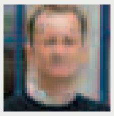
Ask the experts:

Race against the clock

Is the Single Euro Payments Area initiative running to time and will it be ready to go in January 2008? And even if it is technically available by then, will enough banks and customers take up the clearing system for SEPA to reach a critical mass by 2010?



Tom Bushman, Chairman and CEO, Twist

SEPA can be delivered in time, facilitated by the preparations already made and accelerated by corporate market pressure.

The SEPA-enabled payment services specified by the European Payments Council (EPC) lean heavily on existing technology and infrastructures, such as automated clearing houses, which, in a consolidating market, see their existence threatened if they do not support SEPA in time.

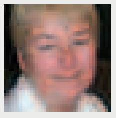
The payment services directive does not need to be ratified by all EU countries before banks can start delivering services that comply with its requirements, such as reduced settlement times and standardised liability arrangements between banks and their retail customers. And the payment services directive is likely to be ratified by most countries before 2008 anyway, so there will be enough legislation for banks and corporates to resort to if they wish.

That leaves us with the question of rapid delivery by banks of SEPA services. The EPC does not guide banks in how to deliver these services; it only recommends they use in their customer interfaces the XML-based message standards co-developed by Swift, Twist and others.

Many banks see SEPA as a large investment in the often very old infrastructures they use for servicing their customers; with no guaranteed return, they are in no hurry to make that investment. But SEPA harmonises and commoditises the payments market and some banks see it as an opportunity to compete in a more open market with a better interbank infrastructure and lower fixed costs. In their view, payment services can be a channel to offer other innovative services across Europe to a broader customer base. It is those banks that will lead the market in delivering SEPA on time – but only if they gain support from their corporate customers.

That support, in terms of migration to SEPA-enabled services, is only likely if those services offer a business justification. Part of the corporate business case for SEPA is its automatic reconciliation of accounts payable and accounts receivable. But the business case would be even better if SEPA offered continued access to existing flexible payment services, if migration costs were drastically reduced, and if interface designs incorporated more stringent controls.

If the leading banks are prepared to deliver SEPA based on corporate requirements, then corporate market demand is likely to drive banks into delivering SEPA in time.

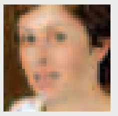


Diane Barker, Treasury Systems and Back Office Manager, Fujitsu

Even if the payment services directive and SEPA schemes are implemented according to the EPC's timetable, there is still a significant amount of work to be done by banks and technology suppliers to develop products and get them out into the market. This in turn will prevent corporates from identifying the exact solution they need and so delay the implementation of SEPA.

The process itself is not complicated. We are replacing numerous clearing systems and clearing cycles and establishing one simple, standard solution. Many corporates have not been able to keep up to date with SEPA developments and identify the benefits in terms of liquidity, technology and cost, given all their other commitments. But the ACT, banks and other bodies have done a lot of work to provide information and there has definitely been a lot more interest in recent months.

It's instructive to consider the migration to BACSTEL-IP for UK BACS transactions: a number of corporates were not fully ready by the compulsory deadline last year despite a welter of communications from the banks and Voca, and the availability of approved software well in advance of the deadlines. The SEPA implementation affects more countries and will have a bigger impact, so corporates should not underestimate the time it will take to identify the solution, obtain budget, schedule their own resources and those of the bank/technology supplier, and implement. Many corporates may not be ready when SEPA goes ahead.



Sarah Jones, EMEA Treasury Director, Hewlett-Packard

Few corporates have a deep understanding of SEPA and what it will mean for them – an ignorance that stems partly from the fact that many of the banks are themselves still trying to work out what its impact will be.

Since the beginning of this year, both Twist and the European Association of Corporate Treasurers (EACT) have been formally engaged in SEPA at the request of the European Commission. Both organisations are providing much needed support to corporates by gathering feedback from them on what they require from a next-generation payments system and passing this information on. While this effort might have come a little late in the day as far as the EPC is concerned, there is still enough time to influence the first SEPA implementations by banks.

For corporates, we welcome the benefits that SEPA is promising to deliver, such as common standards, transparency of pricing, standardised value dating, and, of course, domestic pricing applied to euro payments.

But there are many additional features that we would like to see offered on a standard basis in the payment world: for example, full remittance information delivery, payment tracking and acknowledgement, a reconciliation service, and so on. Ultimately, we are looking for a payment system that operates on open standards and platforms in order to enable cross border, end-to-end financial supply chain automation.

It would be in the interest of corporates and banks to build a more customer-focused SEPA. Achieving this requires the corporates to demand more from SEPA than is currently specified by the EPC, support or even regulation from the EU Commission, and wide propagation between corporates of successful SEPA implementations.

I would also encourage other corporates to continue to provide input to their banking partners as well as to support the efforts of Twist and the EACT so that we end up with a SEPA that delivers maximum value for all involved.

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