

**European Commission:
Completing SEPA: a framework for action 2009-2012
Draft of 25 November 2008**

EPSM statement:

Date: 08 December 2008

We want to comment as follows:

1. General Comments

SEPA is an important European infrastructure project. But the implementation of a good new infrastructure takes time and experience. If European citizens have to make a choice, it is better "to have a good SEPA than a fast SEPA".

Also, all stakeholders should be thoroughly consulted in a transparent way. Their comments should be made public by the EPC and should be also considered carefully by the public authorities and parliaments before any public action.

SEPA is not a goal for itself, but shall contribute to a better living in the EU. There are cases, where full European standardization was considered not to be meaningful, e.g. electric appliance plugs, the side, where you drive your car, or the curvature of cucumbers.

We want that SEPA becomes a market-driven European success, not a bitter duty for many citizens that comes from a distant "Regulator in Brussels".

2. Specific Comments

Due to the very short period for comment, we give only very brief comments:

2.1. to Priority 1: Foster migration

Was the Cap Gemini study really neutral? The way the study was conducted suggests that it was a study with the explicit goal to foster a rapid SEPA introduction. Therefore, we doubt that the costs in the scenarios are really neutral "best estimates" and include all hidden costs for change.

In general, it seems not good to base the whole economic reasoning of the SEPA introduction just on the analysis of one private sector study and a research paper of the ECB. An additional thorough and transparent questioning and analysis of all payment stakeholders across the EU seems to be needed.

to a: Public authorities must play an active role

When the private sector is reluctant to introduce SEPA fast, a forced active role by the public sector means de facto spending tax-payer's money on the project. These additional SEPA costs should therefore be budgeted accordingly and the decision to spend this money should be taken by the relevant parliaments. Otherwise, SEPA would be a "hidden tax".

to b: Adequate tools must be in place to monitor migration

This is a very valid point that we support fully. But these tools should also monitor constantly, the reasons, why SEPA products are used and why not!

This analysis should be made public.

to c: Migration must have an end-date to provide certainty and predictability

To set an end date for an established old processes without having an a reliable new process running in place, poses unquantifiable operational risks. A recent major project that

was introduced with strict time-lines without any fallback, was the German road toll “Toll Collect”. This costed billions of lost Euros to the tax payer. This tax payer expenditure was not necessary at all.

Therefore, we suggest that the discussion of any phasing out old payment methods should start at earliest 2 -3 years after the successful introduction of the new methods. For such a successful introduction, at least 10% of all payments should be handled by the new method.

In general, we hold the French approach for realistic, that a final phasing out date for old methods should be set only after at least app. 80% of all transactions are handled by new methods.

The cited deadlines in the action plan should be modified accordingly.

2.2. **to Priority 2: Raise SEPA awareness and promote SEPA products**

Transparent and concrete information is a good goal. All communication should clearly indicate all SEPA advantages – and also which changes are due to the PSD.

But it should also state clearly, that SEPA has been up to now a project of the European Banks, it has not been formally a project of the European governments or other European entities.

2.3. **to Priority 3: Design a sound legal environment and strengthen SEPA compliance**

to a) Complete the legal framework for SEPA

A lot has been done already. Looking specifically to the German market, a mandate migration is probably not possible according to the official legal experts. Therefore not to much further emphasis should be put on this subject. On the review of regulation 2560/2001, it will be very interesting, if this will apply also to direct debit charge back prices to bank customers.

to b) Competition issues

This seems to be the most difficult and most hotly debated topic. This is a question about major “money”. Here the DG competition should play an active role, possibly with the transparent support of national governments, national parliaments and the European parliament. It should be clear that for many applications, direct debits and card payments are direct payment substitutes.

At the end, a joint formal European regulation, decided by the national governments and the parliaments might be necessary for direct debits and card payments.

to c) Compliance issues

Who decides if and when any product or measure will be “SEPA compliant”? As there are many commercial interests in this subject, a joint initiative between EU DG Internal Markets, EU DG Competition and the Eurosystem should ultimately make this decision based on detailed technical and commercial knowledge.

This question is too important to leave it to the “private sector EPC”.

2.4. **to Priority 4: Ensure necessary standardization, interoperability and security**

In the long term, this might be the most important benefit of the whole SEPA project:

Here, clear and transparent organizations and decisions with the input of all stakeholders are important. A relatively good example in telecommunications is the work of ETSI.

As there are many issues with high commercial consequences, an active monitoring of the standardisation process jointly by the EU DG Internal Markets, EU DG Competition and the Eurosystem might become necessary.

We want to highlight that there are currently many different standardisation efforts especially in the card business with potentially strong impact in Europe, e.g. the EPC, the Berlin-Group, the EPAS consortium, the IFSF, the PCI SSC, and the “national” ep/2- and CB-standard setters.

Their concepts and goals do not always overlap.

Especially in security concepts, there is often a different willingness to take risks and therefore there are different technical solutions.

2.5. **to Priority 5: Clarify and improve the governance of SEPA**

The governance must clearly be improved. As a clear “standardization cartel”, the EPC should take into account and document publicly the concerns of all stakeholders, including consumers, merchants, service providers, and hardware and software manufacturers.

Otherwise, long and expensive cartel cases could go the European courts.

The EPSM has contacted the EPC twice in 2008 on a potential official membership in an “EPC stakeholders group”. Though there was a productive informal information exchange, there was never an official answer.

SEPA Steering Group:

This seems to be a good idea, especially the close association with all SEPA stakeholders. But it should be made clear, if this committee can also take actions against the will of the EPC.

EPC governance arrangements.:

The EPC governance must be clearly changed. A model might be the organisational form of ETSI. Here a neutral, strong research paper by the EU Commission might be worth the money (Title: “Worldwide best practices how to form a good standards organisation”).

2.6. **Conclusions**

SEPA should not be introduced as regulatory burden, but it should run by itself.

SEPA products should be better than existing products.

In the card market, we see many different technical standards and payment methods. Apparently, there is a strong economic benefit from competition. It is not proven that a competition between SEPA products and non-SEPA-products is not better than a regulated “SEPA monopoly”.

In mobile telecommunications, there was a strong “deregulation” several years ago. At the same time, the flexible and market-driven standardisation at ETSI and other organisations was a huge worldwide success in this market.

SEPA should try to copy this approach.

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