

# A UNIQUE OPPORTUNITY

**SEPA IS THE ENABLER OF MORE STREAMLINED TREASURY PROCESSES, GREATER CASH VISIBILITY, TIGHTER CONTROLS AND IMPROVED RISK MANAGEMENT. MICHAEL TURNER EXPLAINS HOW**

When treasurers think about the Single Euro Payments Area (SEPA), their first focus is naturally on the issues that ensure compliance, such as IBAN collection and project plans. Yet SEPA is not merely a compliance project, but also an enabler for improved efficiency, which can be applied with far-reaching benefits throughout the eurozone, Europe – and indeed, globally. It is thinking along these lines that can make a real difference to treasury operations.

## Centralisation

The opportunity to centralise processes that have historically been fragmented according to differing national laws and regulations is one of the main business advantages of SEPA. For receivables, in particular, the SEPA direct debit scheme is transformational, since it replaces the legacy systems of 17 different countries with a single instrument. In markets where direct debits have yet to be widely used, it therefore provides a convenient opportunity to move customers away from making cash and cheque payments, which can be inefficient and disrupt workflow (for example, by forcing sales teams to chase payments).

As a result, treasurers can benefit from faster access to cash (as well as the ability to move it into a central

location more quickly), greater visibility and better control. These combined factors should serve to boost working capital, generate operational efficiencies and reduce risk – advantages that will provide grounds for using SEPA as a driver for the future establishment of payment and collection factories.

## Automation

Thanks to the structured fields in ISO 20022 XML, the designated message format for SEPA transactions, groups will be able to denote when a payment is made on behalf of ('POBO') a certain subsidiary. Historically, it was often the case that the data, which did allow for such denotation, would become truncated in local legacy clearing systems.

## SEPA: WHERE ARE WE NOW?

◆ For companies based within the eurozone, or with eurozone subsidiaries, the end date for compulsory migration to the SEPA direct debit (SDD) and SEPA credit transfer (SCT) schemes is 1 February 2014.

◆ For companies operating outside the eurozone, the end date for migration is 31 October 2016.

◆ Italy and Spain have requested a waiver of the rule that states all parties must provide files in the ISO 20022 XML format to their bank by 1 February 2014. As a result, corporates in these countries do not have to deliver files using the XML format to their bank until 1 February 2016. In the meantime, they do need to provide the relevant data to allow their transactions to be processed as SDDs and SCTs.



As a result, a group that has one IT system for payables could use a single bank account for all its subsidiaries and beneficiaries, while still being able to identify the paying subsidiary. In addition, the standardised message format will enable automatic reconciliation between a group's enterprise resource planning system and its bank statement.

## Rationalisation

SEPA migration provides an opportunity for treasurers to review the number of bank relationships, electronic banking channels and bank accounts that their group holds. Growth through acquisition often results in a plethora of legacy banking partners. SEPA is a chance to re-evaluate such relationships and rationalise their number, thereby reducing costs. The move to SEPA is also an opportunity for treasurers to negotiate a standardised pricing structure for their operations throughout the eurozone, which will provide uniformity and can benefit company profit and loss.

## Next steps

When it comes to SEPA, the utmost desire of many businesses is a single euro

bank account for the entire group globally. At present, most companies are still a long way from that, with their sights firmly set on the end date, meeting compliance and making sure cash flows continue and salaries are paid throughout the transition. Once migration is complete, many will look to move to the next level by setting up a payment factory – and also a collection factory, if necessary – and reducing their bank accounts throughout the eurozone. Following completion of this process, they can then think about rolling out the ISO 20022 XML payment format to the global organisation. SEPA presents a unique, indeed golden, opportunity for transformation. It can only be realised, however, if treasurers treat compliance not as the end, but as the beginning. ♦



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