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SEPA – is it happening and does it matter?

Bob Lyddon, *IBOS MD* - Chaired this SEPA debate at the London Financial Services Club - January 26th

Speaking in favour:

- Gilbert Lichter, *CEO of EBA Clearing (operator of EURO1, STEP2)*
- Fred Bar, *Head of Euro Services for Vocalink (the UK's ACH provider)*

Speaking against:

- Paul Smee, *CEO of the UK's Payments Council*
- Simon Bailey, *Director at Logica*

Bob made the introduction by stating four incontrovertible facts about SEPA:

1. No End Date for migration has been announced
2. The Core and Business-to-Business Direct Debit Schemes have been launched
3. There is no Central Bank Reporting on payments above EUR50,000 in the EU
4. Cross-border Euro payments (be they Direct Debits or Credit Transfers) must now cost the same as national Euro payments in the same country

Then Bob posed the question: *does that mean we went past the final motorway exit on the SEPA Roadmap and that SEPA during 2010 becomes irreversible?*

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Main points raised by the speakers in favour:

- Contexted SEPA as part of the inevitable historic development of Europe in the second half of the 20th century, as opposed to the first half (war)
- SEPA is a prerequisite for a Single Market
- And it is happening:
    - Mandatory reachability as of November 2010 for all Euro-In banks for the Core Direct Debit Scheme
    - ECOFIN declaration in December and renewed political will
    - EBA figures showing the take-off of the Credit Transfer (Spain's volumes rising from 5.8% to 13.6% in December alone; Belgium's SCT volumes growing from 4.5% to 16% in three months)
- SEPA is part of the widening of the payments space as a market with real scale, as a basis for innovation
- This may be a 10 year process
- The ECB is committed beyond the point of no return
- SEPA already exists for the consumer, but it will take somewhat longer for the corporate

Main points raised by the speakers against:

- SEPA, like Payments, is a subject unlikely to draw enthusiasm
- SEPA has a top-down design with too little user consultation
- This has resulted in a disconnect when it comes to getting user commitment
- The SEPA programme is perceived as having too many technical and IT requirements, as being EU-driven; this causes the Business side of banks to be reluctant to engage
- There is no common definition of SEPA, and there are variations of:
    - Scheme versions, thanks to communities defining their own AOS and without informing EPC
    - PSD transposition

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Bob challenged speakers on three points:

1. to state whether the November 2010 date (for mandatory reachability for all Euro-In banks for the Core Direct Debit Scheme) was the real tipping point, and whether corporates would adopt at that point, when it is only the Core Scheme where reachability is mandatory and not the Business-to-Business Scheme which helps corporates with their supply chain partners

2. to state whether the realisation of SEPA really would result in SMEs trading directly with one another throughout the Single Market – which was one of the reasons stated in the Lisbon Agenda for why SEPA was needed – and if so, why

3. to discount the possibility that we might see a 100% take-up of SEPA instruments in the bank-to-bank space whilst customers still used legacy instruments/formats towards their banks, and the banks processed SEPA instruments internally as MT103(+) for the Credit Transfer and MT101 for the Direct Debit

These points were debated around the room and with the sizeable audience, before the vote was taken: a narrow win for the SEPA Supporters.

The three points above were left hanging; the SEPA message to corporates still somewhat ressembles the message to a customer who ordered Pizza Frutti di Mare. The waiter brings a Pizza Margherita and says “Get on with that and I’ll bring the fish topping when it’s ready”. The customer says “Take it away and bring me what I asked for when it’s all ready”.