

The Single Euro Payments Area (SEPA)

What is SEPA?

SEPA is an objective set by the European Union for the purpose of creating a single payment market, within which everyone can make payments simply and safely, at the same cost and as efficiently as those presently being made at the national level. The project will make it possible for individuals, companies, government agencies and others, no matter where they are located in Europe, to make and receive Euro payments, to engage in direct debits and to use credit and debit cards with standardised basic conditions, rights and obligations in every country.

From an operational standpoint there are three main payment instruments forming part of the SEPA objective:

- Pan-European Credit Transfer
- Pan-European Direct Debit
- Debit and account-linked cards

Secondary objectives include the use of cash, and slowing certain problems with cards, for example, preventing fraud.

In order to achieve these objectives, the European banking and interbanking system must be equipped with instruments and create infrastructures capable of managing every payment instrument envisioned by SEPA at the European level.

SEPA Implementation, the role of the EPC

The European Payment Council (EPC) is an international non-profit organisation under Belgian law whose members include 64 credit institutions and banking associations from 27 European countries. Headquartered in Brussels, the organisation sets the guidelines for standardising the process for implementing SEPA, formulates the best practices, and monitors operations of the European banking industry

SEPA Components

The EPC has delivered Scheme Rulebooks for the new SEPA Credit Transfer and SEPA Direct Debit payment instruments and also a SEPA Cards Framework together with a number of supporting frameworks and guidelines.

The two Scheme Rulebooks for Credit Transfer and Direct Debit are supported by a number of documents such as the SEPA Data Model based on open ISO standards, implementation guidelines and principles for the evolution of clearing and settlement. The latter includes the development of the PE-ACH concept (Pan-European Automated Clearing House).

SEPA Credit Transfer (SCT) Scheme

The scheme, rules and standards will enable the offering by providers of payment services of a core and basic credit transfer service throughout SEPA whether for single, bulk and/or repetitive payments. The scheme's standards will facilitate payment initiation, processing and reconciliation based on straight-through-processing. Payments will be made gross and separate from charges; with no deduction from principal amount at any stage in the process. The scheme will permit the end-to-end carrying of remittance data on a structured and unstructured basis appropriate to the nature of payment.



SEPA Direct Debit (SDD) scheme

Similarly the scheme rules provide for a new SEPA-wide core and basic direct debit service, whereby one-off and repetitive payments are collected on behalf of creditors from debtors for items such as utility bills, subscriptions, insurance premiums and goods and services. The scheme provides for mandate creation, predictable and convenient time-cycles, appropriate refund rules and the necessary features to permit end to end straight-through-processing.

For SCT and SDD, a “replacement” strategy has been chosen with new common credit transfer and direct debit schemes for the whole SEPA being envisaged to progressively replace the same services provided today in euro in national markets.

SEPA Cards Framework (SCF)

The objective of the SCF is to provide a policy framework under which banks, cards schemes and other actors may adapt so as to create a SEPA for cards. The SCF spells out high level principles and rules for implementation by banks, cards schemes and other stakeholders. It will enable European customers to use general purpose cards to make payments and cash withdrawals in euro throughout the SEPA with the same ease and convenience as they do in their home country.

Single Euro Cash Area Framework (SECA)

In the euro-area, the euro is already successfully used as the single cash currency, and as a result notes and coins have their particular implementation focus within the SEPA programme. This will concentrate on a new harmonisation and processing framework for the wholesale distribution of the euro and on the development of a SEPA cash repositioning strategy. The objective is to encourage consumers and merchants to migrate to payment cards and electronic transfers with considerable savings for society.

EPC SEPA Roadmap

SEPA is being delivered in three different phases:

2005 to 2006 - Design and preparation;

2007 - Implementation and deployment; and

2008 to 2010 - Co-existence of legacy and new payments schemes.