

European Commission: Internal Market and Services DG
Possible End-Dates(s) for SEPA Migration
Consultation Document

EPSM statement

Date: 29 July 2009

We want to answer your questions as follows:

Question no.	Questions	Possible answers	Stakeholder's short answer	Indications	they should be used
Introduction		<p>We think that the existing EPC products SCT and SDD must be improved before the widespread national usage in some markets will take place.</p> <p>Also, the EPC governance must be changed fundamentally to include future payment institutes and also other stakeholders (corporates, SMEs, consumers). The competition effects of any standards should be documented and discussed with the European and national competition authorities. Lengthy and expensive competition court proceedings should be avoided.</p> <p>Some potential improvements for SCT are: eliminate the BIC requirement in the communication to end users (e.g. see the EPC paper: "Statement of Principles and Functional requirements for an IBAN/BIC database, 3 July 2006"), and add standardized e-invoicing-information.</p> <p>For SDD, the BIC should also be eliminated. Also, in some major markets (Germany, France), there is currently an inter-bank discussion not to check de facto the mandates. In these markets, direct debits without mandates should be possible. Also alternative mandate flows (e.g. DMF) should be possible, and the setting of transaction, daily, weekly and/or monthly limits as security features for the debtor should be available. Both measures would probably increase strongly the user confidence in some markets.</p> <p>In addition, we support most topics of the recent "Position Paper on SEPA Direct Debit" by the "Payment System End-Users Committee (EUC)" from July 2009.</p>			

1	Do you think that under current circumstances there is a need to support SEPA migration by setting (a) deadline(s) for migration to SCT and SDD? Do you consider certain preconditions should be met for setting such (a) deadline(s)?	a) yes, there is a need to set (a) deadline(s) to SEPA migration b) yes, but under certain conditions c) no	c)		Under current circumstances, no end dates should be set. The EPC SEPA products shall be introduced by a market oriented approach and not under regulatory pressure. The new SEPA products must be accepted by the end users because they are better (e.g. cheaper, more user friendly, more features) and not because of a cartel decision of major banks and bank associations (the EPC members) in order to improve the profitability of some banks.
2	How much time would be needed to budget and implement technically SEPA migration? What is the anticipated impact of SEPA migration on your organisation/business (eg. on your IT systems, organisation, human resources, communication, or any other area)?		5-15 years		The standard investment cycles in end user payment IT range from 5 - 15 years. In order for a cost efficient introduction, SEPA products should fit into current investment cycles of the end users.
3	What deadline(s) would you see as feasible for the replacement of legacy euro credit transfers and direct debits by SCT and SDD?		SCT 2015-2018, SDD 2017-2020		If SCT and SDD are improved and stay cost efficient (see above), we expect that a market driven replacement would lead in major national markets for a more than 90% usage for SCT in national transactions in 2015-2018 and for SDD for 2017-2020.

<p>4</p>	<p>Do you think (a) migration end-date(s) should cover only standards (ie. the account identifiers and the payment format to be used) or the schemes' rules as well?</p>	<p>a) only standards b) also the schemes rules c) other (please specify)</p>	<p>b)</p>	<p>Please explain why.</p>	<p>For an effective payment service offering, the whole EPC product (technical standards plus commercial rules) should be standardized. But this should be a voluntary industry standard, without legal obligation to use it.</p> <p>It should not be forgotten, that many transactions will be out of the scope of the current EPC product approach, e.g.:</p> <ul style="list-style-type: none"> - large volume CTs (e.g. TARGET transactions) - SWIFT CTs (in Euro or other currencies) - CT- and DD-like transactions within the global multilateral card schemes (MasterCard, Visa, Diners, China Union Pay) - CT- and DD-like transactions within monolytic card schemes (e.g. Amex) - CTs and DDs directly between payment institutes - "on us transactions" within banks or payment institutes.
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5	Do you think (a) migration end-date(s) should cover only interbank space (ie. bank/bank and bank/infrastructure communication) or the complete end-to-end payment chain (including customer/bank communication)?	a) the interbank space b) the complete end-to-end payment chain c) other (please specify)	a)	Please explain why.	<p>If standards should be enforced by a "squeeze-out" of old systems, it should cover only the inter-bank-traffic. The interfaces to users should be based always on voluntary industry standards - in order to set the incentive for continuous innovation!</p> <p>Examples for some successful, voluntary industry standards in the international payment environment are: "new": - EPAS - EBICS "old": - global BIN numbering (coordinated by the American Bankers Association) - mag stripe track1,2-standardization</p> <p>Examples for some unsuccessful standards in the payment environment are: - SET (internet card security) - Edifact (for payment purposes) - Mondex and many other ePurse-standards</p>
6	Do you consider that setting (a) migration end-date(s) should imply that all legacy payments migrate to SEPA payments or could some products be maintained or developed on the market besides the SEPA products?	a) all payments should migrate to SEPA products b) 'niche' products could remain - or be developed - on the market c) other	c)	Please explain why and specify the conditions which would have to be met by such products.	<p>In the German market, at least 40% - 50% of all current direct debit transactions result from card transactions which do not fall in the scope of SDD. This is not a niche market, and potential effective European solutions should be discussed. The so called "SEPA Card Clearing" (currently not an EPC product) might be an option. Also in other markets, direct debit transactions handle transactions out of scope of the present SDD product.</p>

7	Do you think there should be a single end-date for SCT and SDD migration or two separate migration end-dates?	a) a single end-date for SCT and SDD migration b) two separate end-dates for SCT and SDD migration	b)	Please explain why.	SCT and SDD are very different payment products and should therefore be discussed separately.
8	What do you think the best approach would be regarding the territorial scope of (a) migration end-date(s)?	a) different national end-dates b) a single EU end-date c) a single EU end-date but with flexibility to set an earlier end-date at national level d) a phased approach e) other	a)	Please explain why and specify your answer for d), and e).	Each national market should be considered separately, as the competition landscape, the national payment traditions and structures are very different in each national market. "Europe works for the benefit of its citizens - it is not the other way round".
9	Do you think that the migration end-date(s) should be the same for euro payments in euro area countries and in non-euro area countries or that there should be different migration end-dates?	a) same end-date(s) for euro area and non-euro area countries b) different end-date(s) for euro area and non-euro area countries	b)	Please explain why.	Each national market should be considered separately, as the competition landscape, the national payment traditions and structures are very different in each national market.
10	If (a) migration end-date(s) was (were) to be established, should this be done by self-regulation or by regulation?	a) pure self-regulation b) regulation c) intermediate solution (self-regulation with political endorsement)	a) or c) complying with competition law and with the involvement of all stakeholders	Please explain why and elaborate on the modalities for each answer (eg. if b) who should be the regulating body).	The EPC in its present function is a cartel that falls under competition law. Therefore, the efforts of this "rationalizing cartel" may be only allowed, if there is an adequate improvement for all stakeholders.

11	Do you think that some criteria (such as critical mass) should first be followed before setting any migration end-date(s)?		>50% national usage	If yes, please explain why and elaborate on these criteria.	Before the discussion on national end-dates should start, at least 50% of all transactions in a national market should have been migrated to SCT and SDD by market forces. Similar to corporate law, a "squeeze-out" of legacy systems might be agreed, when the national SCT and SDD market share approaches 95%.
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	Geographical scope of action		Europe, main business in Germany and Austria		Europe, with the main business of the voting members in Germany and Austria

	Type of stakeholder	a) payment service provider b) technical provider c) public authority d) corporate e) merchant f) SME g) consumer h) national SEPA coordination committee i) other (please specify)	i)		The "European Association of Payment Service Providers for Merchants" (EPSM) is an interest representation and information platform of currently 56 European payment network operators, acquirers and other payment service providers for merchants.
	Volume of payments that you handle or represent		> 10 bn Euros	Please provide an answer in euros.	> 10 bn. Euro yearly transaction volume
ANNEX					

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