

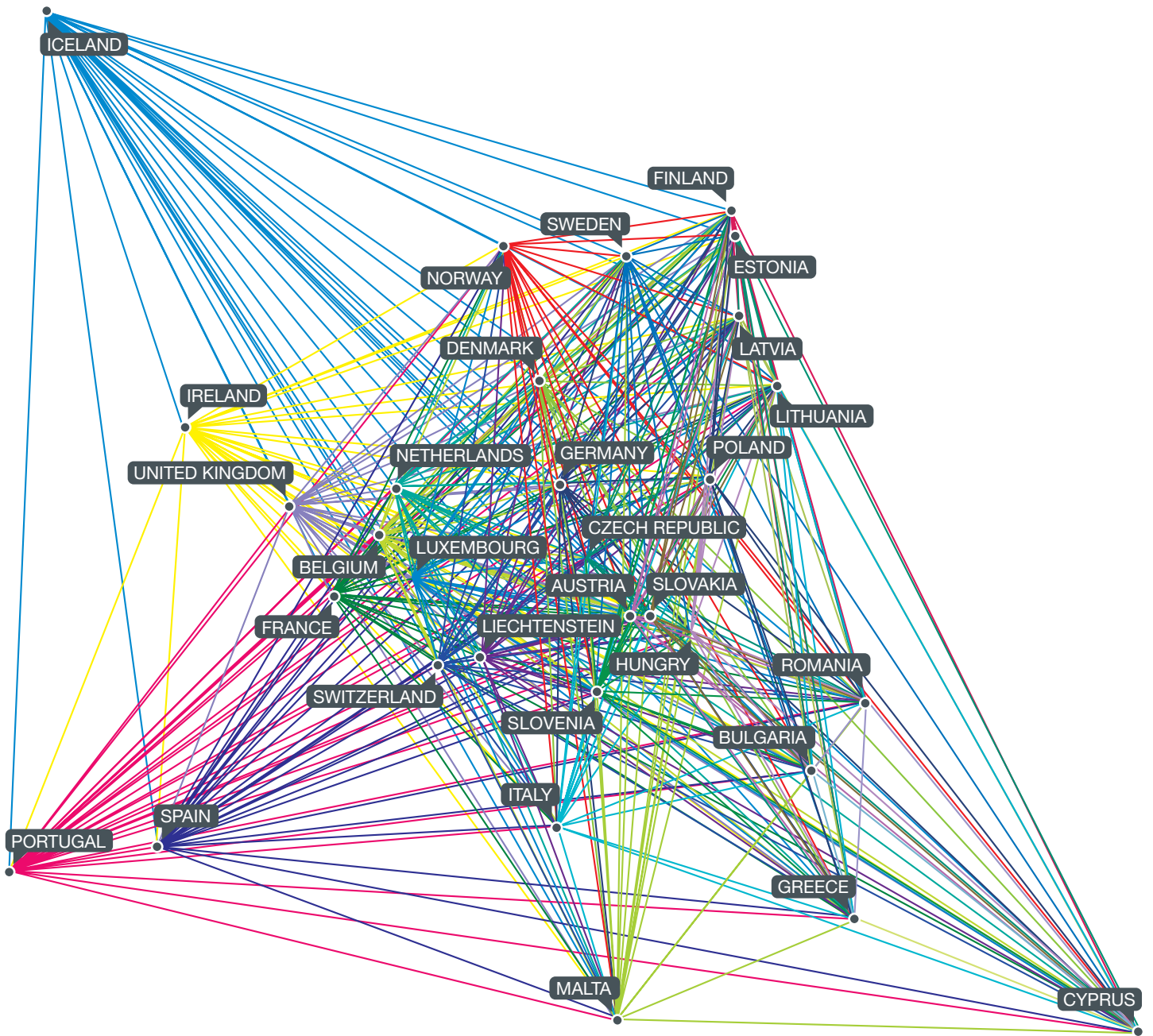


EUROPEAN PAYMENTS COUNCIL
Towards our Single Payment Area

How To Get Your
Company Ready For

S€PA

Information for **BUSINESS**



SEPA

TAKE PAYMENTS TO
THE NEXT LEVEL

TABLE OF CONTENT

1. EXECUTIVE SUMMARY	4
2. ABOUT SEPA	5
2.1 The vision	5
2.2 The goals	5
3. ABOUT EPC	6-7
3.1 SEPA – the first milestones	6-7
4. SEPA FOR BUSINESS: THE BENEFITS	8
4.1 Have SEPA payment products custom-tailored for you	8
4.2 Take advantage of innovative SEPA schemes	8
4.3 Do business everywhere in SEPA	8
4.4 Decrease IT costs	8
4.5 Streamline the back office	9
4.6 Simplify reconciliation	9
4.7 Optimise cash management	9
4.8 Make payment factories work for you	9
5. THE SEPA CREDIT TRANSFER SCHEME (SCT)	10
5.1 The scheme in a nutshell	10
5.2 Advantages of the SEPA Credit Transfer	10
6. THE SEPA CORE DIRECT DEBIT SCHEME (SDD)	11
6.1 The scheme in a nutshell	11
6.2 The launch date	11
6.3 Advantages of the SEPA Core Direct Debit	12
7. THE SEPA BUSINESS TO BUSINESS DIRECT DEBIT SCHEME (B2B)	13
7.1 Changes compared with the Core SDD Scheme	13
7.2 Advantages of the B2B Scheme	14
7.3 The launch date	14
8. GETTING YOUR COMPANY READY FOR SEPA	15
8.1 IBAN and BIC	15
8.2 Direct debit collections: the SEPA mandate	16
8.3 UNIFI (ISO 20022) XML message standard	17
8.4 Remittance information	17
9. THE CUSTOMER IS KING: SEPA STANDARDS FOR BUSINESS	18
9.1 The SEPA Data Format: additional features	18
9.2 Support of the ISO Creditor Reference Standard	18
9.3 Remittance information: structure the unstructured	19
9.4 Validity period of the SEPA mandate	19
9.5 Corporate-to-Bank messages	19
10. HOW TO MAKE SEPA A SUCCESS	20-21
11. SEPA – THE WAY FORWARD	22
11.1 Bank-to-Customer messages	22
11.2 E & M channels	22
11.3 E-mandate	23
11.4 E-invoicing	23
12. GLOSSARY	24
13. CONTACT & INFORMATIONS	25

EXECUTIVE SUMMARY

1.

WHAT IS SEPA?

⇒ The Single Euro Payments Area (SEPA) will be the area where citizens, companies and other economic participants can make and receive payments in euro, within Europe, whether between or within national boundaries under the same rights and obligations, regardless of their location. The geographical scope of SEPA encompasses the 27 EU member states, Iceland, Liechtenstein, Norway and Switzerland.

WHAT IMPACT WILL IT HAVE ON THE PAYMENTS MARKET?

⇒ SEPA is an EU-wide policymaker-driven integration initiative, which will impact all electronic euro payments due to the introduction of SEPA payment schemes and standards. Every citizen, merchant, public administration and corporate with a banking relationship in the euro area will eventually be affected by SEPA, as will everyone in the payments supply chain.

WHAT IMPACT WILL IT HAVE ON THE ECONOMY AND SOCIETY?

⇒ SEPA will create the conditions for enhanced competition in the provision of payments services. It will also generate, through harmonisation, more efficient payment systems and will deliver tangible benefits for the economy and society as a whole. The common currency will be systemically strengthened by a set of harmonised euro payment instruments.

WHAT HAS BEEN DELIVERED SO FAR?

⇒ The European banking industry has defined SEPA schemes for credit transfers and direct debits together with a SEPA data format based on global ISO standards. The SEPA Credit Transfer Scheme was success-

fully launched in January 2008. The general SEPA-wide launch date for the SEPA Direct Debit Schemes has now been set in principle by the EPC for November 2009. This date coincides with the deadline for EU member states to have adopted a common legal framework for payments. A SEPA Cards Framework has also been agreed and is in the process of being implemented by banks, card schemes and card processors.

WHAT ARE THE BENEFITS FOR BUSINESSES?

⇒ 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. For businesses, common standards, faster settlement and simplified processing will improve cash flow, reduce costs and facilitate the access to new markets. Moreover, businesses will benefit from the development of innovative products offered by payments services suppliers.

MAKE SEPA A SUCCESS!

⇒ The European banking industry has delivered innovative and commonly applicable SEPA payment schemes and standards. It is now up to the political drivers of the SEPA initiative – EU governments, the European Commission including the ECOFIN and the Governing Council of the European Central Bank – to create incentives needed to facilitate the change-over for the user side.

To realise the SEPA vision, the buy-in of all stakeholders, particularly in the euro area, is required.

ABOUT SEPA

2.

2.1 THE VISION

⇒ The Single Euro Payments Area (SEPA) is an EU-wide policymaker-driven integration initiative in the area of payments designed to achieve the completion of the EU internal market and monetary union. Following the introduction of euro notes and coins in 2002, the political drivers of the SEPA initiative - EU governments, the European Commission and the European Central Bank - focused on harmonising the euro payments market. Integrating the multitude of national payment systems existing today is a natural step towards making the euro a truly single and fully functioning currency.

⇒ SEPA will be the area where citizens, companies and other economic participants make and receive payments in euro, whether between or within national boundaries, under the same basic conditions, rights and obligations. In the long-term, the uniform SEPA scheme and standards are expected to replace national payment systems now being operated in Europe.

⇒ SEPA will become a reality when a critical mass of euro payments has migrated from legacy payment instruments to the new SEPA payment instruments. Although the European banks have decided to take a leading role in this migration by self regulation, SEPA will be realised only when key stakeholders such as the business community and public administrations embrace the SEPA vision and commit to implementing the necessary changes.

2.2 THE GOALS

⇒ The overall goals of SEPA were defined by EU governments in the Lisbon Agenda, which envisages the EU internal market as the most competitive knowledge-based economy globally. According to the Lisbon Agenda, the integration of euro payments markets is a major prerequisite for the realisation of this vision. In this regard, SEPA is considered a necessary step towards strengthening the European economy as a whole. At the same time, SEPA will increase competition in the payments services sector to the benefit of users such as consumers, enterprises and the public sector.

According to a recent study conducted by request of the European Commission, the replacement of existing national payment systems by SEPA holds a market potential of up to €123 billion in benefits, cumulative over six years and benefiting the users of payments services.

⇒ In addition, the European Commission and the European Central Bank expect SEPA to serve as a stepping stone towards revolutionising electronic services in the payments and public services sectors, leading to further cost reductions and efficiency gains to the benefit of customers.

ABOUT EPC

3.

3.1 SEPA THE FIRST MILESTONES

⇒ The SEPA vision is supported by Europe's banks working together towards the integration of euro payments markets through the European Payments Council (EPC).

⇒ The EPC is the banking industry's decision-making and coordination body in relation to payments. The purpose of EPC is to support and promote a single harmonised, open and interoperable European domestic payments market achieved through industry self-regulation. The EPC now consists of 72 members comprising banks and banking communities. More than 300 professionals from 31 countries are directly engaged in the work programme of the EPC, representing all sizes and sectors of the banking industry within Europe.

⇒ The EPC defines common positions for core payments services, provides strategic guidance for standardisation, formulates best practices and supports and monitors implementation of decisions taken. To ensure the highest possible level of reach, efficiency and security of a payment scheme, the rules are agreed by the payments services providers themselves. This is done in a way that enables banks to maintain self-regulation and meet regulators' and stakeholders' expectations as efficiently as possible.

⇒ The SEPA schemes define a set of inter-bank rules and standards that have to be observed when executing a payment transaction. These rules provide a common understanding between banks (payments services providers) on how to move funds from account A to account B within SEPA. The EPC is responsible for the development and

maintenance of SEPA payment schemes as defined in the Rulebooks published by the EPC itself.

⇒ Whereas the rules and standards which make up a payment scheme are defined by banks in a collaborative space, the particular payment product offered to the customer is developed by individual banks or groups of banks operating in a competitive environment. So, provided that scheme rules are respected, payments services providers are free to add features and services of their choice to the actual payment product.

⇒ The development of payment products based on the SEPA schemes including all product-related features such as pricing is outside the scope of the EPC. For detailed SEPA customer propositions please contact the payments services provider of your choice.

⇒ Services offered by clearing systems and technology providers based on the SEPA schemes are governed by market forces and are outside the scope of the EPC.

In January 2008, more than 4300 banks in 31 countries representing roughly 95 percent of payment volume in Europe took a historical first step to starting SEPA by launching the SEPA Credit Transfer Scheme (SCT) for euro payments.

ABOUT EPC

3.

The European banking industry has delivered:

⇒ Approval of the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme; the general SEPA-wide launch date for the SEPA Direct Debit Schemes has now been set in principle by the EPC for November 2009.

⇒ With the launch of the SEPA Credit Transfer, European banks are the first in the world to deploy a new global format — the UNIFI (ISO 20022) XML message standard — for mass euro payment transactions. This innovation is likely to have an impact far beyond Europe, as corporates and banks in Asia and in the Americas have already started to realise the global implications of 31 countries moving jointly towards this international standard.

⇒ Agreement on the use of a single account identifier based on global ISO standards 'International Bank Account Number (IBAN)' and a single bank identifier based on the 'Bank Identifier Code (BIC)'

⇒ Agreement on a SEPA Cards Framework for euro payments with a general purpose card including principles for banks, for card schemes, for card service providers and for other stakeholders

⇒ Agreement on a framework for pan-European clearing infrastructures

⇒ A Cash Framework designed to support the shift towards electronic payment methods aimed at reducing the costs associated with cash handling

⇒ SEPA schemes and standards will gradually replace existing electronic euro payment instruments in the SEPA area with an impact for every citizen, corporate, small and medium sized enterprise (SME), merchant and public administration. Following the migration of existing payment systems, all customers will be able to make and receive euro payments to and from any corporate, SME and public administration through the same uniform SEPA payment instruments.

The European banking industry is leading the way in terms of innovation in global payments.

SEPA FOR BUSINESS: THE BENEFITS

4.

⇒ When it comes to allocating budget resources, upgrading payment processes is not always a top priority in the business community, particularly, when doing business does not involve processing substantial volumes of cross-border payments. Moreover, the majority of users express a high level of satisfaction with existing national payment systems as long as these function reasonably well.

⇒ However, if payments in your company do nothing more for you than simply 'function reasonably', SEPA might be the right opportunity to take a hard look at your current payment applications – and reconsider how you will make payments in the future.

⇒ Re-engineering payment processes based on innovative end-to-end solutions will generate substantial efficiency gains, reduce costs and drive forward the trend towards standardisation, automation and centralisation. SEPA schemes and standards are an integral part of such solutions. Immediate benefits of SEPA for companies are:

4.1

HAVE SEPA PAYMENT PRODUCTS CUSTOM-TAILORED FOR YOU

⇒ The SEPA schemes recognise that individual banks and communities of banks will provide complementary services based on the schemes in order to meet further specific customer needs.

4.2

TAKE ADVANTAGE OF INNOVATIVE SEPA SCHEMES

⇒ The SEPA Credit Transfer Scheme and the SEPA Direct Debit Schemes developed by the EPC introduce a variety of innovative features, which will facilitate the streamlining of payment processing at any company, regardless of whether business is being done domestically or cross-border. For details on the SEPA Schemes, please refer to chapters 5, 6 and 7 of this publication.

4.3

DO BUSINESS EVERYWHERE IN SEPA

⇒ The existence of a multitude of different national payment systems and formats posed a significant obstacle to the aspirations of companies seeking opportunities in foreign markets. Availability of a standardised payment infrastructure in SEPA opens up new possibilities to expand your business beyond national borders.

4.4

DECREASE IT COSTS

⇒ The introduction of the UNIFI (ISO 20022) XML message standards – the SEPA data format – allows for rationalisation, which in turn will significantly reduce the costs associated today with the maintenance of the different national payment formats and related IT-standards, including system administration.

SEPA FOR BUSINESS: THE BENEFITS

4.

4.5 STREAMLINE THE BACK OFFICE

⇒ Uniform settlement periods and exception processes for all European countries will significantly reduce current complexities. The EU Payment Services Directive (PSD), to be implemented into national law of EU member states by November 2009, will further improve legal certainty and predictability in payments.

4.6 SIMPLIFY RECONCILIATION

⇒ Reconciliation of payables and receivables is a time-consuming and costly process. The SEPA data format streamlines account reconciliation through the adoption of new standards.

⇒ These standards include, for example, a special originator reference and a standard length of the remittance information. All parties in the payment processing chain are obliged to carry this remittance information unaltered from customer (originator) to customer (beneficiary).

⇒ The SEPA format is being updated annually according to a predictable release schedule to reflect customer needs.

4.7 OPTIMISE CASH MANAGEMENT

⇒ Companies maintaining accounts in other European countries to handle local payments will be able to centralise such accounts and the associated liquidity. Current differences between domestic and cross-border payments in SEPA will be eliminated.

4.8 MAKE PAYMENT FACTORIES WORK FOR YOU

⇒ Payment factories are companies delivering payment-related services on an industrialised scale to customers such as corporate businesses, banks and clearing houses, among others. The realisation of an integrated euro payments market will boost the trend towards outsourcing payments. SEPA allows the acquisition of significant additional volumes by payment factories which in turn will generate scale and scope advantages.

⇒ This development will promote attractive service offerings to companies wishing to benefit from centralised payments processing.

SEPA CREDIT TRANSFER SCHEME

5.

5.1 THE SCHEME IN A NUTSHELL

⇒ The SEPA Credit Transfer Scheme enables payments services providers to offer a core and basic credit transfer service throughout SEPA, whether for single or bulk payments. The scheme's standards facilitate payment initiation, processing and reconciliation based on straight-through-processing (STP). The scope is limited to payments in euro within SEPA countries; the credit institution executing the credit transfer must be a scheme participant. There is no cap on the amount of the payment carried under the scheme.

The SEPA Credit Transfer Scheme Rulebook and the accompanying Implementation Guidelines, approved by EPC, are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Credit Transfer Scheme Rulebook and Implementation Guidelines can be obtained at www.europeanpaymentscouncil.eu.

5.2 ADVANTAGES OF THE SEPA CREDIT TRANSFER

⇒ The scheme offers benefits to originators and beneficiaries in terms of functionality, cost efficiency, ease of use and straight-through-processing.

- ☑ Payments are made for the full original amount – there are no deductions. A customer involved in a credit transfer payment can be charged only by his own bank
- ☑ Certainty is provided about the date when the money will be available in the account of your business partner and your own account
- ☑ 140 characters of remittance information are delivered to the beneficiary without alteration or omission
- ☑ A single standard for identifying and validating an account with a bank in Europe based on IBAN allows you to store trusted information in a standardised way
- ☑ These 140 characters can be unstructured (free text) or structured, as agreed between business partners
- ☑ Rejects and returns can be automated, because they are handled in a uniform and predictable manner
- ☑ The accounts of all your business partners in SEPA can be reached as safely, quickly and easily as in your own country today
- ☑ Single payments and bulk payments (e.g. one debit to the originator's account with multiple credits to the different beneficiaries) are supported

SEPA CORE DIRECT DEBIT SCHEME

6.

6.1

THE SCHEME IN A NUTSHELL

⇒ 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 pre-approval, and credit it to myself”. A mandate is signed by the debtor (payer) to authorise the creditor (payee) to collect a payment and to allow the debtor bank to pay this collection (debtors are of course entitled to instruct their banks not to accept any direct debit collection on their accounts). The mandate can be issued in paper form or electronically. The mandate expires 36 months after the last initiated direct debit.

⇒

The SEPA Core Direct Debit Scheme applies to transactions in euro. The debtor and creditor must each hold an account with a credit institution located within SEPA; the credit institutions executing the direct debit transaction must be scheme participants. The scheme may be used for single (one-off) or recurrent direct debit collections; the amounts are not limited.

6.2

THE LAUNCH DATE

⇒ The introduction of the SEPA Core Direct Debit Scheme requires a uniform EU-wide legal framework for payments. The launch of the scheme is therefore contingent upon adoption of the EU Payment Services Directive (PSD) into the national law of member states. The PSD defines, for example, common rules on the authorisation of payments, the return of payments and customers' rights to contest direct debits.

⇒ To bring the necessary level of planning certainty to all stakeholders, the general SEPA-wide launch date for the SEPA Core Direct Debit Scheme has now been set in principle by the EPC for November 2009. This launch date coincides with the deadline for all EU member states to have adopted the Payment Services Directive into national law.

The SEPA Core Direct Debit Scheme Rulebook and the accompanying Implementation Guidelines, approved by EPC, are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Core Direct Debit Scheme Rulebook and Implementation Guidelines can be obtained at www.europeanpaymentscouncil.eu.

SEPA CORE DIRECT DEBIT SCHEME

6.

6.3

ADVANTAGES OF THE SEPA CORE DIRECT DEBIT SCHEME

ADVANTAGES FOR CREDITORS

- ❑ A simple and cost-efficient way to collect funds
- ❑ The ability to determine the exact date of collection
- ❑ The certainty of payment completion within a predetermined time cycle
- ❑ The opportunity to optimise cash flow and treasury management
- ❑ Straightforward reconciliation of received payments
- ❑ The ability to automate exception handling such as: returned, rejected, or refunded collections and reversals
- ❑ Collect funds from debtors using a single payment instrument across 31 countries

ADVANTAGES FOR DEBTORS

- ❑ A simple means of paying bills throughout SEPA without the risk of late payments and the consequences thereof
- ❑ The SEPA Direct Debit is easy to use, because the scheme is accepted as a single, trusted payment service by all creditors in SEPA
- ❑ Straightforward reconciliation of debits on account statements
- ❑ The possibility to sign either a paper based or a fully electronic mandate (see also chapter 'SEPA – the way forward')
- ❑ A no-questions-asked, fast and simple refund procedure is available within eight weeks of the debit date for authorized transactions and within 13 months for unauthorised transactions

The SEPA Core Direct Debit Scheme creates, for the first time, a payment instrument that can be used for both national and cross-border collections throughout the SEPA area.

SEPA B2B DIRECT DEBIT SCHEME

7.

7.1

CHANGES COMPARED WITH THE CORE SDD SCHEME

- ➔ The SEPA Business to Business Direct Debit Scheme (B2B) will be the basis for the development of products catering to business customers who wish to make payments by direct debit as part of their business transactions.
- ➔ The most important differences between the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme are:
 - ☑ In the B2B Scheme the debtor is **not** entitled to obtain a refund of an authorised transaction; this ensures certainty of payment for the creditor
 - ☑ The B2B Scheme requires debtor banks to ensure that the collection is authorised by checking the collection against mandate information; debtor banks and debtors are required to agree on the verification to be performed for each direct debit
 - ☑ A debtor bank cannot offer the scheme to a debtor (payer) who is a 'consumer' under the law of the country where that debtor bank is providing the payment service; essentially, therefore, the B2B Scheme is available only to the business community, not private individuals
 - ☑ Responding to the specific needs of the business community the B2B Scheme offers a significantly shorter timeline for presenting direct debits and reduces the return period

The SEPA Business to Business Direct Debit Scheme Rulebook and the accompanying Implementation Guidelines, approved by EPC, are the definitive sources of information regarding the rules and obligations of the scheme. The latest version of the SEPA Business to Business Direct Debit Rulebook and Implementation Guidelines can be obtained at www.europeanpaymentscouncil.eu.

SEPA B2B DIRECT DEBIT SCHEME

7.

7.2

ADVANTAGES OF THE B2B SCHEME

ADVANTAGES FOR CREDITORS

- ❑ A simple and cost-efficient way to collect funds
- ❑ The ability to determine the exact date of collection
- ❑ The certainty of payment completion within a short and pre-determined time-cycle
- ❑ The opportunity to optimise cash-flow and treasury management
- ❑ Straightforward reconciliation of received payments
- ❑ The ability to automate exception handling such as returned and rejected collections and reversals
- ❑ A fast collection procedure satisfies the creditor's need for a payment instrument with a short credit risk period, delivered in combination with early finality of funds received
- ❑ Reduction of administrative costs and enhancement of security through the (optional) use of electronic mandates (see also chapter 'SEPA – the way forward')
- ❑ The opportunity to collect funds from debtors using a single, trusted payment instrument regardless of their location in Europe

ADVANTAGES FOR DEBTORS

- ❑ A fast and simple means of paying bills, reducing the incidence of late payments and the consequences thereof
- ❑ Allows the debtor to do business with a creditor requiring the use of the B2B Scheme for making payments in an efficient way
- ❑ The debtor is easily reachable for SEPA-wide business offerings, because the B2B Scheme is accepted as a single, trusted payment service by all creditors in SEPA
- ❑ The debtor has the security of knowing that the debtor bank will verify B2B Scheme transactions before debiting the debtor's account

7.3

THE LAUNCH DATE

- ➔ The launch of the SEPA Business to Business Direct Debit Scheme has now been set in principle by the EPC for November 2009.

GETTING YOUR COMPANY READY FOR SEPA

8.

⇒ To realise the benefits of uniform SEPA payment instruments for your business, you need to upgrade existing payment applications as a first step. If your company plans to set up a SEPA implementation project, several features of the SEPA schemes and standards will also have an impact on internal processes.

The following aspects, among others, need to be considered:

8.1 IBAN AND BIC

⇒ IBAN (International Bank Account Number) and BIC (Bank Identifier Code) will be the only permissible account and bank identifiers for SEPA transactions. Whereas until now they have been used only for cross-border payments in most countries, with SEPA they apply to national payments as well. The paying customer must provide IBAN to identify the beneficiary's account and should provide the related BIC to his bank unless otherwise agreed with the bank.

ACTIONS REQUIRED:

- ☑ Review invoicing and accounting procedures
- ☑ Identify and adapt all systems that operate on the basis of account numbers and bank codes
- ☑ Provide easily accessible information on IBAN and BIC to your business partners
- ☑ Convert existing databases containing customer account information to IBAN and BIC. The EPC recommends that national banking communities provide centralised conversion services to their business customers; information on how to find such services in your country can be obtained at www.europeanpaymentscouncil.eu

GETTING YOUR COMPANY READY FOR SEPA

8.

8.2 DIRECT DEBIT COLLECTIONS: THE SEPA MANDATE

➔ The SEPA Direct Debit Scheme defines the requirements regarding the authorisation of a creditor to collect direct debits; it also details the requirements to be observed by the debtor bank to debit the account of a debtor. In many SEPA countries, such authorisations – or mandates – previously issued by debtors and in place today do not conform to the requirements of the SEPA mandate.

IMPACT:

- ☑ **Mandate migration:** To facilitate the change-over for businesses to the SEPA Direct Debit Scheme, it is imperative that mandates existing today can be used under the scheme at least for a transition period, even if they do not incidentally meet all the requirements of the SEPA mandate. Since existing mandates in the different SEPA countries vary considerably, in each country a user-friendly and legally sound means of mandate migration has to be found. Businesses introducing the SEPA Direct Debit Scheme may wish to seek guidance on the migration of existing mandates from their payments services provider.
- ☑ **Translating the Mandate:** The SEPA mandate texts have been translated into all community languages. These translations will be made available at www.europeanpaymentscouncil.eu in the course of 2008.
- ☑ **Streamlining the Mandate:** At first glance, the SEPA mandate may seem large and complicated. In actual usage, however, this will not be the case. To bring greater clarity on this point, a guidance document containing practical information on how selected information may be used in various situations will be available at www.europeanpaymentscouncil.eu in the course of 2008.

To facilitate the change-over for businesses to the SEPA Direct Debit Scheme, it is imperative that mandates existing today can be used under the SEPA Scheme at least for a transition period.

GETTING YOUR COMPANY READY FOR SEPA

8.

8.3

UNIFI (ISO 20022) XML MESSAGE STANDARD

⇒ A common data format used by all parties in a payment transaction is essential for the cost-efficient handling of billions of payments. Today, dozens of different data formats are in place to process payments across different national clearing systems in the European Union. The realisation of SEPA therefore requires agreement on a common set of data to be exchanged in a common syntax. The SEPA Data Format is based on the global UNIFI (ISO 20022) XML message standard. This format is binding for the exchange of SEPA payments between banks. Banks may, however, choose to continue to accept other formats from customers for the instruction of SEPA payments.

ACTIONS REQUIRED:

- ☑ As part of the decision to adopt the SEPA Data Format for payment processes, determine whether or not your external system providers (e.g. ERP, accounting) offer SEPA solutions
- ☑ Develop specifications for internal systems
- ☑ Ensure electronic banking systems and / or other access channels for your payments services are SEPA-compliant
- ☑ Conduct tests with your payments services provider before going live to ensure a smooth change-over

8.4

REMITTANCE INFORMATION

⇒ The SEPA Credit Transfer Scheme permits the end-to-end carrying of remittance data on a structured or unstructured basis appropriate to the nature of the payment. The length of the remittance information is now fixed at a standard length of 140 characters and banks are obliged to pass on the full remittance information.

ACTION REQUIRED:

- ☑ Verify the length of the remittance information data fields currently used in your company's payment application and ensure the remittance information you provide contains no more than 140 characters

THE CUSTOMER IS KING SEPA STANDARDS FOR BUSINESS

9.

⇒ SEPA Schemes are being further developed by the EPC in accordance with a strict change management procedure and based on a predictable release schedule in close dialogue with the user side.

⇒ The following suggestions of the business community have already been addressed:

9.1 THE SEPA DATA FORMAT: ADDITIONAL FEATURES

⇒ To accommodate requirements expressed by the business community, the following additional elements were incorporated and will be available as of February 2009:

- ☑ Separate data elements for an originator and a beneficiary reference party enabling the initiation and receipt of 'on behalf of' payments
- ☑ Introduction of payment reasons ('category purpose' and 'purpose') to enable identification of payment types such as salaries or taxes, for example, allowing the originator bank or beneficiary to apply special processing rules

9.2 SUPPORT OF THE ISO CREDITOR REFERENCE STANDARD

⇒ EPC recognises that structured creditor reference to remittance information offers potential SEPA-wide application of automatic reconciliation between invoices and related payments. The related ISO standard will contribute to the improvement of the automated reconciliation at the beneficiary's level.

⇒ A guidance document published by the EPC (EPC 142-08) for the use of this ISO standard in the context of the SEPA Schemes can be obtained at www.europeanpaymentscouncil.eu.

THE CUSTOMER IS KING SEPA STANDARDS FOR BUSINESS

9.

9.3

REMITTANCE INFORMATION: STRUCTURE THE UNSTRUCTURED

⇒ The EPC supports a proposal developed by the European Association of Corporate Treasurers (EACT), which allows companies to agree on a structure for remittance information. The EACT suggestion on how to structure the 'unstructured' remittance fields supports, amongst others:

- ☑ Up to seven invoice numbers/credit notes or combinations thereof
- ☑ Or an identification of a remittance advice which is sent separately
- ☑ As well as the e-mail address of the recipient of the remittance advice
- ☑ And/or the purpose of payment
- ☑ And/or a customer number

Banks will carry information structured in this way unaltered throughout the process chain.

9.4

VALIDITY PERIOD OF THE SEPA MANDATE

⇒ The SEPA Direct Debit Scheme Rulebook now defines a 36 months validity period for mandates that have not been used.

9.5

CORPORATE-TO-BANK MESSAGES

⇒ Key stakeholders, including individual banks, the EPC, SWIFT, and several players represented in the EPC Customer Stakeholders Forum have addressed the fact that community implementation guidelines for payment initiation have interpreted the SEPA schemes differently.

⇒ Work has been done to further enhance the implementation guidelines applying to the UNIFI (ISO 20022) XML customer-to-bank credit transfer and direct debit messages.

These guidelines are based on a number of existing community guidelines. Harmonised specifications for the customer-to-bank communication are available as of September 2008 for optional but strongly recommended implementation in February 2009 for SEPA Credit Transfer and in November 2009 for SEPA Direct Debit.

⇒ Such guidelines are of particular importance to businesses and public administrations in their communication with their banks.

The evolution of the SEPA Schemes takes place in close dialogue with the business community and representatives of all other user groups cooperating in the EPC Stakeholders Forum.

HOW TO MAKE SEPA A SUCCESS

10.

⇒ The SEPA vision will not be realised via the existence of high-quality SEPA schemes and standards alone – just as the EU monetary union did not materialise simply because of the existence of euro notes and coins.

⇒ The vast majority of users never asked for SEPA payment instruments with a view to replacing national ones. SEPA is not a market-driven process. SEPA is an EU-wide policymaker-driven integration initiative designed to generate macro-economic benefits and technological innovation.

⇒ Macro-economic benefits, however, may not be a key determining factor for individual businesses when it comes to investment decisions. Even when considering the substantial benefits of SEPA payment solutions, it has to be recognised that existing payment applications are generally viewed to work well. In other words, businesses may have other priorities than upgrading their payment processes.

SEPA is an EU-wide policymaker-driven integration initiative – not a market-driven process. It is therefore essential that the political initiators of the SEPA process create the incentives needed to facilitate the change-over for users.

HOW TO MAKE SEPA A SUCCESS

10.

EUROPEAN COMMISSION:

- ☒ Secure the continued commitment of EU governments to the realisation of SEPA
- ☒ Create the appropriate regulatory and legal environment for the SEPA instruments to be implemented
- ☒ Provide support on a scale comparable to the introduction of the euro

EU GOVERNMENTS:

- ☒ Ensure consistent transposition of the Payment Services Directive (PSD) as of 1 November 2009
- ☒ Encourage and support SEPA implementation by public authorities at national, regional and local level. The buy-in of public administrations is of vital importance as the public sector generates more than 20 per cent of payment traffic in the EU
- ☒ Collectively agree end-dates for migration of the public sector to SEPA payment instruments
- ☒ Allocate the resources for SEPA implementation and migration in annual budgets **now**
Require the use of SEPA standards in public procurements for payment services allowing banks to deliver SEPA payments services to any public administration in the SEPA area
- ☒ Design and implement incentives which will facilitate the change-over from legacy payment instruments to SEPA for the business community – such as granting tax breaks for early movers, for example
- ☒ Facilitate, if necessary, the continued use of existing direct debit mandates under the SEPA Direct Debit Scheme

EUROPEAN CENTRAL BANK:

- ☒ Differing balance-of-payments reporting requirements as established by various national central banks pose legal barriers to the concept of **one** domestic euro payments market and must be removed – immediately
- ☒ For the change over to the euro a substantial communication budget was made available; a comparable communication effort should be afforded for SEPA implementation by the
- ☒ European Central Bank acting as a principle catalyst of the SEPA process

At this point, the success of SEPA depends – above all – on the continued commitment and practical support of the political drivers of this project.

SEPA – THE WAY FORWARD

11.

➔ Going forward, the EPC is focusing on additional features designed to even further increase the possibilities associated with the implementation of SEPA payment instruments.

➔ In response also to the requests of the business community, the following aspects are currently being addressed:

11.1 BANK-TO-CUSTOMER MESSAGES

➔ Ultimately, the ‘outcome’ of a payment transaction must be communicated by a bank to the customer. This information takes place via electronic or paper based reporting messages (reports, notifications, and account statements) which inform a bank customer about payment transactions affecting his account.

➔ The ISO standards necessary to allow the development of uniform reporting messages for SEPA transactions have only recently been approved by ISO itself. The opportunity of giving guidance (e.g. to create Implementation Guidelines) for the SEPA wide use of these messages is under consideration by the EPC.

11.2 E & M CHANNELS

➔ The EPC is currently developing electronic and mobile channels for the instruction of SEPA payments including necessary standards and security requirements. This will allow customers to initiate SEPA payments either online or via a mobile phone.

SEPA – THE WAY FORWARD

11.

11.3 E-MANDATE

⇒ The SEPA Direct Debit Scheme has been designed to permit the development of additional features in response to customer needs. Work has been undertaken to add to the Core Scheme mandates created through the use of electronic channels – called e-mandates.

⇒ The inclusion of this new possibility for the creation of e-mandates brings further advantages to debtors: the debtor avoids the inconvenience of printing, signing and mailing a paper form to the creditor by using a fully electronic process. The e-mandate facility is based on secure, widely used online banking services of the debtor bank. The debtor can re-use his online banking credentials. No additional means of identification are necessary. The EPC intends to deliver the e-mandate solution by the end of 2008.

11.4 E-INVOICING

⇒ Electronic invoicing – or e-invoicing – is a solution for the secure exchange of electronic invoices inclusive the relevant data between suppliers and buyers involving the upgrade of their sales and procurement systems. The purpose of electronic invoicing is to streamline the administration of the billing and payment process by eliminating paper handling for both buyers and suppliers. E-invoices can be archived in an electronic format making it easier and cheaper to retrieve them when necessary. E-invoicing is a relatively new concept with few examples of local authorities and private sector organisations using it at the moment.

⇒ The development of a European standard for e-invoicing is outside of the scope of the EPC. The EPC is closely monitoring the progress of an expert group set up by the European Commission which is evaluating a way forward to define a European Electronic Invoicing Framework. It is believed by some that the availability of an e-invoicing standard would encourage the implementation of SEPA schemes on the user side, in particular by small and medium-sized enterprises.

GLOSSARY

12.

TERMS	DEFINITION
Bank Identifier Code (BIC)	An 8 or 11 character ISO code assigned by SWIFT and used to identify a financial institution in financial transactions (ISO 9362).
Clearing	The process of transmitting, reconciling and, in some cases, confirming payment orders prior to settlement, possibly including the netting of instructions and the establishment of final positions for settlements.
Clearing and Settlement Mechanism (“CSM”)	A clearing and settlement mechanism as described in the CSM Framework. For more information please check the document “SEPA CSM Market Practices” published by the European Payments Council (www.europeanpaymentscouncil.eu / Knowledge Bank)
Direct Debit Collection	A collection is the part of a direct debit transaction starting from the collection initiated by the creditor until its end through the normal debi-ting of the debtor’s account or until the completion by a reject, return or refund.
EPC	The European Payments Council
EU	The European Union
Funds	In relation to a payment transaction shall mean cash, scriptural money and electronic money as defined in Directive 2000/46/EC.
IBAN	An expanded version of the basic bank account number (BBAN) intended for use internationally that uniquely identifies an individual account at a specific financial institution in a particular country (ISO 13616, EBS 204).
Single Euro Payments Area (SEPA)	The definition of SEPA is part of the EPC Roadmap 2004-2010 approved by the EPC Plenary in December 2004. SEPA will be the area where citizens, companies and other economic actors will be able to make and receive payments in euro whether between or within national boundaries under the same basic conditions, rights and obligations regardless of their location within Europe. SEPA is currently defined as consisting of all the EU member states plus Iceland, Norway, Liechtenstein and Switzerland. SEPA will also extend to cover the following territories that are considered to be a part of the EU in accordance with Article 299 of the Treaty of Rome: Martinique, Guadeloupe, French Guiana, Reunion, Gibraltar, Azores, Madeira, Canary Islands, Ceuta and Melilla and Aland Islands.
SEPA Business to Business Direct Debit Scheme	The SEPA Business to Business Direct Debit Scheme is the payments scheme for making direct debits across SEPA by business customers, both the debtor and the creditor, as set out in the SEPA Business to Business Direct Debit Scheme Rulebook.
SEPA Core Direct Debit Scheme	A SEPA Core Direct Debit is the payment instrument governed by the rules of the SEPA Core Direct Debit Scheme for making direct debit payments in euro throughout SEPA from bank accounts to other bank accounts as set out in the SEPA Core Direct Debit Scheme Rulebook.
SEPA Credit Transfer Scheme	The SEPA Credit Transfer Scheme is the payments scheme for making credit transfers across SEPA, as set out in the SEPA Credit Transfer Scheme Rulebook.
Settlement	An act that discharges obligations with respect to the transfer of funds between creditor bank and debtor bank.
Terms and Conditions	The general terms and conditions that a bank has with its customers and which may contain dispositions about their rights and obligations. These dispositions may also be included in a specific agreement, at the bank’s choice.



EUROPEAN PAYEMENTS COUNCIL (AISBL)

Avenue de Tervueren 12 / B
1040 Brussels
Belgium

Tel.: + 32 2 733 35 33
Fax: + 32 2 736 49 88

www.europeanpaymentscouncil.eu
secretariat@europeanpaymentscouncil.eu