

Roadmap for the Single Euro Payments Area

Status and progress

**Gerard Hartsink
Chair - European Payments Council**

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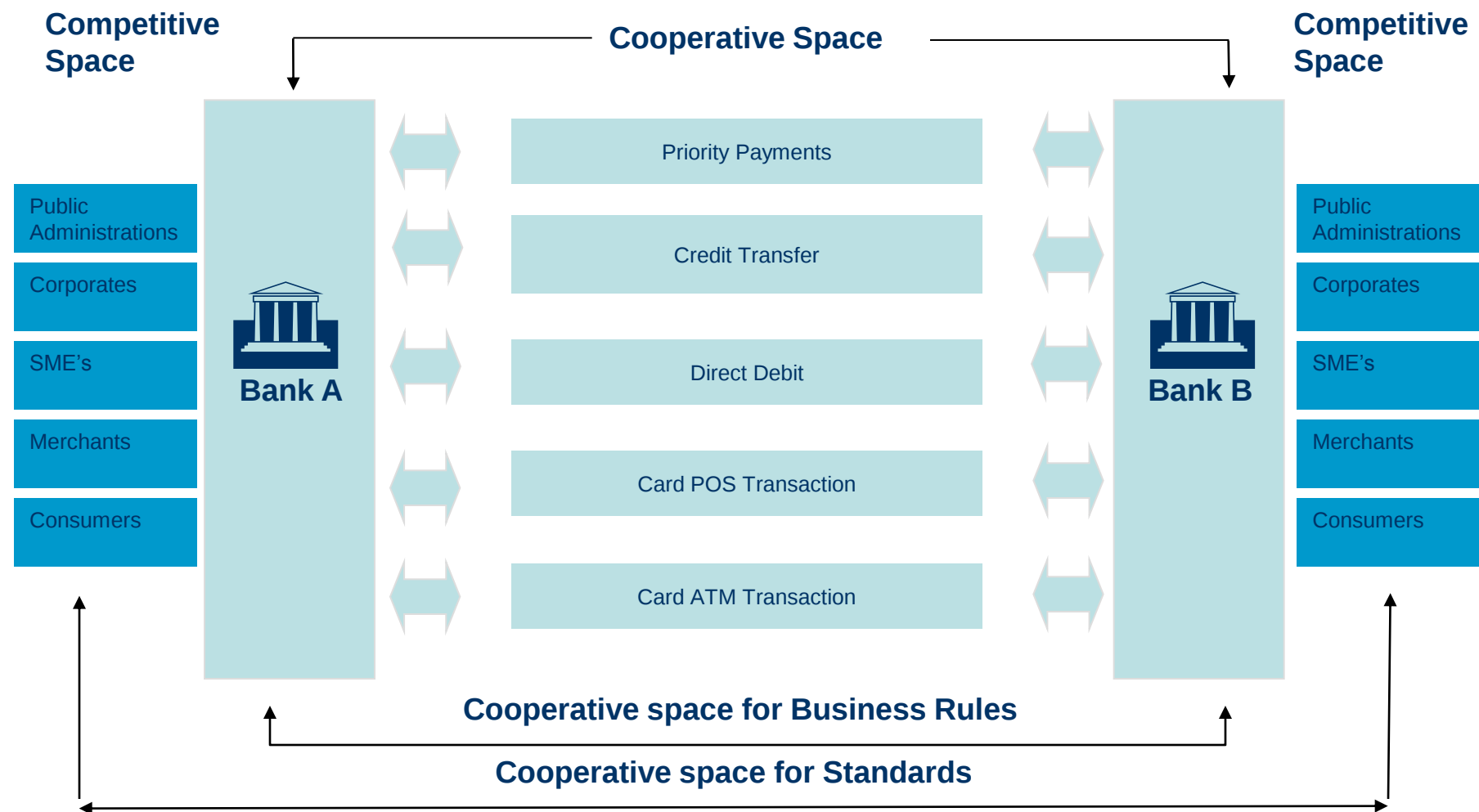
- Regulation and/or self regulation?
- The payments industry is and will continue to evolve by co-regulation
 - for **legislation** by the public authorities
 - for **business rules** and **standards** for the **cooperative space** by market participants
- Four party and three party models

- **General objectives**
 - Payment systems should be customer friendly, cost effective and secure
 - “Target 2 is a single platform to settle euro payments”
 - Issuer of euro banknotes
 - EU Forum for the security of retail payments
- **SEPA objectives**
 - **Vision:** “An euro area in which **all payments are domestic**, where the current differentiation between national and cross-border payments no longer exists”
 - **Expected deliverables** for the Euro area (EU17):
 - **SEPA credit transfer and SEPA direct debit**
 - **Additional European Card Scheme**
 - **E-Payments and m-Payments**
- **Oversight objectives**
 - **Harmonised Oversight Approach and Oversight Standards for Payment Instruments** (2009)
 - **Oversight Framework for Card Payment Schemes Standards** (January 2008)
 - **Oversight Framework for Credit Transfer Schemes** (October 2010)
 - **Oversight Framework for Direct Debit Schemes** (October 2010)



- **Single Market objectives**
 - “The EU needs to create a single market for payments”
 - Payment Services Directive
 - Regulations 2560/2001: abolishment of price differences for customers for domestic and cross border euro payments
 - Proposal end-date regulation 16 December 2010
- **Consumer protection objectives**
 - Payment Services Directive
- **Competition objectives**
 - Enhanced competition by opening markets
 - Increased market transparency
 - Regulation 924/2009: clarity on MIFs for Direct Debits up to November 2012
 - Customer inclusion: SEPA Council and national Payments Committees
 - Interventions in several cases
- **Innovation objectives**
 - Encouraging innovation

Competitive and cooperative space in SEPA (two side market)



- **Rulebooks and Implementation Guidelines**
 - **Rulebook** = master agreement with the rules for scheme participants
 - **Implementation Guidelines (B2B and C2B)** = MIG (Message Implementation Guideline) based on ISO 20022 and ISO Identifier Standards (BIC ISO 9362 and IBAN ISO 13616)
- **Design:** November 2010 releases
 - **SCT version 4.0** (approved November 2009)
 - **SDD version 4.0** (approved November 2009)
 - **SDD B2B version 2.0** (approved November 2009)
- **Three layer structure: competition and/or cooperation**
 - **Payment services layer** to customers by banks (**competition**)
 - **Scheme layer:** rules and standards for SCT and SDD (**cooperation**)
 - **Processing layer** inclusive clearing and settlement (**competition**)

- **SCT Implementation**

- So far over **4503 SEPA Credit Transfer Scheme Participants**
- So far **nearly 13.9%** of the euro credit transfers have been migrated to SCT

- **SDD Implementation**

- So far **3909 SDD Core and 3381 SDD B2B Scheme Participants**
- So far **about 1%** of the euro direct debit transfers have been migrated to SDD

- **End date**

- The European Parliament asked for a proposal that sets “a clear and appropriate binding end date which should not be later than 31 December 2012”
- The ECB proposed: “SCT end 2012 and SDD end 2013”

- **Public Sector**
 - **ECB** request for **additional European Card Scheme**
 - **ECOFIN** request “**to complete the work in relation to the outstanding technical standards required in the cards market by mid 2010...**” (Conclusion 2 December 2009)
- **Private Sector**
 - **SEPA Cards Framework** (version 2.1 December 2009)
 - Provides a single framework for the **payment function of cards** for
 - **Banks**
 - **Card schemes**
 - **Service providers**
 - **SEPA Cards Standardisation Volume: Book of Requirements** (version 4.0, approved December 2009)
 - **Functional requirements (chapter 1 - 4)**
 - **Security requirements (chapter 5)**
 - **Certification requirements (chapter 6)**

- **Facts**
 - **Cash is King!**
 - At least **6 out of 7 payment transactions** are cash payment transactions
- **EPC two pillar strategy**
 - **Efficiency Agenda** (applicable for the euro currencies)
 - **Single Euro Cash Area Framework**
 - **Repositioning Agenda** (1 + 10 = 11 currencies of the EU27)
 - “Best practices for discouraging the use of cash and promoting alternative means of payments”
- **Eurosystem Roadmap for Cash Services**
 - Reporting standards, packaging standards, etc.
 - No end to end cash cycle view

Governance cooperation: SEPA Council

**Representatives
of suppliers**

**Representatives
of the public sector**

**Representatives
of buyers**



COMMISSION OF THE EUROPEAN
COMMUNITIES



European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken



Objectives:

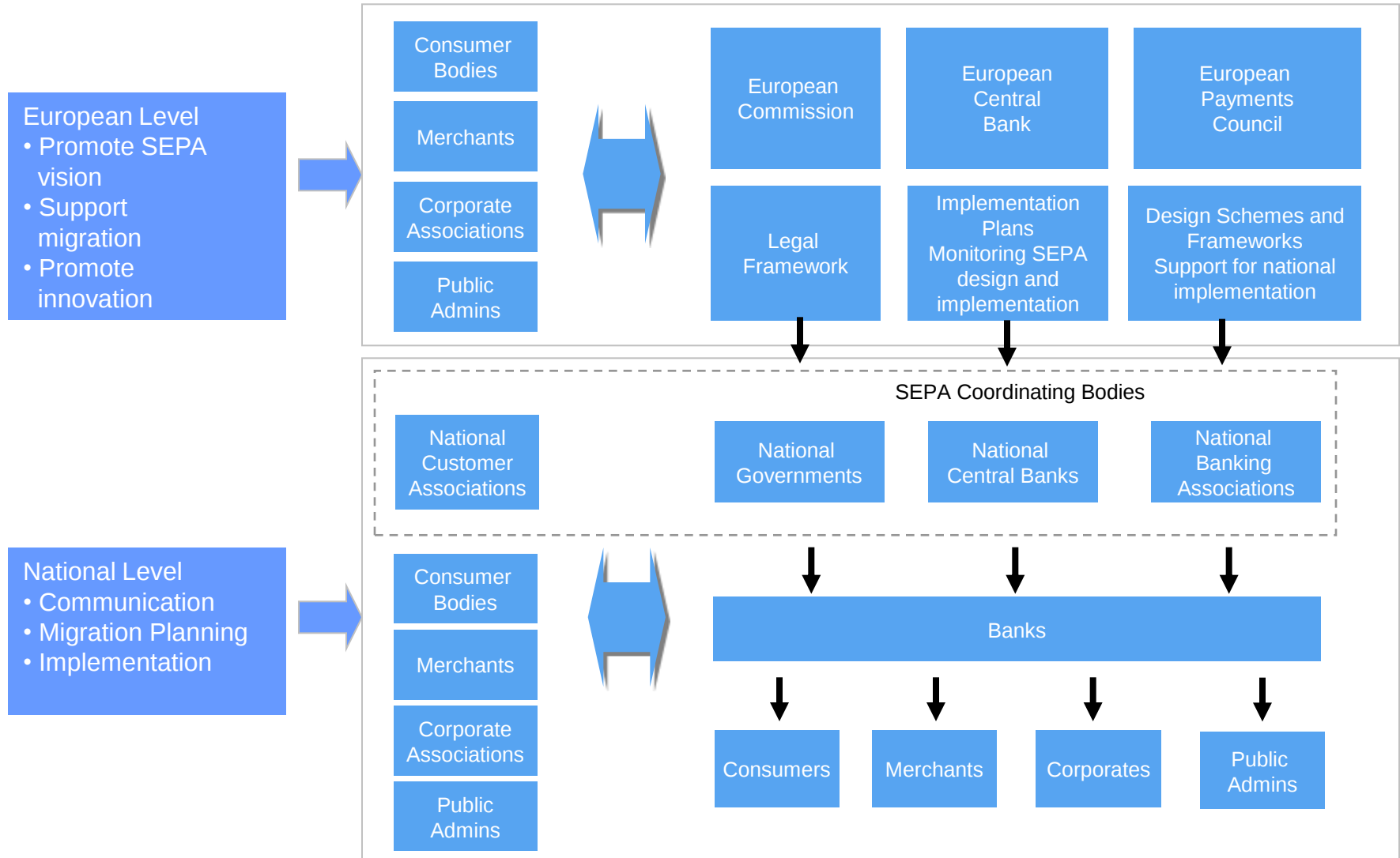
- Promote Realisation
SEPA Vision
- Monitor and support
migration process
- Promote product
innovation to meet the
needs of end-users



FSC: public administration

SEPA Cooperation model

COORDINATION CHALLENGE: STAKEHOLDERS ARE EUROPEAN AND/OR NATIONAL



- **SEPA will create a single market for euro payments and enhance competition** as asked for by the ECOFIN, the Governing Council of the ECB and the European Parliament
- SEPA is created via **co-regulation**
 - for **legislation** by the public authorities (Payment Services Directive)
 - for **business rules and standards** by market participants
- **SEPA implementation** is taking care of by the national **SEPA Committees** in the 17 euro countries and the additional 15 SEPA countries with support of the European **SEPA Council**