

The new SEPA landscape

From vision to reality (and back)

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Turning the SEPA vision into reality

Student

While studying abroad, my local bills like rent are paid from my home bank account. That gives me peace of mind.

Retailer

European shoppers keep dropping into my shop and now I can accept nearly all the payment cards I am offered.

Corporate

With the new European standards, we can better manage our cash flow and significantly reduce our own processing and training costs.

Consumer

Being away on holiday or for work I don't have to worry about carrying too much cash anymore. I just use my tried and tested debit or credit card.

Government

We have many pensioners living in other European countries. The new payment services help us distribute these pensions cost-effectively and speedily.

Source: www.europeanpaymentscouncil.eu

Agenda

Looking back from 2012

- Does the SEPA deliver efficient payment services?
- Does the SEPA ensure the safety of payment services?
- Has the SEPA contributed to the competitiveness of the EU economy?
- How has the SEPA shaped the banking industry?
- Do customers see real benefits?

Does the SEPA deliver efficient payment services?

- SEPA Credit Transfer (since 2008) ✓
- SEPA Direct Debit (since 2009) ✓
- D+1 (since 1 January 2012) ✓
- Priority payment ✓
- Less paper, more STP ✓
- European debit card scheme emerging?
- Infrastructures consolidating?
- Governance?
- Pricing?
- Plans for phasing out legacy instruments?

Does the SEPA ensure the safety of payment services?

- Strengthening card payment security ✓
- PSD ensures user protection ✓
- PSD delivers framework for payment service providers (banks, e-money institutions, payment institutions) ✓

Has the SEPA contributed to the competitiveness of the EU economy?

Payment Services Directive (PSD)

- EU-wide legal framework has facilitated the SEPA implementation and acceptance of the new payment services ✓
- Payment institutions compete with banks and e-money institutions in developing and offering payment services for end-users ✓
- Customer protection rules and minimum service level requirements have substantially increased customer satisfaction ✓

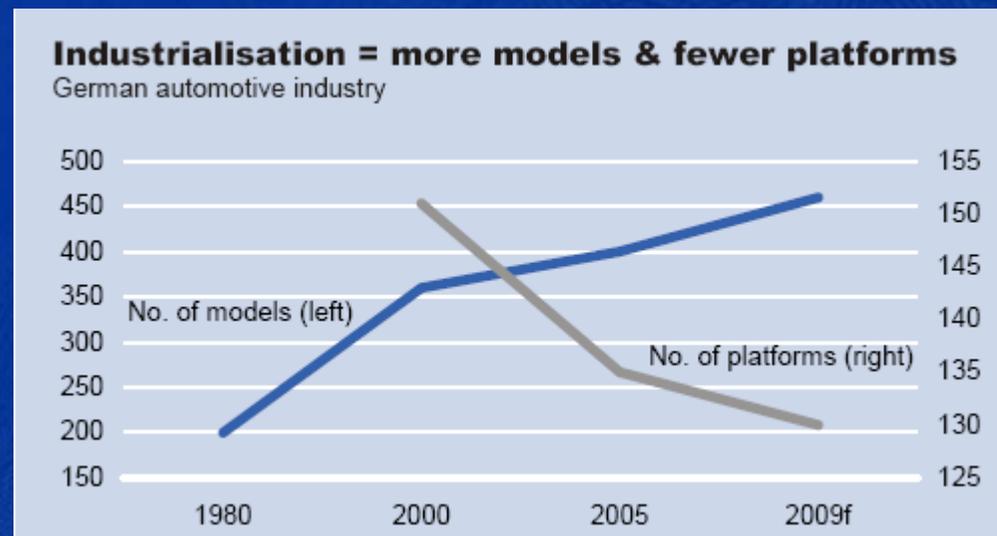
Has the SEPA contributed to the competitiveness of the EU economy?

- SEPA has fostered the ease of use of electronic euro payments ✓
- SEPA has increased market transparency, removed entry barriers ✓
- SEPA fosters not only innovation of electronic payments, but also triggers the evolution of related electronic services for enhanced business processes ✓

How has the SEPA shaped the banking industry?

Market opportunities

- Changes in market scope: more countries, (value-added) services
- Restructured business processes, cooperation models and pricing models
- Industrialisation of financial services: boosting productivity by using standardised platforms for creating a growing variety of customised services



Sources: DB Research (2007)/Rundshagen and Riese (2006)

Do customers see real benefits?

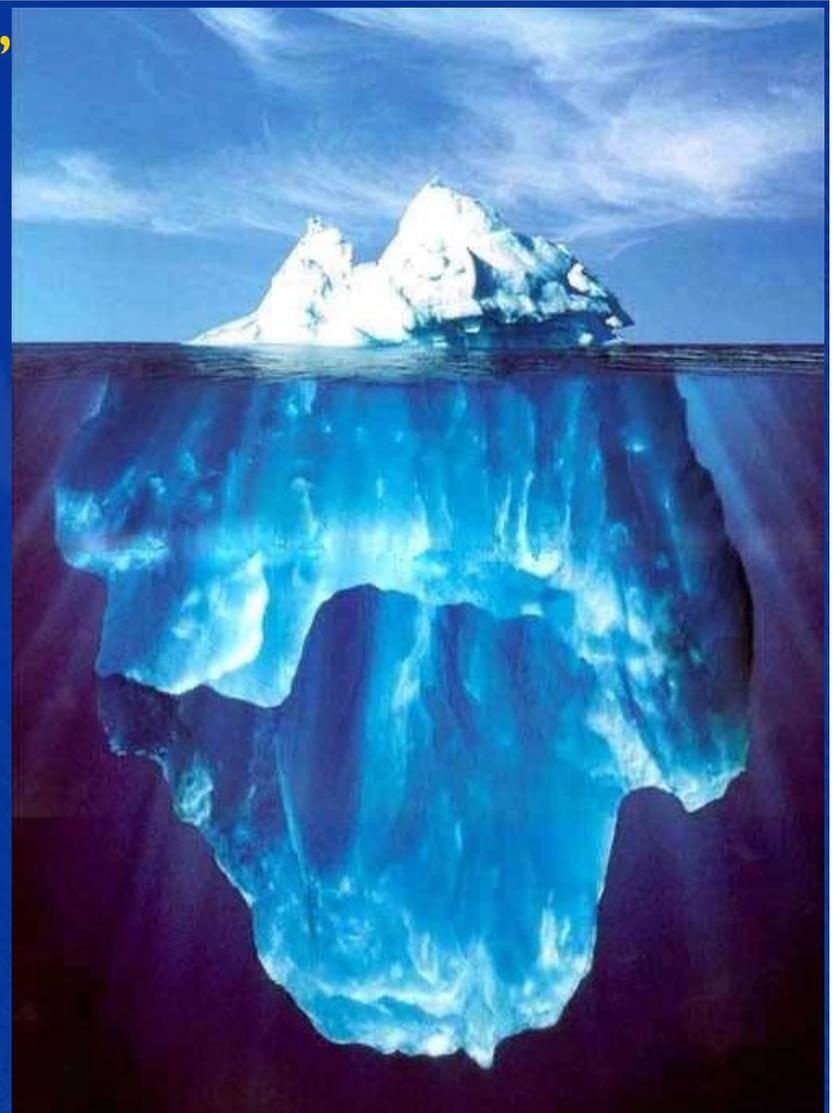
2008: The “Iceberg experience”

IMPLEMENTATION



USER MIGRATION

- Communication!
- Closing gaps between user experience and interest!



Do customers see real benefits?

Survey among Finnish SMEs

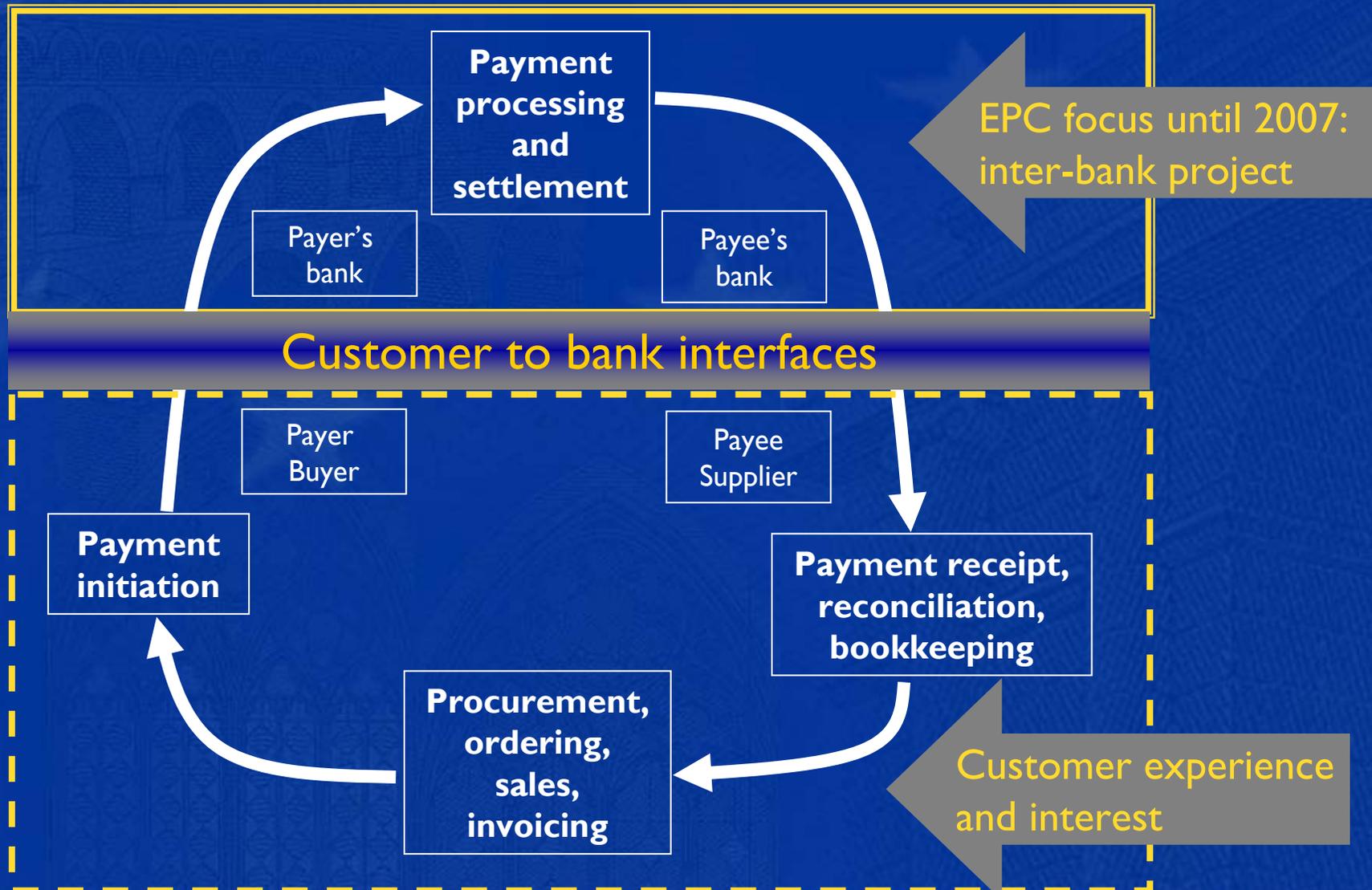
How significant does your company consider easier cross-border payments for the following payment methods?*

Use of a simple and unified bank account number convention (IBAN)....	3,5
Use of a standard bank debit-card in the euro area.....	3,5
Common electronic payment standard for the EU.....	3,3
Euro area-wide bank transfer.....	3,2
Euro area-wide express transfers	2,7
Euro area-wide direct debit	2,3

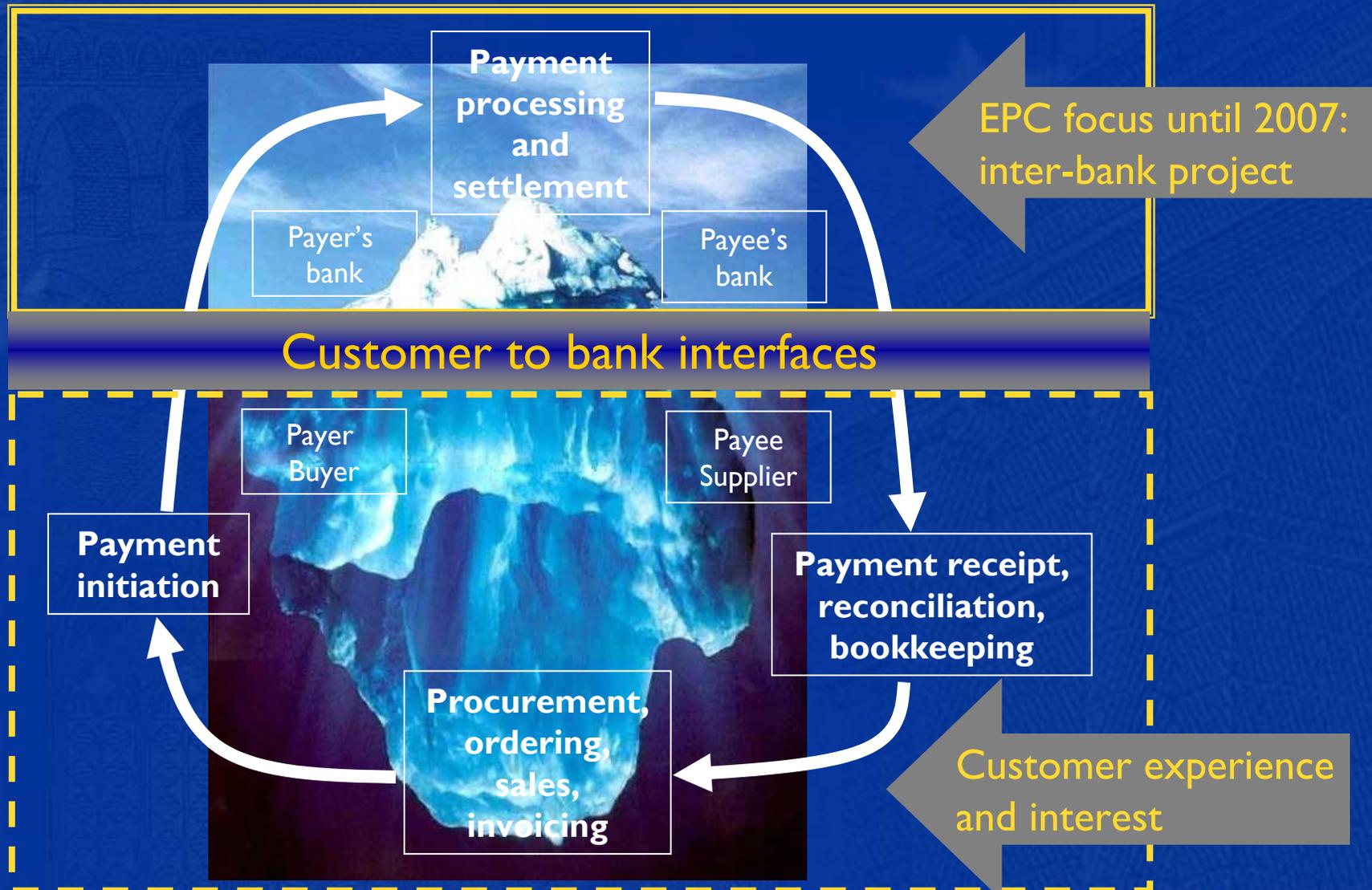
* Averages based on 844 replies; Scale 1 = insignificant to 5 = extremely significant
Source: Bank of Finland/Federation of Finnish Small and Medium Enterprises (Nov. 2005)

Until 2007, only a few surveys had investigated detailed SEPA user requirements

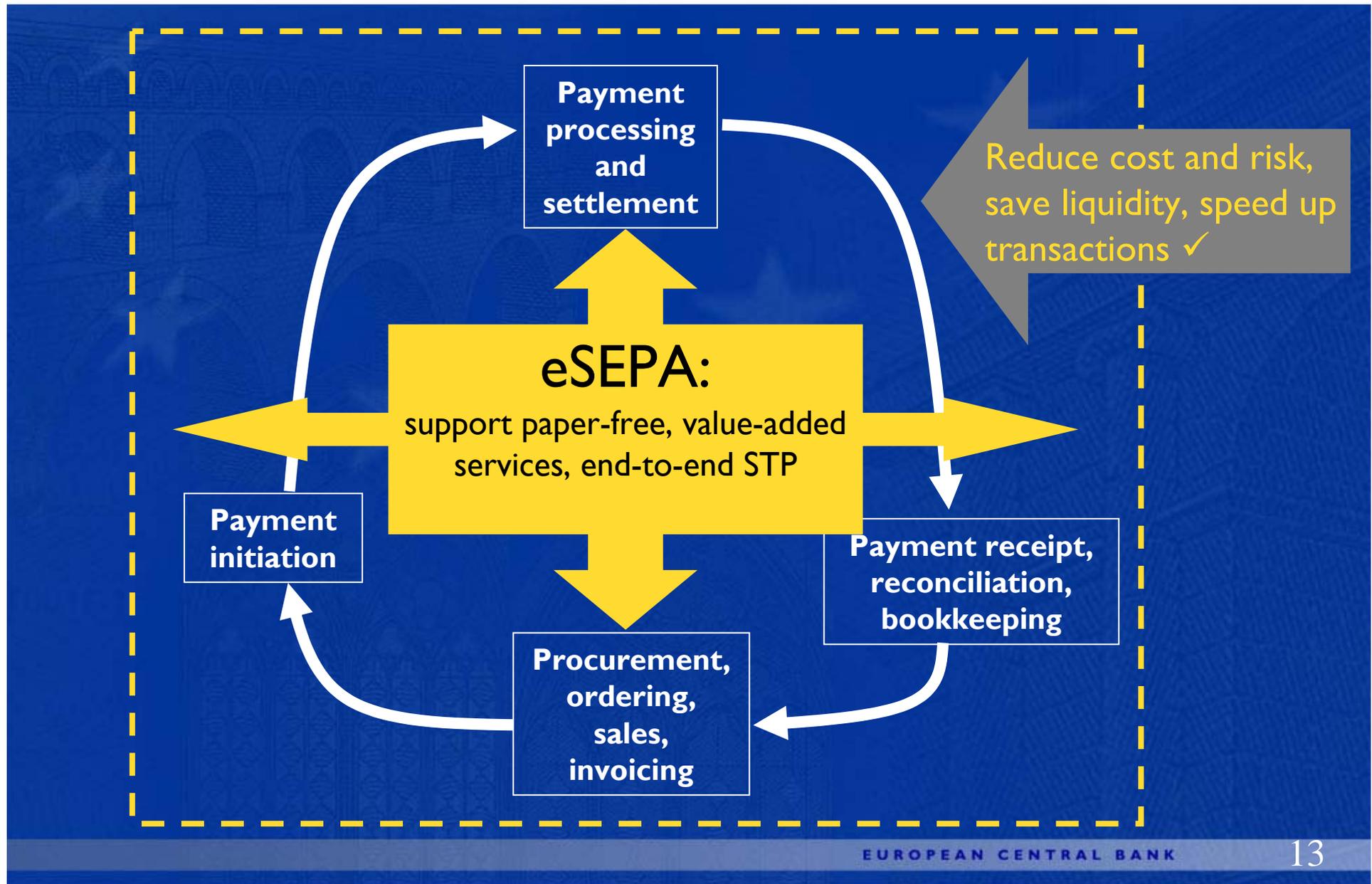
Do customers see real benefits? Situation in 2007



Do customers see real benefits? Situation in 2007



Do customers see real benefits? Situation in 2012



Back in time: lessons from the future

YES - SEPA is worth the effort.

BUT there is still work to do.

- Design: few tasks remaining
- Implementation: advancing
- Migration: only at the start
- Further evolution: lay foundations now

“Start by doing what is necessary, then do what is possible, and suddenly you are doing the impossible.”