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**Press Release**

**The European Payments Council Calls on European Lawmakers to Align Forthcoming SEPA Regulation with Bank Customer Requirements**

**26 October 2011 – Brussels: The European Payments Council (EPC), representing the European banking industry in relation to payments, has today spoken out on the legislative process aimed at establishing mandatory deadlines for migration to the Single Euro Payments Area (SEPA). The EPC has called on European Union (EU) lawmakers to align the imminent 'Regulation Establishing Technical Requirements for Credit Transfers and Direct Debits in Euro' (commonly referenced as the 'SEPA Regulation'), with the preferences of European payment service users. The EPC makes a specific request for a review of provisions within the legislative proposal addressing direct debit transactions.**

**The EPC also continues to urge the EU legislator to adopt the SEPA Regulation as soon as possible in order to provide planning security for all market participants. A proposal for a SEPA Regulation is currently under review by the European Parliament, the Council representing EU Member States and the European Commission.**

Commenting on the proposed SEPA Regulation currently under review, the EPC voices a number of concerns.

- The **SEPA Regulation will confer unprecedented powers upon the European Commission to decree payment functionalities**. In the future, both demand and supply sides will have to comply with the payment scheme rules and technical standards defined by the regulator. It is therefore imperative that the SEPA Regulation details how the European Commission will exercise its responsibilities in the area of scheme development.
- To ensure that bank customers, such as businesses and public administrations, avoid the duplication of SEPA implementation efforts and resources, the **SEPA Regulation should establish one end date at a European level for the migration to harmonised credit transfer and direct debit schemes**. The EPC welcomes that the Economic and Monetary Affairs Committee (ECON), of the European Parliament, also proposes to set one combined end date. The European Commission and the Council representing EU Member States however, recommend establishing separate deadlines for the compliance of credit transfer and direct debit schemes with the SEPA Regulation.
- The proposal for a SEPA Regulation suggests a ban on transaction-based multilateral interchange fees (MIFs) for direct debits. It is the EPC's opinion that a sunset clause as proposed by the ECON in March 2011 should be included in the Regulation. Such a clause would allow transaction-based MIFs for direct debits in affected EU Member States to be gradually phased out. This would enable banking communities to develop new direct debit business models.
- The EPC again calls attention to the fact that **EU lawmakers intend to abolish the direct debit model which is preferred by the vast majority of European citizens** who make direct debit payments today. The proposal for a SEPA Regulation currently foresees a host of compulsory direct debit mandate[1] checks which must be offered by the payer's payment service provider (PSP).

[1] The mandate is the authorisation underlying a direct debit payment.

The EPC recently conducted a survey to identify the current mandate checking obligations in national direct debit schemes. Its survey findings confirm existing European Central Bank (ECB) data: almost 75 percent of consumers making direct debit payments today do not request such checks. The average number of direct debit payments carried out per consumer each year is 68 in countries with a direct debit model not supporting compulsory mandate checks. In countries with more complex direct debit scheme models, the average is reduced to around 23. The findings are also in line with bank customer experiences whereby millions of direct debits are securely and correctly collected in Europe every day – without legally enforced mandate checks.

If it becomes obligatory for PSPs to offer compulsory mandate checks, the almost 4,000 PSPs that have already invested in payment architecture upgrades to participate in the SEPA Core Direct Debit Scheme (SDD Core), will have to re-invest to make further adaptations. These costs would have to be borne by all European consumers, including the majority of direct debit payers, who have never asked for obligatory mandate checks to be performed by their PSPs. Consequently, direct debits will become more costly – directly or indirectly – for all consumers. This will counteract the objective of the European Parliament, the European Commission and the ECB, that SEPA should trigger a downward spiral in the pricing of payment services. In addition, a direct debit model modified by law could prove detrimental to the actual needs of direct debit users, who prefer this payment method due to its convenience. End users may revert to other – less efficient – payment instruments in the long run.

Additionally, the EPC clarifies that the compulsory mandate checks which the legislator is now contemplating, were introduced as optional features into the SDD Core Scheme in response to earlier requests of the European Commission and the ECB. This approach allows PSPs to offer these options in response to market demand. As such, the **EPC invites EU lawmakers to respect user preferences as reflected in the SDD Core Scheme** and to refrain from agreeing compulsory direct debit mandate checks.

Gerard Hartsink, EPC Chair, comments: "The debate surrounding the most appropriate SEPA direct debit model highlights a paradigm shift in the area of payment scheme development. The SEPA Regulation will confer the power upon the European Commission to amend the technical requirements set out in the SEPA Regulation through delegated acts. In other words, the European Commission will be empowered to rewrite the rules and technical standards defined in the SEPA payment schemes, which until now have been developed by the EPC in close dialogue with the entire payment user community. The **EPC therefore calls on the EU lawmaker to detail the future process of SEPA scheme development** in the SEPA Regulation. The European Commission must ensure that this process is based on extensive market consultation and broad consensus among all stakeholders. In addition, the SEPA Regulation should align with current best industry practice: when updated SEPA Scheme Rulebooks are published annually under the existing system, banks and other service providers have one full year to address the rulebook updates before they become binding for all scheme participants. The SEPA Regulation should ensure that both the demand and supply sides are able to rely on sufficient lead times to implement changes to SEPA payment schemes as mandated by the European Commission."

**– ENDS –**

**Note to editors:**

- For further information, refer to the EPC Media Kit accompanying this press release and listen to the EPC Webinar of 25 October 2011, which also updates on latest EPC activities in the areas of scheme development, cash and mobile payments.

**Media Contact at the EPC:** For further media information, please contact Meral Ruesing at the EPC Secretariat (Phone +32 2 733 35 33 or e-mail meral.ruesing@epc-cep.eu).

**About the European Payments Council:**

The European Payments Council (EPC) is the coordination and decision-making body of the European banking industry in relation to payments. The term bank is used in a non-discriminatory fashion and does not exclude payment institutions. The purpose of the EPC is to support and promote the Single Euro Payments Area (SEPA). SEPA is an EU integration initiative in the area of payments designed to achieve the completion of the EU internal market and monetary union. SEPA is the area where citizens, companies and other economic actors can make and receive payments in euro, throughout Europe, whether within or across national boundaries under the same basic conditions, rights and obligations, regardless of their location. SEPA is currently defined as consisting of the EU 27 Member States plus Iceland, Norway, Liechtenstein, Switzerland and Monaco. The EPC develops the payment schemes and frameworks necessary to realise SEPA. In particular, the EPC defines common positions for the cooperative space of payment services, provides strategic guidance for standardisation, formulates rules, best practices and standards and supports and monitors implementation of decisions taken. The EPC consists of 74 members representing banks, banking communities and payment institutions. More than 360 professionals from 32 countries are directly engaged in the work programme of the EPC, representing all sizes and sectors of the banking industry within Europe.

**Source: European Payments Council**

Av de Tervueren 12 B – 1040 Brussels – Phone + 32 2 733 35 33 – Fax + 32 2 736 49 88

Email: secretariat@epc-cep.eu – URL: www.epc-cep.eu

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