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PRESS RELEASE

Steering Committee on the future of means of payment

Establishment of a working group for the implementation of the Single Euro Payments Area or SEPA at every level of society.

Chaired by the National Bank, a new working group whose aim is to work together with all the economic groups involved in the process of preparing for the introduction of SEPA in Belgium, held its first meeting on 12 May. An important European project is under preparation which is generally referred to by the acronym "SEPA" – the Single Euro Payments Area. SEPA will make it possible to use bank transfers, payment cards and direct debits to make it as easy to effect payments in Europe than is currently the case within the borders of a single country. In fact it is quite logical that, within the euro area, where it has already been possible to pay using the same notes and coins for nearly five years now, there will be European cashless payment instruments available as well. Work has been in progress on the preparation of this complex project for several years: it has been carried out by the European and national banking sectors, the European authorities and the national central banks. The framework for SEPA is becoming ever more clearly defined, and it is time to think about its introduction in practice.

The objective of SEPA

The aim of SEPA is to create a single European market for payment services. To this end, European standards are being introduced for payments with bank transfers, direct debits and payment cards. A legal and regulatory framework is also being drawn up. The end-users (consumers, governments and companies) should be able to use these European payment instruments throughout Europe just as efficiently and safely as within the borders of a single country today. Any technical, statutory and practical stumbling blocks must be removed in order to create this European market for cashless payments. These standards and the single regulatory framework for the whole community, should lead to the development of more effective competition in the payment services sector. SEPA therefore fits entirely into the "Lisbon Agenda" of the EU leaders, in which efforts were to be made to improve the competitiveness of the European economy.

A few examples are given below to illustrate the aims of SEPA.

- A company active at international level is currently more or less obliged to have at least one bank account in every country in which it trades because the technical standards and regulations differ from country to country. As a result of the open, community-wide SEPA standards and the uniform legal framework the banks and other payment services providers will be working on a European scale. The companies will be able to adapt to this more competitive market and seek out the best provider to effect all their payments across the entire euro area from a single bank account.
- Ordinary consumers will be able to use their payment cards anywhere in Europe in the SEPA environment, to pay for fuel for example or to go shopping, in just the same way as they do today in their familiar national surroundings. Paying for a holiday apartment in France or Spain with a European transfer will be just as simple as paying for an apartment on the Belgian coast. The same principle will apply to payments via direct debit for a subscription to a foreign magazine, for example.

The milestones: 2008 and 2010

Today it is no longer a question of whether SEPA is going to happen but of how it can be put in place. Two milestones have been set in this context. As of January 2008, the general public, companies and the government will have the possibility to use uniform European transfers and direct debits next to the existing national ones, and the technical barriers standing in the way of cross-border acceptance of cards at point-of-sale terminals and cash machines will have been eliminated. By the end of 2010, the large majority of cashless payments will take place using the SEPA payment instruments. It is therefore high time that all those involved start to take action.

SEPA: a matter for society as a whole

The advent of SEPA is an event which relates to society as a whole since ultimately all end-users will have to deal with the new payment instruments. Consequently, it is necessary to organise consultation with every economic group so as to make arrangements for SEPA's implementation in Belgium. The aim must be to introduce SEPA under the best possible conditions for all those affected and to make it a successful project for society as a whole.

A decision was therefore made to begin this consultation within the framework of the "Steering Committee on the future of means of payment". This Steering Committee, chaired by the Governor of the National Bank of Belgium, was set up in May 2004 to bring together all the economic players involved in order to consider the future of means of payment. As SEPA will have a fundamental impact on how they develop, it was therefore decided to set up a specific SEPA Working Group within the framework of this consultation. This working group is made up of representatives of the federal government, Febelfin (Belgian finance federation), Banksys, De Post (Belgian post office), consumers, companies and small and medium-sized enterprises and traders. The National Bank chairs the working group and provides support in terms of content and administration. In the first phase, the principal aim is to allow for an exchange of information about the current state of the SEPA project and to list those points that are still unresolved. The next stage will be to work on a concrete plan for every sector regarding the implementation of SEPA. All those involved will be asked for their input with respect to the drawing up of this plan, and their active cooperation is expected to facilitate its implementation.

Close cooperation between the banking sector and the National Bank

This initiative is taking place against a background of close cooperation between the Belgian banking sector and the National Bank that jointly set up a consultation structure over a year ago to determine all the interbank aspects regarding the changeover to SEPA. An initial migration plan for Belgium was published in March of this year which shows that the banks are totally committed to SEPA. This national migration plan is based on the activities of the European Payments Council (EPC), the interbank umbrella organisation covering the whole of the European banking sector regarding this issue. In the meantime, the standards have been worked out within the EPC for transfers and direct debits and the European framework for card payments is being drawn up. Work can therefore now begin on implementation.

SEPA: a challenge

The transition to SEPA requires that all economic players adapt to it. It is of course primarily the banks and other payment service providers for whom the adaptations will be the greatest. In addition, there are the companies that are the source or the recipients of large payment volumes. The role of government is also very important, firstly because political support is imperative for the success of this process which is essentially one of social change, and secondly because the government, as a major end-user, can set an example for the use of the European payment instruments. The government's lead will make a major contribution in terms of encouraging the other economic players to make the transition. And, last but not least, ordinary consumers must be involved in the process in an appropriate manner so that they can master the new instruments.

The implementation of SEPA is a major challenge. After all, Belgian end-users currently have at their disposal one of the most efficient payment systems in the world, whereas it is not yet entirely clear what SEPA will look like in concrete terms. Naturally, it will have to be ensured that SEPA is not a step back for the end-user. SEPA will therefore have to be a dynamic process with room for innovation and for improvement of the existing products. It would be unfortunate, if only the transitional costs that will necessarily be involved in the introduction of SEPA, were highlighted. It is important to see the opportunities first and foremost and to investigate how benefits can be derived from the more competitive environment in every sector. The examples given above show that there will be opportunities for everyone involved to benefit from the removal of the barriers to cashless payment transfers.

For more information on SEPA, please consult the NBB website: <http://www.nbb.be/sepa/en>