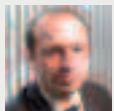


Ask the experts:

Only the first step

It is clear that much more needs to be done before the Single Euro Payments Area becomes a reality.



Raffi Basmadjian,
Deputy Treasurer,
France Telecom Group Treasury

The Single Euro Payments Area (SEPA) is a political decision. Just as a central bank is the "lender of last resort", so the European Commission is the "regulator of last resort". This is the real guarantee of some day having a successful SEPA.

The EC has shown it means business on SEPA. As a reaction, to show this project could be self-regulated, the banking industry has created STEP to handle cross-border payments in Europe in the most efficient way, and created the European Payments Council (EPC) to represent the banking industry and promote a self-regulated approach.

As a lobby, set up by the banking industry, the EPC is, above all, defending the interest of the banks. The EPC rulebooks have been meant for that. In addition, there are some technical roadblocks to take into account:

- The main issue for now is what to develop by when. 2008 is the official delivery date but what banks are able to promise full reach by this date?
- Most of the SEPA-related funding on the banks' side has not been decided. As a result, SEPA schemes cannot be implemented with full reach by 2008.
- Many domestic players (and players with expensive infrastructure) will have a hard time

to migrate to SEPA schemes.

- Pricing pressure on banks will increasingly threaten the industry with huge structural change in the face of competition.

Therefore, the trend (and the threat) is so far to deliver a "mini-SEPA". The EPC rulebook is reflecting that.



Jean-Claude Trichet,
President of the European
Central Bank

Significant progress towards the Single Euro Payments Area has already been achieved by the European Payments Council, which has helped establish the schemes, frameworks and necessary standards underlying SEPA.

The European Commission and the European Central Bank (ECB) take the opportunity to stress their support for the objectives set by the EPC for January 2008:

- EU citizens, enterprises and public administrations should be able to use the SEPA credit transfer and the SEPA direct debit payment instruments defined by the EPC.
- The technical barriers to cross-border acceptance at the point of sale and cash withdrawals for card payments in euros should be removed. In addition, appropriate technical and contractual provisions and standards

should be defined to ensure interoperability.

- The necessary conditions for infrastructures to become SEPA-scheme compliant are in place. As a minimum, this calls for open and common standards that are available to all EU processing services and infrastructure providers for euro payments, so as to prepare for interoperability and effective competition.

In addition, the EC and the ECB stress that it is important that all relevant stakeholders, in particular the public sector, contribute to achieving SEPA. By showing political support and by becoming early adopters of SEPA products, the public sector can play a vital role in the success of the SEPA.

The EC and the ECB also support the schemes and frameworks, as agreed by the EPC on 8 March 2006, as the basis for SEPA products to be introduced in 2008. The EC and the ECB attach great importance to the work of the EPC to further enhance the schemes and frameworks in the future in order to keep meeting user requirements and ensure that service levels improve continuously.

In this perspective, the EC and the ECB welcome as a start the dialogue between the EPC and end-users as well as their commitment to involve all stakeholders more openly in the future. They also welcome the commitment to work together on cross-industry standards necessary to make the SEPA attractive to all stakeholders.

The delivery of SEPA instruments is only the first step, since the introduction of the instruments as a mere cross-border payment solution would not result in a genuinely integrated market at the level of the euro area. In particular, a critical mass of national credit transfers, direct debits and card payments should have migrated to SEPA payment instruments by the end of 2010.

Further steps will be necessary to ensure widespread adoption of new and efficient SEPA instruments. The service level of SEPA instruments will have to be at least as good as existing national instruments, but preferably better. This will allow for a market-driven migration to SEPA instruments.

Backgrounder: SEPA

The European Payments Council (EPC) is the decision-making body of the European banking industry in relation to payments. Its objective is to support and promote the creation of the Single Euro Payments Area (SEPA), a vision formulated in 2002, when 42 banks, the three European Credit Sector Associations and the Euro Banking Association (EBA) came together to launch the EPC. SEPA is intended to work as a single domestic payments market where citizens and economic entities can make payments easily and inexpensively.

The EPC defines common positions for core services within a competitive marketplace, provides strategic guidance for standardisation, formulates best practices, and supports and monitors implementation of decisions taken. This is done in such a way that banks can maintain self-regulation and meet regulators' and stakeholders' expectations.

See www.europeanpaymentscouncil.org