

Five minutes to summarise the SEPA
by Jean-Michel Godeffroy
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I understand I have five minutes to express my views on SEPA. Therefore I skip the joke and the formal introduction, and I come straight to the five points I want to make.

First point: SEPA is not an option.

SEPA is not only a major re-organisation of the retail payment industry in Europe. SEPA is a political project linked to the introduction of the euro as the single currency of 318 million European citizens. SEPA is also linked to the so-called Lisbon agenda, the aim of which is to modernise Europe and make it more competitive in a global context.

At Sibos, the Eurosystem stand is organised around four major projects in which we are involved. For three of these major infrastructure projects (TARGET2, TARGET2-securities, CCBM2), the Eurosystem is in the driving seat. We are in the driving seat, subject to market criticism. For SEPA the banks are in the driving seat, subject to our constructive criticism.

Second point: the SEPA casting is incomplete: the final customer is missing.

Two major events occurred in SIBOS on Tuesday: in the morning the major retail payments infrastructures officially stated their readiness to process the SEPA credit transfer on 28 January 2008; in the afternoon, 32 European banks officially stated that they will be ready to send and receive the new instrument on the same day. Many more banks are to sign soon. The industry is ready, but the users are not. When are the big corporates and the big administrations going to sign a similar commitment to SEPA?

Third point: one major payment instrument is missing: the European debit card scheme!

I have already mentioned the SEPA credit transfer, which is almost a done deal. The SEPA direct debit, a major innovation, is on course, even if the implementation is delayed by almost two years. Officially the European legislator is responsible for this delay. Let's admit that these two years will help the banking sector to get ready.

But what about the payment card, the third European payment instrument? There are a multitude of cards schemes in Europe, and they are not fully compatible. But they have in common a high degree of satisfaction of the users, the cardholders in particular. Merchants are more sceptical, but they are even more sceptical about the alternative: the mandatory use of the international schemes on a domestic basis. My impression is that, so far, the banks have generally approached the cards issue from the wrong angle. They should have started from what has been successful in Europe and built on that. One project on the table is to link the national cards schemes. As you know, we support this project, but I would also question whether it is ambitious enough. Linking schemes is good, merging them would be better.

Of course the market may also invent other alternatives too, taking into consideration that costs for setting up a new scheme are coming down considerably as a result of the separation of scheme and processing and the upcoming availability of commonly agreed card standards (Dec 2008).

Fourth point: timing is an issue

The general consensus regarding SEPA is that time will be needed and that customers should be free to adhere to SEPA at their own pace. I think it makes sense. But we should keep in mind that the dual circulation of new and old payment instruments will be costly for everybody. If the critical mass is not reached quickly, the project could lose momentum and you will hear more and more statements like "after all, the good old national solutions are not so bad". This

will be a “lose-lose” situation and bad for everybody in Europe. Clearer end_dates are probably necessary.

Fifth and last point: SEPA is not enough. We also need to prepare e-SEPA.

I can easily understand those who wish to rest a little bit, those who claim that we should not run two races at the same time: the Europeanisation of the payment industry, and the introduction of new payment methods triggered by the Internet, the chip card and the mobile phone. But we have no choice: we have to run these two races at the same time. If Europe is to remain competitive in this world with many new actors, it has to conduct SEPA and e-SEPA together.

In conclusion: SEPA is here! I met it in Boston. But it is still a baby and I have no doubt that, Sibos after Sibos, we will see it grow. The banking industry, the European Payment Council in particular, has done a great job! I hope you understand that the role of the central bank is to insist on what remains to be done.

Thank you for your attention.