Financial **crisis**: Sepa can be part of the **solution**

Von Charlie McCreevy

Auch in der Finanzkrise sollte sich die Kreditwirtschaft in Sachen Sepa nicht vom Kurs abbringen lassen, mahnt Charlie McCreevy. Sepa solle nicht als allein von der Politik gewollter Teil des Problems, sondern als Beitrag zur Lösung verstanden werden. Schließlich seien die Kostensenkungspotenziale fünf Mal so hoch wie die Implementierungskosten. Voraussetzung, um davon profitieren zu können, ist freilich das Vermeiden redundanter Kosten durch den Parallelbetrieb alter und neuer Systeme. Um dies zu erreichen, will die Kommission die Debatte um einen Endtermin für die Migration vorantreiben. Dass die öffentliche Hand hierbei nicht eben mit gutem Beispiel vorangegangen ist, räumt McCreevy durchaus ein. Die Kreditwirtschaft sei aber ihrerseits aufgefordert, mit verstärktem Marketing auf diesen Teil ihrer Kundschaft zuzugehen. Grund für eine Sepa-Müdigkeit sieht der EU-Kommissar jedenfalls nicht. Red.

The adoption of the Payment Services Directive and the launch by the EPC of the Sepa Credit transfer were important steps in the Sepa completion process. However, we still have some distance to go if we are to reach the full potential of Sepa.As we stand today, in the aftermath of a full blown financial crisis, whose consequences are still being worked through in the banking industry and whose wider effects on the real economy have still to be felt, I believe it paramount that we keep a clear and constant focus on Sepa and its benefits. Despite the financial buffeting which we are suffering, we should not allow ourselves to be blown off-course. The current financial crisis has clearly shown the importance of liquidity and cash management and the superiority of retail deposits as a source of bank financing. I believe Sepa can be part of the solution – not part of the problem.

Five-fold return on investment

I have yet to meet an informed person who does not see the need and potential of Sepa. Clearly, we need Sepa to complete euro monetary integration and to create an efficient payments market supporting the single market, which is one of the great European achievements. But sadly too often I feel Sepa is only seen as an expensive, politically-hatched, cross-border payment system, rather than as a golden opportunity to modernise and integrate the whole payments market. Moreover, using the power of information technology, we can use Sepa to build a platform that can and will provide substantial efficiency gains to the wider EU. So fundamentally Sepa is very positive for our economy. But we need to believe in this vision and we need to believe in this change. There can be no denying that Sepa will increase competition and indeed that is part of the objective of Sepa.

Zum Autor

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An integrated payments market will provide greater efficiency for payment processing as well as profitable business opportunities: short-term, through payment-related services in treasury and cash management, longer term through a whole range of value-added services such as e-invoicing and e-lending. I know of at least one major international bank that has already recouped its substantial investment in Sepa through the new business opportunities this investment made possible.

This investment return also corroborates the results of the study carried out by Capgemini which we published earlier this year. The study estimated that, while the investment cost of Sepa could be ten billion euros, the forecast operational cost savings for banks could be as much as 49 billion euros which represents a five-fold return on investment.

As the effects of the credit crunch spread to the wider economy, companies will place a premium on efficient cash and liquidity management, especially where they manage a variety of euro denominated accounts in different Member States. For corporate customers, Sepa can provide opportunities to sell cash and liquidity management services; for consumers Sepa can help attract retail deposits. Moreover, payments is a profitable business in its own right – providing a regular, reliable source of income with average annual volume growth of eight to nine per cent.

Need to avoid redunding costs

In this light and despite the crisis, payments remain an attractive business and one where a bank will wish to maintain its competitive edge. To capitalize on these investments, it is crucial to keep Sepa migration on track and on time – we need to avoid the redundant costs of running duplicate payments systems. The Commission has been actively working to help the Sepa completion process.

The Payments Services Directive provides the legal foundation for Sepa, particularly for the Sepa Direct Debit. We have been working closely with Member States and stakeholders through a series of in-depth transposition workshops to identify and resolve outstanding issues. The successful inter-active web-site today holds answers to over 125 questions relating to implementation. Thanks to these efforts we are fully on-track. All Member States are committed to transposing the PSD into national law by 1st November 2009. We will keep up the pressure to ensure this deadline is respected.

On the Sepa Direct Debit which some may say is the flagship Sepa product, the EPC has delivered sterling work. I am delighted that the basic rulebook and the business-to-business version are already in place. For those countries where the basic rulebook is not suitable, our hope is that the so-called "e-mandate" version will provide an acceptable alternative.

So far so good, but a successful launch of the SDD on 1st November 2009, still faces two major challenges:

- First, we must ensure the continued legal validity of existing direct debit mandates under Sepa migration. Nobody gains from the unnecessary and considerable expense caused by wholesale re-signature of billions of direct debit mandates. We must avoid this problem. But, this is a problem that business cannot solve. Nor is it one that we can solve with EU legislation. For that reason we have been working hard with Member States behind the scenes to find a viable solution at national level. We are making progress. We hope that the handful of Member States who still harbour doubts can be inspired by the example of more pragmatic Member States and the practical suggestions of domestic industry and the national central banks.

- The second key issue for the SDD is the development of an acceptable business model. We all know how vibrant and active the debate has been on this subject. The Commission is playing its part to try and break the impasse. Earlier this year, Commission officials participated in a structured dialogue with industry. On September 4th, the Commission together with the ECB took the unusual step of publishing a press release (IP/08/1290) to provide guidance and greater clarity to the market. Discussions are delicately poised. There is a compromise for an interim solution on the table, but there is also an urgent need for industry to develop a durable, long-term business model.

Intensify marketing activities with public authorities

As heavy users of payment instruments, public authorities can make a substantial contribution to Sepa migration by being early adopters and providing critical mass. A questionnaire was sent in June to collect information and data on Sepa migration by public authorities. Preliminary results show that after a slow start, efforts are now being made to prepare for migration. Countries such as Belgium, Finland and France are making good progress and are committed to early SCT migration. However, more remains to be done.

Banks too could intensify their Sepa marketing activities with public authorities. The Commission intends to follow public authority migration very closely and to regularly discuss results with Member States. The Sepa progress report to ECOFIN at the end of this year is an excellent opportunity.

Build a consensus on an end-date

All the great EU projects have an end-date: the single market, the euro changeover, the Financial Services Action Plan. Having an end-date would concentrate minds and increase certainty in the migration process. It would also reduce the unnecessary expense caused by the operation of dual payment systems. However, this is a sensitive subject with Member States – and even more so with competition authorities. Therefore to build consensus on an end-date, we need thorough and comprehensive analysis of its impact – or should I say its absence – on all stakeholders.

Do we need one or two end-dates? Do we need a single EU date? Do we need an option for progressive Member States to go faster? And how should an end-date be defined and implemented? All this calls for solid analysis. The Commission has invited industry to make the case by coming forward with concrete data and figures. This will allow us to launch a debate with all stakeholders and pave the way to the political endorsement necessary to make an end-date effective.

This leads to my last point, which is the Sepa Action Plan. There are signs of some "Sepa fatigue" in the market place. There are calls that we need to move from a self-regulatory to a more "co-regulatory" type process. In my view Sepa remains fundamentally a market-driven process and in such a process it is imperative for banks to market Sepa products that are attractive to their customers, be they consumers, corporate or public authorities.

Nevertheless, Sepa is a project which is very beneficial to the wider economy. There is therefore a public interest, even I would say a public duty, for the Commission to promote the project. Two recent examples illustrate our support for Sepa. In our proposal of 15th October for a revised regulation on payment charges, we propose first lifting the threshold for settlement-based balance of payment reporting to 50 000 from 1st January 2010 and then waiving such reporting completely from 1st January 2012. A second example is the EU Forum of national Sepa Coordination Committees. We have established this to discuss and resolve practical problems as well as exchange experience and best practices.

Sepa Action Plan: timetable of concrete actions

But perhaps we need more. We have been reflecting with the ECB on how best to breathe some new life into Sepa. We are currently assessing the merits of a joint initiative or "Sepa Action Plan". This could cover five main issues, namely:

- Sepa communication and marketing;
- migration (in particular by public authorities);
- legal and compliance issues;
- governance arrangements;
- and technical issues, such as standards.

The final details are being fleshed out, but the objective would be to establish a joint document with a timetable of concrete actions to be taken by various stakeholders to make Sepa happen. Ideally this document would benefit from support at the highest level. I personally remain convinced that Sepa is a tremendous project for Europe and that despite the challenges, despite the financial turmoil around us, despite the market pressures, we can move beyond these first positive steps and make Sepa the full success it deserves to be.