



DO YOU SEPA?

5th International Payments Summit

Drawing the future of the European payments market

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2009 - Overview about PSD transposition and SEPA implementation



In 2009 DO YOU SEPA summit, we highlighted several difficulties that the member States had to face:

- **Corporate & Consumers** demand for better services and lower pricing.
- **Financial Community** seems not to be fully committed to SEPA adoption.
- **The PSD's local implementations** could imply not homogeneous consequences.
- The achievement of a more proactive role by **the Public Administrations.**

2009 - Final considerations

A synthetic balance after seven years



| <i>KEY PLAYERS</i> | COMMITMENT | | | | | |
|----------------------|-------------------|--------|------|------------------|--------|------|
| | <i>FORMAL</i> | | | <i>EFFECTIVE</i> | | |
| | Low | Medium | High | Low | Medium | High |
| European Commission | | | ✓ | | | ✓ |
| National Governments | ✓ | | | ✓ | | |
| Eurosystem (ESCB) | | | ✓ | | | ✓ |
| Banks | | | ✓ | | ✓ | |
| Corporates | ✓ | | | ✓ | | |
| Consumers | ✓ | | | ✓ | | |

Are we risking a mini SEPA?

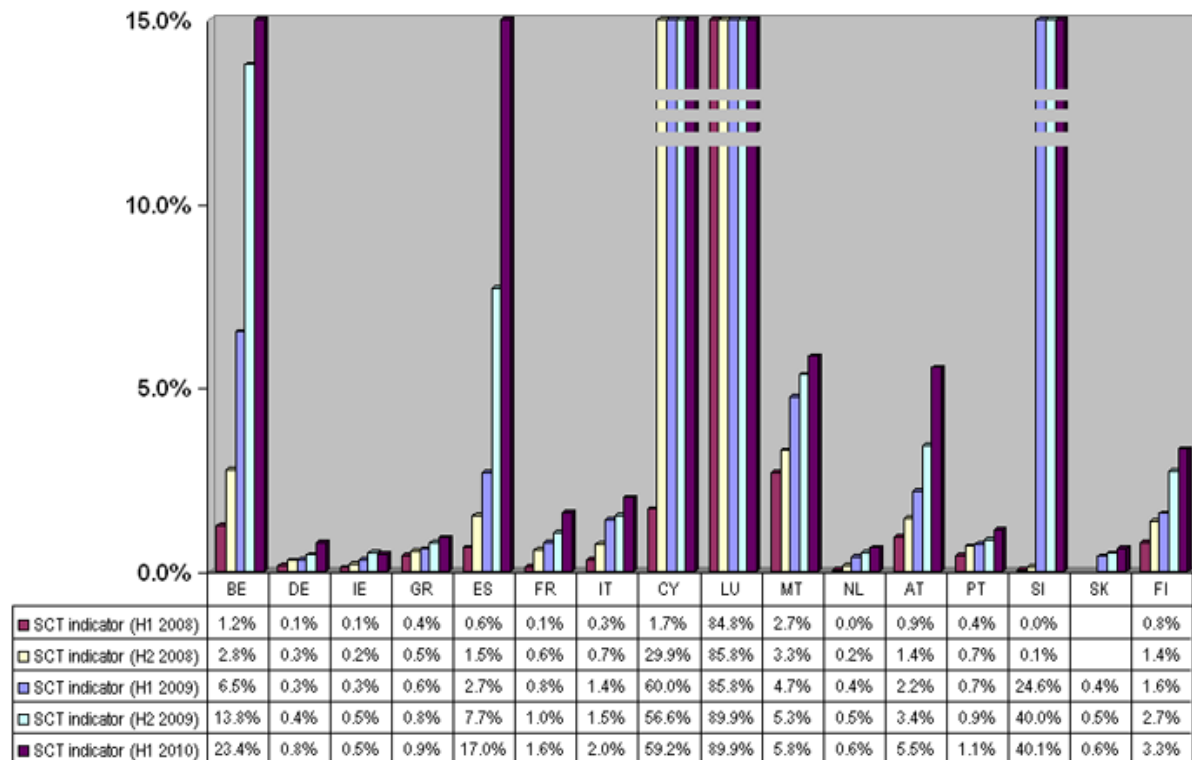
2010 - How the implementation has been going on?



The financial crisis has been not neutral on the SEPA implementation process. There are some forces that rekindle to pure domestic logic.

On the existing solutions it is clear that we are only at the beginning. **SEPA Credit Transfer** reach 9.3% of the total transactions.

National SCT indicators (euro area)



2010 - How the implementation has been going on?



SEPA Direct Debit

- The figures in the first few months after the launch of the SDD have been fairly modest, amounting to well below 1%
- The dialogue between the EPC and the European Commission on a long-term SDD business model has not led to a wholly satisfactory result so far
- In Germany, a common solution on the issue of ensuring the continued validity of existing direct debit mandates for use with the SDD is still pending

Source: ECB – Single Euro Payments Area – October 2010

2010 - How the implementation has been going on?



SEPA for Cards

- The vision of “any cards at any terminal” is still far from a reality. However, European cards initiatives (EAPS, Monnet and PayFair), designed to rival the established duopoly of Visa and MasterCard, have each made progress.
- The Eurosystem sustain the relevance of an additional European card scheme as necessary element to realize a competitive card market in SEPA.
- After China in 2002, also India and Russia are planning to create a continental card scheme.
- Fraud on internet is a relevant issue that we have to face of for the future and the success of the initiative.

Source: ECB – Single Euro Payments Area October 2010; Capgemini: World Payments Report 2010

2010 - How the implementation has been going on?



SEPA Infrastructure

- No relevant changes on the scenario.
- Although some integration has occurred at both the national and cross-country levels, we do not see yet the expected rationalization process of infrastructures.
- Infrastructures that had planned to close down have prolonged their life cycle. One of the reasons for this may be that participants either could not find the required services and level of participation offered elsewhere and/or they decided to postpone, for strategic reasons, transferring their business to one of the infrastructures active at the pan-European level.

Source: ECB – Single Euro Payments Area October 2010

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SEPA Council

- March 2010 the Eurosystem and the European Commission agreed on the creation of the SEPA Council; a new overarching body with a wide range of stakeholders represented at the highest level.
- 7 June 2010: for the first time ever, the different stakeholders agreed publicly to support the establishment of SEPA migration end date(s) by legislation.
- 14 June 2010: a common formal declaration on SEPA migration end date(s) is published.
- In most Euro area Member States end-users are presented in national SEPA coordination committees, (Austria, Belgium, Cyprus, Finland, France, Greece, Italy, Netherlands, Portugal, Spain and Slovakia).

Source: ECB – Single Euro Payments Area October 2010; European Commission: involvement of end-users

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End Date(s)

- SEPA project has reached the limit of what self regulation can achieve
- Is it really a simple task to define the end date(s)?

European Commission Consultation document

Essential requirements

- Cooperative environment vs competitive environment
- How to preserve the investment already done?

Essential Requirements ≠ Rule book

Main differences



| Essential Requirement Reference | Essential Requirement Description | Current Implementation | Availability |
|---------------------------------|---|--|--------------|
| 1 | Remittance Information up to 980 chars | Remittance Information 140 chars | |
| 1 | No end to end data alteration | No end to end data alteration | |
| 1 | Fully automated electronic processing | Partially automated electronic processing | |
| 1 | No minimum threshold amount | No minimum threshold amount | |
| 2-3 | Additional Requirements | Partially implemented. Eg: Italian IBAN vs BIC directory available from end 2010 | |
| 3 | Limits for DD amounts and periodicity and refund rights | Partially implemented. Eg: Fixed amount SDD product available from June 2011 | |
| 3 | Mandate Related Information issues | Advanced Mandate Information will be in place (optional) from November 2011 | |

Source: Internal Analysis

Conclusion



- Establishing a SEPA migration end-date(s) is an important step for a fully integrated payments market with effective competition for credit transfer and direct debits.
- Avoid the potential proliferation of new credit transfer and direct debit schemes in parallel to the SEPA ones, but compatible with the essential requirements.
- Potential risk for the efficiency of treasury management of the large corporate.