

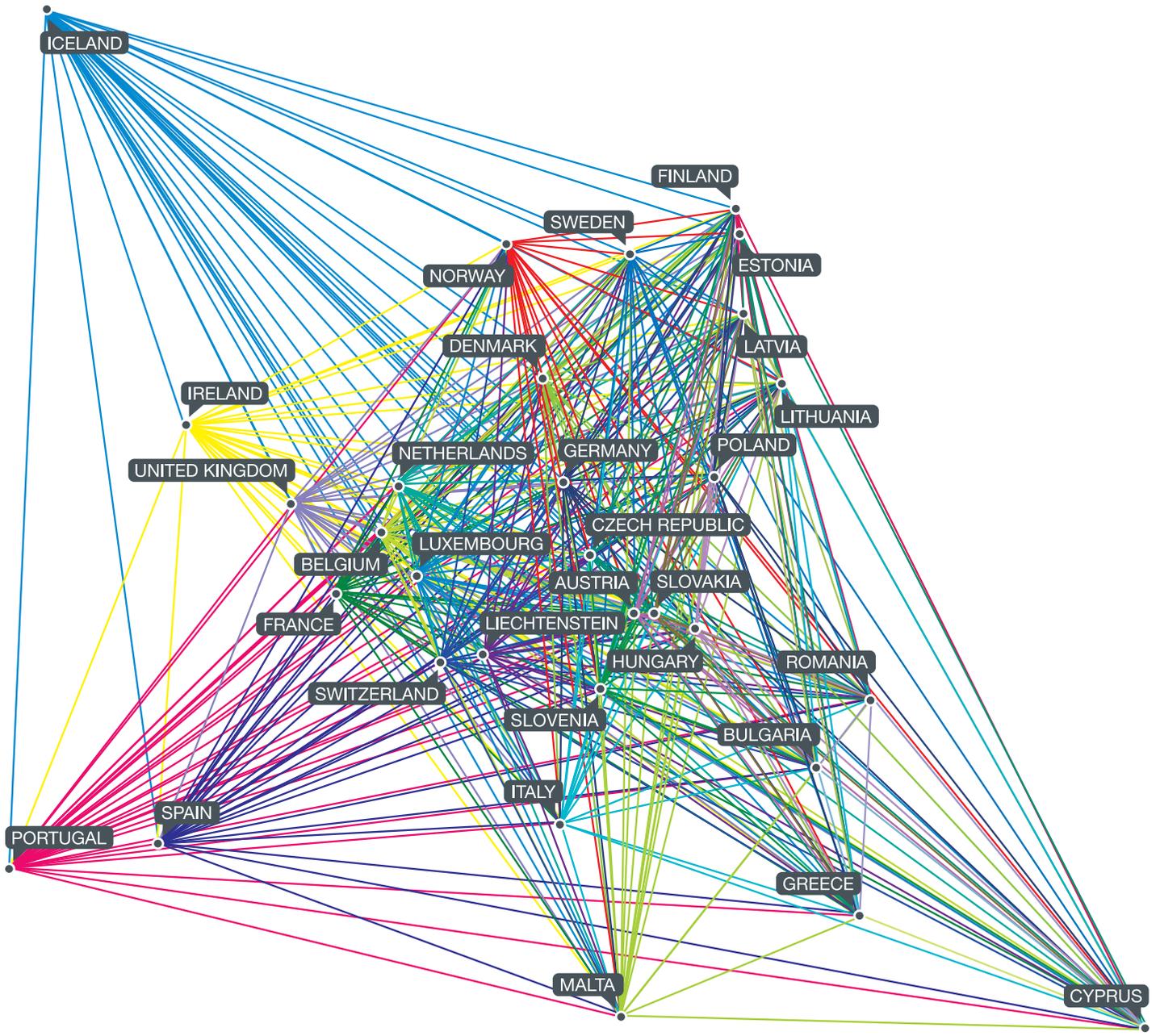


EUROPEAN PAYMENTS COUNCIL
Towards our Single Payment Area

How To Get Your
Company Ready For

S€PA

Information for **BUSINESS**



SEPA

**TAKE PAYMENTS TO
THE NEXT LEVEL**

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EXECUTIVE SUMMARY

1.

What is SEPA?

⇒ 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 between or within national boundaries under the same basic conditions, 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 policy-maker-driven integration initiative which will have an impact on all euro payments as a result of 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 payment 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 deliver tangible benefits for the economy and society as a whole. The common currency will be systemically strengthened by a harmonised set of 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 successfully launched in January 2008. The general SEPA-wide launch date for the SEPA Direct Debit Schemes has been set in principle by the EPC for November 2009, the point in time when EU member states have adopted a common legal framework for payments. For payment cards, a new 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?

⇒ 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. Common standards, faster settlement and simplified processing will improve cash flow, reduce costs and facilitate access to new markets. Moreover, customers will benefit from the development of innovative products offered by payment sector suppliers.

Make SEPA a success!

⇒ The European banking industry has successfully delivered innovative and commonly applicable SEPA payment schemes and frameworks. It is now up to the political drivers of the SEPA initiative – EU governments, the European Commission (EC) including the ECOFIN and the Governing Council of the European Central Bank (ECB) – to create the incentives needed to facilitate the change-over for bank customers to the new SEPA instruments.

ABOUT SEPA

2.

2.1 The vision

The Single Euro Payments Area – 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 schemes and standards are expected to replace the national payment systems now being operated in Europe.

↳ SEPA is an EU-wide policy-maker-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 become a reality when a critical mass of euro payments has migrated from legacy payment instruments to the new SEPA payment instruments.

↳ SEPA is currently defined as consisting of the EU 27 member states plus Iceland, Norway, Liechtenstein and Switzerland.

↳ Although 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. The integration of euro payments markets is a major prerequisite for the realisation of this vision. As such, 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 public administrations.

According to a recent study conducted at the 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 payment and public services sectors, leading to further cost reductions and efficiency gains to the benefit of customers.

ABOUT EPC

3.

The European Payments Council is the decision-making and coordination body of the European banking industry in relation to payments.

↳ 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.

↳ At the end of 2008, the EPC consists of 74 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 SEPA Schemes developed by EPC define sets of interbank rules and standards that have to be observed when executing SEPA payment transactions. The schemes 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.

↳ 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.

↳ 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 bank customers should contact the payments services provider of their 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.

3.1 **SEPA: the first milestones**

➤ The European banking industry has delivered:

- ❑ In January 2008, more than 4300 banks in 31 countries representing roughly 95 percent of the payment volume in Europe took a historical first step to starting SEPA by launching the SEPA Credit Transfer Scheme for euro payments.
 - ❑ 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 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 data format — the ISO 20022 XML message standards — 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)”.
 - ❑ Approval of 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.
 - ❑ Design of a Cash Framework 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 using the same uniform SEPA payment instruments.

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 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 innovation

⇒ 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 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.

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 (SCT)

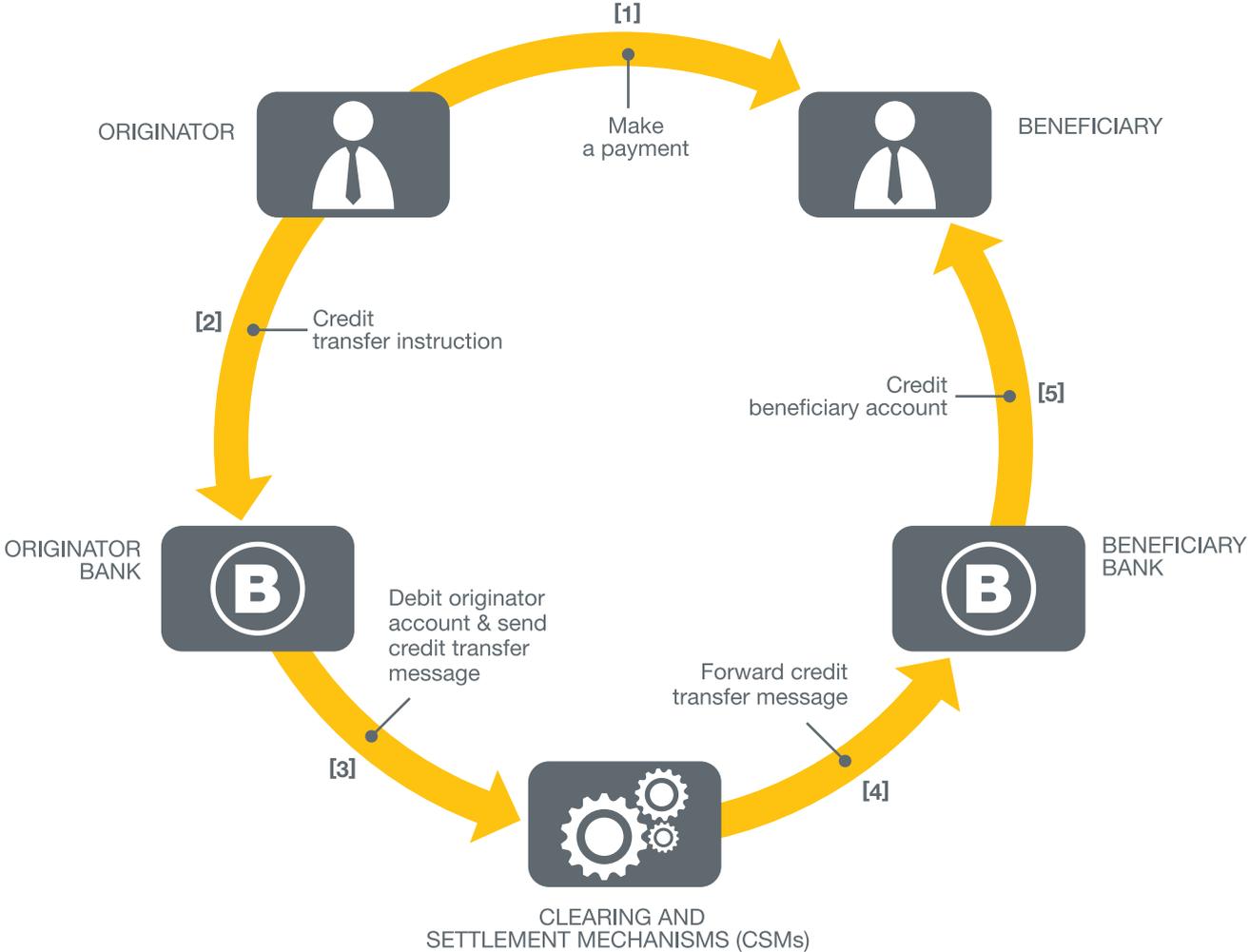
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5.1 The scheme in a nutshell

➤ 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 institutions executing the credit transfer must be scheme participants; i.e. both must have formally adhered to the SEPA Credit Transfer Scheme. 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 the 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.

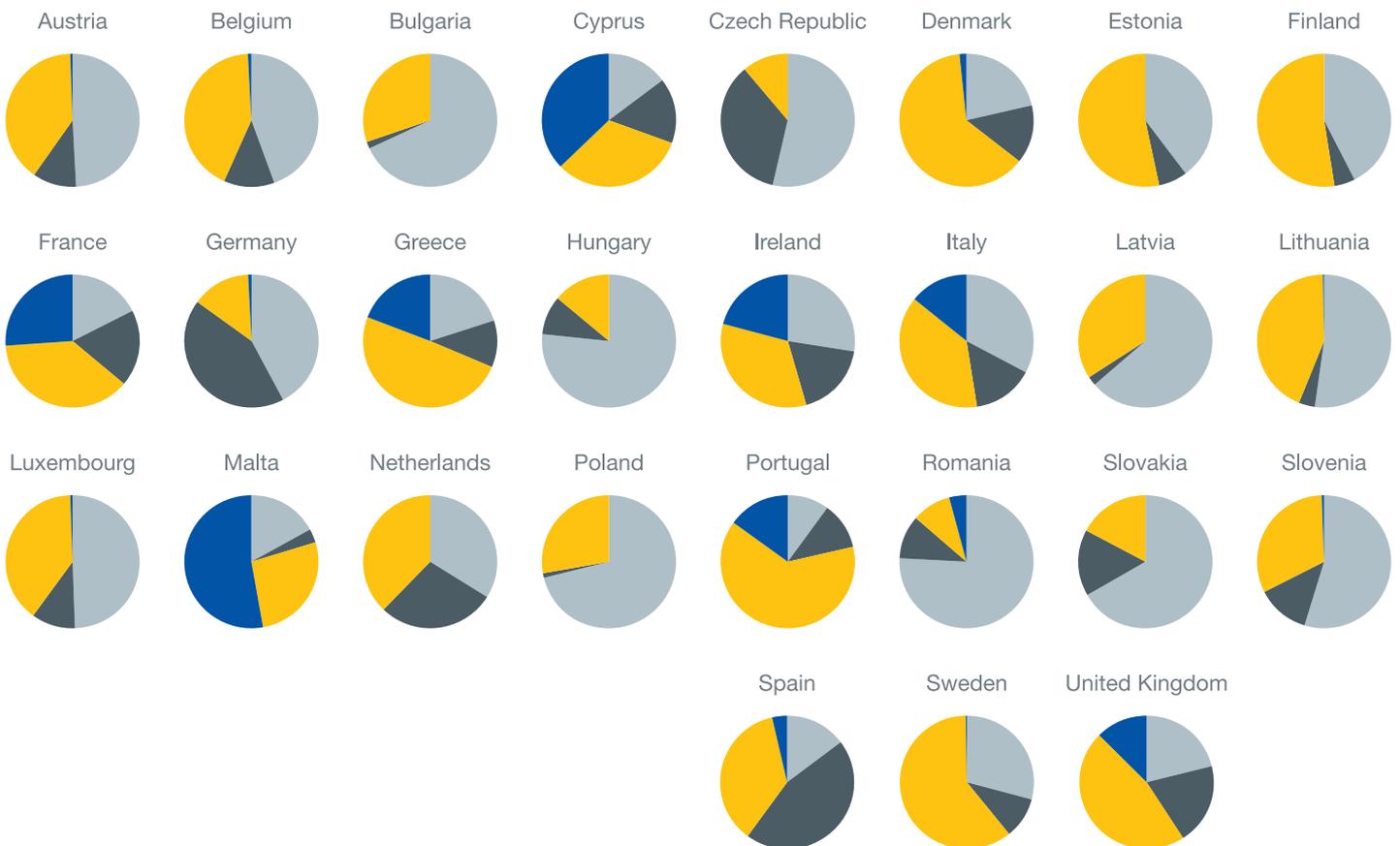
SEPA CREDIT TRANSFER SCHEME MODEL



5.2 Advantages of the SCT scheme

- ❑ 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 only be charged by his own bank
- ❑ 140 characters of remittance information are delivered to the beneficiary without alteration or omission
- ❑ These 140 characters can be unstructured (free text) or structured, as agreed between business partners
- ❑ The accounts of all business partners in SEPA can be reached as safely, quickly and easily as in their own country today
- ❑ Certainty is provided about the date when the money will be available in the account of a business partner and one's own account
- ❑ A single standard for identifying and validating an account with a bank in Europe based on IBAN allows the storage of trusted information in a standardised way
- ❑ Rejects and returns can be automated, because they are handled in a uniform and predictable manner
- ❑ Single payments and bulk payments (e.g. one debit to the originator's account with multiple credits to the different beneficiaries) are supported

RELATIVE IMPORTANCE OF PAYMENT INSTRUMENTS



Percentages of total volume of transactions 2006
(2004 for the Czech Republic)
Source: European Central Bank

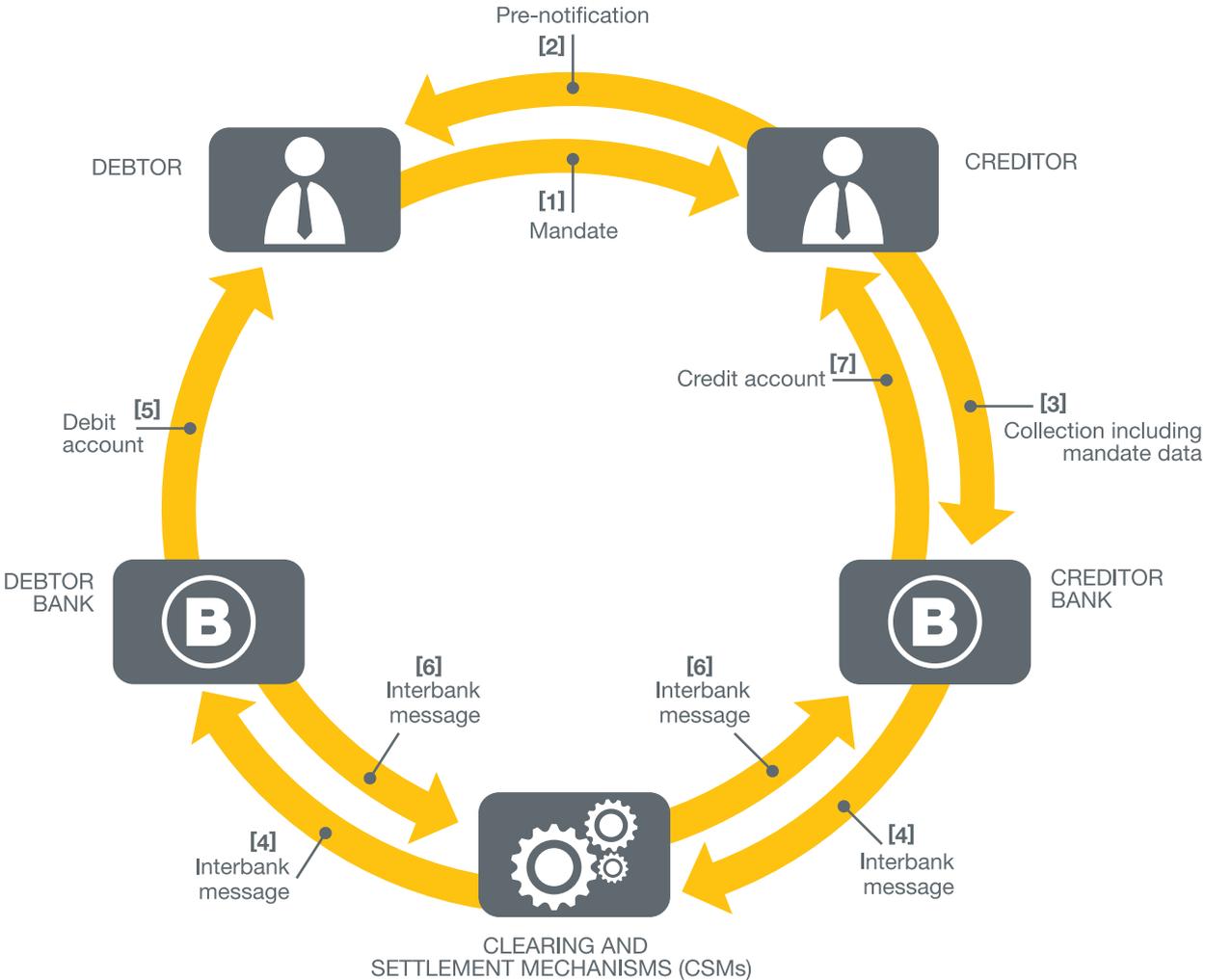
SEPA CORE DIRECT DEBIT SCHEME (SDD)

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 prior 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 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 direct debit initiated whereupon it should be cancelled by the creditor. The signed mandate must be stored by the creditor as long as the mandate is valid and in accordance with national legal requirements.
- ↳ 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; i.e. both must have formally adhered to the SEPA Direct Debit Scheme. The scheme may be used for single (one-off) or recurrent direct debit collections; the amounts are not limited.

SEPA DIRECT DEBIT SCHEME MODEL



6.2 E-mandate

- The SEPA Direct Debit Scheme has been designed to permit the development of additional features in response to customer needs. The SEPA Core Direct Debit Scheme now includes the possibility to create mandates 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 e-mandate features are based on global ISO standards as managed by SWIFT thus granting maximum transparency.
- The e-mandate solution will be an optional service offered by payments services providers to their customers; ie. it is not a mandatory part of the SEPA Direct Debit Scheme.

The SEPA Core Direct Debit Scheme Rulebook and the accompanying Implementation Guidelines approved by the 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

6.3 Advantages of the SDD scheme

Advantages for creditors

- ❑ A simple and cost-efficient way to collect funds
- ❑ The possibility to define 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 payments received
- ❑ The ability to automate exception handling such as: returned, rejected, or refunded collections and reversals
- ❑ The ability to 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 if this latter service is offered by a credit institution
- ❑ A no-questions-asked, fast and simple refund procedure is available within eight weeks of the debit date for authorised transactions and within 13 months for unauthorised transactions

6.4 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 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.

SEPA B2B DIRECT DEBIT SCHEME

7.

7.1 Differences from the SEPA Core Direct Debit Scheme

- ▶ The SEPA Business to Business Direct Debit Scheme (B2B) will be the basis for the development of products catering for 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 provides 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 the 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 Scheme Rulebook and Implementation Guidelines can be obtained at www.europeanpaymentscouncil.eu.

7.2 Advantages of the B2B scheme

Advantages for creditors

- ❑ A simple and cost-efficient way to collect funds
- ❑ The possibility to define 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 payments received
- ❑ 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 use of electronic mandates
- ❑ 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 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 and customers
- ☐ 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

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 are available at www.europeanpaymentscouncil.eu.
- ☐ **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 is available at www.europeanpaymentscouncil.eu.

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.

8.3

ISO 20022 XML message standards

➤ 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 Formats are based on the global ISO 20022 XML message standards. 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 transition

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

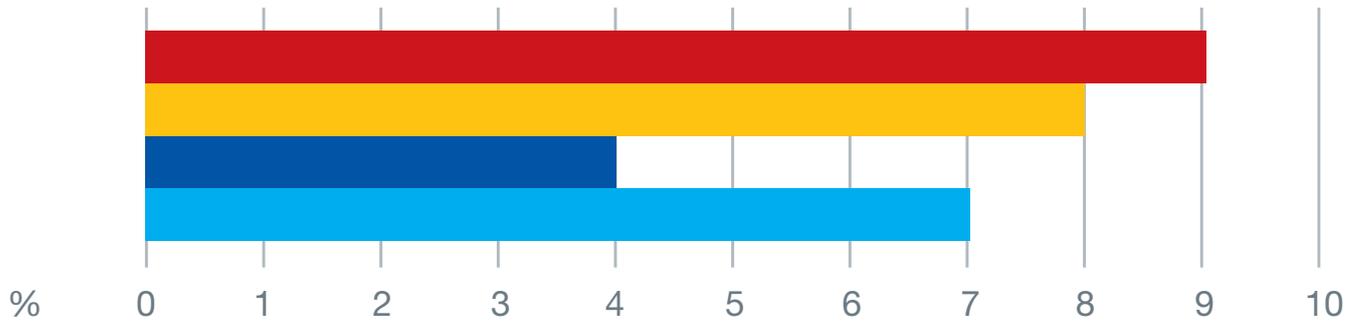
CROSS-BORDER TRADE IN FINANCIAL SERVICES

- Bank account
- Credit card
- Private pension plan
- Car insurance

Have ever obtained in another EU country



Would consider obtaining from another EU country



Source: European Commission

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 are 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.

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 Rulebooks now define an extended 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 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 now available for optional but strongly recommended implementation in February 2009 for SEPA Credit Transfer and in November 2009 for SEPA Direct Debit.

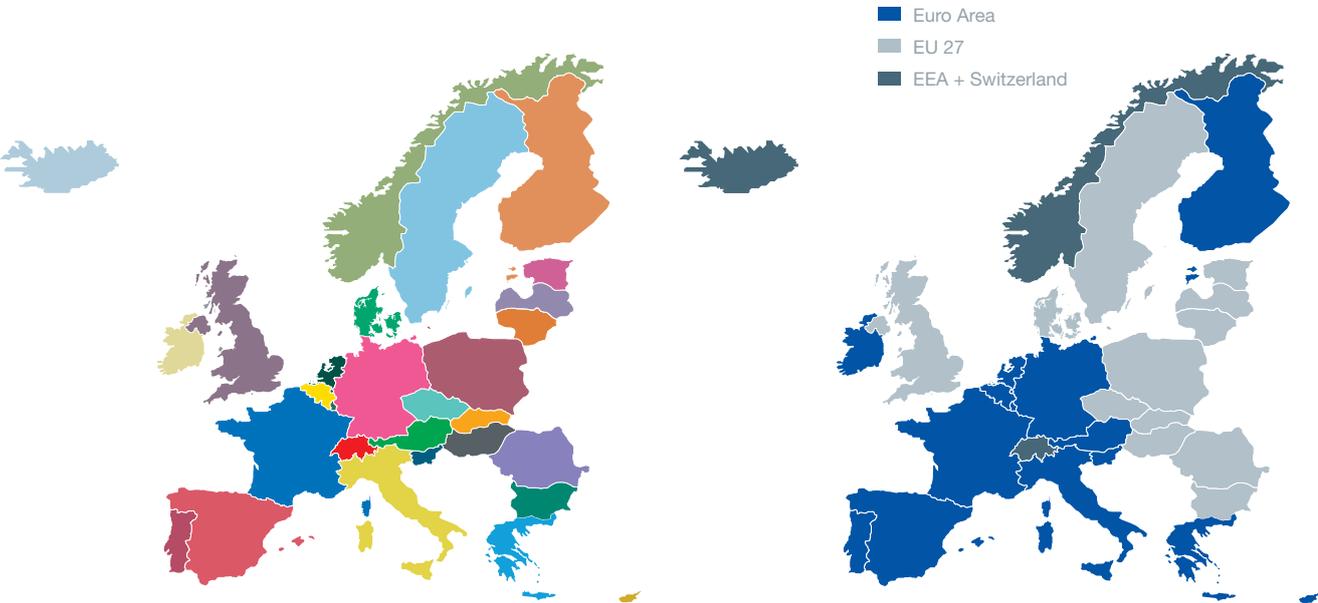
↳ Such guidelines are of particular importance to businesses and public administrations in their communication with their banks.

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.

THE SEPA VISION

PRE-SEPA

SEPA



PRE-SEPA	SEPA
National / local solutions	Common solutions with additional optional services
Different payment instruments and standards, customer experiences, consumer laws	Common core payment instruments and standards, consistent customer experience, application of harmonised consumer protection laws
Cross-border complexity and risk	Reduced complexity and improved efficiency: all SEPA payments are domestic payments

SEPA – THE WAY FORWARD

10.

➤ 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 user community, the following aspects are currently being addressed:

10.1 Bank-to-Customer communication

➤ 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 are under development 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.

10.2 E & M channels

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

10.3 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.

HOW TO MAKE SEPA A SUCCESS

11.

- ✦ 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 policy-maker-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 and public administrations 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, customers may have other priorities than upgrading their payment processes.

SEPA is an EU-wide policy-maker-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 customers.

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:

- ☑ Demonstrate leadership in the national SEPA Committees together with all other stakeholders including National Central Banks as was done for the euro-introduction
- ☑ **Ensure** consistent transposition of the Payment Services Directive (PSD) as of 1 November 2009
- ☑ Encourage and support SEPA **implementation** by public administrations 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 payments 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 bank customers – 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 of and practical support by the political drivers of this project.

GLOSSARY

12.

TERMS	DEFINITION
ACH	Automated Clearing House
ATM	Automated Teller Machine
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).
CIT	Cash-in-transit company
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 debiting of the debtor's account or until the completion by a reject, return or refund.
EMV	Europay MasterCard Visa programme to implement CHIP & PIN security for card transactions.
EPC	The European Payments Council
EU	The European Union
Eurosystem	The Eurosystem comprises the European Central Bank and the National Central Banks of those countries that have adopted the euro
Euro Area	As of 2009, 16 countries using the euro as legal tender
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).

SEPA payments instruments	The pan-European payment instruments for payments in euro that will be delivered by banks under the SEPA programme.
SEPA payment scheme	The rules and practices for the provision and operation of a SEPA payment instrument agreed at inter-bank level in a competitive environment.
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.
Stakeholders	Banks (and their associations and infrastructures), their customers (and their associations), and regulators.
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.
TARGET2	The Eurosystem's replacement for TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system).
(EPC) White Paper	The document which launched the European banking industry's vision and action plan for SEPA in 2002.

EUROPEAN PAYMENTS COUNCIL (AISBL)

Avenue de Tervueren 12 / B

1040 Brussels

Belgium

Phone: + 32 2 733 35 33

Fax: + 32 2 736 49 88

E-mail: secretariat@europeanpaymentscouncil.eu

www.europeanpaymentscouncil.eu

SEPA for Business. EPC document reference: EPC215-08 version 1.3

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