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## EUROPEAN PAYMENTS COUNCIL POSITION ON BREXIT AND UK PSPS' PARTICIPATION IN SEPA SCHEMES

### Summary

On the occasion of the start of the second phase of the Brexit negotiations, in particular the negotiations on a transition period and the scoping of the future relationship between the European Union (EU) and the United Kingdom (UK), the European Payments Council (EPC) would like to state its current position in the face of possible post-Brexit scenarios and their impact on the Single Euro Payments Area (SEPA) schemes.

### Current Situation

The UK is currently part of the geographical scope of the SEPA schemes due to its EU membership. Currently, 82 UK payment service providers (PSPs) participate in the SEPA Credit Transfer (SCT) scheme, 38 in the SEPA Direct Debit (SDD) Core scheme, 26 in the SDD B2B scheme and 1 in the brand-new SCT Instant scheme.

### Transition Period

It is envisaged that the UK will leave the European Union on 30 March 2019.

The European Commission and UK have, through the draft Withdrawal Agreement, agreed a transition period (otherwise called an implementation period) between the European Union and the United Kingdom. This still needs to be concluded by the Council (Article 50), the European Parliament, and the UK according to its own constitutional requirements.

If the Withdrawal Agreement is concluded the transition period will apply between 30 March 2019 and 31 December 2020 (when the transition period ends) and European Union law will be applicable to and in the United Kingdom during the transition period. During this period, the UK would automatically remain within the geographic scope of SEPA.

### Post-BREXIT Scenarios

The EPC Board already had a first strategy discussion in October 2016 regarding the question of Brexit and how it would impact the relationships between the EPC and the UK PSP community. The Board was of the view that nothing will change until the end of March 2019 and that the EPC will monitor the negotiations between the UK and the EU, and continue the dialogue with its UK Members (notably UK Finance) on the potential implications of Brexit and on the relationships between the EPC and the UK community. Accordingly, the EPC regularly liaises with UK Finance to assess the situation.

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Nonetheless, as the final negotiations are not completed yet, the EPC needs to wait until the negotiation parties deliver a concrete outcome.

The EPC is fully aware that Brexit will most probably bring significant changes and will reshape the relationships between the EU and the UK in the financial services domain. However, all will depend on the outcome of the negotiations on the future UK-EU relationships.

There are several scenarios regarding Brexit and the UK PSPs' participation in the SEPA schemes:

- If the UK leaves the EU but remains in the European Economic Area (EEA), the UK laws and regulations should remain aligned with the EU legal framework which would allow the UK scheme participants to continue their participation in the SEPA schemes.
- If the UK leaves the EU and the EEA but puts in place a free trade agreement between the EU and UK which results in 'functional equivalence' of the EU legal framework, in other words, if the UK implements requirements equivalent to the criteria for participation in the SEPA schemes, this would allow the UK scheme participants to continue their participation in the SEPA schemes. It is not excluded in this scenario that the EPC may have to assess and confirm any functional equivalence of the UK's legal framework with European Union law.
- If the UK leaves the EU and does not remain in the EEA or does not agree on an alignment of its relevant legal framework with that of the EU, the eligibility of the UK to be part of the geographical scope of the SEPA schemes will need to be assessed by the EPC on the basis of an application from the UK PSPs' community. As the geographical scope of SEPA already extends beyond the EU and EEA, including several third countries and territories, the option remains that the UK continues in the scope of the SEPA schemes, provided it fulfils the eligibility criteria. More information about criteria for participation in SEPA schemes, can be found [here](#).

Generally speaking, the EPC understands and supports that the UK PSPs' community intends to maintain participation in the SEPA schemes and may even wish to join the new SEPA Credit Transfer Instant scheme in due course, provided that the criteria for participation in the SEPA schemes continue to be met.