



SEPA 2.0 after 1 August 2014



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Rembrandt: The Night Watch, 1642 Rijksmuseum Amsterdam



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Agenda

- Background of Single Euro Payments Area (SEPA)
- SEPA products
- SEPA migration
- SEPA communication
- Approach taken in Portugal
- Cross border payments by Dutch consumers
- Concluding remarks



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What is SEPA?

S€PA
Single Euro Payments Area

**One single market for euro retail
payments in 34 countries**



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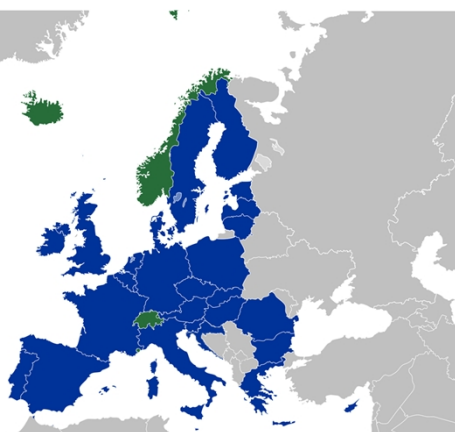


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Goal of SEPA: an integrated euro payments market

- 34 SEPA-countries
- Over 523 million citizens
- Over 4,500 payment service providers
- A single set of payment instruments in euro
- Efficient infrastructures for the processing of euro payments
- Common technical standards
- A harmonised legal basis



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European Payments Market

2012	NL	Euro area	EU
Inhabitants (mio)	16.8	333.3	504.2
GDP (Eur bio)	599.3	9,488.2	12,928.0
Payment service providers	270	6,357	9,291
Transactions (mio)	5,853.2	64,793.3	94,506.5
POS terminals (ths)	271.1	6,983.3	9,734.8
ATM's (ths)	7.6	316.4	435.5
Cards (mio)	30.5	477.0	738.4

Source: ECB



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SEPA, what is it?

- **Political vision:**

One internal “domestic” market for euro retail payments, generating economies of scale and promoting competition

- **Aim:**

Consumers and businesses will be able to make and receive payments in euro within Europe under the same basic conditions, rights and obligations, regardless of their location (i.e. all transactions become “domestic”)

- **Concretely:**

European payment instruments for both cross-border and domestic payments in euro: credit transfers, direct debit and cards. This also means the end of all domestic payment instruments.



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SEPA, how?

- Self-regulation by European banks in European Payments Council:
 - **Common rules and standards for euro payments in Europe**
- Harmonisation of relevant European legislation:
 - **Payment Services Directive for euro and non-euro payments**
 - **End date(s) for national payment instruments**
- As a result: **Regulations EU 260/2012 and 248/2014**

Migration to be concluded until 1 August 2014: 24 days left!

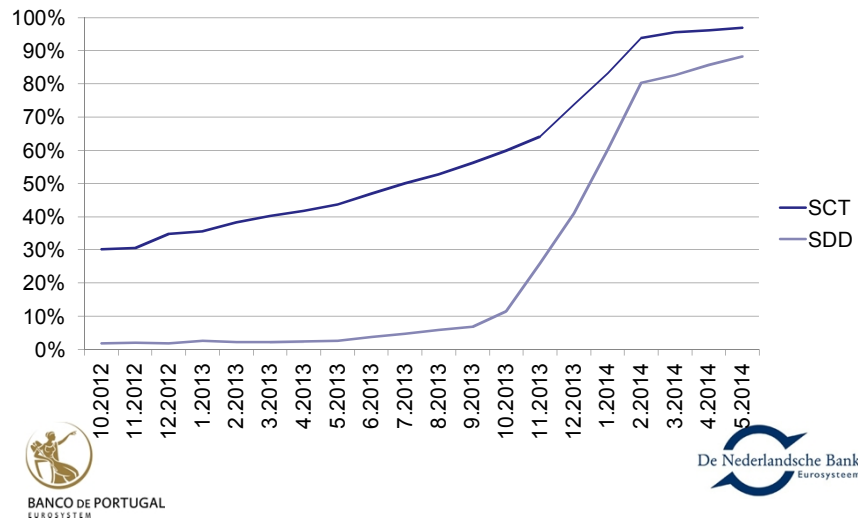


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SEPA migration rates (euro area)



Long term benefits of SEPA

- Efficiency and competition lead to cost optimisation and benefits for society as a whole
- Reduction of fees for average user of payment services in Europe
- Increased ease of use
- Innovation at European scale



Pros and cons Internal (euro) market for retail payments

In the long run

- More choice between processors and payment service providers
- Scale effects in processing
- Increased competition and innovation
- Decreasing costs of payments

In the short run

- More efficient cross border transactions (payments and collections)
- Cross border collecting by direct debit – a new paradigm
- Potential for centralisation of accounts

But.....

- Nothing ventured, nothing gained
- Cross border euro payments < 2% of total payments
- Migration mainly a domestic process with diverse payment habits
- Difference in current levels of efficiency



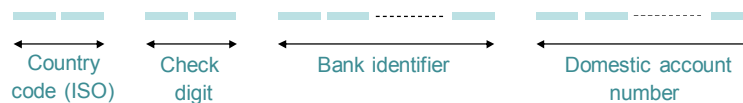
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IBAN

- IBAN : International Bank Account Number
- Administrator of national IBAN registers (ISO): SWIFT



Notes:

- The bank identifier is country-specific
- The length of the bank identifier differs from country to country
- Each country has its own Basic Bank Account Number system
- The Netherlands has an 18-digit IBAN and Portugal a 25-digit IBAN
- Bank customers are getting accustomed to using IBAN



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SEPA Credit Transfer

EPC interbank standard for credit transfers in euro – introduced in 2008

- Main characteristics:
 - Payments are made for full original amount
 - IBAN (and BIC)
 - ISO 20022 UNIFI standards
 - 140 characters of remittance information are delivered to beneficiary
 - Unstructured or structured remittance information as agreed between partners
- End dates:
 - 1 February 2014 for the euro area
(**grace period until 1 August 2014**)
 - 31 October 2016 for non-euro countries



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SEPA Direct Debit

EPC interbank standard for direct debits in euro – introduced in 2009

- Main characteristics:
 - Payments are made for full original amount
 - IBAN (and BIC)
 - ISO 20022 UNIFI standards
 - One-off or recurrent
 - A mandate is signed by debtor (option for e-mandate)
 - Pre-notification (14 calendar days in advance)
 - Refunds (PSD: 8 weeks) and returns
- End dates:
 - 1 February 2014 (**1 August 2014**) for the euro area, 31 October 2016 for non-euro countries
 - No domestic MIF after 1 February 2017

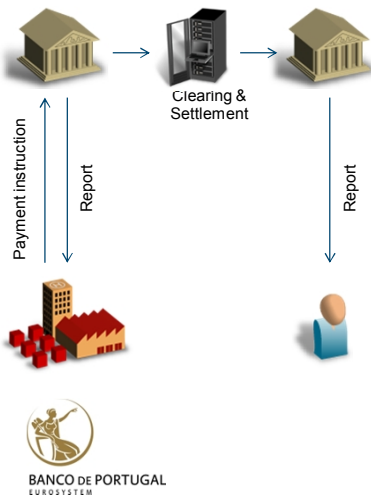


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Information flows and choice of channel



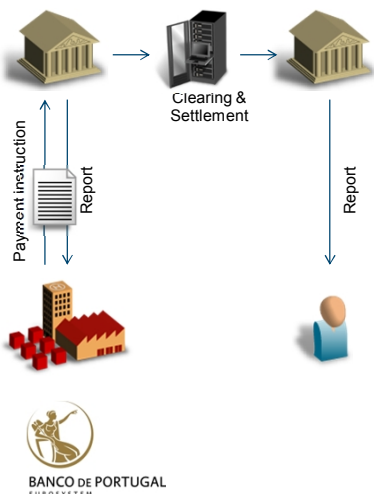
- Basis: business-to-consumer relationship with business as initiator
- Business delivers payment instructions to bank and receives reports back
- Customer's choice of channel driven by various considerations:
 - Timing: carefully determine when instructions are executed and fast account reporting;
 - Functionality: payment products and XML-based formats (from back office) as desired;
 - Completeness: correct reference information in instructions (end-to-end) and reports (for automated reconciliation);
 - Secure: payment files cannot be manipulated.

Channels

- Banks offer their customers various channels for exchanging payment/collection instructions and account information
- Choice of channel depends in part on customer profile (retail, wholesale), products used and volumes
- Main channels
 1. Paper
 2. Internet banking
 3. Client application
 4. Bulk channel



1. Paper



Features

- Forms (based on BBAN) for initiation
- Account statements for reporting
- Only suitable for very low volumes
- High cost per transaction
- Generation and processing by customer not computerised

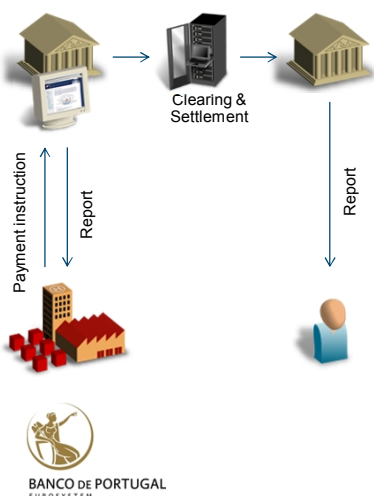
Impact of SEPA

- Adjustment of forms to support IBAN
- Report must include mandatory information (rulebooks), including IBAN, reference, (original) initiator, etc

Examples

- Supported by most banks, used by customers with little computerisation or non-standard instructions (e.g. urgent payments)

2. Internet banking



Features

- Automation by banks
- Manual insertion of payments or upload
- Reporting on screen or downloaded
- Limited volumes (~ 100-1,000 tx/day)
- Limited integration possible with back office systems

Impact of SEPA

- Adjustment of screens to support IBAN and upload/download format (to XML)
- Bank decides migration date
- Bank can offer central migration support services (e.g. conversion)

Examples

- Almost all banks have extensive websites

File formats will change under SEPA

- Current situation: national formats for payment instructions and reporting (adjusted to local features & habits)
- Additional information in SEPA messages, does not fit current formats:
 - IBAN (SCT, SDD)
 - Creditor scheme identifier (SDD)
 - Mandate information (SDD)
- Therefore, change to ISO 20022 XML for SEPA products:
 - Payment instructions: mandatory via PAIN messages
 - Reporting: CAMT messages (not mandatory)
- Banks' own reporting formats permitted provided they meet SEPA requirements



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SEPA for Cards

EPC Cards Framework

- **Ideal situation: 'Any (contactless) card/mobile at any terminal':**
 - Schemes which are accepted throughout Europe
 - Open non-discriminatory card scheme membership
 - Uniform pan European processing for all schemes and processors
- **Options for SEPA compliance:**
 - Make national schemes SCF-compliant
 - Replace national by international schemes
 - Co-branding
- **Security:**
 - EMV implementation: widespread Chip and PIN usage



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SEPA for Cards: policy issues

On 29 April 2014, the ECB launched the report

“Card payments in Europe – A renewed focus on SEPA for Cards”

referring to multiple aspects of market integration in this field, still to be tackled, reflecting the Eurosystem’s view on the topic (e.g. growth potential for card payment usage) and starting preparations for the next phase.



<http://www.ecb.europa.eu/press/pr/date/2014/html/pr140429.en.html>



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SEPA for Cards: policy issues

- Transparency on fees
- Interchange fees
- Co-branding
- Standardisation (EPC/CSG Volume)
- Central licensing, issuing or acquiring
- European POS-terminal
- Certification of cards and terminals
- Honour all cards rule
- Unbundling of scheme management and processing services



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EU Payment Services Directive 2 and Regulation on Interchange Fees for Card-based Payment Transactions

Aim of PSD 2 and the IF Regulation proposals of the European Commission (July 2013):



- to facilitate and render more secure the use of low cost internet payment services (including access to payment account services)
- to protect consumers better against fraud, possible abuses and payment incidents
- to increase consumer rights when sending transfers and money remittances outside Europe or paying in non-EU currencies
- to promote the emergence of new players and the development of innovative mobile and internet payment services in Europe
- the IF regulation introduces maximum levels of interchange fees for transaction based on consumer debit (0.2%) and credit (0.3%) cards
- surcharges on payments with these types of cards are banned



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Pilot Contactless Payments Leiden 2013



- Pilot in the city of Leiden with contactless debit cards and 1.000 smartphones
- All three big Dutch banks (ABN AMRO, ING and Rabobank) participated in the pilot (Rabobank only by smartphones)
- Programme period September - December 2013
- mPIN-code obliged for payments above EUR 25
- Results:
 - favourite contactless payments spots were supermarkets and the station area
 - transaction time of card payments was quicker than by smartphone
- Follow-up decisions in 2014

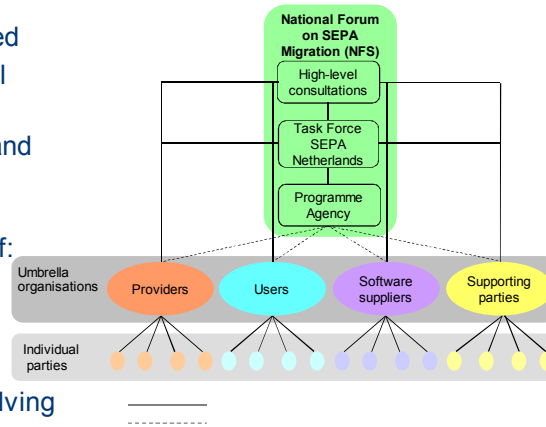


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National Forum on SEPA Migration (NFS)

- All stakeholders involved
- Focus on cross-sectoral migration issues
- Information exchange and agreements between stakeholders
- Activities in the areas of:
 - Communication
 - Migration planning
 - Monitoring
 - Identifying and resolving societal migration issues



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SEPA Migration Monitor

Aim: insight into the status of SEPA migration of corporates, public authorities and software suppliers

1. Awareness of the meaning and implications of SEPA
2. Stage of preparations
3. Actual use of SEPA payment instruments
4. Development of software packages

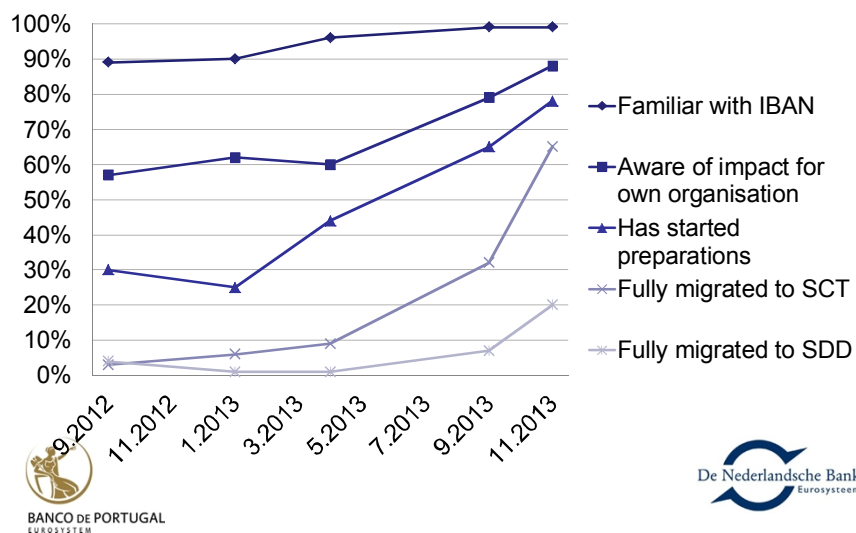


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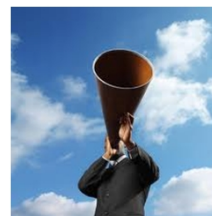


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Migration monitor results (SMEs)



SEPA Communication campaign



- To improve knowledge on IBAN and products
- Three stage rocket:
 - General public campaign
 - Umbrella organisations with members
 - Enterprises & organisations with clients
- Timing: milestones

Communication Goals

- Knowledge:
 - Consumers know where they can find IBANs
 - Firms know what measures they have to take to migrate to SEPA (more complex in DD)
- Attitude:
 - Neutral attitude towards IBAN/SEPA
- Behaviour:
 - Consumers use the IBAN
 - Firms are preparing the SEPA change-over



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Approach taken in Portugal

- Regular publication of SEPA.pt newsletters
- Updates on our dedicated webpage
- Publication of FAQs on SEPA
- Regular interaction with the market and reporting to the ECB
- Dialogue within the national Payment Systems Forum



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SEPA Communication

- Informing consumers about IBAN: a final mass media campaign will be held in June-July 2014
- Call to action for businesses: increase in presentations, seminars, publications
- Close cooperation between DNB SEPA Programme Office and stakeholders
- Website: www.overopIBAN.nl



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Campaign website

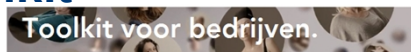


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Toolkit

- Banner
- Factsheet/flyer
- Animation(s)
- Campaign logos
- SEPA checklist for firms
- Source texts
- Set of Q & A
- Helpdesk
- Radio and TV commercials
- Template impact analyse



[Home](#) / [Toolkit](#)

Hier vindt u een aantal hulpmiddelen die bedrijven kunnen gebruiken bij de overgang naar nieuwe standaarden. Deze toolkit wordt de komende periode uitgebreid.

Banners	Banners voor consumenten en bedrijven.	Animatie IBAN	Animatie over hoe IBAN is opgebouwd.
Checklist bedrijven	Download hier de checklist voor bedrijven.	Migration Plan	The National SEPA Migration Plan can be downloaded below.
Migratieplan	Download hier het Nationale SEPA-migratieplan.	Factsheet bedrijven	Download hier de factsheet voor bedrijven.
Factsheet consument	Download hier de factsheet voor consumenten.	Planning migratie	Download hier de planning om te zien welke bedrijven wanneer overgaan op IBAN.
Logo's	Download hier logo's om in uw voorlichtingsmateriaal te gebruiken.		



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Over op **IBAN**

Is uw software al geschikt voor IBAN?

Doe NU de Impact-Check voor bedrijven. Voordat het te laat is.



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Over op **IBAN**

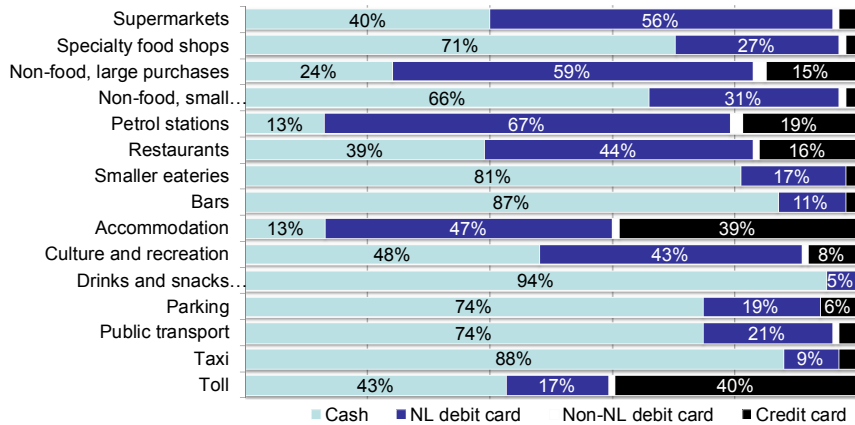
Ongestoord blijven betalen? Stap over op IBAN.

Loop geen risico. Doe NU de Bedrijven Impact-Check.

Het belang van de overgang naar IBAN wordt onderzocht door de Nederlandse Bank samen met het Nationaal Forum SEPA-migratie. © 2011-2012 De Nederlandsche Bank



How do Dutch consumers pay when abroad?

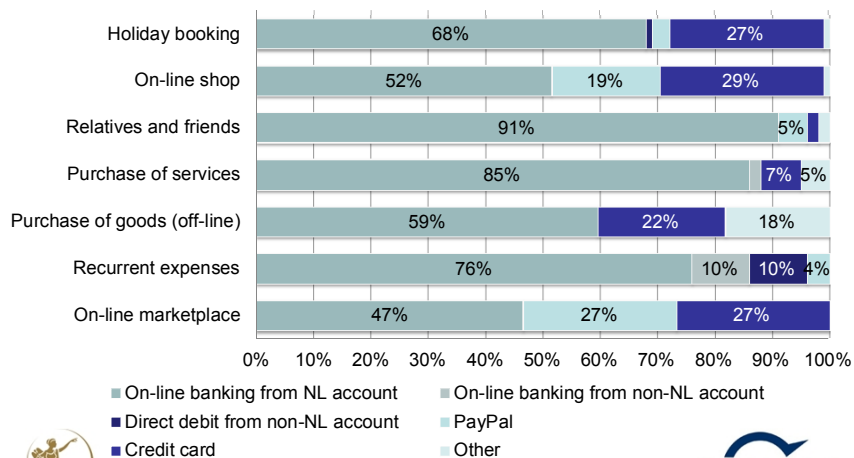


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How do Dutch consumers make cross-border payments?



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Cross-border payments by Dutch consumers: trends and attitudes

- Use of credit card abroad is declining
- Growing satisfaction with debit card use abroad
- Debit cards are seen as safer and easier to use than cash
- Acceptance levels do leave some room for further improvement

- Online banking is considered the safest and least expensive way to make cross-border payments
- For ease of use, the credit card scores highest and as far as speed is concerned PayPal comes in first
- Consumers who have experience with cross-border payments are more satisfied with costs than those who have no experience with this



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Concluding remarks



The success of SEPA 2.0 depends on:

- A full implementation of the SEPA-Regulation: end-date for SCT and SDD on 1 August 2014
- Final version of Payment Services Directive 2 and the Regulation on Interchange Fees in 2014
- Well organised governance model to foster stakeholder involvement and consultation: the **Euro Retail Payments Board** was launched in December 2013 (started to operate in May 2014)
- Further European standardisation and innovation
- Focus on SEPA for Cards as the “third pillar” of the European retail payments market integration



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Discussion points

1. What are the advantages (and consequences) of SEPA for different market players?
2. What are possible barriers for the migration to SEPA for market players?
3. How could SEPA governance be enhanced on an European and national level?
4. What could be the next wave of SEPA products after 1 August 2014?
5. How far is the Republic of Macedonia with the implementation of the SEPA products?



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