Community" (see 'European Commission Contract Notice' under 'related links' below). This study is to be carried out to provide the European Commission with the information required to prepare its report on the PSD. The call for tender provides valuable insight on additional items likely to be addressed in the review, which are not set out in Article 87 of the PSD.

The first point to note is that the study requested by the European Commission covers both the PSD and the application of Regulation (EC) No 924/2009, of the European Parliament and of the Council, of 16 September 2009 on cross-border payments in the Community repealing Regulation (EC) No 2560/2001 (see 'related links' below). Regulation (EC) 924/2009 introduced provisions which, in the eyes of the regulator, further promote EU financial integration. This has significant impact due to the introduction of the following provisions:

- Price parity requirements are extended to direct debits.
- Clear rules for transaction-based multilateral interchange fees are set until November 2012 (these rules will be amended in line with related provisions included in the SEPA Regulation).
- PSPs in the euro area, offering direct debits in euro to debtors, have been mandated to be available for cross-border direct debit collections since 1 November 2010.

The review report of the European Commission, on Regulation (EC) 924/2001, is expected to be published by 31 October 2012.

It is important to note, that the scope of the study far exceeds the mandatory elements to be addressed in the PSD review, as set out in Article 87. The European Commission expects this study to provide "a comprehensive picture of the economic and legal consequences arising from the application of the PSD", including whether the PSD has "helped to lower the costs of payment systems / services" and has "provided the basis for the development of more efficient payment services within the EU". These are important questions however, answering them will be challenging given the limited time the PSD has been in place. The study will also examine how EU Member States used the many options available to adapt PSD provisions in line with national preferences² and how this has impacted the objectives of advancing integration and increasing competition in the European payments market. These options, such as the possibility to treat micro-enterprises as consumers, were included in the PSD to ensure political support by EU governments for this regulatory intervention.

In addition, the study will revisit the PSD provisions, specifying which payment services are out of scope and assess whether it would be appropriate to extend the Directive to include additional emerging payment services, such as 'overlay' services.

Timelines and next steps

As previously mentioned, the European Commission is required to present its report by 1 November 2012. It is expected that the organisation conducting the study on the application of the PSD and Regulation (EC) 924/2009, will use a combination of desk research, interviews and questionnaires, reaching out to PSPs, PIs and stakeholders on the demand side, such as public administrations. The European Commission has also requested to receive an interim report within four months of the date of signature on the contract, which has very recently been awarded. The organisation chosen to conduct the study will have to deliver a draft of the study within seven months and the final study within nine months. Given the complexity of the subject, this is an ambitious timeline.

Engaging in the review process

Given the wide range of items to be addressed in the PSD review, it is likely that this process will result in change to this piece of legislation, thereby having a significant impact on the European payments industry. With regards to the tight deadlines set by the EU regulator, the effects of this regulatory development will be amplified due to the fact that the PSD review comes at a time when stakeholders in the euro area are managing the process to become compliant with the SEPA Regulation by 1 February 2014. Another factor to keep in mind, as regards allocation of resources required to implement potential regulatory changes, is the consultation launched by the European Commission in January 2012 on its Green Paper 'Towards an integrated European market for card, internet and mobile payments' (see 'related links' below). The European Commission announced that it will communicate further measures based on this consultation in the summer of 2012. Such measures might well include changes to the PSD in other areas than the ones mentioned in Article 87 of the PSD.

Against this background it will be important for the payments industry to work closely with the European Commission and the consultants who will be preparing the study on the application of the PSD and Regulation (EC) 924/2009. The review process therefore provides an opportunity for industry players to voice any concerns they have on aspects of the PSD, which may not yet have delivered the intended results, or points of ambiguity in the original PSD text and identify inconsistent applications. Consequently the topic of the PSD review will feature strongly on the 2012 agenda of the Payment Regulatory Expert Group (PREG), which comprises representatives of the banking industry. The PREG is currently in the process of identifying the key points of common concern or interest at a pan-European level which should be fed into the debate with the European Commission as appropriate.

Last but not least, any developments which might lead to an expanded scope of the Directive must be closely monitored. At the same time, dialogue with national regulators throughout the review process should be ensured as EU Member States can be expected to put forward their own requirements to be included in the next version of the PSD.

The bottom line is, further regulatory intervention impacting the European payment industry is just around the corner.

Ruth Wandhöfer is a member of the EPC Plenary. She also chairs the EPC Information Security Support Group.

Related links:

[PSD Expert Group Guidance Document](#)

[Addendum to the PSD Expert Group Guidance Document of June 2010](#)

[PSD Website of the European Commission](#)

[European Commission Contract Notice: Study on the Impact of Directive 2007/64/EC on Payment Services in the Internal Market and on the Application of Regulation \(EC\) No 924/2009 on Cross-border Payments in the Community](#)

[Regulation \(EC\) No 924/2009 on Cross-Border Payments in the Community and Repealing Regulation \(EC\) No 2560/2001](#)

[Regulation \(EC\) No 2560/2001 on Cross-Border Payments in Euro](#)

EPC Website: '[SEPA Legal and Regulatory Framework](#)'

[European Commission Green Paper 'Towards an integrated European market for card, internet and mobile payments'](#)

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[Payment Services Directive Delayed Onset: Getting Ready for 'D + 1'. As of 2012 a payment must be credited to the account of the payee's bank by the next business day](#) (EPC Newsletter, Issue 12, October 2011)

[PSD in Practice: a Follow-Up. Further clarification of key PSD concepts required to ensure full legal harmonisation](#) (EPC Newsletter, Issue 6, April 2010)

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

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¹For details on the 'D+1' requirement see the article 'Payment Services Directive Delayed Onset: Getting ready for 'D + 1', published in the October 2011 edition of the EPC Newsletter.

²An EU Directive - as opposed to an EU Regulation - does not apply directly, but is implemented based on transposition laws defined at the level of each EU Member State. EU Directives generally allow for a degree of derogation.

ARTICLE210

FRINGE OBSERVATIONS ON SEPA

Reflections on Recent Contributions from the European Commission Directorate General Competition to the Innovation in Payments Debate

Seeking common ground between policy makers and technical experts

01.02.12 BY JAVIER SANTAMARÍA

Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, delivered a series of speeches in the last quarter of 2011 outlining the Directorate General (DG) Competition's vision for an integrated and innovative euro payments market. The DG Competition Website defines its purpose as follows: "The European Commission, together with the national competition authorities, directly enforces [European Union] EU competition rules, Articles 101-109 of the Treaty on the Functioning of the EU (TFEU), to make EU markets work better, by ensuring that all companies compete equally and fairly on their merits". In December 2011, Commissioner Joaquín Almunia stated: "Our control of competition in the internal market and the initiatives that we take to update and improve our policies are crucial to boost economic efficiency and promote innovation." Having reflected on the DG Competition's latest contributions to the debate, Javier Santamaría raises the following questions: has the DG Competition expanded its scope to define industrial policies? Will the European Commission use its substantial powers, ex post, to impose its vision of how an integrated and innovative market should look like, i.e. enforce policies instead of the law? How

can perceptions of the European Commission and bankers on the principles applicable to moving funds from account A to account B be aligned (or at least approximated)? This author may not have all the answers, he does however, hope that this article will contribute towards developing a fact-based and forward-looking discussion. A fact-based debate would, among other things, lead the European Commission to drop the claim that the SEPA programme would have been launched or would be managed as a "self-regulatory project run by the banking sector". The European Payments Council (EPC) is not responsible for the overall management of the SEPA process.

Key Information in this Article

Commissioner Almunia: "Our control of competition in the internal market and the initiatives that we take to update and improve our policies are crucial to boost economic efficiency and promote innovation. Fair and robust competition rules mean – among other things – integrating those markets which, in practice, continue to operate at national level; promoting innovation; encouraging the restructuring of mature European industries and fighting against protectionism." (Speech 1 December 2011).

Questions: Has the Directorate General (DG) Competition expanded its scope to define industrial policies? If so, will the European Commission use its substantial powers, ex post, to enforce its vision of how an innovative market should look like, i.e. enforce policies instead of the law?

Commissioner Almunia: "At the core of this integration effort is the Single Euro Payments Area - or SEPA - the self-regulatory project run by the banking sector to make cross border payments in euro as easy and efficient as domestic ones. (...) The European Payments Council - the organisation behind the self regulatory implementation of SEPA - is also the banking industry's standardisation body for payments." (Speech 12 October 2011).

Corrections: The SEPA vision was set out by European Union (EU) governments in the Lisbon Agenda, in March 2000. SEPA is a policy-maker driven EU integration initiative in the area of payments. The European Payments Council (EPC) is not responsible for the overall management of the SEPA process. The EPC does not develop standards; it creates payment schemes and frameworks, based on global technical standards defined by international standards bodies such as the International Organization for Standardization (ISO).

Suggestions by the author:

- Clarity on terms is crucial to facilitate an informed debate on payments. A process could be established to ensure that discussion is based on shared definitions and a common understanding of the technical aspects underlying efficient and secure end-to-end payment processing.
- A fact-based debate would lead the European Commission to drop the claim that the SEPA programme would have been launched or would be managed as a "self-regulatory project run by the banking sector".
- It would be beneficial if the European Commission shared details on the methodology it applies to measure the power of integration and innovation inherent to existing and new payment solutions, assuming that some sort of objective measurement is in place.
- Realistic targets, taking into consideration customer preferences, should be agreed with regards to the progress of EU market integration, which is expected to be triggered through payment services.

This article does not discuss the antitrust investigation launched by the European Commission against the EPC's work in the area of SEPA-wide online payments. A link to the EPC's press release, issued on 27 September 2011, is included at the bottom of this article.

Commissioner Almunia: "I invite the EPC and its members to engage with us in a constructive manner. Together, we can get the facts right and - if necessary - we will find the best solutions to the issues that we may identify." (Speech 14 December 2011).

In his book 'Hyperspace. A Scientific Odyssey through Parallel Universes, Time Warps, and the 10th Dimension'¹, Professor Michio Kaku explores the superstring theory, which "predicts the precise number of dimensions: ten." The importance of this theory "lies in its power to unify all known physical phenomena in one astonishingly simple framework." The theory therefore, "may be the crowning achievement of two millennia of scientific investigation; the 'Holy Grail' of physics, the 'theory of everything' that eluded Einstein for so many decades". Professor Kaku cautions however, that the theory "has not yet been experimentally confirmed."

Professor Kaku is aware that the concept of ten dimensions is surprising to those readers who are not superstring

theorists: "We are born with an innate sense that our world is three-dimensional. If we include time as another dimension, then four dimensions are sufficient to record all events in the universe". To illustrate differences in the perception of reality, he reflects on the world as experienced by a carp²: "Living their entire lives in the shallow pond, the carp would believe that their 'universe' consisted of murky water and the lilies. Spending most of their time foraging on the bottom of the pond, they would be only dimly aware that an alien world could exist above the surface. The nature of my world was beyond their comprehension."

In late 2011, Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, delivered a series of speeches outlining the European Commission Directorate General (DG) Competition's vision for an integrated and innovative euro payments market. The latest contributions from the DG Competition to the debate suggest that the European Union (EU) competition authority has adopted a new mission comparable to that of superstring theorists in physics, i.e. to explore new dimensions in the provision of payment services. On 1 December 2011, Commissioner Almunia stated: "Competition policy is also an effective tool for fostering innovation, which is the basis of high sustained growth in the long term" (speech titled 'Unleashing Europe's Potential for Growth: The Role of Competition Policy', see 'related links' below).

In the eyes of the DG Competition, an expert concerned with countless technical details underlying efficient and secure payment processing is like a carp (if the expert is employed by a bank). In the speech cited above, Commissioner Almunia also stated: "Our purpose (...) is to ensure that new challengers can operate on the markets and provide sufficient alternatives to industrial customers, and ultimately consumers. This has the double effect of promoting the innovative solutions often brought by the newcomers and of forcing the incumbents to respond in kind." On 14 December 2011, Commissioner Almunia kindly took the time to speak to the members of the European Payments Council (EPC) at the meeting of the EPC Plenary (speech titled 'A Fair and Open System for Payments in the Single Market', see 'related links' below). During this speech, Commissioner Almunia commented: "New actors are willing to do what the banks are slow to deliver; they are ready to provide innovative and more efficient payment solutions." Having delivered brand new Single Euro Payments Area (SEPA) payment schemes and frameworks, based on the most advanced technical standards available from international standards bodies, the EPC members made a note of this statement. This author recalls that the EU authorities requested that the banking industry develop and implement such harmonised instruments for electronic euro payments. These same authorities have also consistently claimed that building SEPA would be the precondition to creating efficient and innovative euro payment services.

It is recognised that the reality perceived by policy makers may be different to that of a technical expert, therefore making steps forward towards a common goal often difficult. To ensure constructive dialogue, some common ground regarding the technical and other aspects underlying efficient and secure end-to-end payment processing must be found. Eventually, it will be necessary to meet in the same (payments) universe and agree on the number of dimensions to take into consideration.

Speaking to the EPC members, Commissioner Joaquín Almunia also commented that "together, we can get the facts right". This article attempts to identify some of the questions which might be worth discussing in the course of a much welcomed fact-finding exercise.

Commissioner Almunia: "Our control of competition in the internal market and the initiatives that we take to update and improve our policies are crucial to boost economic efficiency and promote innovation. Fair and robust competition rules mean - among other things - integrating those markets which, in practice, continue to operate at national level; promoting innovation; encouraging the restructuring of mature European industries; and fighting against protectionism." (Speech 1 December 2011).

Questions: Has the DG Competition expanded its scope to define industrial policies? If so, will the European Commission use its substantial powers, ex post, to enforce its vision of how an innovative market should look like, i.e. enforce policies instead of the law?

The DG Competition website (see 'related links' below) defines its mission as follows: "The European Commission, together with the national competition authorities, directly enforces EU competition rules, Articles 101-109 of the Treaty on the Functioning of the EU (TFEU), to make EU markets work better, by ensuring that all companies compete equally and fairly on their merits". Commissioner Almunia's statement cited above, seems to embrace a broader vision of the DG Competition's mission; namely, to define industrial policies.

This newly expanded mission overlaps with the responsibilities of DG Internal Market and Services. The DG Internal Market and Services website (see 'related links' below) states: "The DG's mission is to develop and maintain a dynamic and open European single market that enables citizens to meet the challenges of globalisation. We aim to provide a regulatory environment that enhances competitiveness, stimulates innovation, and promotes financial stability. We also aim to improve the range and quality of products and services available at competitive prices throughout the Single Market in order to deliver higher living standards, better job opportunities, and a prosperous economic future for all citizens".

This shift of responsibility from DG Internal Market and Services to the DG Competition is of paramount relevance to payment experts engaged - at the request of EU public authorities - in efforts aimed at generating EU-wide applicable payment schemes and frameworks. It appears that progress of market integration and innovations, resulting from such efforts, are now benchmark tests to be applied by the DG Competition to verify whether such activities are permissible under the EU antitrust regime. If this is the case, then it will be imperative that legally binding guidelines are made available ex ante which specify:

1. The requirements that must be met to qualify such activities as being conducive to promote market integration and innovation.
2. The level of market integration and innovation that must result from such activities including methods used by the DG Competition to measure the progress of integration and innovation.

This legal certainty has yet to be achieved. Payment experts cannot be expected to engage if the DG Competition reserves the right to use its substantial powers to enforce, ex post, its ad hoc policies and visions of how an integrated and innovative market should look like. Policy differs from rules or law. While law can enforce or prohibit behaviours, policy merely guides actions with a view to achieve a desired outcome. Policy has, and must have, a degree of discretion to adapt to circumstances and evolution. The use of discretionary policies however, must not prevail over the law.

Commissioner Almunia: "At the core of this integration effort is the Single Euro Payments Area - or SEPA - the self-regulatory project run by the banking sector to make cross border payments in euro as easy and efficient as domestic ones. (...) The European Payments Council - the organisation behind the self regulatory implementation of SEPA - is also the banking industry's standardisation body for payments." (Speech 12 October 2011)

Corrections: The SEPA vision was set out by EU governments in the Lisbon Agenda, March 2000. The EPC is not responsible for the overall management of the SEPA process. The EPC does not develop standards.

Commissioner Almunia delivered the statement cited above in his speech titled 'Building Europe's Future Payments Market' (see 'related links' below) at the 'Next Generation Cards and Payments' conference, which took place in Brussels on 12 October 2011. As mentioned in the introductory section of this article, Commissioner Almunia asserted that "together, we can get the facts right".

A fact-based debate would require the European Commission to drop the claim that the SEPA programme would have been launched or would be managed as a "self-regulatory project run by the banking sector". The EPC is not responsible for the overall management of the SEPA process. It must be highlighted that the SEPA process would never have occurred spontaneously; it requires the political will and mandate to achieve it. As also reported on previous occasions, following the introduction of euro cash in 2002, the political drivers of the SEPA initiative - EU governments, the European Commission, the European Parliament and the European Central Bank - have called upon the payments industry to bolster the common currency, by developing a set of harmonised payment schemes and frameworks for electronic euro payments. This mandate did not - and, in light of EU antitrust law, could not - entail a responsibility of the banking industry to manage the overall SEPA process, i.e. to impose the replacement of existing national schemes by the new SEPA instruments.

Over the past decade, the EU authorities, spearheaded by the European Commission, have implemented a host of regulatory actions to promote the integration of the euro payments market (see 'SEPA Legal and Regulatory Framework' under 'related links' below). The fact that the EU legislator will shortly adopt the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation), which establishes deadlines for migration to harmonised SEPA payment schemes, confirms that EU integration only

occurs if and when policy-makers create the adequate legal environment. It is also worth noting that the SEPA Regulation further marginalises the role of the banking industry in the SEPA process. For details refer to the article by EPC Chair Gerard Hartsink 'SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme management to the European Commission' (see 'related articles in this issue' below). To get an overview of the main actors driving forward the SEPA vision at a European level and to learn about their specific responsibilities in the process, refer to the EPC publication 'Shortcut to Who is Who in SEPA' (see 'related links' below).

Another important fact, which the European Commission has not acknowledged, is that the EPC is not a standardisation body. The EPC does not develop standards: it only adopts existing technical standards defined by standards bodies such as the International Organization for Standardization (ISO). To illustrate the point: the SEPA payment schemes mandate the use of the International Bank Account Number (IBAN). The EPC defines the SEPA payment schemes and ISO defines the IBAN standard.

Innovation and integration: expectation management must rely on realistic targets and respect customer choices

It has been demonstrated that in order to ensure a fact-based debate between policy makers and bankers, clarity on terms is crucial. A process could be established to facilitate a discussion, based on shared definitions and a common understanding of the technical aspects, underlying efficient and secure end-to-end payment processing. In addition, it would be beneficial if the European Commission shared details on the methodology it applies to measure the power of integration and innovation inherent to existing and new payment solutions, assuming that some sort of objective measurement is being used.

The theory that because a particular solution is new it must, ipso facto, be more innovative than solutions in the market is fallacious. Favouring newcomers over existing providers as a matter of principle, while subjecting the latter to the general suspicion of defending their market shares with unfair means, may reveal to be a too simplistic approach. Both existing and new providers generally aim to improve continuously their offerings to retain regular and attract new customers. This is how competition works in business.

With regards to the progress of market integration, or lack of, as perceived by the EU authorities, it seems that the European Commission is dissatisfied with the choices made by customers who continue to buy - and pay - primarily within national borders. Since political correctness prohibits it to attack businesses and consumers for making these choices, the authorities blame payment service providers instead.

The expectation expressed by EU authorities that the volume of cross-border transactions in the internal market should dramatically increase based on the introduction of harmonised instruments for electronic euro payments, is unrealistic. It will take time to change ingrained payment habits on both the demand and supply sides. Cross-border transactions would generally take place over the internet. In these instances, buyers are unable to personally verify a good or discuss services tendered, but depend entirely on the information provided online. How many companies in the EU offer the information required to conclude a purchase in all EU languages? Consumers like to be aware of what they are buying and need to understand the language describing the goods and services offered, including any contracts that they may have to sign. Moreover, payments continue to rely on proximity effects; merchants prefer to bank with a nearby institution that they can easily contact; consumers open accounts based on closeness to their home or work. Even large corporations make similar considerations when searching for solutions that best meet their needs. Consequently, customers will regularly choose payment service providers with an overlapping footprint in the markets where both are present.

Moving forward, realistic targets, taking into consideration customer preferences, should be agreed with regards to progressing EU market integration, which is expected to be triggered through payment services.

The thing about a theory is this: it is a theory until proven

Superstring theorists clearly state that their theory has not yet been experimentally confirmed. The purpose of science, superstring expert Michio Kaku stresses, "is to peel back the layer of the appearance of objects to reveal their underlying nature. In fact, if appearance and essence were the same thing, there would be no need for science".

For those interested in matters of space and time, superstring theorists may be closer to prove their groundbreaking concept: "The scientists who appeared to have found in September [2011] that certain subatomic particles can travel faster than light have ruled out one potential source of error in their measurements after completing a second, fine-tuned version of their experiment. (...) The finding that neutrinos might break one of the most fundamental laws of physics sent scientists into a frenzy (...). Not only because it appeared to go against Albert Einstein's theory of special relativity but, if correct, the finding opened up the troubling possibility of being able to send information back in time, blurring the line between past and present and wreaking havoc with the fundamental principle of cause and effect." ³

For those not interested in matters of space and time, proving a theory on integration and innovation in payments prior to enforcing it under competition law may also be worth some consideration.

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

Related links:

[European Commission Directorate General for Competition Website](#)

[Treaty on the Functioning of the European Union: Competition Rules Applying to Undertakings \(Articles 101-109\)](#)

[European Commission Directorate General Internal Market and Services Website](#)

[Speech Commissioner Joaquín Almunia: Building Europe's Future Payments Market \(12 October 2011\)](#)

[Speech Commissioner Joaquín Almunia: Unleashing Europe's Potential for Growth: The Role of Competition Policy \(1 December 2011\)](#)

[Speech Commissioner Joaquín Almunia: A Fair and Open System for Payments in the Single Market \(14 December 2011\)](#)

[EPC Press Release \(27 September 2011\): EPC Comments on the European Commission's Investigation into its Standardisation Process for Online Payments](#)

EPC Website: [SEPA Legal and Regulatory Framework](#)

EPC Website: [About EPC](#)

[EPC Publication: Shortcut to Who is Who in SEPA?](#)

[EPC Blog: SEPA Governance: Setting the Record Straight. SEPA is European Integration in Action. This Process Allows Any Party to Engage. There is no 'SEPA Governance Issue'](#)

Related articles in this issue:

[SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission. EPC Chair comments on the new regulatory reality governing the integration of the euro payments market](#)

[The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts'. SEPA Regulation empowers the European Commission to mandate technical requirements applicable to SEPA payment schemes](#)

[The 2012 Payment Services Directive Review: Too Much too Soon? The European Commission must present its report on the application of the Payment Services Directive by 1 November 2012](#)

Related articles in previous issues:

[The Economy of Standards: the 'Pros' and 'Cons' of Standards Competition. An introduction to a comprehensive qualitative efficiency comparison using the example of payment cards](#) (EPC Newsletter, Issue 12, October 2011)

[A Closer Look at Innovation in Retail Payments. Central bank research in preparation: a report on first findings of working group established by the Committee on Payment and Settlement Systems](#) (EPC Newsletter, Issue 11, July 2011)

[Innovacompegration \(This is Not a Typo\). Reflections on the best approach to innovation, integration and competition in payments](#) (EPC Newsletter, Issue 10, April 2011)

EPC Newsletter articles published in the section '[Fringe Observations on SEPA](#)'

¹Michio Kaku. Hyperspace. A Scientific Odyssey through Parallel Universes, Time Warps, and the 10th Dimension. First Anchor Books Edition, March 1995 (Copyright © 1994 by Oxford University Press)..

²[1. An edible freshwater fish \(Cyprinus carpio\) of Europe and Asia that is frequently bred in ponds and lakes. 2. Any of various fishes of the family Cyprinidae. \(The Free Dictionary by Farlex\).](#)

³[The Guardian. 'Neutrinos still faster than light in latest version of experiment' \(18 November 2011\)](#)

ARTICLE215

SEPA CASE STUDIES

Ahead of the Curve: Deutsche Post Pension Service Completes SEPA Migration

This early mover currently disburses 22.5 million SEPA payments monthly

30.01.12 BY STEFAN SCHEIDGEN (INTERVIEW)

The case studies featured in the EPC Newsletter highlight the lessons learnt by businesses and public administrations, which have completed migration to SEPA payment schemes. As specialists in the administration of Germany's statutory pension fund, Deutsche Post Pension Service Business Division has many years of experience and uses high-capacity IT systems to process the payment of pensions. Deutsche Post Pension Service Business Division started its SEPA migration project in early 2009 and essentially completed the process in June 2011. The division disburses 25 million pension payments monthly on behalf of the public German retirement scheme to retirees residing in Germany and abroad. Today, 22.5 million of these payments are SEPA Credit Transfers (SCT), the remainder of the volume will be migrated to SCT shortly. In this case study, Stefan Scheidgen, Head of Cash Management and Accounting at Deutsche Post Pension Service Business Division, shares his lessons learnt from the SEPA migration project. He also advises businesses and public administrations, which have not yet set up a SEPA project to act immediately. The 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation) will mandate migration to harmonised SEPA payment schemes in the euro area by 1 February 2014.

This interview first appeared in the September 2011 ['Newsletter Zahlungsverkehr & Wertpapierabwicklung'](#), published by Deutsche Bundesbank (central bank of the Federal Republic of Germany). The European Payments Council (EPC) wishes to thank Bundesbank for the permission to publish this interview in the EPC Newsletter. Please note that this version has been translated from German into English and updated since its first publication in 'Newsletter Zahlungsverkehr & Wertpapierabwicklung'.

Key Information in this Article

Deutsche Post Pension Service Business Division converted all customer account data to the Business Identifier Code (BIC) and the International Bank Account Number (IBAN) in 2009. Conversion of customer account data was viewed as one of the major challenges in the SEPA migration project.

Deutsche Post Pension Service Business Division opted for a two-step approach: firstly, all bank account related data was automatically converted and validated using tools developed by the German banking industry. In a second step, the converted data was verified and tested with every bank, and group of banks, with whom the division cooperates. Each SEPA Credit Transfer (SCT) payment was then run through multiple test phases.

In November 2009, the first pension payments were disbursed via SCT; migration was essentially completed in 2011. Today, the division processes 25 million credit transfers monthly – 90 percent of which are SCTs.

Deutsche Post Pension Service Business Division is now in the process of planning migration to the ISO 20022 cash management messages.

Due to SEPA migration, the division accomplishes execution times of just one business day for SCT, which allows its contracting partners to save liquidity. In addition, the division consolidated its previous four payment systems into one. Moving forward, Deutsche Post Pension Service Business Division expects further efficiency gains as a result of its migration to SEPA.

Deutsche Post Pension Service Business Division: 100 years of experience and state-of-the-art technologies

Deutsche Post, Germany's only universal provider of postal services is part of Deutsche Post DHL, the world's leading mail and logistics group. The Deutsche Post and DHL corporate brands offer a broad portfolio of logistics (DHL) and communications (Deutsche Post) services. The group provides its customers with both easy to use standardised products as well as innovative and tailored solutions ranging from dialogue marketing to industrial supply chains.

Deutsche Post Pension Service Business Division stands for efficient pension management - no longer just as a professional partner for statutory pension service providers, but in particular for those companies that offer their employees a company pension scheme. As specialists in the administration of the statutory pension fund, Deutsche Post Pension Service Business Division has many years of experience and uses high-capacity IT systems in the area of pension services covering all relevant processes from administration to the payment of pensions. The basis for making pension payments on time is efficient data management. Deutsche Post Pension Service Business Division handles more than 24 million records which are managed, archived, structured, documented, updated and evaluated. Besides inventory management and the payment of pensions, the Pension Service Business Division also offers other services including calculation of pensions, withholding and payment of taxes and social welfare contributions, adjusting payments to comply with rises under collective wage agreements or statutory regulations as well as the individual recalculation of payments as a result of changes in entitlement requirements.

Deutsche Post Pension Service Business Division disburses 25 million pension payments monthly on behalf of the public German retirement scheme to retirees residing in Germany and abroad. Today, 22.5 million of these payments are SEPA Credit Transfers (SCT), the remainder of the volume will be migrated to SCT shortly.

The Deutsche Post Pension Service Business Division SEPA project - questions and answers

EPC Newsletter: Deutsche Post Pension Service Business Division already initiated migration to the Single Euro Payments Area (SEPA) payment instruments for national payments in early 2009. How far have you progressed in converting pension payments to the SEPA schemes and standards?

Stefan Scheidgen: The Pension Service Business Division converted all customer account data to the Business Identifier Code (BIC) and the International Bank Account Number (IBAN) in 2009. In November 2009, the first pension payments were disbursed as SCTs. We made the decisive step in the transition to SEPA in April 2010,

when approximately 1.6 million payments to retirees with an account at Postbank were executed for the first time as SEPA payments. This step served as our benchmark, which allowed the verification of all related concepts and processes. By June 2011, 20 million retirement payments were SEPA compliant and the migration project was essentially complete.

EPC Newsletter: Which factors motivated you to start the SEPA migration project early?

Stefan Scheidgen: We were instructed to convert our payments to SEPA in 2009. The initiative was launched by political decision makers driven by the ambition to support SEPA through the migration of public sector payments. Ultimately, we got the requirement to advance to SEPA by Deutsche Rentenversicherung (federated German statutory pension agency). In addition to planning our own project management we were able to exchange views and discuss next steps regarding SEPA migration with other major public payers in the 'SEPA User Forum' of Bundesbank (central bank of the Federal Republic of Germany). In our experience, Bundesbank fully accomplished its public mission to support the establishment of the new European payment schemes in Germany.

EPC Newsletter: Did your organisation also implement the ISO 20022 message standards?

Stefan Scheidgen: We are in discussions with our partner banks to move to the ISO 20022 cash management (CAMT) formats. We will also try to be the frontrunner in this respect.

EPC Newsletter: Is SEPA implementation viewed as a stand-alone project or is it part of a review of processes and applications beyond payments?

Stefan Scheidgen: As part of the project we overhauled our entire payment systems landscape. We have been able to achieve a reduction in some lead times, thereby positively impacting the cash position of our customers. Switching off all of our four legacy payment systems and the improvements in payment lead times contributed to the business case.

EPC Newsletter: Did your organisation opt to upgrade the existing IT architecture or to implement new IT applications and enterprise resource planning (ERP) systems?

Stefan Scheidgen: I have been lucky that the strategic IT planning of the Pension Service Business Division was wise enough to provide a flexible solution that proved to be an enabler for the project. For some legacy master data systems we - as part of the project deliverable - still operate using some converter functionality. Migration of those legacy master data systems is scheduled already. The last significant replacement is currently underway and will be delivered by the end of 2012.

EPC Newsletter: Which major - including unforeseen - obstacles had to be overcome in the SEPA migration process?

Stefan Scheidgen: Correct customer account data is the precondition for timely and reliable disbursement of pension payments every month. We had national bank account numbers and bank identifiers for some 24 million accounts on file, which we had to convert to IBAN and BIC. The transition of customer account data worried us most, given that mistakes would have resulted in the inability to execute a pension payment. Obviously, the recipients of these payments can not be expected to tolerate any mistakes. We therefore managed the conversion of the account information in two steps: firstly, in the fall of 2009, all bank account related data was automatically converted and validated using tools developed by the German banking industry and recommended by Bundesbank, such as the 'IBAN-Service-Portal' and the 'SEPA Account Converter'. In a second step, we verified and tested the converted data with every bank and group of banks with whom we cooperate. In fact, prior to migration in the live environment, each future SCT payment was run through multiple test phases. Thanks to the great performance of our migration team and the support of cooperating banks, we were able to ensure a very high level of quality (about 99.99 %) in the process of converting account data to IBAN and BIC.

EPC Newsletter: What advice would you give to other businesses and public administrations yet to accomplish SEPA migration?

Stefan Scheidgen: In my view, the following two factors are crucial: firstly, I have always stressed that one should not wait to prepare the migration process until the European legislator defines a mandatory migration deadline. Instead, the process should be kicked off as soon as possible. To postpone the process to coincide with the main

migration wave probably means that availability of external resources will be restricted. It also needs to be kept in mind that the SEPA migration project does not only impact the accounting and treasury departments, but the entire organisation and administration. Practically, all functions must be reviewed including, for example, adaptation of business stationary to state the IBAN and BIC of the organisation.

EPC Newsletter: On 20 December 2011, negotiators on behalf of the European Parliament and the Council, representing European Union Member States, agreed that the forthcoming 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euro' (the SEPA Regulation) will define 1 February 2014 as the deadline in the euro area for compliance with this Regulation. This means that by this date, existing national euro credit transfer and direct debit schemes will have to be replaced by the SEPA payment schemes developed by the European Payments Council (EPC). What advice would you give to businesses and public administrations which have not yet started the migration exercise however will have to manage the transition by the deadline established by the European legislator?

Stefan Scheidgen: If you are a small or medium-sized business: plan one or two weekends for your accounting staff to convert master data and ensure budget is available to manage amendments to the IT system. If you are a bigger company (more than 5,000 master data records and more than three IT systems): Run! This means you must act now.

EPC Newsletter: Is it possible to quantify the investment necessary to implement the SEPA payment schemes and standards?

Stefan Scheidgen: The investment must cover major changes to business operations and IT systems. Business change is needed to review processes, change document templates (for example contracts, communication, and general terms and conditions), train people and so on. IT changes are needed to get master data and payment data streams SEPA ready - that is what everybody plans for. Other IT changes are required due to the implementation of migration tools, temporary converter solutions, changes related to mandate management and pre-notifications under the SDD Schemes and changes of interfaces in processes.

The scale of IT investment mainly depends on the existing systems landscape. The age of the systems and capabilities need to be considered. In our experience, even mainframe can be SEPA ready while occasionally applications with more up-to-date technology might need some shared converting support.

Change requirements for business processes also vary by industry and degree of automation. If you need to synchronise several external service providers, the picture could be very different than in an environment where you do not outsource. This huge regulatory change could also be an option to rethink and consolidate some of the investment requirements fully driven by regulatory changes. This avoids having to submit a unique selling proposition.

EPC Newsletter: Upon first review following migration to SEPA, what are your conclusions? Which benefits could you realise with SEPA already or do you expect to materialise in the long term?

Stefan Scheidgen: There are several tangible benefits: as mentioned above, since mid 2010 we have accomplished execution times of just one business day for SCTs, which allows our contracting partners to save liquidity. In the process of migrating to SEPA, we consolidated the previous four payment systems into one. We plan to further automate our banking processes, based on the implementation of SEPA schemes and standards, which will result in even more efficiency.

EPC Newsletter: In which instances have you identified room for improvement with regard to the processing of SEPA payments?

Stefan Scheidgen: The SEPA standard surely has to mature further before it will provide all the proven and tested tools which offer a level of comfort and certainty within the environment of the German legacy data format. As far as we know, there are no tools for mass payments available yet with the SEPA standard which would allow cancellation of payments or update of account information following bank mergers, for example. Based on the German data format, some German payment service providers established a process which proved to be very helpful with regard to the adaptation of account information following bank mergers. In the SEPA environment, however, only a few banks continue to support this particular process. We are therefore awaiting eagerly future bank

mergers which will result in the need of banks to verify mass data.

EPC Newsletter: Mr Scheidgen, thank you very much.

Stefan Scheidgen is Head of Cash Management and Accounting at Deutsche Post Pension Service Business Division.

Related links:

[Deutsche Post AG Pension Service](#)

[EU Legislator Confirms: Deadline for Migration to SEPA in Euro Countries is 1 February 2014](#)

[European Commission Services 5th Survey on Public Administrations Preparedness and Migration to SEPA \(November 2011\)](#)

EPC Publication ['SEPA for the Public Sector'](#)

EPC Publication ['SEPA for the Public Sector' - translations into all EU languages provided by the European Central Bank in cooperation with EU national central banks](#)

The EPC Website features a dedicated page ['SEPA Migration - Reports, Case Studies and Indicators'](#)

Related articles in this issue:

[SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission. EPC Chair comments on the new regulatory reality governing the integration of the euro payments market](#)

[EPC Scheme Change Management 2012 \(and Beyond\) - Call to Stakeholders: Stay Engaged and Prepare for Impact of SEPA Regulation. Suggestions for changes to SCT and SDD must reach the EPC by end February 2012](#)

[SEPA Direct Debit for Billers: the SDD Business to Business Scheme Timelines. EPC Newsletter series provides support for billers preparing migration to the SDD Schemes](#)

[SEPA Migration: Facts and Figures. The state-of-play in January 2012](#)

Related articles in previous issues:

EPC Newsletter articles published in the section ['SEPA Case Studies'](#): Learn from the SEPA migration experience of early movers in the business and public sectors!

[SEPA Scheme Rulebooks: Next Edition Available in November 2011! The EPC publishes new versions of the SEPA Credit Transfer and SEPA Direct Debit Rulebooks](#) (EPC Newsletter, Issue 12, October 2011)

[SEPA Direct Debit for Billers: the SDD Core Scheme Timelines. EPC Newsletter series provides support for billers preparing migration to the SDD Schemes](#) (EPC Newsletter, Issue 12, October 2011)

[SEPA Direct Debit for Billers: the Creditor Identifier \(Go Get It!\)](#) (EPC Newsletter, Issue 11, July 2011)

[SEPA Direct Debit for Billers: The SDD Mandate](#) (EPC Newsletter, Issue 10, April 2011)

[Facing Up to the IT Challenge. Choosing the right IT strategy for SEPA compliance](#) (EPC Newsletter, Issue 8, October 2010)

ARTICLE211

SEPA MARKET UPTAKE

SEPA Migration: Facts and Figures

The state-of-play in January 2012

30.01.12 BY ETIENNE GOOSSE

Each issue of the EPC Newsletter monitors the latest available data reflecting the rate of SEPA market uptake. In addition to providing a SEPA migration progress report, this article also discusses the progress of the legislative process aimed at the adoption of a European Union 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation). This Regulation will define 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will have to be replaced by harmonised SEPA payment schemes. Etienne Goosse tables the facts and figures.

Key Information in this Article

Data reflecting the progress of migration to SEPA cited in this article represents the latest figures available at the time of EPC Newsletter publication (30 January 2012).

As of November 2011, the share of SEPA Credit Transfers (SCTs), as a percentage of the total volume of credit transfers generated by bank customers, amounts to 22.6 percent in the euro area (European Central Bank (ECB) SEPA Indicators).

As of November 2011, the share of SEPA Direct Debit (SDD), as a percentage of the total volume of direct debits generated by bank customers, amounts to 0.16 percent (ECB SEPA Indicators).

At the end of 2011 (estimates), 87.2 percent of cards, 94.2 percent of points of sale (POS) and 96.7 percent of automated teller machines (ATMs) in SEPA were EMV-compliant. EMV is an industry standard to implement chip (and personal identification number security) for card transactions.

According to the 'SEPA Survey 2011', an online survey carried out by the ECB and the European Commission of over 350 companies, 22 percent of corporates in the euro zone are already using SCT for more than half of their payments and 24 percent no longer use domestic transfers.

In November 2011, the European Commission Services published the fifth survey on public administrations' (PAs) preparedness and migration to SEPA. This survey finds that PAs' migration to SCT has increased from 14.5 percent in October 2010 to 24.9 percent in June 2011.

On 20 December 2011, negotiators on behalf of the European Parliament and the Council representing European Union Member States agreed that the forthcoming 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euro' (the SEPA Regulation) will define 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will have to be replaced by the SCT and SDD Schemes. It is expected that the Plenary of the European Parliament will formally adopt the SEPA Regulation in February 2012.

Percentage of banks in SEPA offering SEPA Credit Transfer services

The European Payments Council (EPC) launched the SEPA Credit Transfer (SCT) Scheme in January 2008. As of January 2012, 4,521 payment service providers (PSPs) in 32 countries offer SCT services. Today, the PSPs delivering SCT services represent more than 95 percent of payment volumes in Europe. Due to mergers and acquisitions, the absolute number of SCT participants (PSPs offering SCT services) has slightly decreased compared to previous Single Euro Payments Area (SEPA) market uptake reports featured in this newsletter. The EPC SCT Participant Register, which lists scheme participants, is publicly available at http://epc.cbnet.info/content/adherence_database.

Percentage of SCT transactions compared to the total volume of credit transfers generated by customers

According to the SCT indicators compiled by the European Central Bank (ECB), the share of SCT transactions as a percentage of the total volume of credit transfers generated by bank customers, amounts to 22.6 percent as of November 2011. The ECB SCT Indicators can be viewed at <http://www.ecb.europa.eu/paym/sepa/about/indicators/html/index.en.html>.

A figure of 100 percent would indicate that only SEPA services are used and have fully replaced non-SEPA instruments. The SCT Indicators are based on aggregated data provided by clearing and settlement infrastructures

in the euro area processing SEPA transactions. This data avoids double counting by excluding, for example, SEPA transactions sent via links between infrastructures. The data also excludes 'on-us' transactions (SCTs 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 (SDD Core) Scheme and the SDD Business to Business Direct Debit (SDD B2B) Scheme on 2 November 2009. As of January 2012, 3,923 PSPs, representing more than 80 percent of SEPA payments volume, have signed up to the SDD Core Scheme. Of those, 3,443 PSPs also adhere to the SDD B2B Scheme. The separate EPC Participant Registers for the SDD Core and SDD B2B Schemes list the scheme participants taking part in these SDD Schemes. These registers are publicly available at http://epc.cbnet.info/content/adherence_database.

All branches of banks in the euro area must be reachable for cross-border direct debits; e.g. the SDD Core Scheme, since 1 November 2010 as mandated by Regulation (EC) No 924/2009 (Article 8).

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

According to the SDD indicators compiled by the ECB, as of November 2011 the share of SDD Core transactions, as a percentage of the total volume of direct debits generated by bank customers, amounts to 0.16 percent. The ECB SDD Indicators can be viewed at <http://www.ecb.europa.eu/paym/sepa/about/indicators/html/index.en.html>.

The figures are based on aggregated data from several clearing and settlement infrastructures / systems located in the euro area. As such, SDD transactions which are cleared bilaterally or processed within the same institution are excluded from this indicator.

SEPA for cards: tracking EMV roll-out

As reported in previous issues of the EPC Newsletter, good progress is being made in the realisation of a SEPA for cards. The EPC's SEPA Cards Framework (SCF) outlines high level principles and rules that when implemented by the card industry, will deliver a consistent user experience to both cardholders and merchants when making or accepting euro payments or cash withdrawals. The SCF recognises the EMV standard for SEPA-wide acceptance of card payments. EMV is an industry standard to implement chip (and personal identification number (PIN) security) for card transactions to combat fraud. An important indicator on the progress in this area is the number of cards, points of sales (POS) and automated teller machines (ATMs) in the market that use chip and PIN for the authorisation of a card payment. More specifically, the percentage of EMV-compliant cards, POS and ATMs in SEPA is monitored.

At the end of 2011 (estimates), 87.2 percent of cards, 94.2 percent of POS and 96.7 percent of ATMs in SEPA were EMV-compliant.

The progress of EMV roll-out, based on these EPC findings and other relevant data on the subject, are reflected by the ECB SEPA Card Indicators at <http://www.ecb.europa.eu/paym/sepa/about/indicators/html/index.en.html>.

Corporate SEPA readiness

In January 2012, the EPC Blog titled 'SEPA Gaining Ground with Corporates' (see 'related links' below) reported on findings of the gtnews Payments Survey 2011, which asked its corporate readers to rank SEPA instruments among regularly used methods to make and receive payments. Just over a third of respondents said they regularly made payments via SCT, while 14 percent used SDD. The results are almost identical for corporates receiving payments via SEPA instruments. Almost 20 percent of corporate respondents already invested in SEPA compliance and more than 40 percent said that investment plans were already in the making, whether that is within a three-month timeline or just 'at some point'. The 2011 Payments Survey results also show that some corporates are still hesitant to invest in SEPA services. When asked if their organisation planned to make that investment in the future, 20 percent of those corporates operating in Western Europe stated they had no plans. These findings however, reflect a step forward in terms of SEPA uptake compared to the Payments Survey 2010, when almost 50 percent of corporates said that they were not planning a SEPA investment.

The ECB and the European Commission have also conducted surveys in the European corporate sector about

practices in making and receiving payments, invoicing and migration to SEPA. The report titled 'European Business Test Panel (EBTP) SEPA Survey 2011. How do you pay? How would you like to pay?' (see 'related links' below) summarises the results of and draws conclusions from the fourth survey of this kind, which was conducted in early 2011. The report indicates that "SEPA migration in the corporate sector is proceeding well." 22 percent of respondents indicated that they use SCT for more than half of their company's outgoing payments. Over 24 percent of participants responded that national credit transfers are not used any more. In comparison with this, direct debit payments are less in use. 70 percent of all respondents indicated they do not or only infrequently pay via national direct debits. 42 percent of responding companies however have already made payments using SDD; and 37 percent have already received payments via this new instrument."

Public sector SEPA readiness

In November 2011, the European Commission Services published the fifth survey on public administrations' preparedness and migration to SEPA (see 'related links' below). This survey finds that public administrations' (PAs) migration to SCT has accelerated since the last survey, with the overall SCT migration rate increasing from 14.5 percent in October 2010 to 24.9 percent in June 2011. The report also states:

- PAs in many European Union (EU) Members States in the euro area seem to be taking over the lead for the SEPA migration at national level, namely in Finland (90.9 percent), Belgium (77.4 percent), Slovenia (65 percent), Austria (60 percent), Germany (37.6 percent), France (21.1 percent) and Spain (16.5 percent) and are expected to make further progress or fully completing migration to SCT in the coming months.
- Nevertheless, a number of euro area EU Member States are still lagging behind and their migration to SCT is progressing at an extremely slow pace, with the SCT rate often not exceeding one percent of total credit transfers volume, namely in Greece (0.01 percent), Estonia (0.10 percent), Ireland (0.2 percent), Slovakia (0.5 percent), Cyprus (0.8 percent), Netherlands (1.2 percent) and Italy (2.3 percent).
- PA migration to SDD stays close to 0 percent with only a very few PAs using SDD (in particular in Belgium and Germany). It is, however, important to stress that direct debits are generally used by PAs to a very limited extent or not at all.

Setting a deadline for migration to SEPA

As confirmed by the findings of a study requested by the European Commission in 2007, the benefits for bank customers inherent to the SEPA harmonisation exercise are contingent upon swift migration to a single set of SEPA payment instruments by both the demand and the supply sides¹. The EPC believes that end dates must be set for the phasing out of existing national euro credit transfer and euro direct debit schemes to ensure that the high costs of running multiple payment schemes in parallel can be eliminated.

In December 2010, the European Commission published a proposal for an EU 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (commonly referred to as the 'SEPA Regulation').

The ensuing legislative process is now coming to an end. On 20 December 2011, negotiators on behalf of the European Parliament and the Council representing EU Member States agreed that the SEPA Regulation will define 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will have to be replaced by the SCT and SDD Schemes. It is expected that the Plenary of the European Parliament will formally adopt the SEPA Regulation in February 2012.

For more information, refer to the article 'SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme management to the European Commission' (see 'related articles in this issue' below).

Etienne Goosse is the EPC Secretary General.

Related links:

EPC Blog: [SEPA Gaining Ground with Corporates](#)

[European Central Bank and European Commission Report: European Business Test Panel SEPA Survey 2011. How do you pay? How would you like to pay?](#)

[European Commission Services 5th Survey on Public Administrations Preparedness and Migration to SEPA \(November 2011\)](#)

EPC Publication '[SEPA for the Public Sector](#)'

[Translations of the EPC Publication 'SEPA for the Public Sector' in all EU Languages Courtesy of the European Central Bank in Cooperation with EU National Central Banks](#)

[Proposal for a Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation \(EC\) No 924/2009 - Approval of the final compromise text. 16 December 2011](#)

[European Commission Press Release of 20 December 2011: 'Commissioner Michel Barnier Welcomes Agreement by Council and Parliament Establishing SEPA Migration End-Dates'](#)

[European Parliament Press Release of 20 December 2011: 'Cheaper, Faster and Safer Cross-border Payment Services'](#)

The EPC Website features a dedicated page 'SEPA Migration - Reports, Case Studies and Indicators'. This page includes EPC Newsletter articles reporting on the migration experience in the different SEPA countries. To view this page, click [here](#)

[SEPA Council: Formal Declaration on End-Date\(s\) \(June 2010\)](#)

[Economic and Financial Affairs Council \(EU Finance Ministers\): SEPA Conclusions of December 2009](#)

Related articles in this issue:

[SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission](#). EPC Chair comments on the new regulatory reality governing the integration of the euro payments market

[The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts'. SEPA Regulation empowers the European Commission to mandate technical requirements applicable to SEPA payment schemes](#)

[Ahead of the Curve: Deutsche Post Pension Service Completes SEPA Migration. This early mover currently disburses 22.5 million SEPA payments monthly](#)

Related articles in previous issues:

EPC Newsletter: [Case Studies Highlighting Successful SEPA Migration Projects of Bank Customers](#)

EPC Newsletter: articles published in the section '[Focus: SEPA Migration](#)'

¹SEPA: Potential Benefits at Stake (Capgemini) available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=283.

ARTICLE216

SEPA FOR MOBILE

Public Consultation on 2nd Edition of the EPC White Paper on Mobile Payments

EPC calls for stakeholder feedback by 23 March 2012

01.02.12 BY DAG-INGE FLATRAAKER

The European Payments Council (EPC) will publish the second edition of its 'White Paper on

Mobile Payments' for public consultation and stakeholder review in the second week of February 2012. A dedicated feedback questionnaire will be made available and responses are invited by 23 March 2012. In this article, Dag-Inge Flatraaker provides an introduction to this latest version of the white paper, which aims to provide expert information to organisations interested in the mobile payments services market. In more detail, he highlights the paper's additional analysis on the mobile remote payments ecosystem, particularly in respect to SEPA card and SEPA Credit Transfer payments. The article concludes by acknowledging the convergence of different sectors and parties to deliver mobile payments and encourages all stakeholders to review and provide feedback to this EPC document.

Key Information in this Article

The European Payments Council (EPC) has published the second edition of its 'White Paper on Mobile Payments' for public consultation. All stakeholders are encouraged to download and complete the dedicated feedback questionnaire by 23 March 2012 (see 'related links' at the bottom of this article).

The second edition of this white paper aims to contribute to the business rationale for entering the mobile payments services market by:

- Demonstrating the consumer adoption potential of mobile payments by presenting several realistic and illustrative scenarios for the use of this payment initiation channel.
- Providing a high level overview of the infrastructure needed to support mobile payments.

A key enhancement to the white paper is the additional analysis of the mobile remote payments ecosystem and the convenience, certainty and speed this payment initiation channel will bring to the market.

The second edition of the EPC's 'White Paper on Mobile Payments' also describes mobile wallets at high level.

Finally, the document has been fully aligned with the 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines' released by the EPC in 2011.

The mobile device is considered an ideal launch pad for Single Euro Payments Area (SEPA) payment instruments. The European Payments Council (EPC), working together with all stakeholders active in the mobile payments ecosystem, is willing to contribute to the development of the necessary standards and business rules with regard to the initiation and receipt of SEPA payments by mobile.

At the core of the EPC's activity to facilitate the implementation and interoperability of user-friendly mobile payment solutions within SEPA, is the development and release of documentation which shares knowledge and encourages best practice within the industry. This has included the 'Mobile Contactless Payments Service Management Roles - Requirements and Specifications', jointly published with GSMA¹, as well as the EPC's more recently launched 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines'. These guidelines promote open standards, describe key stakeholder roles, position the EPC's responsibilities in relation to other industry bodies and recommend adequate security levels for the mobile payment value chain.

The EPC released the first 'White Paper on Mobile Payments' in July 2010. The document explored the collaboration of diverse stakeholders within the ecosystem to achieve a scalable mobile payments framework, written in non-technical language. To align the document with recent industry market developments, the EPC will publish the second edition of the white paper in the second week of February 2012 on its website for public consultation and stakeholder review. Comments are invited by 23 March 2012.

What's new?

The second edition of this white paper aims to contribute to the business rationale for entering the mobile payments services market. It will endeavour to achieve this by:

- Demonstrating the consumer adoption potential of mobile payments by presenting several realistic and illustrative scenarios for the use of this financial transaction channel. Both mobile contactless and mobile remote payments are covered.

- Providing a high level overview of the infrastructure needed to support both categories of mobile payments.

The document addresses the aspects of mobile payments, which are residing in a cooperative space in the mobile ecosystem.

In response to market discussion, the paper also offers a high level description of 'mobile wallets'.

Finally, the document is also fully aligned with the 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines' released by the EPC in 2011.

Remote mobile payments

The first edition of the EPC's 'White Paper on Mobile Payments' mainly focused on mobile contactless payments - where the mobile device needs to be in close proximity to a point-of-sale terminal. This second edition aims to be more comprehensive, by introducing the benefits of mobile remote payments (MRP) - where two parties are able to send and receive or exchange funds using the mobile channel, irrespective of where they are located. An example of this is person-to-person mobile money transfer or payment to merchant. This financial transaction is conducted over mobile telecommunication networks (using for example the Global System for Mobile communications (GSM) technology) or mobile internet.

The white paper provides a description of the MRP ecosystem, the high level architecture of this payment environment and offers a summary of the most important infrastructure aspects. Having reviewed and discussed the different types of MRPs, the EPC identified mobile remote SEPA card and SEPA Credit Transfer (SCT) payments as key areas of focus. For both of these categories the document provides a more detailed analysis by illustrating the specification of key use-cases and how MRPs would support these services.

Through the specific evaluation of mobile remote card and SCT payments, the contributors identified a number of features that require further analysis. An example of this is the process required to confirm to the beneficiary that a transaction has been undertaken. These gaps will be further detailed and refined within forthcoming interoperability implementation guidelines for mobile remote payments.

The EPC also recognises the key benefits for both the party making the payment and the party receiving the payment. For example, MRP will benefit consumers by offering efficiency through speed of payment initiation, as well as convenience and mobility as it facilitates cashless payments regardless of location or time. For beneficiaries receiving the payment, such as merchants, the MRP infrastructure implies low implementation costs and will enhance their reachability to accept financial transactions and improve cost-efficiencies. Additionally, MRPs offer a unique opportunity to deliver additional marketing services such as cross-selling products or offering discounts and promotions relevant to the payer adding value, brand engagement and loyalty.

Industry collaboration

The EPC calls on the mobile payment community to review this most recent edition of its 'White Paper on Mobile Payments' and engage in a public consultation of the document. The development of an innovative, sustainable and efficient mobile financial services framework will only be realised by encouraging all stakeholders to share their expertise, insight and experiences.

To effectively collate feedback, the EPC has developed a dedicated questionnaire which will be posted for download on the EPC Website in the second week of February 2012. The document invites input on the overall white paper as well as on each section and recommendations for improvements. The feedback deadline is 23 March 2012.

By Dag-Inge Flatraaker, EPC M-Channel Working Group Chair

Related links:

The link to the second edition of the 'EPC White Paper on Mobile Payments' and documentation relevant to the public consultation will be added in the second week of February 2012.

[EPC 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines'](#)

EPC Website: [SEPA for Mobile](#)

Related articles in previous issues:

[Beyond the Hype: Making Mobile Payments Work - EPC 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines' and second edition of 'EPC White Paper on Mobile Payments'](#) (EPC Newsletter, Issue 12, October 2011)

[Paper Invoice - Thy Days are Numbered. A further progress report on electronic invoicing](#) (EPC Newsletter, Issue 12, October 2011)

[EPC Newsletter articles previously published in the 'SEPA for Mobile' section](#)

¹GSM Association - the worldwide mobile communications industry body.

ARTICLE213

EPC LATEST NEWS

EPC Scheme Change Management 2012 (and Beyond) - Call to Stakeholders: Stay Engaged and Prepare for Impact of SEPA Regulation

Suggestions for changes to SCT and SDD must reach the EPC by end February 2012

01.02.12 BY JAVIER SANTAMARÍA

The SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes, developed by the European Payments Council (EPC) in close dialogue with the payment service user community, evolve over time. This evolution reflects changes in market needs and updates of technical standards developed by international standards bodies, such as the International Organization for Standardization. The first step in the annual EPC scheme change management cycle is the introduction of suggestions for changes to the schemes by any interested party. The EPC invites stakeholders to submit suggestions for changes to the EPC by 29 February 2012 (a link to the relevant documentation is included at the bottom of this article). Javier Santamaría emphasises that it remains the EPC's objective to ensure that the SCT and SDD Rulebooks evolve in response to proven market needs, based on a predictable release schedule. He clarifies that the EPC however, can no longer be held accountable in this regard. With the forthcoming 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation), the European Commission will assume the responsibility for SEPA scheme management. Moving forward, the EPC will be under the legal obligation to align the SCT and SDD Rulebooks with the technical requirements set out in the Annex to the SEPA Regulation as amended by the European Commission and according to the timelines mandated by the European Commission.

Key Information in this Article

The annual European Payments Council (EPC) scheme change management process is based on the following principles:

Any stakeholder may introduce suggestions for changes to the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Rulebooks.

All suggestions for changes to the rulebooks will be evaluated by the EPC SEPA Payment Schemes Working Group (SPS WG) and channelled into a single change request per rulebook. In this year, the change requests will be released for a three-month public consultation in May 2012.

The deadline to submit suggestions for changes to the SCT and SDD Rulebooks this year is **29 February 2012**. A link to the relevant documentation is included at the bottom of this article.

Important notice to all SEPA stakeholders: impact of the SEPA Regulation on SCT and SDD Rulebook Release Management

The forthcoming 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation) will give power to the European Commission to amend the technical requirements set out in the Annex to this Regulation. These technical requirements apply to the SCT and SDD Schemes.

The SCT and SDD Rulebook release schedule established by the EPC foresees the publication of updated rulebook versions once annually in November of each year; these updated versions take effect in November of the following year. This ensures that banks and other service providers have one full year to address the rulebook updates before they become binding for all scheme participants.

Moving forward, the EPC may be required however, to adapt the rulebook release schedule at short notice to ensure compliance with technical requirements set out in the Annex to the SEPA Regulation as amended by the European Commission.

Get involved in the annual EPC scheme change management cycle!

The Single Euro Payments Area (SEPA) payment schemes, as set out in the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Rulebooks, evolve based on a transparent change management process adhered to by the European Payments Council (EPC). The principles governing the evolution of the SEPA Schemes are set out in section three of the SEPA Scheme Management Internal Rules (see 'related links' below). The first step in the annual EPC scheme change management cycle is the introduction of suggestions for changes to the schemes by any interested party.

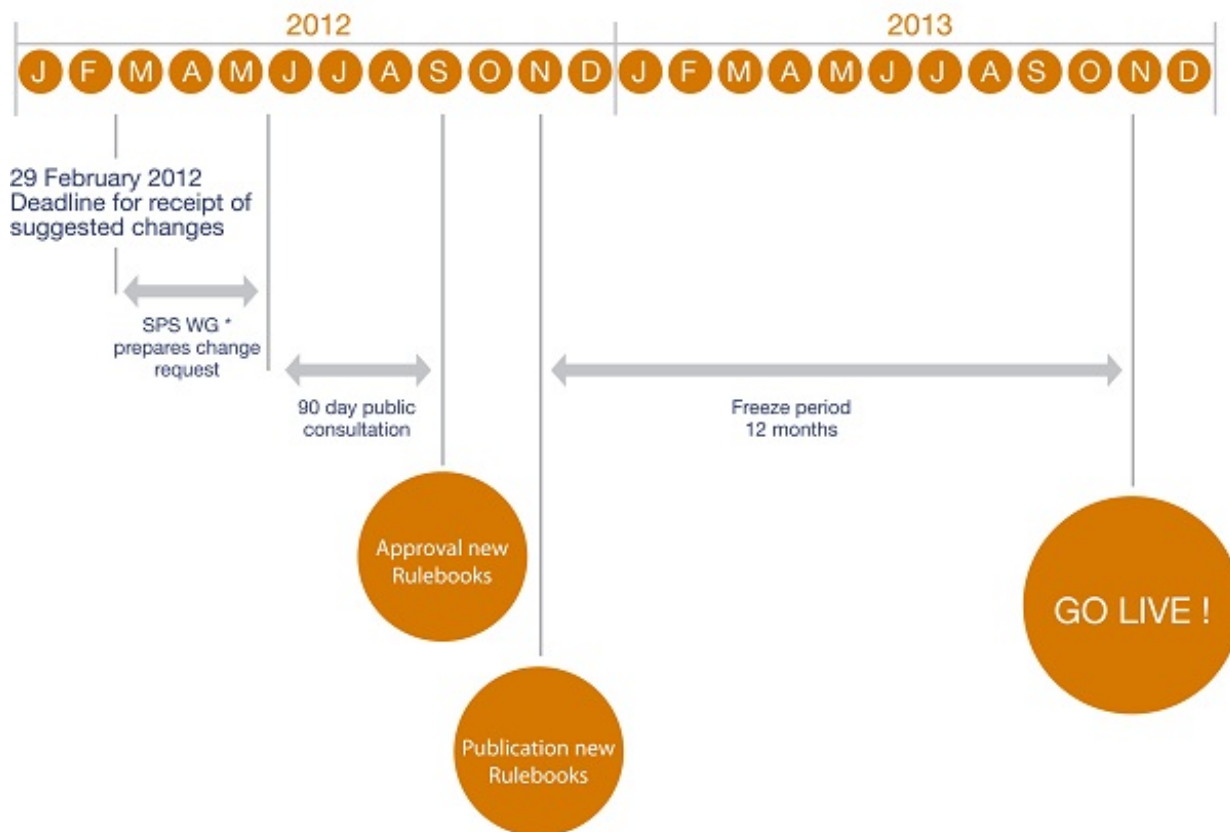
The deadline to submit suggestions for changes to the SCT and SDD Rulebooks in the 2012 EPC scheme change management cycle is **29 February 2012**. The template and contact information required to submit suggestions for changes to the SEPA Schemes is provided at the bottom of this article (see 'related links' below).

In consideration of the suggestions received, the EPC SEPA Payments Working Group (SPS WG) develops a single change request document per rulebook (the SCT Rulebook, the SDD Core Rulebook and the SDD Business to Business Rulebook). The preparation of the change request documents involves analysis of the suggestions for changes received including a cost-benefit analysis, dialogue with the initiator and, if appropriate, market research. Based on this analysis, the SPS WG decides whether to accept a suggestion for change into the change management process or not. Initiators of any suggestions for changes are notified of the decision taken by the SPS WG. All suggestions to modify the rulebooks received by the EPC - irrespective of whether they have been accepted into the change management process - are published on the EPC Website, permitting such a list to be openly viewed by all stakeholders.

The change request for the current year will be released for a three-month public consultation in May 2012.

Taking into account comments received during the consultation, the SPS WG will complete a change proposal per rulebook for approval by the EPC Plenary in September 2012. As a result of this annual change cycle, the SCT and SDD Schemes incorporate numerous features introduced by end users.

Figure 1: EPC Annual SEPA Scheme Rulebook Change and Release Management Cycle



The SEPA Regulation transfers the responsibility for SEPA scheme management to the European Commission

It remains the EPC's objective to ensure that the SCT and SDD Rulebooks evolve in response to proven market needs, based on a predictable release schedule. The EPC must, however, clarify that it can no longer be held accountable in this regard.

The European Union (EU) legislator will shortly adopt the 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euros' (the SEPA Regulation). The technical requirements set out in the Annex to the SEPA Regulation apply to Union-wide euro credit transfer and direct debit schemes; i.e. the SCT and SDD Schemes. The SEPA Regulation also gives power to the European Commission to amend the technical requirements at its sole discretion. Moving forward, the EPC will be under the legal obligation to align the SCT and SDD Rulebooks with the technical requirements as amended by the European Commission and according to the timelines mandated by the European Commission.

When amending the technical requirements defined in the Annex to the SEPA Regulation, the European Commission is under no formal obligation to consider the preferences of payment service users as identified through public SEPA-wide consultations carried out by the EPC. The European Commission however, places great reliance on the advice of Brussels-based lobbying organisations, which speak on behalf of the demand side. The safest bet now for bank customers seeking to channel their requirements into the SEPA Schemes is therefore to lobby via their European lobbying group.

Important notice to all SEPA stakeholders: impact of the SEPA Regulation on SCT and SDD Rulebook Release Management

To ensure planning security for all market participants, publication of new rulebook versions by the EPC is based on a predictable rulebook release management cycle. In accordance with best industry practice, payment service providers and their suppliers have a one-year lead time to address rulebook updates prior to such updates taking

effect. The EPC publishes updated versions of the rulebooks once annually in November of each year. The updated versions of the rulebooks then take effect in the third week of November the following year to allow for alignment with SWIFT message releases.

Moving forward, the EPC may be required however, to adapt the rulebook release schedule at short notice to ensure compliance with technical requirements set out in the Annex to the SEPA Regulation as amended by the European Commission.

All market participants obliged to adapt systems and operations with the technical requirements applicable to the SCT and SDD Schemes decreed by the European Commission, would greatly appreciate it if the regulators were able to make specific information on the principles and timelines governing the further evolution of the schemes available. To date, the European Commission has however not yet publicly communicated on the matter.

To learn more about the general principles governing the procedure to be applied by the European Commission to determine and amend technical requirements, refer to the article 'The New European Decision-Making Landscape: How the European Commission Rules Through Delegated Acts' (see 'related articles in this issue' below).

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

Related links:

[SEPA Scheme Management Internal Rules Version 3.0 - Extract - Chapter 3 \(this chapter describes the principles governing EPC scheme development\)](#)

[Template for proposing a Suggestion for a Change to a SEPA Scheme](#)

[EPC Website: SCT / SDD Rulebook Release Management and Scheme Development](#)

Related articles in this issue:

[SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission. EPC Chair comments on the new regulatory reality governing the integration of the euro payments market](#)

[The New European Decision-Making Landscape: How the European Commission Rules Through 'Delegated Acts'. SEPA Regulation empowers the European Commission to mandate technical requirements applicable to SEPA payment schemes](#)

Related articles in previous issues:

[SEPA Scheme Rulebooks: Next Edition Available in November 2011! The EPC publishes new versions of the SEPA Credit Transfer and SEPA Direct Debit Rulebooks](#) (EPC Newsletter, Issue 12, October 2011)

[Brave New World: the European Commission Becomes the SEPA Scheme Manager. The EPC offers the regulator some insight on scheme development and rulebook release management](#) (EPC Newsletter, Issue 12, October 2011)

ARTICLE214

SEPA FOR CARDS

Version 6.0 of the SEPA Cards Standardisation Volume - Book of Requirements Published

SEPA cards standardisation continues to move forward

30.01.12 BY UGO BECHIS

The objectives of a SEPA for cards will be achieved through the use of harmonised, interoperable and free standards, which are openly available to all parties within the card payment value chain. The work of the European Payments Council (EPC) and the Cards

Stakeholders Group (CSG) continues to focus on a cards standardisation programme for a better, safer, more cost efficient and functionally richer card services environment, whatever the card product or scheme may be. The CSG manages the process of identifying standard requirements and implementation best practices that will promote interoperability in the SEPA cards market. In January 2012, the SEPA Cards Standardisation Volume - Book of Requirements (Cards Standardisation Volume) version 6.0 was published on the EPC Website. The document, which underwent a period of public consultation in June 2011, incorporates various updates regarding functional requirements, security requirements, certification and labelling. In this article, Ugo Bechis briefly outlines the market requirement for a SEPA cards standardisation programme and describes the stakeholders driving the activity, before offering a summary of the most recent changes and next steps.

Key Information in this Article

In January 2012, the SEPA Cards Standardisation Volume – Book of Requirements (Cards Standardisation Volume) version 6.0 was published on the EPC Website. This document defines a standard set of requirements to ensure a secure, interoperable and scalable card and terminal infrastructure across SEPA.

Changes to the Volume include:

- Chapter 2: plans for a labelling process to ensure a product's functional compatibility with the Cards Standardisation Volume.
- Chapter 4: functional requirement updates in relation to payment with cashback, dynamic currency conversion, aggregated payment amounts, surcharging and rebates.
- Chapter 5: security requirements and references to the latest industry international standards bodies' specifications, as well as the requirements of national authorities.
- Chapter 6: the certification process has also been further developed to establish a process to identify a product's security compliance with the Cards Standardisation Volume and SEPA requirements.

The document is not final and should be viewed as an interim version.. Future editions will take into consideration the expectations of the European public authorities, which have been indicated as being communicated during the course of 2012. The next version will also be extended, notably on security requirements – including card-not-present and innovative web payments.

The industry requirement for card standardisation across SEPA

The SEPA Cards Standardisation Volume - Book of Requirements (Cards Standardisation Volume), defines a standard set of requirements to ensure a secure and scalable card and terminal infrastructure across the Single European Payment Area (SEPA) based on open and free standards.

The development and maintenance of the Cards Standardisation Volume is the responsibility of the Cards Stakeholders Group (CSG). In 2009, the European Payments Council (EPC) promoted the creation of the CSG together with representatives from four other sectors (retailers, vendors, processors, card schemes). The creation of this body makes it possible to recognise the expectations of a broad range of stakeholders. This is realised, in particular by ensuring the strong co-management of the processes related to the identification of standards requirements and implementation best practices that will promote interoperability within the SEPA cards market. The initiative aims to remove technical obstacles to deliver a consistent customer payment card experience across SEPA. The work also encourages process efficiency throughout the card supply chain and the highest level of card payment security.

The need to standardise this market across SEPA was reinforced by the European Economic and Financial Affairs Council (ECOFIN) in December 2009, when it requested in its conclusion on SEPA that the industry should set the conditions for further standardisation in the area of cards. This request was echoed by the European Central Bank.

Version 6.0 of the Cards Standardisation Volume - the latest updates

Since it was first launched, the Cards Standardisation Volume has undergone an annual review process to

enhance and refine the requirements in line with evolving industry needs and future market developments. In January 2012, version 6.0 of the Cards Standardisation Volume was published on the EPC Website. This latest edition includes updates on functional requirements, security requirements, certification and labelling.

Functional Requirements.

Chapter 4 has been enhanced as follows:

- Specific requirements for 'payment with cashback' and the recording and management of the transaction. Details are also provided on how to cancel a transaction.
- How to perform 'dynamic currency conversion' to give the cardholder the choice of currency they want to be billed in; the cardholder's currency or the card acceptor's currency.
- With regards to transaction completion and capture, requirements have been updated to incorporate payment aggregated amounts.
- An update on 'surcharging' in the merchant environment outlines that any kind of surcharge will be part of the agreed total sales amount. Therefore, the point of interaction application shall not support any specific handling of surcharging for card services.

Security requirements and certification framework.

Chapters 5 (security) and 6 (certification) continue to evolve to reflect ongoing industry discussions. These sections represent the most significant updates. This work involves the identification of standard requirements and implementation best practices that will promote interoperability in the SEPA cards market. The Cards Standardisation Volume version 6.0 has updated its security requirements to align with recent industry updates from standards bodies such as the Payment Cards Industry Security Standards Council's Data Security Standards (PCI DSS) and Common Criteria. In addition to this, changes have been made to incorporate national considerations and amendments.

This latest Cards Standardisation Volume also makes steps forward regarding the recommended process for building an agreed certification framework. SEPA certification is desired to allow vendors to sell terminal products SEPA-wide, providing reassurances to purchasers that the related security requirements have been achieved. The EPC and CSG acknowledge that whilst the process needs to be thorough in creating a secure and trusted end-to-end solution, it also needs to be streamlined and fully utilise existing approval processes already stipulated by the global payments industry.

As far as possible, the aim is to re-use industry established evaluation requirements to ensure card products in SEPA deliver ultimate interoperability and security. As this activity continues to move forward, the CSG recognises that over simplifying the process would be inefficient; there is no shortcut. Selecting and agreeing the common rules that all parties will respect as part of the SEPA certification framework takes time and the EPC continues to look to advance this activity.

Labelling.

The latest version reflects further discussions on the implementation of a labelling programme, which would allow stakeholders to visually show a product's *functional* alignment with the Cards Standardisation Volume. This version outlines the initial principles of the labelling concept as a self-assessment process that would be implemented by stakeholders. This activity still needs to be fully defined by the CSG, and the industry must identify how and who will manage the labelling process.

Ongoing consultation

As with all previous versions of the Cards Standardisation Volume, the document is not final and should be viewed as an interim version. Future editions will be extended notably on security requirements - including card-not-present and innovative web payments, as well as certification.

As the Cards Standardisation Volume matures, however, there is a requirement within the marketplace to invest in accordance with its recommendations and update the document as and when needed, rather than adhere to an

annual publication cycle. The EPC calls on stakeholders to continue to send suggestions and participate in the sub-groups established to ensure that the Cards Standardisation Volume can evolve in line with market needs. This open approach is key to the further development of the SEPA card market.

Ugo Bechis is the Chair of the EPC Cards Working Group.

Related link:

[SEPA Cards Standardisation Volume - Book of Requirements Version 6.0](#)

Related articles in previous issues:

EPC Newsletter articles published in the ['SEPA for Cards'](#) section

ARTICLE209

EPC LATEST NEWS

EPC Plenary Meeting Update

Main decisions taken in December 2011

30.01.12 BY GERARD HARTSINK

Chair of the European Payments Council (EPC), Gerard Hartsink, summarises the main items agreed in the EPC Plenary meeting, which took place in December 2011. During the meeting, the EPC Plenary approved version 6.0 of the SEPA Cards Standardisation Volume - Book of Requirements and agreed next steps with regards to the release of the second edition of the EPC's 'White Paper on Mobile Payments' for public consultation. Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, addressed the EPC Plenary on the subject of 'A Fair and Open System for Payments in the Single Market'.

Key Information in this Article

Main items agreed by the European Payments Council (EPC) Plenary in December 2011:

Publication of the SEPA Cards Standardisation Volume – Book of Requirements (the Cards Standardisation Volume):

- The document, which underwent a period of public consultation in June 2011, incorporates various updates regarding functional and security requirements, certification and labelling.
- Version 6.0 of the Cards Standardisation Volume was published on the EPC Website in January 2012.

Release of and public consultation on the second edition of the EPC's 'White Paper on Mobile Payments':

- The EPC will publish this document for public consultation in early February 2012. Stakeholders are invited to provide feedback by 23 March 2012.
- The updated edition of the white paper has been enhanced to include, among other things, an analysis of the mobile remote payments ecosystem. It also discusses mobile wallets at a high level.

Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, spoke to the EPC Plenary on the topic of 'A Fair and Open System for Payments in the Single Market'. A link to Commissioner Almunia's speech is included at the bottom of this article.

Approval of Version 6.0 of the SEPA Cards Standardisation Volume - Book of Requirements

The European Payments Council (EPC) Plenary approved version 6.0 of the SEPA Cards Standardisation Volume -

Book of Requirements (the Cards Standardisation Volume) for publication. The document, which underwent a period of public consultation in June 2011, incorporates various updates regarding functional and security requirements, certification and labelling. The work of the EPC and the Cards Stakeholders Group (CSG) continues to focus on a cards standardisation programme for a better, safer, more cost efficient and functionally richer card services environment, whatever the card product or scheme may be. The CSG manages the process of identifying standard requirements and implementation best practices that will promote interoperability in the Single Euro Payments Area (SEPA) cards market. In 2009, the EPC promoted the creation of the CSG, together with representatives from four other sectors (retailers, vendors, processors, card schemes). The creation of this body makes it possible to recognise the expectations of a broad range of stakeholders.

The EPC Plenary noted that version 6.0 of the Cards Standardisation Volume is not final and should be viewed as an interim version. Future editions will take into consideration the expectations of the European public authorities, which, it has been indicated, will be communicated during the course of 2012. The next version will also be extended, notably on security requirements - including card-not-present and innovative web payments.

In January 2012, the Cards Standardisation Volume version 6.0 was published on the EPC Website. For details, refer to the dedicated article 'Version 6.0 of the SEPA Cards Standardisation Volume - Book of Requirements Published' (see 'related articles in this issue' below).

Approval on next steps with regards to the release of and public consultation on the EPC's 'White Paper on Mobile Payments'

The EPC Plenary approved next steps with regards to the release of the second edition of the EPC's 'White Paper on Mobile Payments'. The EPC will publish this document for public consultation in early February 2012. Stakeholders are invited to provide feedback by 23 March 2012.

The second edition of this white paper aims to contribute to the business rationale for entering the mobile payments services market by:

- Demonstrating the consumer adoption potential of mobile payments, by presenting several realistic and illustrative scenarios for the use of this payment initiation channel.
- Providing a high level overview of the infrastructure needed to support mobile payments.

A key enhancement to the white paper is the additional analysis of the mobile remote payments ecosystem and the convenience, certainty and speed this payment initiation channel will bring to the market. The second edition of the EPC's 'White Paper on Mobile Payments', also describes mobile wallets at a high level. Finally, the document has been fully aligned with the 'Mobile Contactless SEPA Card Payments Interoperability Implementation Guidelines', released by the EPC in 2011. For details, refer to the dedicated article 'Public Consultation on 2nd Edition of the EPC White Paper on Mobile Payments' (see 'related articles in this issue' below).

Dialogue with Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policies

Commissioner Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, spoke to the EPC Plenary on the topic of 'A Fair and Open System for Payments in the Single Market' (see 'related links' below). The EPC appreciates that Commissioner Almunia took the time to address the EPC members and looks forward to continuing the dialogue.

Gerard Hartsink is the Chair of the EPC.

Related links:

[Speech Commissioner Joaquín Almunia: A Fair and Open System for Payments in the Single Market \(14 December 2011\)](#)

[EPC Press Release \(27 September 2011\): EPC Comments on the European Commission's Investigation into its Standardisation Process for Online Payments](#)

Related articles in this issue:

[Version 6.0 of the SEPA Cards Standardisation Volume - Book of Requirements Published. SEPA cards standardisation continues to move forward](#)

[Public Consultation on 2nd Edition of the EPC White Paper on Mobile Payments. EPC calls for stakeholder feedback by 23 March 2012](#)

[Reflections on Recent Contributions from the European Commission Directorate General Competition to the Innovation in Payments Debate. Seeking common ground between policy makers and technical experts](#)

ARTICLE219

SEPA STANDARDS

The History and Vision of EBICS

The EPC Newsletter series provides an overview of banking communication standards in Europe

01.02.12 BY NARINDA VIGUIER AND AXEL WEISS

The EPC Newsletter is launching a series that will showcase the electronic banking standards that have been adopted in different European countries to facilitate the communication between a bank and its clients. The aim of establishing these communication frameworks is to ensure that businesses can flexibly, securely and efficiently manage their cash requirements across different bank accounts, through the use of standardised processes. The standards discussed in this series are outside the scope of the European Payments Council (EPC). The 'Electronic Banking Internet Communication Standard' (EBICS), which has been adopted by the German and French banking sectors, is the first standard to be focused upon. Narinda Viguié and Axel Weiß provide a brief history of the standard and its future potential. In the next issues of this newsletter we will highlight, respectively, the competing standards developed by the Italian 'CBI - Customer to Business Interaction' Consortium and the Belgian Interbank Standards Association (ISABEL).

Key Information in this Article

In 1995 the German banking sector mandated that all financial institutions operating within the country comply with the Banking Communication Standard (BCS) over File Transfer Access Management (FTAM).

The development of this transmission protocol (BCS-FTAM) allowed German corporate clients to access all banks and send payment instructions simultaneously to several banks cost-effectively.

The result of this evolution was the release of the 'Electronic Banking Internet Communication Standard' (EBICS): an open, IP-based communication protocol between customers and banks that meets all the needs of professional users for customer-to-bank communication and vice-versa.

The French and the German banking communities signed a cross-border cooperation agreement on the joint adoption of EBICS. Work was undertaken by both parties to ensure complete alignment and saw the migration from the French Echanges TEIématiques BANques Client (ETEBAC 3 and 5) standard to EBICS, and the release of EBICS 2.4 – the first German-French version.

EBICS offers a neutral platform that is interoperable within the global marketplace, as well as being sustainable and scalable to future market requirements. EBICS supports SEPA as the standard can be used as the secure communication channel to initiate SEPA Direct Debits and SEPA Credit Transfers using the internet.

The history of EBICS

In 1995 the German banking sector mandated that all financial institutions operating within the country comply with the Banking Communication Standard (BCS) over File Transfer Access Management (FTAM). The development of this transmission protocol (BCS-FTAM), which could be used for multi-bank payments, offered German corporate banking customers an unprecedented level of efficiency: corporate clients could access all banks and send payment instructions simultaneously to several banks cost-effectively. The standard covered a range of transaction requirements, including credit transfers and direct debits.

The establishment of the standard across Germany created a neutral foundation on which advanced and highly specialised applications could be collectively developed by the sector, to further benefit bank customers and improve overall market efficiency. With the rise of internet banking - offering significant benefits to banks and their customers - the BCS-FTAM processes were further enhanced to ensure that they could be applied to internet-based transactions and activities.

The result of this evolution was the release of EBICS: an open, IP-based communication protocol between customers and banks that meets all the needs of professional users for customer-to-bank communication and vice-versa. The German banking community ensured availability of the specification to corporate clients, software engineers and banks. In 2008, compliance to the standard became mandatory for all German financial institutions.

Cross-market integration

In the same year the French banking sector - represented by the French Committee for Banking Organisation and Normalisation (CFONB) - and the German banking community, signed a cross-border cooperation agreement on the joint adoption of EBICS. Work was undertaken by both parties to ensure complete alignment and saw the migration from the French Echanges Télématiques BANques Client (ETEBAC 3 and 5) standard to EBICS, and the release of EBICS 2.4 - the first German-French version. French banks were given a one-year timeline to implement the specification, which concluded in September 2011.

The adoption of EBICS across two countries highlighted the need for a formal organisation to be established to manage the evolution of the standard and meet future banking and business requirements, while ensuring backward compatibility with legacy systems. The EBICS SCRL company was then formed to meet this need and maintain the specification moving forward.

EBICS today

The specification available today offers:

- A common, open standard for all banks and customers.
- State-of-the-art technology, which aligns to the latest international and industry standards.
- The highest security of messages through electronic signatures and certificates with encryption at transport and application level offering an end-to-end trusted solution.
- Single access for all business transactions and ability to process high volumes, including direct debits, credit transfers and account statements.
- Support of third parties based on a multilevel security concept.
- Ability to authorise activity regardless of location or time.

Standardisation benefits

EBICS has not been developed in isolation and much consideration has been given to the work of international standards bodies. The standard therefore offers a neutral platform that is interoperable within the global marketplace, as well as being sustainable and scalable to future market requirements.

For the German and French banking communities it assists them in containing technology risks from unknown factors. For example, it offers assurances that long-term their communication systems will advance in line with international requirements, with EBICS providing the migration support required to meet the latest specification versions and regulatory changes. It also creates market stability and inspires confidence as technology developers and banks know the requirements of the platform and the standards that they must achieve to deliver a consistent

service and the highest security.

In summary, EBICS provides reliability in the planning of the banking community and protection of their investment in this area.

EBICS and SEPA

To enable Single Euro Payments Area (SEPA) payments electronically without manual intervention - referred to as straight-through-processing (STP) - SEPA payment instruments must allow any customer to initiate a payment electronically and receive electronic confirmation once the payment is settled. EBICS supports SEPA as the standard can be used as the secure communication channel to initiate SEPA Direct Debits and SEPA Credit Transfers using the internet. See figure 1 above.

The creators of EBICS are ambitious to promote adoption of this standard on a European scale, which would allow banks to use EBICS as a single communication standard able to exchange common ISO 20022 formats and transfer messages securely.

In the next issues of the EPC Newsletter, the competing standards developed by the Italian 'CBI - Customer to Business Interaction' Consortium and the Belgian Interbank Standards Association (ISABEL) will be highlighted. Upon conclusion of the series, the creators of these standards will be invited to share their views whether further harmonisation in this area might be on the horizon.

Narinda Viguier represents Crédit Agricole Sa Cedicam in the EPC Plenary. Axel Weiß represents the Deutscher Sparkassen - und Giroverband e.V. in the EPC Plenary. Narinda Viguier and Axel Weiß are members of the Board of Directors of the EBICS SCRL.

Related link:

[EBICS - Electronic Banking Internet Communication Standard](#)

ARTICLE212

SEPA DIRECT DEBIT (SDD)

SEPA Direct Debit for Billers: the SDD Business To Business Scheme Timelines

EPC Newsletter series provides support for billers preparing migration to the SDD Schemes

30.01.12 BY JAVIER SANTAMARÍA AND HERMAN SEGERS

This is the fourth article in a series which provides information on specific aspects of the SEPA Direct Debit (SDD) Schemes, relevant in particular to billers preparing for migration to SDD. In this context, the European Payments Council (EPC) invites readers to be mindful of the forthcoming European Union Regulation, which will define 1 February 2014 as the deadline in the euro area for the replacement of existing national euro direct debit schemes with harmonised European direct debit schemes. Keeping in mind that the process of collecting a payment by direct debit is initiated by the biller, the biller (and, in consequence, the biller's bank) must respect the timelines defined in the SDD Business to Business (B2B) Rulebook for the execution of a direct debit collection. In this article, Javier Santamaría and Herman Segers detail the timelines governing the SDD B2B Scheme.

Key Information in this Article

The standard time cycle of the SEPA Business to Business Direct Debit (SDD B2B) Rulebook is: the payer's bank must receive the request for a first, one-off or subsequent direct debit collection at the latest one inter-bank business day prior to the due date.

Responding to the specific needs of the business community, the SDD B2B Scheme offers a significantly shorter timeline for presenting direct debits and a reduced return period than the SDD Core Scheme.

The reason for the shorter timelines of the SDD B2B Scheme, compared to the SDD Core Scheme, is that business payments by direct debit require a timely certainty about the finality of the payments, so that goods or services can be delivered whilst minimising financial risks and costs for the payee. For business transactions, which do not require this certainty, the SDD Core Scheme can also be a satisfactory solution for making payments.

The due date is assigned by the biller and should be agreed with the payer in the contract underlying a direct debit collection. The due date may be later than the date agreed between the payer and the biller if the due date is not a banking business day or in case of other exceptional circumstances.

The SEPA Direct Debit Schemes in a nutshell

The SEPA Direct Debit (SDD) Core and the SDD Business to Business (SDD B2B) Schemes developed by the European Payments Council (EPC) - like any other direct debit schemes - are based on the following concept: 'I request money from someone else, and, with his prior approval, I can credit it to myself'. For the first time ever, SDD Schemes enable consumers to make cross-border direct debit payments throughout the 32 Single Euro Payments Area (SEPA) countries¹. At the same time, the SDD Schemes can of course be used domestically. The payer and the biller² must each hold an account with a payment service provider (PSP) located within SEPA. The accounts may be held in either euro or in any other currency. The transfer of funds (money) between the payer's bank³ and the biller's bank always takes place in the euro currency. Currency conversion aspects are out of scope of the scheme.

The main differences between the SDD Core and the SDD B2B Scheme are:

- Services and products based on the SDD B2B Scheme are only available to businesses; the payer must not be a private individual (consumer).
- In the SDD B2B Scheme, the payer (a business) is not entitled to obtain a refund of an authorised transaction.
- The SDD B2B Scheme requires the payer's bank to ensure that the collection is authorised by checking the collection against mandate information. The payer's bank and the payer are required to agree on the verification to be performed for each SEPA B2B direct debit.
- Responding to the specific needs of the business community, the SDD B2B Scheme offers a significantly shorter timeline for presenting direct debits and a reduced return period.

The reason for the shorter timelines of the SDD B2B Scheme, compared to the SDD Core Scheme, is that business payments by direct debit require a timely certainty about the finality of the payments, so that goods or services can be delivered whilst minimising financial risks and costs for the payee. For business transactions which do not require this certainty, the SDD Core Scheme can also be a satisfactory solution for making payments.

For more information on the SDD Schemes, refer to the EPC publication 'Shortcut to SEPA Direct Debit' (see 'related links' below). This four page publication summarises the main features of the SDD Schemes in non-technical terms, including their key benefits. Detailed information on the SDD Schemes is available on the EPC Website (see 'related links' below).

What a difference a day makes

To understand the timelines governing the SDD B2B Scheme, the following terms need to be introduced:

- **Due date:** the SDD Schemes allow payers and billers to anticipate the precise date (due date), when their account will be debited or credited, respectively. The due date is assigned by the biller and should be agreed

with the payer in the contract underlying a direct debit collection.

- **Settlement date:** the day on which settlement⁴ takes place; i.e. the day when the funds are transferred between the bank of the payer and the bank of the biller.
- **Debit date:** the day on which the payer's account is debited.

Keeping in mind that the process of collecting a payment by direct debit is initiated by the biller, the biller (and, in consequence, the biller's bank) must respect the following timelines under the SDD B2B Scheme: the payer's bank must receive the request for a direct debit collection (first, one of or subsequent) at least one inter-bank business days prior to the due date.

The SDD B2B Scheme defines a 'calendar day', a 'banking business day' and an 'interbank business day'. A calendar day is any day of the year. A banking business day means, in relation to a bank, a day when a bank is open for business, as required for the execution of an SDD payment. An inter-bank business day is when banks are open for business between banks. The 'Trans-European Automated Real-time Gross Settlement Express Transfer System' (TARGET) calendar is used to identify inter-bank business days. To avoid frequent changes to TARGET closing days, due to national holidays for example and thus the introduction of uncertainties into financial markets, a long-term calendar for TARGET closing days has been established and applied since 2002. This calendar is published by the European Central Bank. Settlement of funds, resulting from direct debit payments always takes place on an inter-bank business day.

Prior to the due date, the biller must observe the following steps: the biller must obtain a mandate from the payer; the mandate is signed by the payer to authorise the biller to collect a payment and to instruct the payer's bank to pay those collections; the mandate can be issued in paper or electronic format and expires 36 months after the last initiated collection. The signed mandate must also be stored by the biller as long as the mandate is valid and for at least 14 months after the last collection.

The SDD B2B Scheme is available to business customers only, i.e. for customers who are not automatically covered by the refund right for authorised transactions defined in the Payment Services Directive (PSD). Business customers are allowed by the applicable national law to opt out of the right for a refund defined in the PSD. Therefore, unlike the SDD Core Scheme, the SDD B2B Scheme excludes the right for a refund for authorised collections. Due to this and the potentially high amounts of the collections, the payer's bank is obliged:

- To verify, before debiting the payer's account, that the mandate related data received as part of the first collection complies with the mandate related data received, confirmed and authorised by the payer.
- To check the first and the subsequent collections against the stored mandate data, and the related verification instructions received from the payer.
- To oblige payers to inform the debtor bank on any amendment or cancellation of the mandate.

It should be kept in mind that a payer who makes a payment under the SDD B2B Scheme retains the right to a refund for unauthorised transactions during 13 months from the debit date as stipulated by the PSD. Considering however that in the case of a collection under the SDD B2B Scheme, the payer's bank must verify the existence of the mandate and the payer is obliged to inform his bank of any cancellation of a mandate, it is expected that refunds for unauthorised transactions will be exceptional.

The biller must send a 'pre-notification', an invoice for example, to the payer at least 14 calendar days before collecting the payment, unless a different timeline has been agreed between the payer and the biller. The pre-notification includes the due date and the amount of the collection. The pre-notification may be sent only once even for recurrent direct debit collections if the due dates and the amounts of future collections are stated. For example: a biller may send a single pre-notification annually to the payer if this pre-notification states that the amount of the monthly payment will be collected. The biller must send the payment messages to their bank in line with the agreement with that bank, so that the correct procedures and timelines are met. The biller's bank must then send the payment messages to the bank of the payer via a Clearing and Settlement Mechanism (CSM) ⁵. The payment messages must be at the disposal of the bank of the payer at least one inter-bank business day before the due date. The bank of the payer can store the payment message or offer any other service to the payer during the period between the receipt of the payment message and the due date. If the due date falls on a day which is not an inter-bank business day, then the settlement date will be the next inter-bank business day.

On the due date, the account of the payer is debited and the amount of the payment presented by the biller's bank is settled, i.e. the funds are automatically transferred from the bank of the payer to the bank of the biller. As from the due date, the biller's bank can credit the account of the biller, according to the agreement between the biller and his bank. If the status of the payer's account does not allow the bank to debit the account, due to insufficient funds for example, then the bank may continue to try to debit the payer's account until two inter-bank business days after the due date.

After the due date: up to two inter-bank business days after the due date, the bank of the payer may return a payment and refuse to debit the account of the payer, due to insufficient funds or because the bank is unable to accept the payment for other reasons. It could be the case, that the verification instructions agreed between the payer and the payer's bank at the signing of the mandate are incorrect. Or it could be the case, that the account is closed or blocked for direct debit. In another scenario, the payer might request the bank to return the payment as the payer does not agree with the execution of the payment. Two inter-bank business days is the limit for the bank of the payer to send a 'return' message to the bank of the biller through a CSM. The CSM will settle the amount of the return to the benefit of the bank of the payer, as the amount of the original payment has already been settled on the due date.

The general rule and applicable exceptions

The due date, debit date and settlement date are the same for a direct debit payment. This general rule applies when the bank of the payer and the bank of the biller are materially able to settle on a due date.

Banks however, may have technical or communications problems which make it impossible to settle on that date. Further, even if the CSM executing the settlement action is open for business on the due date, other entities in a country may be closed due to public holidays for example. Also, even if the bank of the payer is able to debit the payer's account on the due date, the account of the payer may show an insufficient balance to allow the debit of the account.

Therefore, exceptions to this general rule apply. If for any reason the payment is delayed, then the due date must be replaced by the next possible date by the biller or their bank. At inter-bank level, a given due date may never be changed. If the due date falls on a day which is not an inter-bank business day, then the settlement date will be the next inter-bank business day. If the settlement date falls on a day which is not a banking business day for the payer's bank, then the debit date will be the next banking business day. If the bank of the payer cannot debit the payer's account on the due date (for example, there are insufficient funds), then the debit can be executed later.

The SDD B2B Scheme also defines timelines applicable to the execution of 'R-transactions' such as, for example, rejects. These timelines will be described in a separate article addressing 'R-transactions' scheduled for publication in a future edition of the EPC Newsletter.

Javier Santamaría is the Chair of the EPC SEPA Payment Schemes Working Group. Herman Segers is a former Secretary General of the EPC and also served as the editor of the SDD Rulebooks for many years.

Related links:

The EPC Website features a section dedicated to SDD. To view this section, click [here](#)

[EPC Publication: Shortcut to the SEPA Direct Debit Schemes](#)

[EPC Publication: SEPA Direct Debit for Consumers - a Convenient and Secure Way to Make Payments](#)

Related articles in this issue:

[Ahead of the Curve: Deutsche Post Pension Service Completes SEPA Migration. This early mover currently disburses 22.5 million SEPA payments monthly](#)

[SEPA Regulation: European Legislator Mandates Migration to SEPA by 1 February 2014 in the Euro Area and Transfers the Responsibility for SEPA Scheme Management to the European Commission. EPC Chair comments on the new regulatory reality governing the integration of the euro payments market](#)

Related articles in previous issues:

EPC Newsletter articles published in the section '[SEPA Case Studies](#)': [Learn from the SEPA migration experience of early movers in the business and public Sectors!](#)

[SEPA Scheme Rulebooks: Next Edition Available in November 2011! The EPC publishes new versions of the SEPA Credit Transfer and SEPA Direct Debit Rulebooks](#) (EPC Newsletter, Issue 12, October 2011)

[SEPA Direct Debit for Billers: the SDD Core Scheme Timelines](#) (EPC Newsletter, Issue 12, October 2011)

[SEPA Direct Debit for Billers: the Creditor Identifier \(Go Get It!\)](#) (EPC Newsletter, Issue 11, July 2011)

[SEPA Direct Debit for Billers: The SDD Mandate](#) (EPC Newsletter, Issue 10, April 2011)

[The Quantum Leap for SEPA Direct Debit. From 1 November 2010, all banks in the euro area are reachable for SEPA Core Direct Debit](#) (EPC Newsletter, Issue 8, October 2010)

[Have it Your Way! The EPC e-Mandate option: a secure way to authorise a SEPA Direct Debit payment](#) (EPC Newsletter, Issue 6, April 2010)

[Refunds and Returns Revisited. Questions and answers on the correlation between the PSD and the SDD Schemes](#) (EPC Newsletter, Issue 4, October 2009)

[Creditors: Help is Here. EPC introduces rules on the use of legacy mandates under the SDD Scheme](#) (EPC Newsletter, Issue 2, April 2009)

¹SEPA currently consists of the 27 EU Member States plus Iceland, Liechtenstein, Norway, Monaco and Switzerland.

²The technical terms used in the SDD Scheme Rulebooks refer to the payer as 'debtor' and to the biller as 'creditor'.

³The term bank is used in a non-discriminatory fashion and does not exclude payment service providers which are not banks.

⁴Settlement is 'an act that discharges obligations in respect of funds or securities transfers between two or more parties.' [Committee on Payment and Settlement Systems](#).

⁵In the SEPA context, a payment system in the meaning of a 'funds transfer system' is referred to as a 'Clearing and Settlement Mechanism' (CSM). A funds transfer system enables the exchange of funds and messages between two PSPs executing a payment transaction. These funds transfer systems can be PSPs as well as separate business - public or private - entities (which may or may not be owned by banks). CSMs are also referred to as infrastructures.

ARTICLE217

SEPA FOR CASH

Mobile Technology Predicted to be the ATM Industry Game-Changer Over the Next Five Years

Main findings of the ATM Future Trends Report 2012

01.02.12 BY KIM WILLIAMS

498 respondents, representing automated teller machine (ATM) deployers, manufacturers and processors, amongst others, participated in the global ATM Future Trends Report 2012, carried out by ATMmarketplace.com. The report identifies the main trends expected to shape the ATM industry in the next five years. It covers a broad range of topics including the impact of mobile technology, cash recirculation and migration to chip and personal identification number technology. Respondents were also asked what percentage of ATM transactions will not be cash withdrawals in five years time. The report details overall findings and provides a breakdown of trends identified by specific regions including, Africa, the Americas, Asia Pacific,

Europe and the Middle East. In this article, Kim Williams highlights the main findings of the ATM Future Trends Report 2012.

Key Information in this Article

50.4 percent of respondents who provided feedback for the ATM Future Trends Report 2012 were located in North America, 19.7 percent in Europe and 16.5 percent in the Asia Pacific region. Respondents from Africa, Middle East, Central and South America make up 13.4 percent of respondents.

Across the board, respondents identified the following top three trends that could impact the automatic teller machine (ATM) industry over the next five years: mobile technology (42 percent), cash recirculation (13.8 percent) and government regulations (8.8 percent) – the latter narrowly ahead of interchange reduction (8.5 percent).

45.1 percent of all respondents identified the deployment of solutions, which integrate mobile banking and marketing with the self-service channel, to be the most popular trend in serving consumers who prefer cash five years from now. 39.2 percent of all respondents believe that North American card issuers would be required to adopt chip and personal identification number technology within the next one to three years. Consequently, ATM deployers and point of sale providers would be required to modify their equipment.

The majority of respondents from North and South America, Europe, Asia Pacific and Africa predict that, within five years, between 20 and 30 percent of ATM transactions would involve transactions other than cash withdrawals.

ATM Future Trends Report 2012: the main findings

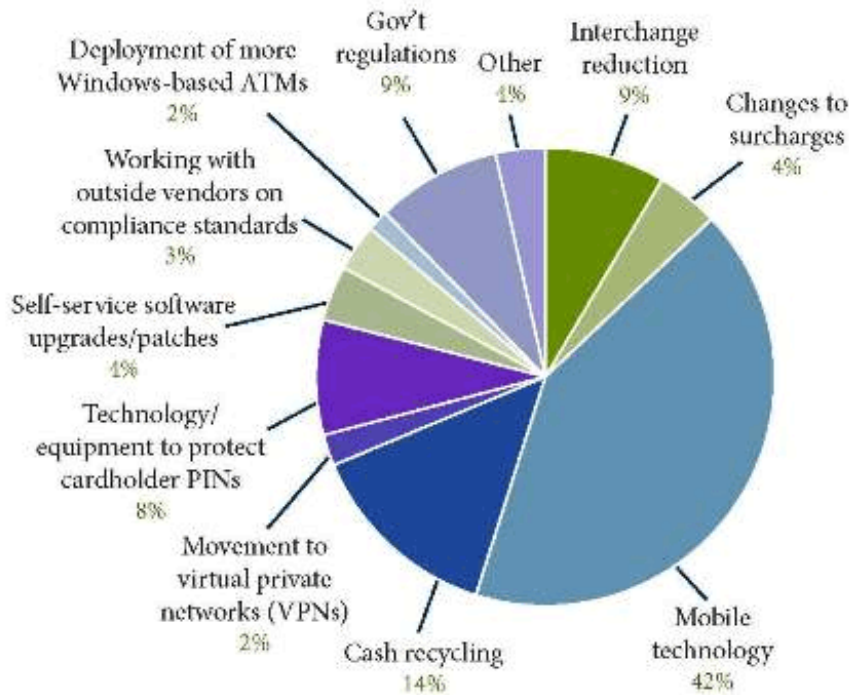
From mobile technology integration to cash recirculation, and government regulations to interchange reduction, automated teller machine (ATM) deployers, vendors and financial institutions expect the next five years to offer exciting opportunities and great challenges for the ATM industry. ATMmarketplace.com surveyed the global ATM industry to find out what stakeholders in each region thought would be the key trends over the next five years. The results, along with commentaries from industry insiders, will be published in the ATM Future Trends 2012 Report (see 'related links' below to pre-register for the report).

498 respondents, representing ATM deployers, manufacturers and processors, amongst others, participated in the global ATM Future Trends Report 2012. 50.4 percent of respondents were located in North America, 19.7 percent in Europe and 16.5 percent in the Asia Pacific region. Respondents from Africa, Middle East, Central and South America make up 13.4 percent of respondents.

Industry respondents from around the world agreed that mobile technology will have the greatest impact on the ATM space over the next five years. Exactly how that impact will manifest itself however, is something that remains unclear.

Figure 1: ATM Future Trends Report 2012: Over the next five years, which of the following do you believe will have the greatest impact on the global ATM industry?

Over the next five years, which of the following do you believe will have the greatest impact on the global ATM industry?



The predictions on the top three trends to impact the industry differ slightly by region:

- **Africa:** Security / EMV¹ (72.1 percent), mobile integration (49.4 percent), followed by cost reduction (45.6 percent).
- **Asia Pacific:** Security / EMV (64.1 percent), mobile integration (61.4 percent). An equal percentage of respondents (39.4 percent) expect major impact as a result of cash-in and recirculation at the ATM, as well as the adoption of new technologies and functionalities by suppliers.
- **Europe:** Mobile integration (57.9 percent), security / EMV (55.3 percent), followed by cash-in and recirculation at ATMs (42.3 percent).
- **Middle East:** Security / EMV (67.4 percent), mobile integration (56.1 percent), followed by outsourcing of ATM networks (43.6 percent).
- **North America:** Migration to chip and personal identification number (PIN) technology (65.6 percent), mobile integration (58.7 percent), followed by security standards and other compliance issues (56.3 percent).

Interestingly, when asked which would be the most popular trend in serving customers who prefer cash, respondents again pointed to mobile. In all regions surveyed, the deployment of solutions that integrate mobile-banking and marketing with the self-service channel was the number one trend identified. By all accounts, it would seem that the next five years will revolve around the impact of mobile technology on a variety of industries. The ways in which the ATM industry embraces or resists this trend will unfold soon, and it promises to be a captivating journey.

Migration to chip and PIN technology

The industry weighed in on the question of migrating to chip and PIN technology. When EMV will be fully implemented in North America remains a hot topic for discussion, with global respondents agreeing that the shift will happen within the next three years. Liability shift announcements from both Visa and MasterCard in 2011, further confirm the U.S.'s long-awaited transition to EMV.

In comparison, 86.3 percent of cards, 93.6 of points of sale and 96.6 of ATMs in Europe are already EMV-compliant as of mid 2011, according to latest data available. The subject is particularly relevant to European card issuers, given that card fraud is now migrating rapidly to points of least resistance, i.e. countries which have not yet implemented chip and PIN technology. Markets which continue to rely on magnetic stripe technology allow

fraudsters to 'skim' (copy) data stored on the magnetic stripe. To-date, EMV-compliant cards issued in Europe also continue to carry the magnetic stripe as a secondary form of authentication. European banks are therefore increasingly liable for losses resulting from European card holders falling victim to fraudulent card payments made in the U.S for example.

In five years, what percentage of successfully completed ATM transactions will not be cash withdrawals?

The rise of mobile technology solutions and increasing transaction options at the ATM, including bill-pay, ticket purchasing, deposit and other functions, may have been on respondents' minds when they answered the question asking what percentage of ATM transactions will *not* be cash withdrawals in five years time.

The majority of respondents from North and South America, Europe, Asia Pacific and Africa said that they thought between 20 and 30 percent of ATM transactions would not be cash withdrawals. 50 percent of respondents from Central America however, predicted that more than 30 percent of transactions will not be cash withdrawals. The majority of Middle East respondents were split, with 30 percent saying more than 30 percent would involve transactions other than cash withdrawals and another 30 percent putting the number between 20 and 30 percent.

The ATM Future Trends Report 2012 also includes commentaries from contributors representing several segments of the industry who provided their insights on issues and trends that they believe will shape the ATM industry during the next five years (see 'related links' below for the commentary by Gerard Hartsink, European Payments Council (EPC) Chair, and Leonor Machado, Chair of the EPC Cash Working Group).

One thing that remains clear is that all regions believe there is room for the channel's continued growth and success. Here's to the next five years.

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Related links:

www.ATMmarketplace.com

To pre-register for the 'ATM Future Trends Report 2012', click [here](#).

[The 'ATM Future Trends Report 2012': Commentary contributed by EPC Chair Gerard Hartsink, and Leonor Machado, Chair of the EPC Cash Working Group, outlining the EPC initiative to standardise the size of ATM cash cassettes and cash transport cases and to create interoperability among Intelligent Banknote Neutralisation Systems.](#)

[EPC Resolution: Preventing Card Fraud in a Mature EMV Environment](#)

Related articles in previous issues:

All EPC Newsletter articles published in the ['SEPA for Cash' section](#)

[Time to Prepare the Eulogy - 'Six Feet Under' for the Magnetic Stripe in SEPA - Eurosystem recommends migration to chip-only cards](#) (EPC Newsletter, Issue 10, April 2011)

[The Magnetic Stripe: Why it is Hard for Americans to Say Good-Bye - In the US, clinging to old-fashioned payment methods is more than just a bad habit](#) (EPC Newsletter, Issue 10, April 20)

¹EMV is an industry standard to implement chip (and personal identification number security) for card transactions to combat fraud.