

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. SEPA is a policy-maker-driven initiative designed to strengthen the euro currency, enhance competition in the payments market and drive forward technological innovation.

1.

Consistent customer experience

⇒ The aim of creating a SEPA for Cards is to facilitate a consistent customer experience when making (consumers) or accepting (merchants) payments with cards. The SEPA Cards Framework (SCF) developed by the EPC outlines high level principles and rules that when implemented by banks and card schemes will deliver this consistent experience.

⇒ SEPA will have an important impact on European merchants' approach to card acceptance and the services they receive from their banks. Those that have a high tourist or adjacent border spend will see significant change and improvement as will those that currently have to accept high volumes of cash.

2.

Reduced costs of handling cash

⇒ The introduction of SEPA will incentivise consumers and merchants to migrate to payment cards and electronic payments. Merchants will see significant benefits through lower processing costs as a result of a common euro area-wide cash repositioning strategy whilst reducing the risks of handling cash.

3.

High levels of security

⇒ The SEPA Cards Framework (SCF) developed by the EPC recognises the EMV standard as the technology platform for Europe-wide acceptance of payments with cards at very high levels of security. The EMV (originally Europay MasterCard Visa) programme enables the implementation of CHIP and PIN security for card transactions. The aim is to ensure that all general purpose cards in circulation in SEPA will be SCF-compliant from 31 December 2010 onwards.

Improved efficiency

4.

⇒ The SEPA for Cards will be achieved to the greatest extent possible through the use of open and free standards, available to all parties within the card payment value chain. The EPC is carrying out a cards standardisation programme to define core requirements to be implemented throughout the card payment and cash withdrawal value chain (including certification) in order to enable compliance with the SEPA Cards Framework.

⇒ As a result of these efforts, common POS (point of sale) processes for card acceptance will greatly simplify staff training and reduce the potential for errors. In addition, merchants will see significant savings with regard to terminal maintenance thanks to the removal of multiple terminals and the introduction of common terminal-to-host standards.

5.

⇒ The SEPA Cards Framework calls for common standards which lead to increased competition among IT vendors whilst fostering innovation to the benefit of merchants.

6.

⇒ By moving to common standards, SEPA will open up the market for acquiring services allowing for increased choice of providers and the development of many new products and services.

7.

⇒ The separation of card schemes from processing entities as defined in the SEPA Cards Framework will create many new specialised processors previously combined with interbank and scheme operations. This should open up the processing market, increase consolidation and reduce transaction fees through economies of scale.

8.

⇒ Cross-border business expansion will no longer be constrained. Multiple acquirer banking relationships can be reduced, because SEPA will enable combined payment card acquiring for euro transactions. Treasury operations can be streamlined and back office processes simplified as a result of common clearing and settlement for all countries.

9.

⇒ SCF-compliant cards must have the potential to be effectively accepted at ATMs and/or by merchants in all SEPA countries. However, in line with its pro-competitive values, the SCF does not mandate any level of geographical coverage within SEPA. It is recognised that the acceptance of a card at any given terminal is ultimately dependent on the decision of a merchant to accept that particular card. However, the SCF removes many of the barriers so that acceptance and coverage meet the needs of consumers and retailers.

10.

⇒ The EU Payment Services Directive (PSD) transposed into the national law of EU Member States as of 1 November 2009 establishes a common legal framework for payments and provides uniform rules for exception handling and consumer redress resulting in streamlined back office processes.

More competition among IT vendors

More competition among acquirers

More competition among processors

Business opportunities beyond national borders

Extended card acceptance

Uniform exception handling