

## European Commission, Internal Market and Services DG: GENERAL UP-DATE ON SEPA DEVELOPMENTS – Questions, 07. Dec 2007

### EPSM answers:

After the recent "Payment Systems Market Group Meeting" on 10th December 2007, we would like to add the following brief answers:

#### Migration:

- (1) ***Do PSMG members consider it desirable to set a mandatory end-date for phasing-out existing legacy payment products? If so, what is the reasonable end-date and how should such a date be fixed?***

At present, the discussion is much too early. Only after a successful market introduction of SEPA instruments, the discussions should be started, at earliest in 2009. The discussion should take into account the then achieved market success of the SEPA instruments.

A comparison to the mobile telephone market might be helpful: In the German market, the new international standard GSM was introduced in 1992 and only after heavy growth of the new networks ("D- and E-networks") and several years of steady decline of subscriber figures of the old network, the old network ("C-network") was finally closed at the end of Dec 2000.

- (2) ***Do PSMG members think that public administrations and corporates, as major payment service users, should help kick-start SEPA migration by being early adopters, subject to the ECOFIN non-deterioration principle?***

They should be informed about the new SEPA products and their advantages. The EU commission or the member states might even publish a directory, which public institution accepts SEPA instruments, and therefore provide for some "morale persuasion". Yet, a compulsory introduction will be probably counter-productive.

- (3) ***Do PSMG members agree that existing direct debit mandates should not be discontinued when migrating to SEPA Direct Debits? If so, what is a reasonable solution to ensure continued legal validity of existing direct debit mandates? Are PSMG members satisfied that the e-mandate SSD developed as a solution to the absence of a debtor mandate flow SSD is satisfactory?***

If legally possible, existing mandates should not be discontinued. It is too early to say, if the e-mandate SSD will be satisfactory.

- (4) ***Do PSMG Members consider there should be some BBAN-IBAN conversion facility for databases; in particular for heavy-duty payment users such as public administrations, corporates and utilities, an IT application allowing automatic conversion seems vital? How should this be achieved? What should be the role of the EPC and national communities? How can accuracy be guaranteed?***

A public, cost-free conversion facility, also for smaller business and for residential users, might be helpful, as long as it covers also the BIC and its accuracy is reasonably guaranteed (e.g. by the EPC members).

#### Communication:

- (5) ***Can PSMG Members report on the communication plans/intentions of national communities, e.g. organisation of national SEPA launch event?***

- no specific knowledge

#### EPC scope of work and governance:

- (6) ***Do PSMG members consider that the EPC should extend the scope of the Rulebooks to the C2B and B2C spaces, and therefore facilitate real end-to-end, straight-through-processing?***

An efficient, open and cost-effective standardization in the C2B, B2C, C2C and the B2B spaces will be beneficial to a SEPA success. This should include electronic and paper interfaces.

- (7) ***Do PSMG members consider the development of common card standards should be a high priority for the EPC?***  
The definition of common card standards on security and also functional requirements should be a high priority for the EPC. MasterCard has recently identified 149 different functions for debit cards schemes in the SEPA area.
- (8) ***Are PSMG members satisfied with the recent EPC developments for SEPA governance? Should there be a direct role for users?***

The present governance is not satisfactory. As a probably market dominant payment scheme, stakeholders should be already openly and transparently involved in the design phase of the EPC specifications and even the cartel authorities should be consulted before the final definition of technical specifications.

Furthermore, the role of the future payment institutions should be clarified.

Last but not least, the governance and voting structure between mainly “issuing” (= money sending banks) and “acquiring” (=money receiving) banks should be made clear, as naturally both groups have different commercial interests.

**A final general remark on SEPA and cross-border customer mobility:**

Some hindrances for an effective SEPA introduction are still several requirements on the balance of payments reporting and several anti-money-laundering requirements.

The recent 3<sup>rd</sup> Anti-money-laundering directive explicitly calls for active residence discrimination inside the SEPA area (in the rule on “political exposed persons”, so called “PEPs”). Like in the AML-regulation 1781/2006, the EU commission should urgently take action that all SEPA residences can be treated like domestic residences.

Also, it should be clarified, that for opening a new bank account, any public authority or bank in a foreign SEPA country (like the local mayor’s office or the local bank) can do the required AML-ID check of a passport or national ID-card.

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