

## **VIII. PAYMENT SYSTEMS**

**Patrick Poncelet**

Head of Payments & Securities Dept.

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# Agenda

## 1. Realisation of the Single Euro Payments Area: SEPA

- The EPC Declaration of 17 March 2005
- The EPC deliverables and timeline
- The EPC cooperation model
- The SEPA programme risks

## 2. The Payments Services Directive

## 3. Conclusions



## Roadmap: primary deliverables EPC Declaration 17th March 2005

We will deliver the **two new Pan-Euro Payment Schemes** for electronic **credit transfer** and for **direct debits**. We will also design a **Cards Framework** to define a single market for cards. The scheme rulebooks and the cards framework definition will be delivered by end 2005, and the services will be operational by January 2008.

We know from feedback from our community in the eurozone that by the **beginning of 2008** the vast majority of **banks will offer these new Pan-Euro services to their customers**.

We are also convinced that **a critical mass of transactions will naturally migrate** to these payment instruments **by 2010** such that SEPA will be irreversible through the operation of **market forces** and **network effects**.

**SEPA will be delivered by the banking industry in close conjunction with all stakeholder communities** (consumers, SMEs, merchants, corporates and government bodies) **and supportive public authorities**. The community of European banks is strongly committed to this ambitious programme of action, based on self-regulation and a full recognition of the role of market forces and competition.



# What does SEPA mean for users

## Consumers

- Reachability of **all** bank accounts in Eurozone with the **same payment instruction** based on common standards
- Possibility of **card acceptance in all ATM's and POS terminals** (provided the merchant accepts the card brand and standards)

## Merchants

- **More acquiring options** by SEPA compliant acquirers (and more common standards for acquiring)
- Common approach to reduce the costs and risks of cash

## Corporates, public administrations and SME's

- Reachability of **all** bank accounts in the Eurozone with the **same payment instruction** (direct debit and credit transfer)
- Guaranteed remittance data for Euro payments
- Use of ISO standards

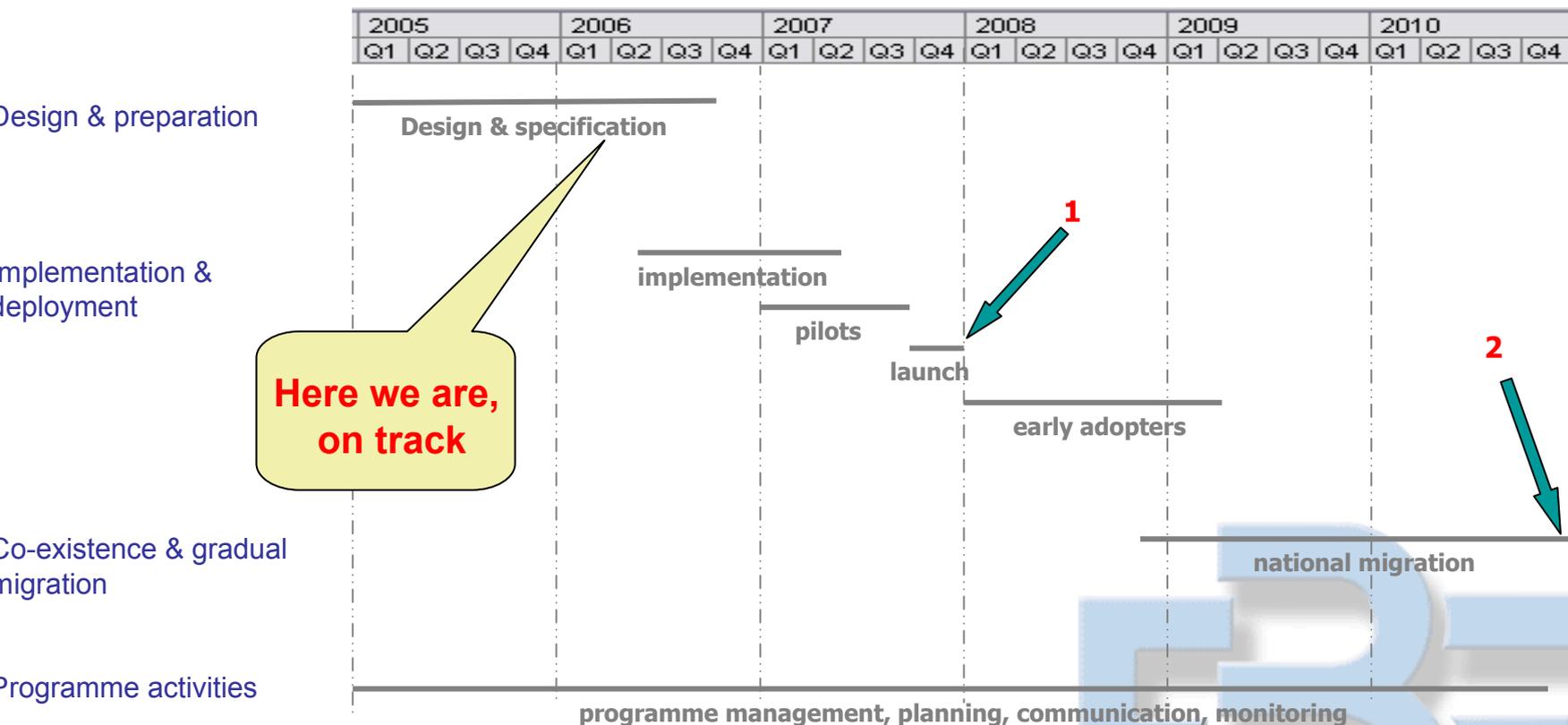


## The EPC Deliverables

- SEPA Credit Transfer System Rulebook (approved)
- SEPA Direct Debit System Rulebook (approved)
- SEPA Card Framework (approved)
- SECA (Cash) Framework (approved)



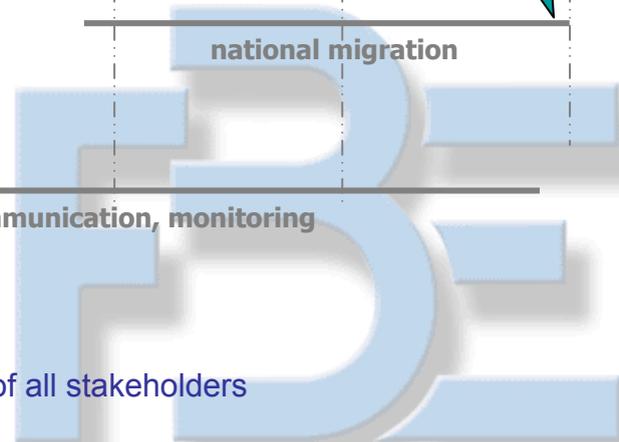
# SEPA programme timeline



Here we are, on track

## Milestones

- 1** - SEPA instruments available in market
- 2** - Critical mass migrated/SEPA irreversible subject to the commitment of all stakeholders



## Cooperation model with SEPA stakeholders

- SEPA can only be realised if all European and national stakeholders are committed for the same agenda and deliverables
- Design Model: European

Public Authorities	Banks and their customers	Customer associations
<ul style="list-style-type: none"> <li>• <b>ECB</b> (Eurosystem)</li> <li>• <b>European Commission</b></li> </ul>	<p><b>EPC: Major banks with a fair representation of the smaller banks</b> (represented by banks or associations) <b>together with customers</b></p>	<ul style="list-style-type: none"> <li>• Corporates (treasurers): <b>EACT</b></li> <li>• Public administrations: <b>EC</b></li> <li>• Merchants: <b>Eurocommerce</b></li> <li>• SME's : <b>UEAPME</b></li> <li>• Consumers: <b>BEUC</b></li> </ul>

### • Implementation Model: National

<ul style="list-style-type: none"> <li>• NCB</li> <li>• MoF</li> </ul>	<ul style="list-style-type: none"> <li>• All Banks</li> <li>• NBA</li> </ul>	<ul style="list-style-type: none"> <li>• Corporates</li> <li>• Public administrations</li> <li>• Merchants</li> <li>• SME's</li> <li>• Consumers</li> </ul>
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# SEPA risk management for primary deliverables (1/2)

#	Risk and issue owner(s)	Mitigation	Impact	Probability
1	Delivery of EPC design deliverables  [EPC]	Continue to plan and manage activities of Working & Support Groups/ROC in developing and finalising deliverables consistent with track record to date	HI	LO
2	Full adherence to Schemes to achieve full reachability of all banks  [EPC & Banks]	Need for reachability resolution and full promotional activities within national communities towards member banks	HI	LO
3	Inability to agree Interchange Arrangement for direct debits  [EPC & EU]	EPC project to come to successful conclusion, including approval of DG Comp	HI	MED
4	Implementation of new UNIFI (ISO20022) XML message standards  [Banks]	Mobilisation of bank IT community, including vendors and SWIFT	HI	LO
5	The proper legal Framework for SEPA schemes not in place in all member states by 1/1/2008  [EU & Member States]	In the hands of the political process	HI	HI

## SEPA risk management for primary deliverables (2/2)

#	Risk and issue owner(s)	Mitigation	Impact	Probability
6	Customers do not take up new SEPA instruments  [Banks]	Banks develop product propositions for customer segments. EPC to support national communities with communication materials. Public administrations as early adopters	HI	MED
7	Implementation projects at national level  [National Communities]	National communities to create robust organisations and plans, with support of national public authorities. EPC monitoring process to be developed	HI	LO
8	Cards market non-compliance with SCF  [Banks & Schemes]	Banks to influence card schemes and merchant acceptance.	HI	LO
9	Clearing & Settlement Mechanisms (CSM) failure to engage  [Banks & CSMs]	Banks to manage their CSMs to create a critical mass of scheme-compliant CSMs	HI	LO
10	Destabilisation impact of Incentives Project & regulatory threats  [EU]	Lobby European and national governments to support SEPA in a realistic and constructive manner	HI	MED

# Payments Services Directive

- **Main objective?: Creation of Single Euro Payments Area from January 2008**
- **The EPC welcomes legal harmonisation for SEPA**
- **However, the EPC has several comments:**
  - **Suggestions for drafting changes** to support SEPA Rulebooks (refund rule, IBAN primacy, protection rules for consumers and for corporates, working day, etc.)
  - **Execution times**
  - **Payment Institutions**
  - **One transaction leg outside EU 25**
  - **Strict liability**
  - **Information requirements**
  - **Gold plating**



## EPC Incentives Proposals

**Don't** introduce any destabilising incentives

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**Do** support the SEPA programme of the EPC Declaration of 17 March 2005

**Do** accept the January 2008 SEPA payment services of banks based on the two SEPA Rulebooks

**Do** support with a clear and consistent communication programme to realise SEPA

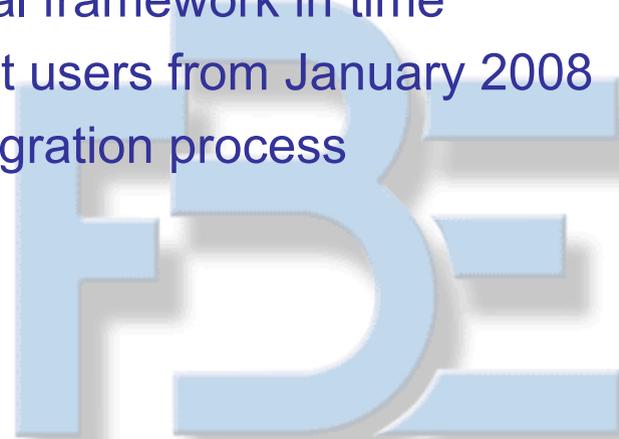
**Do** realise the necessary parts for SEPA of the legal framework in time

**Do** take care that public administrations are the first users from January 2008

**Do** become a partner in the implementation and migration process

**Do** introduce effective incentives for early adopters

**Do** support the (re)positioning of cash in society



## Conclusions

- The EPC was able to create a **commitment of banks**, after consultation of customers and customer groups, for the first **SEPA deliverables** so that banks are able to deliver **SEPA payment services** to their customers **from January 2008**, as agreed in the EPC Declaration of 17 March 2005
- SEPA can only be realised if **all stakeholders** (in particular **national public authorities**, but also corporates, public administrations, merchants, SME's, consumers and banks) **are committed** to support the implementation process and/or to implement the SEPA deliverables
- A clear and consistent **common communication programme** of **national public authorities** for citizens and corporates and of **banks** for their customers is necessary to realise SEPA in time
- **Destabilising interventions** such as changes of scope or of specifications for the January 2008 deliverables **will put the 2008 milestone at risk**
- **Positive incentives** of public authorities for **all stakeholders** to realise the timely implementation of SEPA are welcome
- At national level a **reinforcement of the programme management** (also of public authorities) is needed to deliver in time

