Editorial

Market Participants Should Proceed Resolutely with SEPA Migration

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Two years ago, European legislators passed the SEPA end-date Regulation (No 260/2012) stating February 1st, 2014, as the end date for the legacy credit transfer and direct debit schemes. The European Commission proposed on January 9th, 2014, that payment service providers should be allowed to continue accepting legacy credit transfers and direct debits until August 1st, 2014. This would postpone the end date for SEPA by six months. The proposal can enter into force if endorsed by the European Parliament and the Council of Ministers. The time and effort invested in the change-over has not been in vain – SEPA is definitely coming. Under no circumstances should the European Commission's proposal cause uncertainty among market participants as they prepare for migration. They should proceed resolutely with their SEPA projects and assume that the change-over will take place on February 1st, 2014, in order to benefit from the advantages of the Single Euro Payments Area.

The European Commission's proposal does not alter the fact that SEPA will put an end to the national borders in payments.

SEPA offers concrete advantages in payments:

- SEPA means that cashless payments can now be made across Europe as simply and securely as within national borders.
- SEPA will intensify pan-European competition. As a result, users of payment services all over Europe – including those countries where payment procedures were perhaps not quite as efficient as in Germany – are likely to see the quality of service improve over the medium term.
- SEPA will give users the freedom to hold an account anywhere in Europe. Individuals, enterprises and organisations will be able to take care of all their euro payment transactions, anywhere in Europe, from just one account.
- SEPA will allow enterprises to manage their liquidity more simply and efficiently, thanks to reduced complexity, fewer interfaces, and the automated use of remittance reference information in business accounting systems. This could be particularly beneficial for the many small and medium-sized enterprises in Germany that operate in other EU countries.
- The SEPA direct debit scheme will allow the use of direct debits across national borders for the first time.
- SEPA will pave the way for innovative payment solutions such as mobile and online payment schemes.

SEPA will herald a technical standard in European payments that will set a new benchmark for payments around the world. Europe will be the world's first currency area to convert its entire payment system to the state-of-the-art ISO 20022 XML standard. For instance, the DTA format has been the technological foundation for German retail payments since 1975. SEPA will thereby make a major contribution to enhancing Europe's competitiveness. Unlike the single European currency in its physical form, in cashless payment systems the national schemes and the new SEPA scheme currently coexist. These schemes have been operating in parallel since January 2008, with national and European credit transfer schemes being of-fered side by side. For direct debits, this state of affairs began in November 2009. Despite the fact that the introduction of SEPA may be postponed by six months, we are now on the home stretch in our efforts to end this inefficient dual existence of services; the goal of creating a single market in cashless payments is just ahead. With this step, Europe will do justice to its position as the world's leading economic area in payment systems, too. After all, SEPA constitutes a veritable quantum leap in payments.

The introduction of SEPA will expand the present reach of payments many times over. To begin with, domestic and cross-border euro-denominated credit transfers and direct debits will be made via SEPA in all euro-area countries. More than 140 million credit transfers and direct debits are carried out in the euro area each business day. From October 2016, SEPA will also be available for euro-denominated credit transfers and direct debits in those EU member states in which the euro is not legal tender. This will give SEPA even greater reach than before. Moreover, the European Economic Area countries, together with Monaco and Switzerland, are also part of the SEPA area; thus, a total of 33 countries will be using a uniform technical standard for euro-denominated credit transfers and direct debits.