Simplification of cross-border payments in the Eurozone

Overview of SEPA

The Single Euro Payments Area (SEPA) is an initiative of the European banking industry to simplify all electronic payments across the euro area by credit card, debit card, bank transfer or direct debit and to make them as easy as domestic payments within one country are now.

Cross-border bank transfers should become easier, faster, cheaper and safer for EU citizens thanks to the relevant EU legislation. The financial savings in the EU are calculated at an amount of around €123 billion within a period of six years, while acceleration in transfers would be beneficial for clients, businesses and banks.

This regulation will enable citizens to make payments from one bank account to others all over Europe, just like a normal domestic payment. It will be possible to make all cross-border credit transfers and direct debits in the same way as normal domestic payments. A person working abroad will not need to open a new bank account in the host country, but may receive his or her salary in the home country bank account. On the other hand, companies will benefit too, by not needing more than one bank account in Europe for each payment purpose.

The single Euro payments area (SEPA) regulation lays down common rules and standards for euro credit and direct debit transactions among banks. It would not apply to personal credit or debit card payments. Requiring banks to comply with SEPA rules will enable their clients to use a single bank account to make euro payments to and from all countries participating in the project. To this end, the rules and procedures adopted will ensure that euro credit transfers or direct debits that are possible within SEPA countries are also possible across frontiers between them. The legally-binding deadline for banks to migrate to the new standards is 1 February 2014. European Parliament rapporteurs insisted on a single deadline for all euro credit and debit payments to make the change to the new system easier to be assimilated by all interested parties.

SEPA’s Council

Sepa’s Council ensures that all stakeholders are properly involved in the governance of the Single Euro Payments Area (SEPA) at EU-level. The SEPA Council comprises representatives of providers and users of payment services.

The SEPA Council is co-chaired by representatives of the European Commission and European Central Bank and is composed of five market representatives (consumers, retailers, businesses and national authorities), five representatives from the supplier side (European Payments Council, cooperative banks, saving banks, commercial banks and payment institutions) and four national central bank board members.

Benefits from SEPA

On a practical level, SEPA will enable fast and secure transfers between bank accounts anywhere in the euro area, improving in parallel, all payments, whether they are domestic payments or cross-border payments between two euro area countries.

Businesses could set up cross-border direct debits in euro between any two bank accounts anywhere in the EU, enabling them to bill customers regularly across borders. By eliminating multilateral interchange fees on cross-border direct debits as of 2012, the regulation will enable businesses to establish their payment centres in any EU Member State.

Businesses could also organise all cross-border euro payments from a single euro account in a country of their choice in order to improve money management and speed up cash flows at a lower cost. SEPA will also help launch value-added services such as e-invoicing and e-reconciliation, which can optimise your cash flow and accounting. Experience has shown that using e-invoicing can reduce the cost per invoice by as much as 75 percent.

Businesses are about to acquire convenient and streamlined credit transfers. Firms probably make frequent use of credit transfers for sending and receiving payments. SEPA will guarantee that all euro credit transfers are made in the same way everywhere in the SEPA area, within a predictable timeframe and at the same cost irrespective of destination.

For small and medium businesses (SME), faster settlement and simplified processing will improve cash flow and reduce costs. It will enable them to receive or make euro-payment anywhere within SEPA on the same basis.

Merchants will be able to accept payment cards from all SEPA countries and back office processes will be simplified. For large merchants and corporates, common standards enable the construction of one standard platform for payments in the whole SEPA resulting in major savings.

For governments and public administrations, common schemes and standards will enable the delivery of improved services to citizens at home and abroad. It will also facilitate the delivery of transaction-related e-Government services.

Banks will have the opportunity to enter new markets and win new customers as well as to increase the efficiency of back office procedures. The payment sector suppliers will be able to develop low cost new technology products and services which will serve the single euro market.

More specifically, among those that will be benefited are consumers, who will be able to reach all accounts SEPA-wide from one home country account. More widely accepted payments cards will displace cash improving customer safety and security. This avoids the costs, delays and inefficiency of having to maintain different bank accounts in different countries.

For EU citizens moving within the Union, a single euro account could be used, into which a salary earned in another country could be paid. They could also pay bills in one country through an account held in another. All account users stand to gain, because international competition among service providers should drive down prices. Increased competition among banks to supply services should also help to cut today's inflated costs, and where costs are already low, they should remain so.

Parliament's rapporteurs sought to make the migration to SEPA standards easier for bank clients, by enabling banks to offer conversion services from national systems and to phase out the need to provide the Business Identifier Code (BIC) code (the IBAN international bank account number should suffice). Finally, another benefit is the requirement to apply non-discriminatory charges to transfers, irrespective of the amount involved.

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