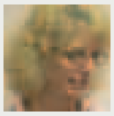
Ask the experts:

A deliberate payments challenge

Is the changing regulatory environment helping to improve payment processes?



Tracy Sims
Global Treasury Manager,
Royal Mail

It depends on whether you look at it from a business or customer perspective. From a business perspective, anything that can enable straight-though processing (STP) with a hands-off approach and can be integrated into systems is obviously going to improve payment processes.

There is a lot of confusion with the Single Euro Payments Area (SEPA) and a general feeling that the timescales are unrealistic. Businesses have to leverage every last drop of benefit they can get from any system changes. They will have to spend a lot of resource and budget on integrating the accounts receivable and payable systems; any changes will therefore have to be planned well in advance.

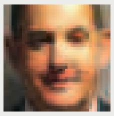
Until we can actually get a timeframe we cannot allocate the budget needed. We will need a good 18 months lead-in time, and we still don't even know whether it is going ahead, and if so in what format.

Direct debit changes, for example, could have a major impact on businesses. Once the structure, transmission message and so on have been decided, there will still be a lot of work to do. The software companies will have to test it and then roll it out to customers to integrate into systems.

We need to be shown what the benefits are exactly. It is doubtful whether SEPA will be able to significantly improve our domestic direct debit system, which is well established and successful.

Corporates also have to deal with education when any new regulation is implemented. Unless there is going to be a pan-European education programme, businesses will be struggling to explain to customers what the changes are and what difference it will make to them.

The regulatory changes may be beneficial for payment processes, but there is so much that needs to be done to get it implemented fully.



Colin Klipin, Global Head of Payments, Global Retail and Commercial Banking, Barclays

2007 will see the introduction of a number of regulatory changes, which will have a positive impact on payment processes.

With the Faster Payments scheme due to go live in November, and the OFT review of cheque clearance out in the same month, both the corporate and retail banking markets will benefit from a clearer and more accessible system, which will crucially see standards across Europe being harmonised.

The changes around the SEPA credit transfer, due a few months later in January 2008, should have the effect of further simplifying and improving processes.

The specific changes around Faster Payments highlight some of the benefits being felt more broadly across the sector – for example, the additional payment methods that corporates are set to enjoy.

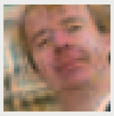
Although access to the Faster Payments scheme will be dependent on individual service providers, accessibility will still be increased, with the service potentially available around the clock.

The speed at which lower value transactions (under £10,000 for a one-off payment and £100,000 for standing orders) are transferred will also increase.

Compared with the normal three-day payment cycle, transactions could reach the beneficiary in as little as two hours.

The Faster Payments system clearly has its limitations – the payment limits will restrict the size and number of transactions which take place, and it will take time before the system is fully functioning, and thus available to all channels and suppliers.

However, the scheme, along with the other regulations coming into force in 2007, should serve to simplify and standardise the payments process, which will clearly be beneficial to corporates and retail customers alike.



Adrian Stafford-Jones, Founder and Managing Director, Albany

There have been many changes in this market recently. We have seen the UK legislation that has challenged payment times, for example. The Faster Payments initiative insists that the UK can process payments faster. The BACS three-day process is very good for bulky payments, and cost-effective, shorter-term, smaller payments are very expensive.

SEPA is very important and presents an opportunity and a shake-up in this area. It will be beneficial for treasurers because corporates will no longer need to run bank accounts in every country.

Deadlines of 2008 and 2010 have been criticised and they are definitely challenging. You need deadlines because otherwise the process is very slow. The real work tends to begin on these things as you get much closer to the deadline.

SEPA will make a huge difference because it will eliminate the minefield that is cross-border payments. They are currently difficult, expensive and a manually-intensive process. SEPA will bring many opportunities for Europe to embody many more of the things that Europe is meant to be about.

Corporates are concerned about how much they will need to do to be compliant and I think they are right to be. There has not been sufficient thought and work going into the proposition from the corporate perspective.

There needs to be a consistent and standardised way for corporates to connect into bank systems. If there is not, then compliance will become onerous. Currently, there are no answers being given on this. It has been left to individual banks to decide how corporates will connect.

The software world has a long way to go. Hopefully, we will see more work done and discussion around how corporates will connect to bank systems and become SEPA-compliant.

For more on payment processes, see the ACT Cash Management Conference Report accompanying this issue, or visit www.treasurers.org