

The most popular **MISUNDERSTANDINGS** about **SEPA** **CLARIFIED**

Introduction

⇒ The Single Euro Payments Area (SEPA) is the area where citizens, companies and other economic participants can make and receive payments in euro, within Europe, whether within or across national boundaries under the same rights and obligations, regardless of their location.

⇒ The roll-out of SEPA is the most ambitious initiative in European payments history. Following closely the public discourse, the European Payments Council (EPC)¹ has identified a number of prevalent misunderstandings with respect to the SEPA initiative which this publication intends to clarify.

Misunderstanding

“SEPA payment instruments are used only for cross-border payments”.

Clarification

⇒ SEPA envisions the creation of **one integrated euro payments market**. Within SEPA, all euro payments will be domestic. Once SEPA is achieved, it will be possible to exchange euro payments between any accounts in SEPA as easily as it is possible today only within national borders: **in SEPA there will be no differentiation between national and cross-border euro payments**.

⇒ As such, SEPA payment instruments are designed to eventually replace national euro payment instruments existing today.

Misunderstanding

“The EU Payment Services Directive (PSD) is a SEPA Directive”.

Clarification

⇒ The very broad and ambitious scope of the PSD makes it the most significant and comprehensive piece of EU financial services legislation in relation to the payments market ever seen. The PSD standardises information requirements and rights and obligations of payments services providers and users. **The scope of the PSD is not limited to SEPA transactions but is relevant for all payments in all EU currencies within the EU 27 from 1 November 2009 onwards.**

⇒ The PSD mandates neither the implementation of SEPA payment instruments nor the replacement of existing national euro payment instruments.

¹ The European Payments Council is the decision-making and coordination body of the European banking industry in relation to payments. For more information on the EPC visit www.europeanpaymentscouncil.eu.

Misunderstanding

“The SEPA Direct Debit scheme is complicated”.

Clarification

⇒ It is not. The SEPA Core Direct Debit scheme – like any other direct debit scheme – is based on the following concept: “I request money from someone else, with their prior approval, and credit it to myself”. As such, **the SEPA Direct Debit scheme does not re-invent the wheel but is based on well established principles regarding direct debit collections.**

⇒ The SEPA Direct Debit scheme provides a convenient, secure and easy-to-use means of payment for debtors and creditors alike.

Misunderstanding

“The SEPA Direct Debit mandate is complicated”.

Clarification

⇒ It is not. The SEPA mandate is completed by the debtor (a customer purchasing goods or services) to authorise the creditor (a retailer or service provider) to collect payments via SEPA Direct Debit. At the same time, the SEPA mandate includes the authorisation of the debtor bank to pay these collections.

⇒ **Customers who complete and sign a SEPA mandate provide virtually the same information as in any mandate issued under most legacy direct debit schemes.**

⇒ Contrary to rumours stating otherwise, the SEPA mandate is in fact an easy-to-use tool for debtors and creditors alike².

Misunderstanding

“SEPA payment schemes represent the lowest common denominator in payment standards”.

Clarification

⇒ The SEPA schemes developed by the EPC provide a common understanding between banks on how to move funds from account A to account B within SEPA. More than 300 leading payment professionals from 32 countries are directly engaged in the EPC work programme.

⇒ With the introduction of the SEPA schemes for credit transfer and direct debit, European banks are leading innovation in global payments being the first in the world to deploy a new global data format – the ISO 20022 message standards – for mass euro payment transactions.

⇒ They represent the profound expertise of and the best practices in European payments standardisation. As a result, **the SEPA schemes meet key customer requirements and are the basis for the development of custom-tailored payment services** by individual banks.

²The EPC document “Guidelines for the Appearance of Mandates” available at www.europeanpaymentscouncil.eu provides practical information on the design of user-friendly SEPA mandate forms.

Misunderstanding

“The banking industry invented the SEPA project”.

Clarification

⇒ SEPA is an EU-wide policy-maker-driven integration initiative in the area of euro payments. Following the introduction of euro notes and coins in 2002, the public authorities driving the SEPA initiative – EU governments, the European Commission and the European Central Bank – focused on harmonising the euro payments market.

⇒ The political SEPA vision aims to generate macro-economic benefits, to strengthen the euro currency while achieving the completion of the internal market and to accelerate technological innovation.

⇒ This vision is laid down in the Lisbon Agenda signed in 2000 by all EU governments. In a joint statement in May 2006, the European Commission and the European Central Bank reiterated: **“The European Commission and the European Central Bank share a common vision for the Single Euro Payments Area and the process leading to its realisation. Both institutions are co-operating closely in this process and encourage the European banking industry and the other relevant stakeholders to create the technical conditions for the realisation of SEPA by the end of 2010”.**

Misunderstanding

“SEPA is a demand-driven initiative”.

Clarification

⇒ SEPA was not started nor is it designed as a demand-driven process. **Bank customers have not asked for current euro payment instruments to be replaced.** Existing payment services are generally viewed to be efficient, secure and cheap.

⇒ SEPA is a major EU integration initiative (see above). European integration, however, is rarely carried forward on a wave of popular support. SEPA is no exception to this rule. Neither banks nor their customers should be blamed for that fact. The EU monetary union did not materialise by distributing euro notes and coins to the market hoping that those beloved national currencies would be enthusiastically abandoned.

⇒ The challenges notwithstanding, the European banking industry embraces the SEPA vision and has taken the lead in implementing the necessary technical standards. To ensure the success of SEPA, the EPC expects that the political authorities will now support a communication campaign to promote SEPA comparable in scale, euro and cents to what was done for the euro introduction. In addition, the political drivers of SEPA should implement the incentives necessary to facilitate the migration of customers to the new SEPA instruments³.

Misunderstanding

“Bank customers are not involved in the development of SEPA payment schemes and SEPA standards”.

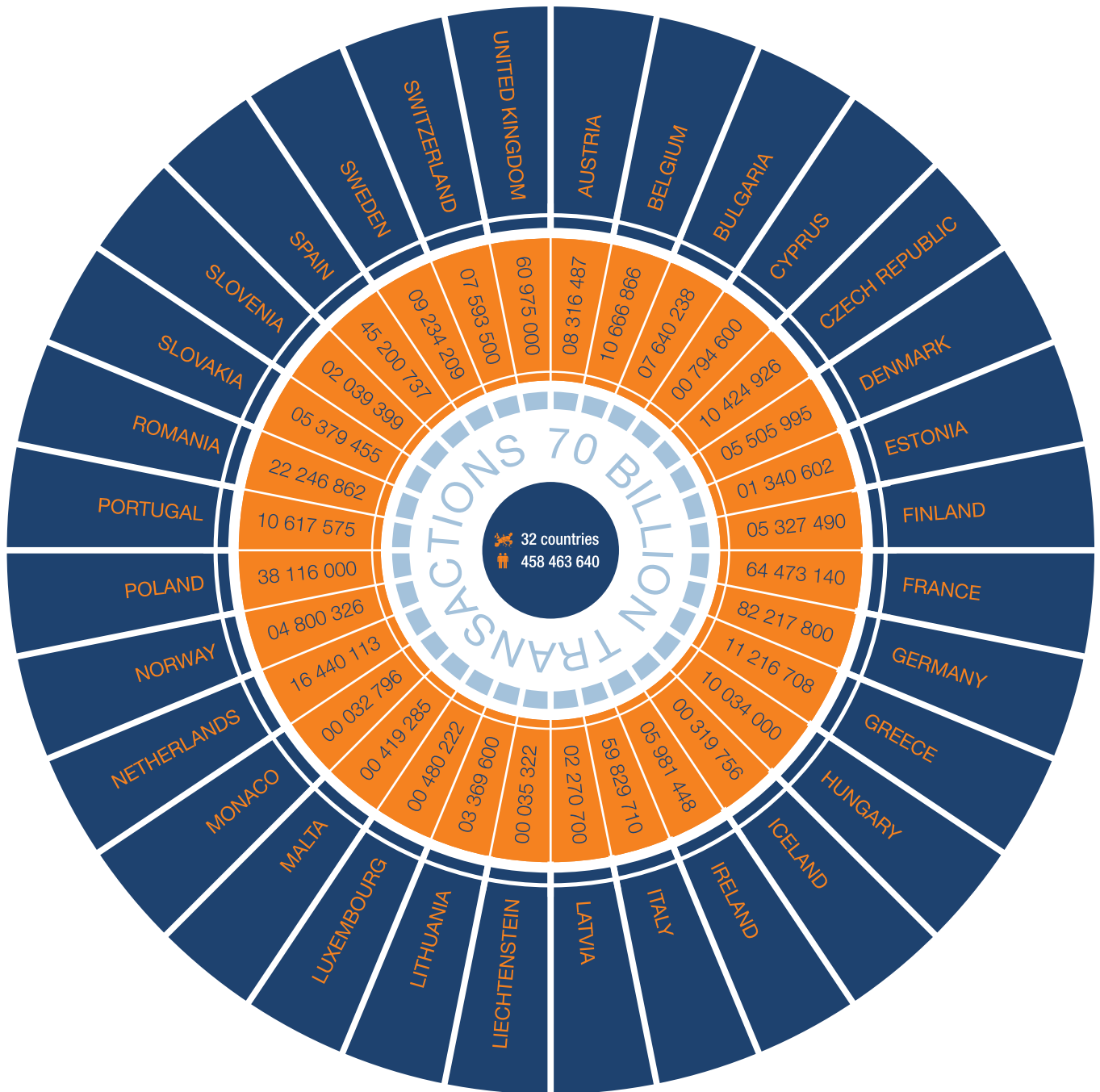
Clarification

⇒ The EPC encourages customers to actively take part in the evolution of SEPA schemes. Customers may choose to liaise with SEPA Stakeholder Forums established by the banking communities on national level. Any organisation acting on European level to represent the interests of specific user communities is invited to join the EPC Customer Stakeholders Forum. Customers have the opportunity to take part in any public consultation carried out by EPC and to contribute to the change management process regarding the SEPA schemes. **As such, the SEPA schemes evolve in close dialogue with the customer community.**

⇒ A key feature of SEPA, the SEPA data format, is based on a global standard developed by ISO (International Organisation for Standardisation). ISO likewise provides all stakeholders the opportunity to engage in the standardisation process (for more information see “Shortcut to the SEPA Data Format” available at www.europeanpaymentscouncil.eu and visit www.iso20022.org).

³For a list of such incentives see the EPC publication “Making SEPA a Reality” (chapter “How to make SEPA a Success”) available on the EPC website at www.europeanpaymentscouncil.eu.

MAKING SEPA A REALITY



SEPA

Single Euro Payments Area

- SEPA countries
- Population
- Electronic payment transactions in the EU annually

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