

**MemberNet**

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Executive Committee

23<sup>rd</sup> MEETING OF THE ASSOCIATES  
- Brussels, 7 December 2006 -

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**ITEM 6 OF THE AGENDA: SEPA DEVELOPMENTS**

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**I. SEPA****SEPA is acquiring high-profile status**

The subject was for the first time subject of an official communication from the Council of Economic and Financial Affairs Ministers on 10 October.

The Council expressed its support for the project and its appreciation of the substantial work undertaken by industry.

At a SEPA summit in Frankfurt in November sponsored by the ECB, both MM. McCreevy and Trichet paid tribute to the work achieved by the EPC and industry.

Conferences and seminars are taking place all over Europe where the subject is hotly debated.

**The major topics of discussion and areas of risk are the following:**

Buy-in by public administrations: the Council fell short of recommending that public administrations become early-adopters of the SEPA instruments.

Public administrations are openly showing little interest in embracing SEPA. Yet they are counterparty in about 20% of all payments in SEPA.

Their involvement is critical to the successful launch of SEPA.

The Payments Systems Committee is working on identifying possible incentives/benefits to be presented to public administrations in a communications campaign. This should be part of the national implementation plans.

Cards: the ECB has published in November a report: "the Eurosystem's view of a SEPA for Cards" where it expresses its concern for the lack of competition in the cards market in Europe and its wish to see at least a third, purely European scheme being established next to Visa and Mastercard.

At the high-level meeting with bankers at the ECB in October and at the SEPA summit in Frankfurt, banks expressed their disagreement with the analysis of the ECB.

The EPC will respond to the ECB's report.

a.i.s.b.l. The Payments System Committee will give input to this response.

A special COGEPS meeting dedicated only to Cards will be called by the ECB in February 2007.

Direct Debits: Still a lot of debate is taking place within the EPC on the co-existence of the two mandate flows, through the creditor and through the debtor bank. A national consultation will take place in Q1 2007.

Furthermore the probable delay in the adoption of the Payments Services Directive risks preventing a swift take-off of the SEPA Direct Debit scheme.

### **The Role of national associations and the EBF in SEPA**

The EBF is a direct member of the EPC Plenary and therefore directly involved in the decision-making around the SEPA project. National associations are represented on the one hand via the EBF Board, Executive Committee and Payment Systems Committee, while at the same time a number of national banking associations are also direct members of the EPC Plenary.

### **Latest update on SEPA: EPC Plenary of 13 December 2006**

The most relevant decisions to be taken refer to the following:

- Proposals for Scheme Management following national consultation
- Resolutions to approve versions 2.2 of the SEPA direct debit and credit transfer rulebooks (the final versions for January 2008 start).
- Future structure of EPC working and support groups and EPC budget for 2007:
  - The SEPA program, which remains the focus of EPC activities, is moving from design to implementation.
  - Scheme management will be put in place during 2007.
  - EPC's responsibilities for all payment related standards within its scope need to be properly supported.
  - The structure should ensure the safeguarding of intellectual property/capital in a neutral environment.

## **II. PAYMENTS SERVICES DIRECTIVE (PSD)**

Following the European Parliament ECON Committee, which has cast its vote on the amendments to the Payment Services Directive on the 12th of September, the directive proposal is still being discussed in Council under the Finnish Presidency, where meetings were held throughout September, October and November. The latest Council draft working documents date from the 16th of November. A position on these documents is currently prepared by the EPC legal group and will be shared with the FBE Payment Systems Committee as well as the Executive Committee.

The briefings prepared by EPC are of a technical nature and help to guide decision makers, for example financial attachés, in their negotiation on the topic.

Regarding the future process, the following has to be said: due to the fact that the major political points of disagreements, payment institutions, execution times (etc.) have not been solved at attaché level, the Finnish Presidency has no mandate to negotiate with the European Parliament in the foreseen co-decision procedure. As a consequence, the Ecofin Council of the 28th of November is expected to give high level guidance on Title II, which would subsequently launch the co-decision process between Council and Parliament. In

the most optimistic scenario a compromise is elaborated before the December EP Plenary (11-14th week), but the current situation seems to indicate a strong likelihood that the PSD moves to the responsibility of the German Presidency in January 2007.

The European Parliament, being for the first time in financial market regulation on a faster track than the Council, is very keen to see it's unanimously decided position to prevail in the discussions.

In order to prepare for the incoming German EU Presidency of the European Union a delegation of 10 Members from the Committee on Economic and Monetary Affairs of the European Parliament (ECON) visited Berlin on 23/24 November 2006.

The visit by Members of ECON reflects the interest of the European Parliament to establish strong links with German decision makers ahead of the start of the German EU Presidency. One of the primary objectives of the German EU Presidency is to bring forward the economic and financial services agenda of the European Union, specifically in relation to the preparation of the approval of the Single Euro Payment Area (SEPA). It was therefore essential for the ECON Delegation to have in-depth discussions with their counterparts from the German Parliament's Finance, Economic and European Affairs Committees prior to the commencement of the German EU Presidency.

The FBE will continue to lobby the Council on the basis of the EPC position. FBE members are encouraged to communicate strongly to their finance ministries as well as their financial attachés here in Brussels. As mentioned, a memo will be provided shortly, aimed at facilitating consistent communication to financial attachés.

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