# Ask the experts:

# A promised land

Is a Single Euro Payments Area going to help corporates to do business better in Europe?

**Raffi Basmadjian, Deputy Treasurer, France Telecom Group Treasury**

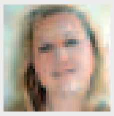
As it stands, the only thing that is 'single' in the Single Euro Payment Area (SEPA) is the euro. In fact, Europe is lacking harmonisation. Its lack of common standards presents a hurdle for corporate treasurers who want to manage efficiently their treasury and cash management processes across Europe. Indeed, in this context, to retrieve bank account statements in various countries is already a problem as the formats and the transaction codes are different from one country to another, even within euro zone countries.

As SEPA is a political decision, it is mandatory for all the stakeholders (including banks and corporates) to be ready by 2008/2010. This is a very short period of time and there is still a lot to do – including defining the content of the SEPA project – before 2008 to make this project a success. But let's dream a little bit – after all, this project is a promised land of opportunities.

SEPA has two key aims. One is to achieve truly end-to-end straight-through processing (STP) in the payments world by the use of XML messages for payment and reporting. If the Pan-European Automated Clearing House (PE-ACH) is going to support these formats whatever their size, then all in the financial community will benefit.

SEPA's second key goal is to implement universal formats such as the new set of XML Swift messages (payment initiations, reporting, direct debits). Indeed, by adopting such universal Swift standards as domestic euro formats, European corporate treasurers will be able to do business better not only in Europe but also in the rest of the world provided that the banks are Swift-compliant.

Standardisation is key in all centralisation programmes. SEPA is bringing in a very deep standardisation process. It is in the interest of all corporate treasurers to aim for a standardisation wider than the borders of the euro zone so to be able to use a single set of formats and standards to perform cash management and treasury operations the same way, anywhere in the world.



**Angela Potter, Head of International Trade and Cash Solutions, Barclays**

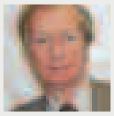
The Single Euro Payments Area is undoubtedly going to help corporates do business more easily in Europe. Why am I so unreservedly optimistic? Because SEPA is an idea whose time has come, although in the eyes of the politicians and regulators it has taken too long to arrive, given the agenda they set out in Lisbon in 2000 for the decade to 2010.

First and foremost, SEPA aims to establish a truly pan-European direct debit scheme for the first time. This will enable multinational corporates to rationalise their collection arrangements across Europe. It will also encourage mono-national corporates to extend their product offerings into the multinational environment that is the European internal market by giving them confidence that standard collection processes are in place across Europe and they will be paid.

Second, SEPA requires significant improvements to credit transfer practices and processes across Europe. Regulators are insisting upon a next-day capability as a new minimum for mass-market payments, and where same-day capability is available locally to continue to use that. Thus, SEPA will provide greater speed and certainty for payments across Europe in the same way as is the case for national ACH payments, and at comparable prices.

Third, SEPA will provide a pan-European card framework that will enable consumers to use their debit cards anywhere in Europe, making it easier and cheaper for corporates to collect the proceeds from the sales of products and services.

SEPA will, of course, only help those corporates with the vision and determination to grow their own businesses outside their existing markets across all of Europe.



**Alec Nacamuli, Global Payments Executive, IBM**

Nobody should harbour any illusion that SEPA will not happen. The EC and the ESCB are determined to drive it through, customer pressure is mounting and the fog is lifting. The European Payments Council (EPC) has published the SEPA Cards Framework and the Rulebooks for the SEPA Credit Transfers and the SEPA Direct Debit. The Commission has issued the proposed Directive on payment services. The surprise was the article on execution time which requires "…the payer's payment service provider to ensure that, after the point in time of acceptance, the amount ordered is credited to the payee's payment account at the latest at the end of the first working day following the point in time of acceptance". This could prove a challenge for cross-border payments taking into account the requirement for total reachability. We can anticipate some confusion as 25 countries, thousands of banks and millions of users move to the SEPA standards at variable speed. Converters between the current national and the new SEPA standards could facilitate interoperability and reachability. Corporations which have already centralised their European treasury operations, will be able to issue and receive all payments from one bank in one location. A large number of accounts set up for local subsidiaries to pay salaries, suppliers and collect receivables are likely to be closed.

The profitability of the banks' payment business will suffer in this competitive climate. Treasurers are keen to see banks develop value-added services. How can banks ease their customers' reconciliation of accounts payables and receivables? Can they help integrate the supply, logistics and financial chains?

"The banks' task is to understand our problems and come up with the solutions that we can't think of ourselves," said Juan Rada, Treasurer of Oracle, at the SIBOS conference last September. The gauntlet has been thrown down… how will the banks respond to the challenge?