

FROM COMPLIANCE TO BUSINESS BENEFIT

Background

Why SEPA?

SEPA is the most significant change to the European financial services market since the introduction of the Euro. It has been justified as follows:

- > SEPA and the New Legal Framework (NLF), also known as the Payment Services Directive (PSD), is meant to create a level playing field for banks and payment service providers in Europe, in order to open up competition
- > SEPA and the PSD aim at facilitating easier access to intra-European banking and payments. In particular they are designed to create an efficient infrastructure for electronic payments
- > The goal of SEPA and PSD is the alignment of costs for payment services across the EU and the reduction of those costs across Europe, to stimulate economic activity.

SEPA will be legally implemented in the following way:

- > Implementation of the PSD in the EU after consultation with industry interest groups and the European Payment Council (EPC)
- > Adoption of the framework into 'local' regulations, including the necessary amendments of the various local laws currently contravening the PSD.

The regulatory schedule

The schedule for implementing SEPA from the European Payments Council (EPC) was fixed with the following milestones:

- > 2005: Migration plan
 - September: scheme design and preparation,
 - December: Direct Debit and Credit Transfer Principles.
- > 2006: Framework:
 - March - SEPA data model development for Credit Transfer, and Direct Debit (harmonization for services providers). SEPA Card Framework is agreed.
- > 2007: Interoperability of debit schemes
 - Last half year pilot projects on SEPA Direct Debit and Credit Transfer.
- > 2008: from January 1st - SEPA citizens
 - Latest start for the roll out of SEPA compliant cards for consumers in each card scheme
 - Availability of the SEPA Credit Transfer and Direct Debit for banks,
 - Progressive update of the infrastructures to be SEPA compliant.
- > 2010 : SEPA objectives
 - 2008-2010: Migration of national payments instruments to SEPA payments instruments, although these timescales are not compulsory
 - Around 2010: Update of the infrastructures or abolition.

The timetable puts into clear focus that much of the SEPA compliance related work has to be undertaken in 2006 to 2008. During and after that period the main players will also have to be actively working on deriving business benefit from the initiative.