

THE 10 BEST REASONS TO PRACTICE SEPA

What is SEPA?

➔ The Single Euro Payments Area (SEPA) is a European Union (EU) integration initiative in the area of payments. Standard SEPA payment instruments will gradually replace national euro payment instruments. The SEPA payment schemes are developed, in close dialogue with all stakeholders, by the European Payments Council (EPC). The EPC is the decision-making and coordination body of the European banking industry in relation to payments.

Why SEPA?

➔ SEPA is an EU integration initiative designed to strengthen the euro currency, enhance competition in the payments market and promote technological innovation.

➔ The innovation and dematerialisation of payment processes, e.g. migrating government payments away from paper-based and cash processes, is vital to creating modern infrastructures designed to reduce expenses, to establish efficient operations and, in consequence, to further improve public services.

➔ The European Commission expects SEPA to have an impact far beyond payments and related government services: SEPA drives forward the evolution of e-government solutions including e-invoicing, e-procurements, e-payments, e-signatures and e-services in the areas of taxation, customs and social security.

1.

➔ The adoption by public administrations of the new SEPA payment instruments provides a golden opportunity to renew ageing payment applications. It has often been the case that administrative systems such as those supporting payments are updated infrequently and on a minimum basis only. SEPA payment instruments introduce the newest and richest technology offerings and their associated cost benefits.

2.

➔ SEPA promotes shared standardisation regarding a variety of services offered by government agencies across Europe: investments can be shared and productivity benefits of process transformation can be realised. Such a development could dramatically reduce the cost of implementing new processes and further drive cost efficiencies in the public sector.

3.

➔ Public procurement, e.g. the purchase of goods, services and public works by public administrations, is a key sector in the European economy totalling an estimated volume of 1.5 trillion euro or 16 per cent of EU GDP. SEPA establishes one domestic competitive payments market and public administrations will have far more choice in selecting service providers across the entire market place.

**Accelerate innovation
of payment applications**

**Take advantage
of shared standardisation**

**Increase the potential
of public procurement**

Decrease IT costs

4.

⇒ The introduction of the ISO 20022 message standards – the SEPA data format – allows for rationalisation, which in turn will significantly reduce the costs associated today with the maintenance of the different national payment formats and related IT-standards, including system administration. The XML standard is widely accepted and a huge number of standard tools exist – often licence-free. In addition, using XML technology leads to more flexibility with a view to future adaptations of IT systems.

5.

⇒ The SEPA data format streamlines account reconciliation of payables and receivables through the adoption of new standards. The SEPA format is being updated annually according to a predictable release schedule to reflect customer needs.

6.

⇒ Uniform settlement periods and exception processes will significantly reduce current complexities. The EU Payment Services Directive (PSD) further improves legal certainty and predictability in payments.

7.

⇒ Payment factories are companies delivering payment-related services on an industrialised scale. The realisation of an integrated euro payments market will boost the trend towards outsourcing payments. SEPA allows payment factories to acquire additional transaction volumes which in turn generates scale and scope advantages. This development promotes attractive service offerings to public administrations wishing to benefit from centralised payments processing.

8.

⇒ The benefit of geographic reach is the ability to make and receive payments using the same infrastructure and channels as applied to purely domestic transactions. This is of particular importance with regard to the substantial numbers of pensioners, students and workers residing outside their original EU home country and businesses operating across the internal market.

9.

⇒ Harmonised e-government solutions and the development of related information and communication technologies (ICT) promote more efficient public services while completing a single market for the information society.

10.

⇒ In February 2012, the European legislator adopted the ‘Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009’ (the SEPA Regulation), which defines 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. In non euro countries, the deadline will be 31 October 2016. Effectively, this means that as of these dates, existing national euro credit transfer and direct debit schemes will be replaced by SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD). The majority of market participants recognise the value of setting a deadline for migration to harmonised SEPA payment schemes through European Union Regulation.

Simplify reconciliation

Streamline the back office

Make payment factories work for you

Support mobile citizens and cross-border trade

Promote the “e-internal market”

European Union Regulation defines mandatory deadlines for migration to SEPA

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