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EUROPEAN COMMISSION

Brussels, 16.12.2010  
SEC(2010) 1585 final

**COMMISSION STAFF WORKING DOCUMENT**

**1st implementation report  
on the SEPA Roadmap for 2009–2012**

**Accompanying document to the**

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
establishing technical requirements for credit transfers and direct debits in euros and  
amending Regulation (EC) No 924/2009**

**(Text with EEA relevance)**

SEC(2010) 1583 final  
SEC(2010) 1584 final  
COM(2010) 775 final

# COMMISSION STAFF WORKING DOCUMENT

## 1<sup>st</sup> implementation report on the SEPA Roadmap for 2009–2012

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### **REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

*establishing technical requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009 of the European Parliament and of the Council*

*(Text with EEA relevance)*

#### 1. INTRODUCTION

On 10 September 2009, the European Commission published its Communication *Completing SEPA: a Roadmap for 2009–2012*<sup>1</sup>.

The SEPA Roadmap details the work that still has to be accomplished in order to successfully reap the full benefits of the Single Euro Payments Area (SEPA)<sup>2</sup>. The SEPA project is fully in line with the Europe 2020 strategy which aims at a smarter economy where prosperity results from innovation and from more efficient use of available resources.

The key reason that led the European Commission to establish the SEPA Roadmap remains valid: uncertainty still prevails on the payment supply and demand side as regards the future of SEPA, resulting in a slow pace of migration to SEPA products. This uncertainty is exacerbated by the aftermath of the financial crisis. The current adverse economic climate induces a very cautious approach to further SEPA investments by some payment service providers (mostly banks) and by high-volume payment users (mainly businesses and public administrations).

Despite repeated calls for swift migration from EU institutions and continuous political support for the SEPA project, actual migration from existing national payment instruments to the core SEPA payment instruments is still lagging behind expectations and mainly limited to cross-border transactions.

Both the European Parliament in a recent Resolution<sup>3</sup> and the ECOFIN Council in its December 2009 conclusions<sup>4</sup> therefore specifically welcomed the initiative of the SEPA Roadmap.

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<sup>1</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/com\\_2009\\_471\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_en.pdf)

<sup>2</sup> In geographical terms, SEPA currently comprises the 27 EU Member States, Iceland, Liechtenstein, Norway, Switzerland and Monaco.

<sup>3</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/111670.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111670.pdf)

The SEPA Roadmap commits the Commission to closely monitor its implementation by all identified stakeholders and publish regular progress reports. This first report contains an assessment of the progress, direction and results achieved since the publication of the SEPA Roadmap. It also provides a detailed breakdown of the state of play concerning the separate action points with potential follow-up actions.

## **2. PRIORITY 1: FOSTER MIGRATION**

Migration is defined as the transition period during which new SEPA instruments and old (legacy) payment instruments co-exist in the market. This is currently the case for credit transfers and direct debits since the SEPA credit transfer (SCT) and SEPA direct debit (SDD) schemes have been launched by the European Payments Council (EPC) on 28 January 2008 and 2 November 2009 respectively.

### **2.1. An active role for public authorities**

Public administrations (PA) make 20–25 % of all electronic payments in the EU. They therefore have a crucial role to play in the migration process to SEPA products, especially for credit transfers and direct debits.

Due to the significant number of PA in each Member State, migration can be organised much more effectively if it takes place in a coordinated and synchronised manner. The ECOFIN Council stressed the need for such coordination in the form of a common, national migration plan for all PA. Currently, such a plan has only been drawn up in seven euro area Member States<sup>5</sup>.

Results of the recent Commission services survey indicate that actual migration by PA to the SCT schemes remains very slow. In February 2010, the SCT migration rate<sup>6</sup> of all euro area PA participating in the survey stood at only 2.5 % which is significantly below the overall SCT rate for the euro area (6.2 %) in the same reporting period. Some Member States<sup>7</sup> have however mentioned specific high-volume PA which will migrate a significant share of their transaction volume to SCT by end 2010. Migration to SDD had practically not taken place among PA as of February 2010. This needs to be seen in the context of the relatively short time span elapsed since the launch of the SDD scheme (November 2009) and the lesser relevance of direct debits as a payment instrument used by PA.

Migration by European institutions, especially by the Commission (being by far the institution with the highest payment volume), is more advanced. As of June 2010, almost all credit transfers undertaken by the Commission in the SEPA countries were executed as SCT with the exception of payments in one Member State<sup>8</sup> for which they are expected to fully migrate in September 2010. The European Central Bank (ECB) has already fully migrated its payments to SCT in January 2008. The European institutions generally do not use direct debits as payment instruments.

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<sup>4</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0057+0+DOC+XML+V0//EN>

<sup>5</sup> Belgium, France, Italy, Cyprus, Malta, Austria and Slovenia.

<sup>6</sup> Share of SCT transactions among all credit transfers undertaken.

<sup>7</sup> Belgium, Germany, France and Portugal.

<sup>8</sup> Netherlands

**Table 1: Action items – SEPA migration in public administrations**

Actions	Actors	Deadline	State of play	Assessment <sup>9</sup>	Follow up
Design national migration plans for public administrations	Member States	October 2009	Completed in 7 Member States only	–	Migration plan in one additional Member State expected in remainder of 2010
Migration of national public administrations to SEPA standards, products and services	Member States	End-2010	SCT: 2.5% migration rate (February 2010) SDD: has practically not yet taken place	–	On the basis of Member States information, SCT rate expected to rise significantly by end 2010
Migration of European institutions to SEPA standards, products and services	Commission/ other European Institutions	June 2010	Migration to SCT in Commission almost completed 100 % SCT rate for ECB	+	Commission: payments in one remaining Member State (NL) to migrate in September 2010

## 2.2. Efficient migration monitoring

Thorough monitoring of the SEPA migration process is crucial in order to anticipate and remedy potential problems. For this purpose, the ECOFIN Council conclusions of 22 January 2008<sup>10</sup> invited the Commission in cooperation with the ECB to provide an Annual Progress Report on the state of SEPA migration. The last Progress Report has been published in December 2009<sup>11</sup>. The publication of the 2010 Progress Report is expected by end 2010.

Furthermore, the Eurosystem prepares its own SEPA Progress Reports. Six Progress reports have been published to date – the last one in November 2008<sup>12</sup>. A forthcoming 7<sup>th</sup> Progress Report is currently under preparation.

Actual migration to SEPA instruments is monitored by the ECB and the respective indicators are published on the ECB website<sup>13</sup>. These include euro area SCT and SDD rates on a monthly basis, SCT rates in individual Member States on a bi-annual basis, and EMV<sup>14</sup> related payment card indicators on a quarterly basis.

<sup>9</sup> ✓ Action completed  
+ (Some) progress achieved  
– Progress not satisfactory

<sup>10</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/98276.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/98276.pdf)

<sup>11</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/progress\\_report\\_2009\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/progress_report_2009_en.pdf)

<sup>12</sup>

<http://www.ecb.int/pub/pdf/other/singleeuropaymentsarea200811en.pdf?eaca1262fbf37b7f0fd116c37196ce1b>

<sup>13</sup> <http://www.ecb.int/paym/sepa/about/indicators/html/index.en.html>

<sup>14</sup> The standard ensuring interoperability between the chips on payment cards and point-of-sale terminals or ATMs. The acronym EMV represents the three organisations originally developing the standard – Europay, MasterCard and VISA.

To address the particular importance of migration to SEPA by public administrations (PA), the Commission services undertake surveys among PA in all Member States. The results of these surveys are analysed and published in a scoreboard. Two scoreboards have already been published in 2009<sup>15</sup>. The results of the second scoreboard have been updated in the context of the 2009 Progress Report, and a new scoreboard is to be published by October 2010.

One of the most important aspects of migration to SEPA is its impact on consumers, in particular for the pricing of payment services. For this purpose, the Commission has undertaken a first (pre-SEPA) benchmarking study in 2007 which will serve as a basis for comparison with later (post-SEPA) benchmarking studies. The Commission plans to initiate the first follow-up study once SEPA instruments (in particular SCT and SDD) are more broadly used.

**Table 2:** Action items – Migration monitoring

Action	Actors	Deadline	State of play	Assessment	Follow up
Annual progress report to ECOFIN Council on state of migration	Commission in cooperation with ECB	Forthcoming: 2010	Last Progress Report published in December 2009	✓	2010 progress report to be published by end of year
Eurosystem SEPA Progress Reports	Eurosystem	At regular intervals (last report November 2008)	Six reports published to date	✓	7 <sup>th</sup> Progress Report under preparation
Publication of SEPA indicators	ECB	Throughout the migration phase	SCT, SDD and EMV indicators published on a regular basis	✓	Ongoing
Publication of a biannual scoreboard on public administrations migration	Commission	From 2009 during the migration phase	Two scoreboards published on Commission website	✓	Next scoreboard to be published by October 2010
2 <sup>nd</sup> SEPA benchmarking study	Commission	Mid-2011	Critical mass / maturity of SEPA instruments required for study to be meaningful	-	Study postponed due to slow migration of SCT and SDD instruments

### 2.3. Need to agree on an end-date

A public stakeholder consultation on whether and how deadlines should be set for the migration of existing national credit transfers and direct debits to the new SEPA payment schemes was organised by the Commission services between June and August 2009 and the results published in September 2009 on the Commission services website<sup>16</sup>.

<sup>15</sup> [http://ec.europa.eu/internal\\_market/payments/sepa/ec\\_en.htm](http://ec.europa.eu/internal_market/payments/sepa/ec_en.htm)

<sup>16</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/feedback\\_migration-2009\\_09\\_29\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/feedback_migration-2009_09_29_en.pdf)

Furthermore, discussions and exchanges of opinions were held between September 2009 and June 2010 with Member States, financial institutions, consumer organisations and other social and economic partners.

The ECB, the Council and the European Parliament have continued to show their strong support for this initiative. On 2 December 2009, the ECOFIN Council issued conclusions on SEPA, stating the following: "The Council (...) CONSIDERS that establishing definitive end-dates for SDD and SCT migration would provide the clarity and the incentive needed by the market, ensuring that the substantial benefits of SEPA are rapidly achieved and that the high costs of running both legacy and SEPA products in parallel can be eliminated (...) INVITES therefore the Commission, in collaboration with the ECB and in close cooperation with all actors concerned, to carry out a thorough assessment of whether legislation is needed to set binding end-dates for SDD and SCT and to come up with a legislative proposal should this assessment confirm the need for binding end-dates."

Similarly, the European Parliament adopted on 10 March 2010 a second resolution on the implementation of SEPA calling "on the Commission to set a clear, appropriate and binding end-date, which should be no later than 31 December 2012, for migrating to SEPA instruments, after which all payments in euros must be made using the SEPA standards"<sup>17</sup>

On 2 June 2010, the Commission services published a working paper<sup>18</sup> containing some ideas on possible approaches to setting a migration end-date and the way forward. The Commission plans to adopt a proposal in this context in early autumn 2010. The Impact Assessment for the setting of a migration end-date will be published together with the Commission proposal.

**Table 3:** Action items – SEPA migration end-date

Actions	Actors	Deadline	State of play	Assessment	Follow up
Consultation of stakeholders based on consultation paper	Commission	3.8.2009	See above	✓	Commission proposal in early autumn 2010
Political endorsement	ECOFIN Council	December 2009	ECOFIN Conclusions on 2.12.2009	✓	Commission proposal in early autumn 2010
Completion of impact assessment work	Commission	February 2010	Impact Assessment work on track	✓	Impact Assessment to be published together with Commission proposal

<sup>17</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0057+0+DOC+XML+V0//EN>

<sup>18</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/end-date\\_migration\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/end-date_migration_en.pdf)

### 3. PRIORITY 2: RAISE SEPA AWARENESS AND PROMOTE SEPA PRODUCTS

For SEPA to be a success it is indispensable to ensure that all stakeholders involved in the 'SEPA changeover' are properly informed. Major users, such as corporates and public administrations, but also consumers, need to be aware of the opportunities, benefits and challenges of the SEPA project. Certain categories of users such as public administrations and companies may need more targeted information so as to better understand and evaluate the impact of SEPA on their internal processes.

At national level, the effort to both raise SEPA's awareness and promote SEPA products is primarily a task for Payment Service Providers which should design and disseminate appropriate information on the main characteristics of SEPA products. Nevertheless, given the substantial benefits to society, public authorities also have an important role to play in promoting SEPA. They can do so indirectly, by leading by example through the early adoption of SEPA products and directly by either launching their own or (co-)financing public information/communication campaigns.

The level and intensity of current SEPA communication efforts at national level differ from one Member States to another. In some Member States, general SEPA awareness is ensured by coordinated efforts between the private and public sectors<sup>19</sup>, while in many others, SEPA communication is entirely left to the private sector<sup>20</sup>, sometimes in close cooperation with national central banks<sup>21</sup>. Communication activities in most non-euro area Member States are linked to the (potential) euro accession.

National SEPA coordination committees have been set up in all Member States to coordinate and monitor SEPA implementation as well as to identify the challenges in the SEPA migration process. Concerning the level of involvement of end-users in national SEPA coordination committees, significant differences between Member States can be observed. In most euro area Member States, end-users are present in national SEPA coordination committees<sup>22</sup>, while in some cases national SEPA coordination committees are only composed of the banking sector, in close cooperation with national central banks or State Treasuries<sup>23</sup>. In Slovenia, the participation in the national SEPA coordination committee is entirely left to the banking industry. Outside the euro area, almost all national SEPA coordination committees are composed of the banking sector, in close cooperation with national central banks or Ministries of Finance.

The Commission has established the EU Forum of national SEPA Coordination Committees to bring together the above mentioned national SEPA Committees. This forum provides a useful opportunity for national committees to familiarize themselves with the activities of their European counterparts, debate issues of common interest with the EU institutions and exchange information and good practices about SEPA migration. The forum meets

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<sup>19</sup> Belgium, France and Netherlands.

<sup>20</sup> Czech Republic, Denmark, Germany, Estonia, Luxembourg, Hungary, Austria, Poland and Finland.

<sup>21</sup> Italy, Cyprus, Latvia, Lithuania, Portugal, Slovenia and Slovakia.

<sup>22</sup> Belgium, Greece, Spain, France, Italy, Cyprus, Netherlands, Austria, Portugal, Slovakia and Finland.

<sup>23</sup> Germany, Luxembourg and Malta.



bi-annually and information about each of these meetings is available on the Commission services website<sup>24</sup>.

At European level, the Commission and the ECB address and will continue to address SEPA issues through a variety of channels such as: press releases, public speeches, reports on SEPA progress, web-sites, PA surveys<sup>25</sup>, leaflets<sup>26</sup> etc. The European Payments Council (EPC) itself has a crucial communication role for SEPA and has already undertaken a number of communication initiatives. In order to address the different categories of stakeholders, the EPC has published a series of SEPA brochures for consumers, businesses, public administrations, merchants, and IT providers<sup>27</sup>. The EPC has also developed information leaflets for the different SEPA instruments (SCT, SDD, cards) and issues a quarterly newsletter which is frequently downloaded across all market segments and SEPA countries.

**Table 4:** Action items – SEPA awareness and promotion

Actions	Actors	Deadline	State of play	Assessment	Follow up
Support industry's efforts to create SEPA awareness	Member States	End-2009	National SEPA committees established in all Member States End user involvement not always sufficient	+	Close monitoring of the improvements regarding end user representation in national committees where it is not yet sufficiently ensured and communication activities all Member States
Complement industry and national SEPA communication with initiatives at EU level	Commission, ECB, EPC	End-2009	Large number of communication activities undertaken	✓	Ongoing
Regular meetings of EU forum for SEPA national coordination committees	Commission	From October 2008 during the migration phase	Meetings take place bi-annually. Last (4 <sup>th</sup> ) meeting on 5.5.2010	✓	Ongoing Next meeting planned for 22.10.2010
Active marketing of SEPA products appropriate to the different user groups: concrete SEPA product offerings to customers	Payment Service Providers (PSP)	Immediate effect for SCT and 1.11.2009 for SDD	Need for more proactive communication and marketing by PSPs	-	To be addressed in context of setting a migration end-date

<sup>24</sup> [http://ec.europa.eu/internal\\_market/payments/sepa/ec\\_en.htm](http://ec.europa.eu/internal_market/payments/sepa/ec_en.htm)

<sup>25</sup> The Commission services intend to prepare a full scoreboard on the migration of PA across the EU for publication around the summer.

<sup>26</sup> Leaflet on SEPA: What it means for consumers and SMEs;

<sup>27</sup> Leaflet on PSD: What it means for consumers.

<sup>27</sup> <http://www.europeanpaymentscouncil.eu/>

#### 4. PRIORITY 3: DESIGN A SOUND LEGAL ENVIRONMENT FOR SEPA AND STRENGTHEN SEPA COMPLIANCE

##### 4.1. Complete the legal framework for SEPA

The transposition process of the Payment Services Directive (PSD) which provides the legal foundation of SEPA and had to be implemented by 1 November 2009 is almost achieved. However, there is a small group of Member States which lag behind. The Commission launched a number of infringement procedures earlier this year. In the context of these procedures, Greece, Spain, Cyprus, Poland, Romania and Sweden received reasoned opinions on 3 June 2010 requesting them to fully implement the PSD in their national laws. Since that date, four of the above mentioned Member States (Greece, Spain, Cyprus and Sweden) have passed the required national measures for incorporating the obligations of the PSD into domestic law. In Romania, additional legislation is still required in order to implement a number of provisions, mainly related to the prudential requirements for payment institutions. In Poland, all PSD provisions still have to be implemented and transposition should be completed by end October 2010.

Almost all Member States, except Germany and the Czech Republic, found a solution to ensure the continued legal validity of existing direct debit mandates when migrating to SEPA direct debit, e.g. during the PSD transposition. SDD migration should not require the re-signature of millions of new mandates. This would be extremely burdensome and costly, especially in Member States with high direct debit volumes.

**Table 5:** Action items – Legal framework for SEPA

Actions	Actors	Deadline	State of play	Assessment	Follow up
Ensure complete, consistent and faithful PSD transposition	Member States	1.11.2009	25 Member States have completed the transposition of PSD Implementation work in Poland and Romania still ongoing	+	Infringement proceedings under Article 258 TFEU ongoing
Find a solution ensuring continued legal validity of existing direct debit mandates when migrating to SEPA direct debit	Member States	Solution to be put in place by 1.11.2009	25 Member States found a solution for the continued legal validity of existing mandates	+	Ensure that the two remaining Member States find a solution

## 4.2. Competition issues

In accordance with the SEPA Roadmap, the Commission services published for consultation on 3 November 2009, a working document addressing the compatibility of multilateral inter-bank payments for a possible long-term SDD business model with the EU competition rules<sup>28</sup>. This document complements the provisions of Regulation (EC) No 924/2009 on cross-border payments in the Community<sup>29</sup> and the joint statement of the Commission and the ECB of 24 March 2009<sup>30</sup>. The working document indicated that a per-transaction multi-lateral interchange fee did not seem to be compatible with the EU competition rules and could not properly incentivize the efficient use of the scheme. However, the working document indicated that other arrangements such as a SHARE option or such as a multi-lateral fee for error transactions (or 'R-transactions'), if properly designed, could be compatible. Prior to the consultation, on 26 June 2009 the EPC plenary meeting had decided not to continue the discussion with the Commission on this topic and in fact there was no industry-wide common response to the consultation.

Although identified as an action for the EPC in the SEPA Roadmap to be completed by November 2012, the EPC has decided not to continue work on designing and implementing a long-term SDD business model which is compatible with competition rules.

**Table 6:** Action items – SDD business model

Actions	Actors	Deadline	State of play	Assessment	Follow up
Provide further clarity as to compliance of long-term business models for SDD with EU competition law	Commission	November 2009, provided that necessary contributions from relevant market actors have been made	Commission Working Document published on 3.11.2009	✓	No industry-wide contribution on working document received. To be assessed whether binding guidance needed by regulatory means
Design and implementation of long-term business models for SDD in line with competition rules	EPC	1.11.2012	EPC sees responsibility for this action item with scheme participants	–	To be assessed whether binding guidance needed by regulatory means

<sup>28</sup>

[http://ec.europa.eu/competition/sectors/financial\\_services/SEPA\\_working\\_document.pdf](http://ec.europa.eu/competition/sectors/financial_services/SEPA_working_document.pdf)

<sup>29</sup>

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:266:0011:0018:EN:PDF>

<sup>30</sup>

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/468&format=HTML&aged=0&language=EN&guiLanguage=en>

### 4.3. Compliance issues

The Eurosystem has published detailed Terms of Reference (ToR)<sup>31</sup> for card schemes and infrastructures as well as a set of expectations<sup>32</sup> for different stakeholders regarding the SEPA project.

In terms of implementing the Eurosystem's ToR, 13 card schemes<sup>33</sup> and 16 clearing and settlement infrastructures<sup>34</sup> have published SEPA compliance self-assessments on their websites. On the basis of an analysis of these self-assessments, the Eurosystem will review the SEPA compliance criteria and ToR for card schemes and infrastructures.

The expectations for banks and payment institutions published by the Eurosystem were intended to provide a benchmark. Payment service providers were invited to assess their services against these criteria on a regular basis and to publish the results. The expectations for payment users are meant to show how migration to SEPA can be actively promoted, providing guidance for implementing SEPA and giving an impression of what successful SEPA implementation would mean for users, as well as how they could benefit from it. The Eurosystem has, however, not specifically followed-up on compliance with these expectations and has not requested to receive any of the payment user self-assessments. It is therefore not possible to evaluate the progress on this action item.

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<sup>31</sup> See <http://www.ecb.europa.eu/paym/sepa/components/infrastructures/html/tor.en.html> for the Terms of reference for the SEPA – compliance of infrastructures and [http://www.ecb.int/paym/sepa/pdf/ToR\\_SEPA\\_compliant\\_card\\_schemes.pdf?1915cf8db5ec194b2c9e9070ebeb2ff7](http://www.ecb.int/paym/sepa/pdf/ToR_SEPA_compliant_card_schemes.pdf?1915cf8db5ec194b2c9e9070ebeb2ff7) for Terms of reference for the SEPA compliance of card schemes.

<sup>32</sup> <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>

<sup>33</sup> Aactiva (SI), American Express, Bancomat/PagoBancomat (IT), Cartes Bancaires (FR), Euro 6000 (ES), Girocard (DE), LaserCard (IE), MasterCard, Multibanco (PT), PIN (NL), Servired (ES), Sistema 4B (ES) and Visa.

<sup>34</sup> Bankart, CEC, Dias, EKS, EBA Clearing, Eurogiro, Equens, Iberpay, ICBPI/BI-COMP, KIR, RPS, SIA-SSB/BI-COMP, SIBS, STEP.AT, STET and VocaLink.

**Table 7: Action items – Compliance**

Actions	Actors	Deadline	State of play	Assessment	Follow up
Implement Eurosystem's SEPA ToRs for					
1) card schemes	Card schemes	June 2009	13 card schemes published self-assessment. Other card schemes intending to become SEPA compliant should conduct and publish their self-assessments. Already published self-assessments should be updated if necessary	+	Based on the self-assessments, Eurosystem will review the SEPA compliance criteria and the ToR. Changes to the EPC's SEPA Cards Framework and other relevant developments in the card schemes market will be taken into account
2) infrastructures	Infrastructures	End-2010	16 clearing and settlement infrastructures published self-assessment	+	Based on the self-assessments, Eurosystem will review the SEPA compliance criteria and the ToR. Implications of the SDD launch and relevant developments in the CSM market will be taken into account

## 5. PRIORITY 4: PROMOTE INNOVATION

An integrated payments market could create significant opportunities for innovation. In particular, SEPA could act as a launching pad for harmonising payments through mobile phones (m-payments) or the internet (e-payments). Similarly, SEPA could facilitate the move towards electronic invoicing (e-invoicing).

In the area of m-payments, the EPC is working on a series of documents which aim at creating a supportive framework for mobile contact-less card payments and remote mobile payments based on cards and SEPA credit transfers. A first White Paper on mobile payments has been published by the EPC on 2 July 2010<sup>35</sup>. This document focuses on mobile contactless card payments. The paper is based on the underlying assumption that "...mobile payments do not modify the role of existing stakeholders during the actual card payment transaction". A second edition of the White Paper concentrating on remote payments is planned for publication in the third quarter of 2011. Implementation guidelines for both types of mobile payments should be produced by the EPC in the 2011–2012 timeframe.

Regarding e-payments, work at the EPC is still ongoing. As a first deliverable, the EPC plans to publish a framework facilitating online payments with a payment-guarantee for web retailers through use of the SEPA Credit Transfer by online banking. The objective of this framework is to enable currently existing national e-payment schemes based on similar

<sup>35</sup>

<http://www.europeanpaymentscouncil.eu/documents/EPC492-09%20White%20Paper%20Mobile%20Payments%20version%202.0%20finalrev.pdf>

technical and business models to interlink at SEPA level. In the context of this framework, the EPC intends only to define minimum criteria, including legal and security aspects, which must be fulfilled by all online banking based e-payment scheme in order to meet the criteria of the framework. While progress has been made at technical level, the outstanding issues mainly concern the scope, legal form, and governance of such a framework and hence the future market structure.

Both the m- and e-payments frameworks under development by the EPC are limited to describing specific technical and business models. They will be voluntary, meaning that market players themselves will decide on adherence to a framework.

As concerns e-invoicing, the independent expert group set up by the Commission at the end of 2007 has completed its work. The final report of the group has been published on 30 November 2009 and includes a proposal for a European e-Invoicing framework<sup>36</sup>. The objective of the framework is to facilitate the uptake of open and interoperable electronic invoicing solutions within the EU. In this context, particular emphasis was put on the needs of small and medium enterprises (SMEs). The report was subject to a public consultation, a summary of which has been published on the Commission services website<sup>37</sup>. On the basis of the final report and the results of the consultation, the Commission plans to adopt a Communication on e-invoicing before the end of this year.

**Table 8:** Action items – Promoting innovation

Actions	Actors	Deadline	State of play	Assessment	Follow up
Deliver framework for m-payments	EPC, GSMA (association of mobile operators)	August 2010	First White Paper, focussing on mobile contact-less card payments published on 2.7.2010	+	Second version of White Paper, focussing on remote payments expected in 2011 Implementation guidelines in 2011–2012
Deliver framework for e-payments	EPC	End-2009	Work ongoing but further delays to be expected.	–	First deliverable to be finalised (framework facilitating online payments with a payment guarantee)
Complete European framework for e-invoicing	Expert group on e-invoicing	End-2009	Final report of the expert group published. Public consultation completed	✓	Commission to adopt a Communication on e-invoicing based on final report and consultation

<sup>36</sup> [http://ec.europa.eu/internal\\_market/consultations/docs/2009/e-invoicing/report\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2009/e-invoicing/report_en.pdf)

<sup>37</sup> [http://ec.europa.eu/internal\\_market/payments/docs/einvoicing/summary\\_report\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/einvoicing/summary_report_en.pdf)

**6. PRIORITY 5: ENSURE NECESSARY STANDARDISATION, INTEROPERABILITY AND SECURITY**

Standardisation and interoperability are the technical cornerstones of the SEPA project. It is crucial that all SEPA instruments allow for straight-through processing along the entire payment chain while ensuring a high level of security.

Adherence to the SDD scheme launched in November 2009 is significant with more than 2 800 banks (representing more than 70 % of the SEPA payments volume) adhering to the scheme. Adherence is expected to increase close to a 100 % by 1 November 2010 when the reachability obligation under Regulation 924/2009 comes into force for euro area banks. Actual usage of the SDD scheme, however, currently still remains extremely low.

While the EPC has developed implementation guidelines for the SCT and both SDD schemes across all domains (customer-to-bank and bank-to-customer), payment service providers (PSPs) and users are slow in actively communicating and implementing these guidelines.

Standardisation work on the SEPA cards framework (SCF) by the EPC is lagging behind. This has repercussions on the original timeline set by the EPC and the implementation of technical specifications for card standards by the cards industry. The finalisation of the SEPA Cards Standardisation Volume and its implementation by end-2010 does not seem realistic anymore, highlighting the need for an acceleration of the current work pace in the cards area.

**Table 9:** Action items – Standardisation, interoperability, security

Actions	Actors	Deadline	State of play	Assessment	Follow up
Establish consensus on the use of standards for structuring the unstructured remittance information (SCT)	EACT, in cooperation with users	June 2009	Standard for formatting contents of unstructured remittance information developed by the EACT <sup>38</sup> .	+	Standard should be freely accessible on EACT website without need for prior registration EPC to include necessary references to the standard in the upcoming SCT rulebook release.

<sup>38</sup> The standard specifies the elements enabling automated payments processing between business partners. Further information at <http://www.corporatesepa.com/eact.html>.

Active communication and implementation of SCT implementation guidelines in C2B domain <sup>39</sup>	PSPs, corporates, SMEs, public administrations, consumers, vendors	End-2009	Latest version of guidelines published by EPC in Oct 2009 <sup>40</sup> . Currently, the use of ISO20022 message standards in the C2B domain is very limited and business customers continue to initiate their payments using legacy formats	–	On the basis of Member States information, use of ISO20022 standards by public administrations is expected to rise during the course of 2010 and 2011
Active communication and implementation of Core and B2B SDD implementation guidelines in C2B domain	PSPs, corporates, SMEs, public administrations, consumers, vendors	November 2010	Implementation guidelines for Core <sup>41</sup> and B2B <sup>42</sup> SDD scheme in C2B domain published by EPC in Oct 2009. With SDD take up still being very limited, the use of ISO 20022 message standards by business customers in the C2B domain is zero or very low	–	Usage of ISO 20022 expected to increase after 1.11.2010, when reachability obligation under Regulation 924/2009 will come into force for euro area banks
Definition of SCT and SDD (Core and B2B) implementation guidelines in B2C domain	EPC	September 2009	Recommendation on customer reporting of SCT and SDD published on 15.10.2009 <sup>43</sup>	✓	Action completed

<sup>39</sup> The EPC recommended guidelines (a common set of data for exchange between customers and banks) established in 2008 are non-mandatory. However, to avoid market partition, all banks should be capable of accepting the recommended EPC standards. If not, corporates will be unable to benefit from SEPA.

<sup>40</sup> <http://www.europeanpaymentscouncil.eu/documents/EPC132-08%20C2B%20CTIG%20V3.3%20Approved.pdf>

<sup>41</sup> <http://www.europeanpaymentscouncil.eu/documents/EPC130-08%20C2B%20Core%20DDIG%20V3.4%20Approved.pdf>

<sup>42</sup> <http://www.europeanpaymentscouncil.eu/documents/EPC130-08%20C2B%20Core%20DDIG%20V3.4%20Approved.pdf>

<sup>43</sup> <http://www.europeanpaymentscouncil.eu/documents/EPC188-09%20Recommendation%20on%20Customer%20Reporting%20SCT%20and%20SDD.pdf>



Active communication and implementation of SCT and SDD implementation guidelines in B2C domain	PSPs, corporates, SMEs, public administrations, consumers, vendors	June 2010	EPC implementation guidelines only recommended, not mandated and therefore only used to very limited extent	–	To be further addressed in context of setting a SEPA migration end-date
Adherence to Core SDD scheme <sup>44</sup>	PSPs	1.11.2010	2 831 banks representing more than 70% of the SEPA payments volume (adherence status as of 9.7.2010)	+	100% adherence expected for euro area banks after 1.11.2010, when reachability obligation under Regulation 924/2009 will come into force for euro area banks
Complete SCF Volume enabling card schemes to define concrete technical implementation specifications for cards standards	EPC	End-2009	Work on SEPA cards standardisation "Volume" still ongoing. Version 4.0 published on 18.12.2009 <sup>45</sup> . Risk that definitive date defined by EPC in SCF by which all payment cards need to become SCF compliant (end-2010) cannot be respected by the market actors.	–	Need to speed up standardisation work for all domains otherwise not all options identified in the SCF <sup>46</sup> equally feasible. EPC established Cards Stakeholders Group (CSG) comprising of retailers, vendors, processors, card schemes and PSPs. CSG will further drive work on 'Volume'.

<sup>44</sup> Deadline is only applicable to euro area Member States. Non-euro area Member States should adhere by 1 November 2014.

<sup>45</sup> <http://www.europeanpaymentscouncil.eu/documents/EPC020-08%20SEPA%20Cards%20Standardisation%20Volume%20-%20Book%20of%20Requirements%20v%204%200%20approved.pdf>

<sup>46</sup> <http://www.europeanpaymentscouncil.eu/documents/Cards%20SCF%20006%2009%20v%202%201.pdf>, Section 1.2.1.

Implementation of technical specifications for cards standards	Cards industry	End-2009: decision to be taken on implementation date	No decision taken since the definition of implementation specifications is not finalised yet. Original objective of the EPC to have SEPA standards fully available by end 2010 after which the gradual implementation should take place in the market, no longer seems realistic.	–	Unavailability of card standards will cause a delay in SEPA implementation for payment cards. To be assessed whether some form of intervention mandating a timeline for development and implementation of detailed card standards is needed.
Develop best practices ensuring a high level of security for SEPA transactions <sup>47</sup>	EPC	End-2009	Recommended EMV compliance for cards, terminals and ATMs at levels between 70 and 95 % at EU level. Full compliance expected at end-2010.	+	Upgrade of SCF and 'Volume' planned. EPC plans to set up a European Certification Management Body in cooperation with cards schemes.
Deliver framework for card transactions processing	EPC	End-2009	Decision to develop framework has been taken	–	EPC to accelerate process to deliver framework
Deliver framework for priority SCT scheme	EPC	End-2009	Decision by EPC not to develop SCT priority scheme	–	No follow-up expected at this stage
Implementation of framework for priority SCT scheme <sup>48</sup>	PSPs	End-2012	Decision by EPC not to develop SCT priority scheme	–	No follow-up expected at this stage

<sup>47</sup>

[http://ec.europa.eu/internal\\_market/payments/docs/sepa/sepa-capgemini\\_study-final\\_report\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/sepa-capgemini_study-final_report_en.pdf)

<sup>48</sup>

Implementation of the priority SCT scheme should be optional.

## **7. PRIORITY 6: CLARIFY AND IMPROVE THE GOVERNANCE OF SEPA**

To help remedy the need for an over-arching SEPA governance model at EU level as identified in the SEPA Roadmap, the Commission jointly with the ECB established a new SEPA Council bringing together five high-level representatives from key stakeholders on both the demand and supply side, as well as four board members of National Central Banks on a rotating basis. The first SEPA Council meeting was held on 7 June 2010 and injected a new momentum into the SEPA migration process by adopting a formal declaration stressing strong support for the establishment of end-date(s) for migration to SEPA Credit Transfers and SEPA Direct Debits by means of legislation at EU level<sup>49</sup>.

In the context of SEPA governance, the Commission will closely monitor the implementation of its SEPA Roadmap and will publish bi-annual progress reports. This document represents the first of these reports.

The EPC has been striving to improve the transparency of the existing EPC governance model. The EPC scheme management internal rules stipulate that all stakeholders may introduce formal suggestions for changes to the schemes. Although there is a three-month public consultation on proposed changes, the evaluation of the feasibility of the latter remains at the discretion of the EPC, as does the final adoption of scheme rules. While in a network industry, it may not be possible to implement all and possibly conflicting proposals by all stakeholders, this highlights the importance of proper governance arrangements with careful consideration of user concerns. The Commission services will continue to actively and closely monitor the implementation of the present governance improvements in the EPC, in particular as regards consideration given to consumer interests, and should deficiencies or weaknesses emerge, the Commission will not hesitate to bring forward further proposals within the scope of future SEPA implementation reports.

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<sup>49</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/council/end-date\\_declaration\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/council/end-date_declaration_en.pdf)

**Table 10:** Action items – SEPA governance

Action	Actors	Deadline	State of play	Assessment	Follow up
Establishment of effective SEPA governance structure at EU level	Commission/ ECB	End-2009	SEPA Council established. First meeting on 7.6.2010.	✓	Future meetings of SEPA Council on bi-annual basis
Biannual reporting of progress in the implementation of the SEPA Framework for action	SEPA governance structure	From the date of the official establishment of the new SEPA governance structure	First report published by Commission Services in October 2010	✓	Ongoing
Adoption of measures to the existing EPC governance model: 1) enhance stakeholder participation and consultation; 2) increase transparency; 3) enlarge membership to payment institutions	EPC	End-2009  End-2009 November 2009	Renewed efforts to involve stakeholders on demand side EPC plenary enlarged to payment institutions	+	Commission services will closely monitor implementation of governance improvements and bring forward further proposals if need be
Evaluation of SEPA governance structure	Commission/ ECB	End-2011	SEPA Council established	n/a at this stage	Evaluation to be carried out closer to the deadline