

Banking Automation **BULLETIN**



SEPA

Plus ça change...

UK payments landscape to see significant changes

Dubai hosts inaugural ATM conference

Iran to dominate ATM market in Middle East and Africa?

Global smart card shipments to reach 4.8 billion in 2008

Country profile: Portugal



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How important is 28th January for SEPA?

The first SEPA-compliant payment instruments come into operation on 28th January 2008. In

many ways this date is only symbolic, as it is not the deadline for withdrawing existing services but a start date for offering new services that meet the requirements of the EPC's Rulebooks; banks that sign-up to these rulebooks must as a minimum be able to accept SEPA Credit Transfers (SCTs) by 28th January 2008 and make SEPA Direct Debits (SDDs) available by no later than 1st January 2009.

As detailed in our lead article (page 2), substantial progress towards SEPA has been made. The reality, however, is that most payments are still national – for example, industry estimates suggest that only 3% of credit transfers are cross-border. Is this because making cross-border credit transfers up to now has been difficult or expensive? Or is it because demand for such services is still relatively low? The answer is a bit of the first, but much more of the second.

This places banks in a dilemma. It is expensive to run parallel systems that offer national and SEPA-compliant payments, but while most demand is for existing services, it is also expensive to migrate customers. In the case of SDDs, for example, industry experts estimate it will cost €50 per direct debit to migrate from existing mandates – a total of at least €1 billion for mandate conversion alone.

In practice, national and SEPA-compliant payment instruments will continue to be offered in parallel for some time. As demand for SEPA-compliant payments slowly grows, and banks become ever more concerned about the costs of running parallel systems, pressure will increase to withdraw national legacy systems. The European Commission correctly points out that the benefits of SEPA will only be fully realised once this happens.

The Eurosystem's target is that a critical mass of payments within the euro area will be migrated to SEPA by the end of 2010, but this looks extremely unlikely. Exactly when this will happen is unknown, but it is the date that national payment systems are decommissioned, and not 28th January 2008, which will go down as the defining moment for SEPA.

Dominic Hirsch, Editor

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