

FEEDBACK ON ANNEX 7th PROGRESS REPORT

SEPA MILESTONES FROM THE FOURTH QUARTER OF 2010 TO THE END OF 2013

Introduction (EPC)

This template has been provided by the Eurosystem as a means to provide feedback on the annex to their 7th Progress Report. EPC's feedback is given under each of the headers provided.

Introduction (Eurosystem)

The Eurosystem has identified a further set of milestones that are to be accomplished between the fourth quarter of 2010 and the end of 2013 (see annex). The completion of these milestones is decisive and will facilitate the finalisation of SEPA implementation and migration.

This list contains the respective deadlines, entities in charge, stakeholders concerned and a brief explanation of the background. The list is not intended to be exhaustive – and, as time goes on, and in response to new developments, other priorities may be identified nor does it constitute a detailed project plan. But it does clearly identify the conditions still outstanding which are deemed necessary for SEPA migration, thereby making it easier to manage the project and monitor progress.

Milestone 1:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA credit transfer and SEPA direct debit					
Q1 2011	SDD: charging principles	Guidance to the payment industry	European Commission	Banks, other payment service providers, payment service users (creditors, debtors)	Regulation (EC) No 924/2009 is providing a temporary charging model for direct debits until 1 November 2012. The Commission (taking arguments provided by the banking industry into consideration) should provide guidance to the payment industry on the long-term charging principles for SDD.

Current situation:

The proposal for a regulation establishing technical requirements (COM(2010) 775 final – 2010/0373 (COD), hereinafter referred to as “the new regulation”) in its article 6 bans the application of any interchange fee for the direct debit transactions. Although, theoretically, it allows for interchange fees in the case of R-transactions (rejected, returned, refunded or reversed) in practice they are infeasible given the conditions imposed: fees should be cost based in a way that the reference is not the individual institution but an external measure for the most efficient institution industry wide. This comparable standard is not known, not measurable, and not provable, so the interested institution (or group of institutions) will not be able to verify any claim and even less if it has to do so in an ex ante basis.

The criteria exposed, hence, do not provide guidance on the understanding of inter-bank fees as a conceptual way to fund four-corner models. Inserted in the new regulation they only succeed in becoming ad hoc rules to ban them in the SEPA Direct Debits without any relevance to other uses for future instruments or evolution of current instruments. It may create, therefore, more confusion than clarity when trying to analyse adjacent functionalities, such as the e-mandate, other options or additional services.

Outlook:

The banking industry will be forced to take decisions in an environment of uncertainty on how to generate and distribute the necessary income to fund direct debit services (and other comparable services). This will, for sure, influence the behaviour of PSPs and their business models in place. To say the least, it is highly likely that cross-subsidisation will increase and pricing will become less transparent. There could also be a shift to other less efficient payment instruments.

Milestone 2:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA credit transfer and SEPA direct debit					
Q1 2011	SDD: mandate migration	Ensuring the legal continuity of mandates	EU Member States, where no solution has been found so far	Banks, other payment service providers, payment service users, public authorities	Ensuring the legal continuity of mandates is key to the success of SDD. Those communities which have not yet agreed on a solution, which allows for a legal continuity without the need to re-sign the mandates, are required to find such a solution (be it by law or by agreement) in order to foster migration.

Current situation:

This topic falls under the responsibility of the relevant Member States in which the solution has not yet been found. The EPC has, hence, very little to say in this regard, except to state its willingness that a solution is identified. The nature of the problem, legal continuity of mandates, needs a legal solution. Presumably legislative action will be needed as the rights of the payers and the payees are involved in this issue, thus the problem would be hardly overcome just by a national agreement among PSPs. In any case, it is something to be developed and built within the national sovereign bodies, which is out of the scope of the EPC.

Outlook:

The new regulation proposed by the EC services last December will, presumably, create an additional legal uncertainty in this regard since it may happen that some national communities will face the insurmountable alternative to breach one or another piece of legislation.

Milestone 3:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA credit transfer and SEPA direct debit					
End-2011	SCT and SDD: ISO 20022 XML validation sub-set schemata and sample data files	Publication of mandatory validation sub-set schemata and sample data files	EPC	Banks, other payment service providers, payment service users, IT providers	The EPC has published optional C2B/ B2C/interbank implementation guidelines. The implementation of these guidelines leaves room for interpretation and results in diverse outcomes. Supplementing the implementation guidelines by binding validation sub-set schemata and sample data files based on ISO 20022 XML would limit this fragmentation.

Current situation:

Fragmentation is not yet a reality; it can only be perceived as a risk. Sources of this potential risk still to materialise have not yet demonstrated their damaging nature. It is too soon to conclude that lack of sample data files or incomplete sub-set schemata are the origin of fragmentation, especially considering other stronger influences. The C2B and B2C spheres fall into the field in which the EPC cannot impose mandatory rules. The guidelines that the EPC has published have been prepared with the flexibility needed in the competitive space and they constitute only recommendations that can be followed or not. While this understanding prevails, the publication of more sample data files or mandatory validation sub-set schemata will not solve the issue of potential fragmentation, since the guidelines have been designed to cater for differing bank to customer relations in a competitive space. The EPC continues to see these implementation guidelines as optional (large corporations will, unavoidably, impose their views on banks) and not mandatory. It will be market forces that will drive the adoption of more and more convergent implementation guidelines, as it has happened in national markets. Nevertheless, it must be assumed, that even in the most uniform national market, there is room for diverging implementations, which do not constitute barriers to a competitive environment.

Outlook:

The EPC understands that it would be worse to force the market in this direction and that the fragmentation risks due to the fact that everything related to implementation is not detailed and mandatory in the C2B and B2C spaces is lower than the risk of producing diseconomies in the users, inefficiencies in the processes and barriers to a fluent migration.

Milestone 4:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA credit transfer and SEPA direct debit					
End-2011	SCT and SDD: management of Additional Services (AOS)	Taking an active role in the management of AOS	EPC	National communities, banks, other payment service providers, payment service users	The publication of the AOS does not take place in a standardised way and there is no central database for AOS. The aim should be to merge similar AOS and to provide a single point of access to all AOS which are offered/under development. Therefore the EPC as the scheme owner of SCT and SDD shall take on a more active role in this area.

Current situation:

The EPC acknowledges that AOS's may constitute a relevant source of fragmentation (more important, for instance, than the one referred to in the previous item). It is not easy to define AOS's and it is even more difficult to assess whether an AOS brings more value than the potential barriers it may translate into. In fact this would be the standard to which to compare an AOS to decide on its fitness and acceptability: an AOS should be approved if it helps migration more than it creates fragmentation. The problem is that this criterion is not verifiable in an *ex ante* fashion. The EPC has worked hard on the understanding and definition of AOS with no concluding result. To any proposal there were examples that supported the visions and examples that were also evidences against.

It must be recognised that AOS's belong to the B2C space and, hence, cannot be directly and strictly ruled by the EPC. It is not that AOS's are out of the scope of the EPC; there is a specific role of the EPC in considering AOS's as potential source of input to be included, if so decided, as optional or mandatory parts of the corresponding rulebooks. So far, the principles the EPC has been able to establish state that AOS's:

- Must not compromise operability nor create barriers to competition,
- Should be established and evolve based on market needs,
- Require, in relation to community AOS's, and from them, to:
 - Be provided in English translations
 - Make them publicly available
 - Accept potential use as source of input to the change process.

Outlook:

The new Regulation on technical requirements will have a significant impact on the management of AOS's. The European payment schemes will have to comply with the set of requirements mandated by the legislator and the regulator: the scope of the EPC as scheme manager is necessarily limited. Schemes will comply or not with the Regulation but there is little the EPC can do in addition to what is mandated due to the fact that the Regulation foresees the potential existence of multiple schemes. If there are several schemes as a result, for instance, of the adoption of different AOS's, it will depend on the interpretation of the Regulation that they are interoperable or not, and the standard against which to measure their compliance belongs to the Regulation and it cannot be established by an external body, let alone the EPC. This issue will have to be put on hold until the Regulation in its final version is enacted and the industry knows what to expect.

Milestone 5:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
Q2 2011	Framework for card transaction processing	Framework (documentation) finalised	EPC and/or card processors	Banks, other payment service providers, processors, infrastructures, card schemes	The framework for the processing of card transactions aims to achieve a fairer, more competitive card processing market. The framework shall define certain "business rules" for the authorisation phase and the clearing phase of card transaction processing. The business rules defined in the framework would be implemented by the relevant stakeholders in the next phase.

Current situation

The framework under development in close collaboration with the Customer Stakeholders Forum ('CSG') is defining a number of "principles and rules" for the authorisation phase and the clearing phase of card transaction processing. These rules would be implemented by the relevant stakeholders in the next phase. The 'principles and rules' refer to the domain of interoperability of the components of the operational chain required for the execution of a card payment, such as terminals, networks and cards. These components are in the hands of the stakeholders in the card business, such as the schemes, the merchants and the card holders.

Business rules are, in principle, not part of this value chain.

Outlook

The "Date" would be Q3 2011. The scope of the framework should be maintained as defined in close collaboration with the CSG.

Milestone 6:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
Q2 2011	Charging principles for cards	Guidance to the payment industry	European Commission	Card schemes, issuers, acquirers and card holders	The current lack of clarity regarding the charging principles for cards is hampering the establishment of new card schemes. The European Commission could provide further guidance to the payment industry on the charging principles for cards.

Current situation

Indeed, the current lack of clarity regarding the charging principles for cards is hampering the establishment of new card schemes. The European Commission could provide further guidance to the payments industry on the principles for the use of fees in the card payment business.

Outlook

In the absence of clear guidance by the European Commission, banks and other payment service providers will be hesitant to actively start the implementation of new card schemes, without any certainty how to realise a profitable business case.

Milestone 7:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
End-2011	"Implementation specifications" for SEPA cards and terminals	Finalisation of the "implementation specifications" for cards and terminals	Standardisation initiatives	Card issuers and acquirers, processors, card and terminal manufacturers	Based on the requirements defined in the EPC Cards Standardisation Volume: Book of Requirements ¹ ("Volume"), the standardisation initiatives, e.g. Berlin Group, CIR and EPAS, shall develop the "implementation specifications" for cards and terminals. In the next phase, following the subsequent implementation by the relevant stakeholders, only SEPA-compliant cards and terminals will be issued and deployed.

Current situation

The EPC has taken steps to improve the collaboration with many of the key standardisation initiatives, CIR, EPASOrg and CAS. The EPC considers itself to be in charge of the coordination with and between these standardisation initiatives.

Outlook

The deadline should be defined together with all stakeholders involved in carrying the cost of the infrastructure, and the necessary renewal of these infrastructures.

Milestone 8:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
End-2011	Compliance of "Implementation specifications" for SEPA cards and terminals with the "Volume"	Design of a process to identify cards standardisation initiatives and to assess the compliance of their specifications with the "Volume"	EPC	Standardisation initiatives, card issuers, acquirers, processors, card and terminal manufacturers	To create transparency and establish trust in newly developed implementation specifications, a process needs to be designed based on which standardisation initiatives for all cards are identified and compliance of their implementation specifications with the "Volume" is assessed. The process will become effective after the standardisation initiatives have finished their work.

Current situation

The Cards Stakeholders Group has been working on defining a labelling process to identify implementation specifications that are in line with the Volume. The CSG has also agreed to include the labelling process in the Volume.

Within the EPC, work is being done on the defining a certification management body with CAS. The current agreement is to include labelling in the certification management body, thus covering both functional and security requirements.

EPC would phrase:

"Explanation" as: *To create transparency and establish trust in newly developed implementation specifications, a Certification structure and processes needs to be designed based on which standardisation initiatives for all cards are identified and compliance of their implementation specifications with the "Volume" is assessed.*

¹ The EPC Cards Standardisation Volume: Book of Requirements is available at http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=331



“Topic” as: *Certification and Compliance of “Implementation specifications” for SEPA cards and terminals with the “Volume”*

“Who” as: *EPC and Certification Bodies*

Milestone 9:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
Start-2012	Magnetic stripes on cards	All cards by default issued as chip-only cards	Banks, other payment service providers	National SEPA fora, card schemes	Migration to EMV will only have its maximum positive effect on the security of card payments if the magnetic stripe is removed or does not contain data enabling magnetic stripe transactions anymore.

Current situation

EPC considers that EPC together with standardization bodies should also play a role in this migration as industry coordinator.

Milestone 10:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
End-2012	Online “card-not-present” transactions	Implementation of and migration to state-of-the-art authentication	Payment service providers	Consumers	For improving information security and preventing payment fraud, market participants should introduce state-of-the-art authentication for online “card-not-present” transactions.

Current situation

EPC should also play a role in this development as industry coordinator.

Milestone 11:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA for Cards					
End-2013	SEPA-wide licensing	Card issuing or acquiring licensees free to be active in the entire SEPA	Card schemes, acquirers, issuers	Retailers	An open and competitive cards market requires that issuers and acquirers are free to do business across SEPA. Restrictions in scheme rules and license contracts based on geographical considerations should be removed.

Current situation

EPC fully supports the principle that restrictions in scheme rules and license contracts based on geographic considerations should be removed. It, however, is not clear as to what constitutes SEPA-wide licensing and how it will ensure removing geographic or other barriers.

Milestone 12:

Deadline	Topic	What	Who	Stakeholders	Explanation
Payment innovation					
End-2011	Proof of concept exercise of Online Banking e-Payments (OBEP) interoperability	Proof of concept exercise finalised	Existing OBEP schemes	OBEP schemes, merchants, consumers, EPC	Existing OBEP schemes will make a proof of concept exercise of interoperability between existing schemes, taking the EPC work for an e-payments framework as a starting point.

Current situation:

The Proof of Concept ('PoC') is being carried out and the findings will only be known in the second quarter of 2011. The PoC concentrates on technical interoperability between schemes while the legal feasibility of the Framework is being analysed by internal EPC bodies.

The underlying crucial point, the feasibility of the Framework and its acceptance, or not, remains to be decided by the Plenary next June. The specific point that is under scrutiny and will remain to be may be formulated as follows: "The binding commitment of an e-Payment guarantee must not require participating banks and the EPC to complete onerous legal documents to be signed, it is instead proposed that this is handled by each scheme owner, modifying the contract it has with its participating banks to bind the bank to honouring any guarantee that it issues". This is the controversial point from the legal perspective, whether the guarantee can be implemented through agreements within each scheme plus agreements between schemes and with the EPC, or, otherwise, whether banks must necessarily enter into agreement with each other, especially when they do not participate in the same scheme. In this regard it is worth mentioning that although the E-channel Task Force of the EPC ('ECTF') has arrived at a version 0.9 of the Service Description we do not yet have full feedback from all the other EPC groups involved in the initiative: the LSG, the STF, and the ISSG.

It must also be stated that in Resolution EPC 402-10 approving the Proof of Concept exercise with the schemes, the EPC Plenary underlined that "the participants in the PoC exercise shall not enjoy any privileges vis-à-vis any future newcomers under the SEPA e-Payment Framework" so that participation in the PoC conveys no advantage and the Framework will be equally accessible to any European scheme compliant with it.

Outlook:

The approval of the E-payment Framework is undecided and it will be discussed by the Plenary, presumably, in June 2011. A guess on the possible outcome of that debate and the chances of the Plenary adopting the Framework is not pertinent now: the EPC is still working on its design at the drawing board. Precisely, that is the reason why it is conducting this reality check, to verify whether the market (the existing one with few national schemes) is compatible with the idea of a pan-European scenario (through what is called "interoperability of schemes") or we should re-start from scratch. At the same time, a close analysis on legal feasibility is being conducted.

There is a polarised understanding about the implications the e-Payment Framework may have regarding external stakeholders, notably not the three schemes that participate in the PoC but others that have contacted the EPC to show interest in the EPC initiatives related to payments and the e-commerce. It was evident during the last Plenary meeting that the perception about the potential risks that the EPC could run in the interaction with these other stakeholders was not homogeneous.

Milestone 13:

Deadline	Topic	What	Who	Stakeholders	Explanation
Payment innovation					
Q2 2012	European online payments	Online payments solution offered to European consumers within the whole SEPA	Payment service providers and existing OBeP schemes	Merchants, consumers, EPC	Interoperability between existing OBeP schemes should be operational. In addition, those communities without an OBeP scheme should prepare and roll out a solution, too, either by implementing/joining an existing initiative or setting up an interoperable solution on their own.

Current situation:

The EPC decided neither to develop a scheme that could enter into competition with the existing national ones nor to choose one of the existing schemes and then adopt it. The rationale for this behaviour is two-fold. On the one hand the somehow artificial creation of a scheme in competition with others that had been generated naturally was deemed not to respond to market requirements. In these infant stages of the e-payments market it was not thought advisable to act in a way that could put at risk the few initiatives that the market had hatched by itself. On the other hand, there was a political element that did not recommend holding a beauty contest to choose one scheme while rejecting the others.

The EPC is focusing on bridging the gap that the existence of national schemes has created. Being different schemes, there is an issue about interoperability, or the feasibility of a buyer under the arrangements of one scheme being able to purchase from a web merchant under the arrangements of another scheme. Having national scopes, there is an issue about cross-border processing and the viability of electronic commerce under different legal regimes and jurisdictions.

Outlook:

If the Framework succeeds, the expectation is that it will support the creation of more schemes, as pan-European reach will not be an obstacle anymore. This is left to market forces.

The adherence of PSP's to schemes is left to the freedom of each institution.

The lack of convergence among the national legal regimes in what respects e-commerce (from a tax perspective, from a consumer's protection stance, from authentication procedures legitimacy point of view, etc.) is deemed to be the most significant obstacle to its development.

The lack of consensus around security, both from a technical and legal perspective, adds burden and reduces its attractiveness as a business.

Additionally, it may be presumed that a third critical obstacle has to do with the economic feasibility or the solution for the right business model to be applied and a response on how income is distributed to the participating entities. The lack of guidance on how to deal with this issue in a broader scope than just the direct debit realm is paramount.



Milestone 14:

Deadline	Topic	What	Who	Stakeholders	Explanation
Payment innovation					
Q2 2012	European mobile payments	Finalisation of the framework for mobile payments	EPC	Banks, other payment service providers, mobile network operators, handset manufacturers, consumers, retailers	The framework for mobile payments will create the preconditions for the development of interoperable European m-payment solutions.

Current situation

EPC have created a strategy and roadmap that includes educating banks on how to leverage the mobile channel for initiating SEPA payments, helping to speed up the uptake of mobile payments in SEPA and create a framework, including business- and technical/security requirements, how this can be achieved in SEPA ensuring efficient implementations, interoperability and end user convenience and trust. We have created white papers describing user cases and service propositions both covering remote and Mobile Contactless Payments (MCP).

EPC has, together with GSMA, created Trusted Service Management Requirements for how banks can efficiently leverage the infrastructure of mobile operators to deploy and manage their payments applications using MNO controlled secure elements (the UICC SIM). This cooperation model is necessary for defining this new ecosystem so that banks efficiently can take part of the MCP evolution. In parallel EPC is establishing similar requirements for the use of secure elements separate from the MNO's infrastructure to enable freedom of choice.

Outlook

Based on the EPC white papers already produced or in the pipeline, EPC is now creating Interoperability Implementation Guidelines both for remote and contactless SEPA payments. This is, compared to the already existing payments landscape, new territory and with higher complexity requiring amongst others more cross industry cooperation than has been the case until now. The implementation of SEPA interoperable schemes for mobile payments will be the responsibility of individual or communities of banks and schemes. The EPC will give the guidelines and requirements on how these implementations should be done and help facilitate cooperation and coordination between such initiatives but will not be responsible for the implementations themselves.

Due to the complexity of work involving the creation of a new ecosystem, dependencies of other standardisation bodies and stakeholders in the value chain not controlled by banks, and the need for cooperation sometimes across industries, it is not realistic to expect any faster delivery from EPC in this field than already defined in the existing EPC work-plan.

As regards security: M-payments solutions should have at least the same security level as the underlying payment instrument. When a mobile payment is made instead of cash (e.g. parking, etc...) for payment of small amounts one could question this requirement.

Milestone 15:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Migration: Cards					
End-2010	Migration towards the EMV specifications	Finalisation of the migration towards the EMV specifications for cards and terminals	Card schemes; card issuers; card acquirers; payment service providers	Card holders; merchants; card and terminal manufacturers	The use of EMV specifications for cards and terminals together with the use of PIN are considered at present the safest means of making cards transactions and have been adopted as part of the SEPA compliance criteria of the Eurosystem and part of the EPC SEPA Cards Framework. In order to be SEPA- respectively SCF-compliant, card schemes must apply the EMV specifications and must require the use of PIN codes. Migration to EMV by the end of 2010 is a self-set deadline by the payments industry (SCF), supported by the Eurosystem.

Current situation

EPC agrees with these statements.

Milestone 16:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Migration: to SCT and SDD					
Q2 2011	SEPA migration end date	Adoption of an EU regulation to support migration to SCT and SDD	Council of the European Union and the European Parliament	Payment service providers, infrastructures, payment service users	A legally binding end date for migration towards SCT and SDD is necessary to reap the full benefits of SEPA. The adoption of an EU regulation will provide the clarity asked for by the vast majority of stakeholders.

Current situation:

Binding end-dates have been proposed but for something different than to migrate to SCT and SDD. The EPC considers the following points to be the main issues arising from the proposal for regulation:

- The regulation should refrain from allowing the possibility of multiple schemes because it would mean overall inefficiency. The goal is not set properly.
- Articles on delegated acts should be eliminated because they are contrary to the Treaty on the Functioning of the EU as they are not proportionate, they suppose administrative burdens and they are against the subsidiarity principle. The way is not orientated properly.
- The technical requirements should be aligned with the SCT and SDD Rulebooks and should refrain from introducing mandatory elements that would significantly modify the schemes

Outlook:

This issue will attract most of the effort and absorb most of the resources and energy from the EPC during the legislative process that may last for more than one year. Regrettably, it will mean that other initiatives and projects are put on hold until the Regulation in its final version is enacted and the industry knows what to expect or they are delayed and affected by the Regulation to be.

Milestone 17:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Migration: to SCT and SDD					
End-2011 (SCT) and end-2012 (SDD) respectively i.e. one year – before the completion of the migration to SCT and SDD	Marginal “niche products” (not to be migrated to SCT or SDD)	Definition of SCT and SDD “niche products”	NCBs	National banking communities, national SEPA fora, ECB, European Commission	In many EU Member States, there are certain legacy payment instruments which certain legacy payment instruments which certain legacy payment instruments which could be considered credit transfers or direct debits but which have very specific functionalities. The transaction volume of such products is usually marginal. At the national level it should be possible to maintain such “niche products” for a certain period even after the envisaged deadline for the migration to SCT (i.e. end-2012) and SDD (i.e. end-2013) if certain criteria are fulfilled. ²

Current situation:

There is still little knowledge about what is meant by niche products or the reasons why these are mentioned as such. On top of that, there is no clear view on which specific products we are talking about. Prior to any decision, these points should be clarified.

It is of special relevance to evaluate the nature of the niche products because the way to integrate them into the single market will depend on it. It is different, for instance, whether a niche product responds to a market need, or whether it is a consequence of an idiosyncratic legislation about, e.g., balance of payments information requirements.

The volume of the niche products should not be the relevant variable to monitor but the efficiency gain or loss we get from its survival or disappearance.

Outlook:

It is necessary to gather information about these niche products and not only about their sizes or volumes but about qualitative aspects such as the overall impact they have (how critical they are) and the alternatives left to integrate the market (how to substitute them).

Milestone 18:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Migration: to SCT and SDD					
November 2012	Migration towards SCT	Migration towards SCT preferably completed; no national legacy alternatives anymore (except marginal “niche” CT products)	Banks, other payment service providers, infrastructures, payment service users	NCBs, ECB, public authorities	Full migration to SCT is necessary to reap the full benefits of SEPA. An end date of November 2012 implies an almost five-year migration period as SCT was launched January 2008.

Current situation:

The EPC is in favour of having one single end-date for SCT and SDD, 24 months after the entry into force of the new regulation. In the view of the EPC the investment cycle of 3 – 5 years must be taken into consideration in setting an end date. Both the supply and the demand sides must be given sufficient time to allocate the budget required to implement mass migration.

² A market share, based on ECB statistics, of less than 10% of the total number of credit transfer or direct debit transactions in that Member State.



The leading reaction of public administrations is proving to be the most effective tool to help this migration materialise fluently. Large corporations and other significant users would offer very valuable services to society if they followed suit.

Outlook:

If full migration is achieved by 2012 it should be recognised that the project has been a clear success. The EPC is committed to help this vision come true.

Milestone 19:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Migration: to SCT and SDD					
November 2013	Migration towards SDD	Migration towards SDD preferably completed; no national legacy alternatives anymore (except marginal "niche" DD products)	Banks, other payment service providers, infrastructures, payment service users	NCBs, ECB, public authorities	Full migration to SDD is necessary to reap the full benefits of SEPA. An end date of November 2013 implies an almost four-year migration period as SDD was launched November 2009.

Current situation:

The EPC is in favour of having a single end-date for SCT and SDD, 24 months after the entry into force of the new regulation. The proposal of 2013 seems too optimistic for several communities with a high share of direct debits. The EPC would like to point out that the real obstacles will be faced by users and not by providers, which are ready to serve their customers.

Because up to now no significant volume of direct debits has migrated it may not be realistic to set an end date for a process in which obstacles have not yet come to the surface.

Nonetheless, the EPC is truly committed to make the best efforts to achieve the goal which is finally adopted.

Outlook:

Much more work will be needed to help legacy direct debits migrate to the SEPA ones than we have witnessed in the case of SCT. The target may not be realistic but the Regulation will be respected.



Milestone 20:

Deadline	Topic	What	Who	Stakeholders	Explanation
SEPA Governance					
Q4 2010	Involvement of end users in the SEPA project at the national level	Representatives of all end users categories to become members of the national SEPA fora	National SEPA fora and end user groups	Payment service providers and national and European end users associations	The establishment of the SEPA Council is not enough to guarantee a proper involvement of end users. End users have to be involved also at the national level: representatives of all end users categories (e.g. consumers, merchants, SMEs, corporates and national authorities) need to participate in national SEPA fora, where this is not already the case.

Current situation:

The EPC makes a distinction between the "design function" of the Rulebooks, Implementation Guidelines and the Frameworks and the "implementation function". The EPC view is that the design should take place at European level and the implementation at national level. The EPC has no other mandate than to "monitor and facilitate" the implementation. The responsibility for implementation is in the hands of the national SEPA committees. For the design of the SEPA Schemes the EPC has a cooperation model with the representatives of European Associations of customers in the Customers Stakeholders Forum co-chaired by the EPC Chair and the Chair of their European Users Committee.

For the cards standardisation programme the EPC supports the Cards Stakeholders Group with five representatives of the following five sectors: retailers, schemes, operators, vendors and banks. The CSG is co-chaired by the Chair of the EPC Cards WG and the Chair of the retailer's team.

In 2010 the SEPA Council was created with the ECB and EC as co-chairs, and five representatives of the supply side and five representatives of the buy side.

Outlook:

The EPC draws attention to the fact that the banks have invested, through the creation of the EPC in a very formalised governance model, in the necessary efforts to reach a strong alignment at European and national level for the SEPA vision and the SEPA deliverables. The EPC considers, however, that the representatives of the customers from time to time express different views at national and European level. More involvement of the national stakeholders associations at national level could be helpful, together with more alignment efforts at European level inside each stakeholders group.

The EPC expects that the SEPA Council will contribute to the migration to SEPA becoming a reality.