



The Association of Corporate Treasurers

Comments in response to SEPA Scheme Management Governance A consultation from the European Payments Council (EPC075-06), 30th September 2006

October 2006

The Association of Corporate Treasurers (ACT)

Established in the UK in 1979, The Association of Corporate Treasurers is a centre of excellence for professionals in treasury, including risk and corporate finance, operating in the international marketplace. It has over 3,600 members from both the corporate and financial sectors, mainly in the UK, its membership working in companies of all sizes.

The ACT has 1,500 students in more than 40 countries. Its examinations are recognised by both practitioners and bankers as the global standard setters for treasury education and it is the leading provider of professional treasury education. The ACT promotes study and best practice in finance and treasury management. It represents the interests of non-financial sector corporations in financial markets to governments, regulators, standards setters and trade bodies.

General

The ACT welcomes the opportunity to comment on this matter. Contact details are provided at the end of this document.

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Comments

We have reviewed your paper on the proposed governance structure for the EPC which is designed to cover the future when the Scheme Management Entity (SME) becomes fully operational. We note that to a large extent it is concerned with establishing a process for adherence and compliance by the Scheme Participants and that it is not really appropriate for us to comment on these aspects. However the members of the ACT work for companies that are likely to be customers of the banks and future users of SEPA

payments schemes, so that we feel that we are best placed to comment on the aspects of Governance that cover 'Stakeholders'.

Infrastructure

We note that the infrastructure providers are intended to be separate from the Schemes and the Scheme Management Entity in order to allow market forces to operate on the infrastructure providers. This is a model that is common in the payments industry and one we regard as a sensible mechanism to bring in standardisation where necessary but with competition where possible.

Objectives of Scheme Management

We welcome the inclusion within the objectives of the need to operate a change process and one that allows Scheme Participants and Stakeholders to contribute. With a monopolistic service run solely by bank service providers, there is the danger that the organisation might become complacent and not be responsive to customer needs. The worry is that the EPC will not strive to deliver the best service possible but will be content to stick with a lowest common denominator system. The EPC clearly recognises this concern so it is good to see this change process objective included.

While welcoming this objective we believe that the objectives should go even further and include an objective to innovate, not just for its own sake but where this can create a cost benefit perhaps through use of improved technology or through improved services and features for the scheme. The change objective may be intended to cater for this but we feel that it is important to make specific mention of an intention to seek ideas for improvements and implement those that can be justified in terms of the overall good of the community of providers and users.

The implication from section 2.2 - The Change Management Process, it that it is your intention to capture new ideas but it would be good specifically to state this through the objectives

Structured Dialogue with Stakeholders (2.1) /

Organisation of Structured Dialogues with Stakeholders (3.4)

A likely concern from stakeholders is that with the reach of the SEPA schemes being so wide it may be difficult for stakeholders to provide feedback. We note your intention to have a dialogue at a European level and this is indeed sensible and in theory very appropriate for pan-European Schemes. In practice not all categories of customer will have formed European Groupings so the intention to consult via national communities using the national banking communities as a channel for this is a practical suggestion.

We welcome the idea that the EPC will establish representative forums and hope that the EACT (European Association of Corporate Treasurers) will be involved as one of the representatives of corporate customers.

The Change Management Process (2.2)

If confidence in the consultation processes is to be created it will be important that the suggestions and opinions do find their way through the EPC organisation and get considered at the appropriate level. Missing from this initial governance statement is the detail of how the EPC will filter ideas for change and improvement, and what criteria you will use to decide on which ideas are worth considering and progressing. We understand that you do intend to create some principles and tests to apply to any change proposals, but have yet to do this. The body that does the initial screening of ideas and proposals should include experts from amongst the stakeholders.

Confidence in the stakeholder involvement process is likely to be strengthened if stakeholder inputs are in some way made transparent though publishing on the website the main ideas and themes that arise together with the EPC responses.

Organisation of Responsibilities (3)

It appears that the intention is that the SME will not be responsible for the change management process but rather this will be retained within the EPC plenary. Various options are proposed for the SME including the ability to involve independent directors, but not at the EPC Plenary level. The lack of independent involvement at the Plenary level will create some nervousness that ideas for innovation and change might not get the attention and impetus that they deserve. Transparency on ideas debated at Plenary and the conclusions will be important. This concern makes it all the more important that there is transparency over the principles and criteria you will use to decide on which ideas are worth considering and progressing.

Structural options for the SME (4)

Since the SME is intended to be concerned mainly with compliance and adherence we do not intend to comment at length on the structural options other than to say that option 2 for creating a separate legal entity owned by the EPC does have the advantage of allowing for the introduction of independent directors.

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