



EUROPEAN CENTRAL BANK

THE EUROSYSTEM
THE CENTRAL BANKING SYSTEM OF THE EURO AREA

WHAT IS THE TIME FRAME?

THE SEPA PROJECT HAS TWO PHASES:

- > implementation phase until 2008. The schemes for SEPA payment instruments have been developed, and banks and infrastructures will prepare their systems for roll-out.
- > migration phase from 2008. Customers will be offered both “old” national instruments and the “new” SEPA instruments. The European infrastructures will be able to clear payments made by both types of instruments. A critical mass of transactions will have migrated to SEPA payment instruments by 2010. Moreover, by end-2010, all euro area retail payment clearing and settlement infrastructures must be capable of processing SEPA instruments. Consequently, infrastructures must be able to address or receive, directly or indirectly, payment orders from any bank in the euro area.

WHAT HAS THE EUROPEAN PAYMENTS COUNCIL (EPC) DONE?

- > developed and approved two rulebooks; one for SEPA Direct Debit and one for SEPA Credit Transfers;
- > developed a framework for SEPA cards and for SEPA clearing and settlement mechanisms;
- > worked on common standards for cash and payment transactions.

THE ROLE OF THE EUROSYSTEM

The Eurosystem supports the SEPA project and will continue to provide guidance to the banking sector in order to obtain an infrastructure that is in the best interests of Europe. Please see [“Towards a Single Euro Payments Area – Fourth Progress Report”](#), European Central Bank, February 2006.

The Eurosystem will additionally support and assist in the coming communication period.



THE EUROSYSTEM'S VISION FOR SEPA:

To enable people to make payments throughout the euro area as quickly and easily as they make national payments today.

SEPA aims to create an integrated market for payment services in the euro area, i.e. one which does not distinguish between cross-border and national payments. This entails the removal of all technical, legal and commercial barriers between the current national payment markets.

By creating open and common standards that overcome technical and commercial barriers and by fostering competition and improving payment services, SEPA will lead to a more efficient and competitive payments industry.

The SEPA project must be forward-looking, embracing and enabling new technology. Value-added services, such as **e-invoicing** and **e-reconciliation**, will maximise the benefits of the core SEPA products.

e-invoicing: *electronic bill presentment. Bills are sent directly to the payer's internet banking application. If he/she accepts, the e-invoice automatically creates a payment instruction containing all information about the payer and the payee.*

e-reconciliation: *electronic matching of payment and bill. When a payment is successfully settled, information is sent to the payee verifying that the customer has settled the bill. The bill is matched with the payment and the payee's records are automatically updated.*

SEPA

SINGLE EURO PAYMENTS AREA

WHAT IS SEPA?

- > SEPA will make all euro payments in the euro area “domestic”.
- > SEPA will result in new pan-European payment instruments, infrastructures and standards.

WHY SEPA?

- > SEPA is a natural consequence of the introduction of the euro.
- > SEPA is another step in the creation of a single market for Europe; it eliminates the difference between national and cross-border payments.
- > SEPA is a logical step forward in European economic and monetary integration.

WHAT ARE THE BENEFITS OF SEPA?

> FOR CONSUMERS

SEPA payment instruments will be used throughout the euro area and will make life easier for consumers. They will **only need one bank account**. From this account, they will be able to make credit transfers and direct debit payments anywhere in the euro area as easily as they make national payments. They could, for instance, pay rent for children studying abroad, pay for a holiday home or for services provided by pan-European companies, e.g. mobile telephone services, insurance companies, utilities etc. People who live, work or study outside their home country will no longer need a bank account at home and another one abroad.

> FOR MERCHANTS

Cards are becoming one of the main payment instruments for consumers. To accept card payments, merchants need an agreement with the bank which “acquires” the card payment, i.e. processes the payer information and forwards it to the clearing infrastructure.

SEPA will allow acquirers to process all SEPA-compliant card payments, even across borders. Merchants can therefore choose any bank to acquire their card payments, which will increase competition and drive costs down.

SEPA will also push forward the standardisation of point-of-sale terminals in the euro area. Merchants will be able to accept a wide range of cards with a single terminal, and competition could also drive costs down.



> FOR COMPANIES

SEPA will help companies simplify their pan-European business management, as all financial transactions can be done centrally from one bank account using SEPA payment instruments. Payments handling will be simplified as all incoming and outgoing payments will use the same format. Companies with pan-European business can also save costs and time by consolidating their payment management. Value-added services, such as e-invoicing and e-reconciliation, can help companies optimise their accounting systems. Today, these services are often only offered nationally as the different payment formats make cross-border use difficult. Payment instruments based on standardised SEPA payment schemes will make this obstacle easier to overcome.

> FOR BANKS

EU Commission Regulation No 2560/2001 has created an imbalance between bank fees and costs for cross-border payments. This can be overcome if the handling of cross-border payments – processing, clearing and settlement – becomes as efficient and cheap as the handling of national payments, which is exactly what SEPA is all about.

By providing new payment instruments and common interoperable infrastructures, SEPA will bring about further European integration and market efficiency. This consolidation of infrastructures will spur competition and banks can then negotiate better clearing prices.

SEPA payment instruments will allow banks to expand their business and compete on a pan-European level, as any bank can offer its services to anyone in the euro area, without additional cost or extra effort. Banks can also expand their business and offer their customers value-added services in addition to SEPA payment instruments.

Regulation No 2560/2001 states that the fee for cross-border payments cannot exceed the fee for a similar national payment.