

Single Euro Payments Area: technical requirements for credit transfers and direct debits

2010/0373(COD) - 16/12/2010 - Legislative proposal

PURPOSE: to establish technical requirements for credit transfers and direct debits in euros in the Union.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the present proposal has to be seen in the context of the creation of an Internal Market for payment services in euro (Single Euro Payments Area or SEPA). Secure and efficient payment systems are crucial to the conduct of economic transactions and to the proper functioning of the Internal Market.

Two years after the launch of the SEPA credit transfer, the number of SEPA credit transfers processed by clearing and settlement mechanisms located in the euro area has not yet reached the 10% threshold. A linear extrapolation of the current SCT migration rate of 9.3% (as of August 2010), suggests that it will take around 30 years to complete SEPA. Even in a more optimistic scenario, it seems very unlikely that SEPA migration will be completed in less than 15–20 years without additional legislative intervention.

Although strongly supported by both the European Commission and the European Central Bank, SEPA was originally conceived as a primarily market-driven project. Union-wide schemes for credit transfers and direct debits were designed and implemented by the European Payments Council (EPC), a coordination and decision making body set up by the European banking sector to deliver SEPA. However, given the current slow rates of migration, there is increasing recognition by all categories of stakeholders that **a legally binding end-date may be necessary to achieve successful project completion.**

IMPACT ASSESSMENT: the impact assessment, prepared in close cooperation with the ECB, considers three scenarios: no intervention, additional incentives for SEPA migration without setting an end-date and the impacts of setting a migration end-date. It concludes that the best scenario for the Union payments market, the European economy and the stakeholders is setting an end-date for migration by way of a Regulation.

Subsequently, the impact assessment considers the best ways of implementing the end-date at the technical level, by discussing policy sub-options for the end-date implementation in several areas: i) the reference basis for adopting Union-wide credit transfers and direct debits; ii) the transaction domain; iii) product specification; iv) Member States scope; v) deadline for migration, and vi) clarity on the long term business model for pan-European direct debits.

LEGAL BASE: Article 114(1) of the Treaty on the Functioning of the EU (TFEU).

CONTENT: the proposal for setting technical requirements for credit transfers and direct debits is aimed at:

- **setting up separate migration end-dates for credit transfers and direct debits respectively**, by introducing a set of common standards and general technical requirements;

- **ensuring reachability of payment service providers for credit transfer transactions**, along the lines of the reachability obligation for direct debit transactions under Regulation (EC) No 924/2009 and interoperability of payment systems.

The main features of the regulation are as follows:

Purpose and scope: the proposal covers the execution of all credit transfer and direct debit transactions denominated in euros within the Union. It does not cover some types of payment transactions -such as payment card transactions, money remittance and payment transactions through means of any telecommunication, digital or IT device which do not result in a credit transfer or direct debit. To promote competition and efficiency, the Regulation should not foreclose from the market non-'traditional' payment schemes, in particular when they are based on combined schemes rules including a direct debit or credit transfer segment. Hence, the provisions of this Regulation only apply to the credit transfer or direct debit underlying the transaction.

Definitions: these are aligned, as much as possible, with those used in Directive 2007/64/EC. However, given the Regulation's limited scope in comparison with the Payment Services Directive, some of the definitions have been tailored to the needs of this proposal.

Reachability of payment service providers for credit transfer transactions is integrated with the reachability obligation for direct debit transactions under Article 8 of Regulation (EC) No 924/2009.

Technical interoperability: the proposal contains provisions which are necessary for the smooth functioning of payment schemes and systems, so that they can interact with each other across the Union using the same standards, without technical obstacles to the processing of payments by the market players.

Technical requirements for credit transfer and direct debit transactions: the text introduces deadlines for migration to Union-wide instruments, by making certain important standards used by the payment industry mandatory and defining technical requirements applying to both payment service providers and customers.

No later than 12 months after the entry into force of the Regulation, credit transfers shall be carried out in accordance with the technical requirements set out in the Annex. The deadline for direct debit transactions is set at 24 months after the entry into force of the Regulation.

Interchange fees for direct debit transactions: the proposal clarifies that, after 31 October 2012, multilateral interchange fees (MIFs) per transaction are not allowed for national and cross-border direct debits. It also defines general conditions for interchange fees (multilateral, bilateral and unilateral) for R-transactions, in line with the working document on the 'Applicability of Article 81 of the EC Treaty to multilateral interbank-payments in SDD' published by the Commission on 3 November 2009.

Waiver: this provision applies to so-called 'legacy' niche products which should also be phased out after an appropriate transitional period.

Payment accessibility: the proposal ensures that if a euro credit transfer or a euro direct debit is accepted domestically, it will also be used to and from a euro account on a cross-border basis.

Competent authorities: the competent authorities would be empowered to take necessary measures to ensure compliance with the obligations laid down in this Regulation.

Penalties: Member States are required to provide details of penalties to the Commission.

BUDGETARY IMPLICATION: leaving aside the normal administrative costs linked to ensuring the respect of EU legislation, there will be no budgetary impact since no new committees are created and no financial commitments are made. However, the Commission is also a significant user of payment services in its own right and therefore should benefit, along with other users, from enhanced competition generated by SEPA.