

SEPA (SINGLE EURO PAYMENTS AREA)

New European electronic payment landscape from 2008

With SEPA, the electronic payment landscape in Europe will change. All electronic payments in euros within SEPA will be regarded as domestic payments – even if they cross national borders.

SEPA is an initiative of the European banking industry, led by the European Payments Council, to establish an integrated European payments landscape where euro payments are subject to a uniform set of standards, rules and conditions.

Although the project originated within the Eurozone countries, SEPA is currently defined as consisting of the 27 EU Member States, Iceland, Liechtenstein, Norway and Switzerland.

The objective of SEPA

The purpose of SEPA is to eliminate the national differences in payment instruments. SEPA is intended to facilitate trade and commerce and strengthen Europe's competitiveness.

Milestones

The timeline for the implementation of SEPA stretches from 2008 until the end of 2010.

There are a few major milestones for the establishment of SEPA:

- The new SEPA instruments became available to all users – private individuals, corporates, and government bodies – from January 28th 2008, when SEPA Credit Transfers were launched.
- After a phase of parallel use, the current national instruments will be replaced with the Eurozone by the new instruments - credit transfers, direct debits and cards.
- Banks will implement the new schemes and standards at the inter-bank level. This covers clearing and settlement, data formats and rules.
- By the end of 2010, it is expected that a full migration will be completed.

A common legislation for payment services

In order to realise the objective of SEPA the foundations will be created for the following:

- A harmonisation of payment rules for domestic and cross-border payment services in Europe.
- A common regulatory framework within SEPA that governs the rights and obligations of providers and users of payment services. This includes regulation of service levels.
- Creation of standardised payment instruments that can be used entirely within SEPA.
- Use of the BIC (the bank's SWIFT identification code or Bank Identifier Code) and the IBAN (International Bank Account Number) system, in order to ensure a more effective payment process.

Instead of each Member State having its own domestic infrastructure for Euro payments and domestic payment instruments, all States will be able to share fewer infrastructure systems. For example, a PE-ACH (Pan-European Automated Clearing House) which is similar to a domestic clearing house on a European level, will have the capability to accept payment instructions from any European payer to any European payee.

SEPA Payment instruments

The current national instruments within the Euro-zone will gradually be replaced by SEPA instruments based on common SEPA schemes. These schemes are:

- SEPA Credit Transfers
- SEPA Direct Debit
- SEPA Cards Framework

The effect of SEPA

SEPA consists of the following:

- Only transactions in euro currency
- A single set of Euro payment instruments – credit transfers, direct debits and card payments

- Efficient processing infrastructures for Euro payments
- Common technical standards
- Common business practices
- A harmonised legal basis
- Ongoing development of new customer-oriented services

Changes and benefits

The effect of SEPA means that every citizen, merchant, public administration and company with a banking relationship within Europe will eventually be affected by SEPA, as will everyone in the payment supply chain. This means that about 540 million individuals, 25 million corporate companies and 9,000 banks will be affected by SEPA.

These are some of the future benefits for companies:

- Cost savings by achieving a higher rate of straight-through processing which reduces the need for manual intervention
- Help companies to simplify their management of payments

- Companies will be able to perform all of their payments in euros from one bank account, using SEPA payment instruments
- The processing of payments will be simplified, as all incoming and outgoing payments will use the same interbank format
- Value-added services, such as e-invoicing and e-reconciliation, will eventually help companies to optimise their processing of payments.

Contacts

For further information, please contact your Cash Manager who will be able to assist you.