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

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The Committee on Economic and Monetary Affairs adopted the report drafted by Sari ESSAYAH (EPP, FI) on the proposal for a regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009.

It recommends that the European Parliament’s position adopted at first reading, under the ordinary legislative procedure, amends the Commission proposal as follows:

SEPA: SEPA has been defined as the area where citizens, companies and other economic participants can make and receive payments in euro, within the Union, whether within or across national boundaries under the same basic conditions and in accordance with the same rights and obligations, regardless of their location.

Scope and application: this Regulation shall apply to the European Central Bank (ECB) and to the national central banks when not acting in their capacity as monetary authorities. It lays down rules for credit transfer and direct debit transactions denominated in euro within the Union where both the payer’s payment service provider and the payee’s payment service provider are located within the Union, or where the sole payment service provider in the payment transaction is located in the Union.

Rules should be laid down to cover the execution of all credit transfers and direct debit transactions, including transactions initiated through a payment card at the point of sale which result in direct debit from a payment account identified by the basic bank account number (BBAN) or by the international bank account number (IBAN).

According to Members, these rules should not cover payment transactions which customers have specifically requested to be processed through large-value payments systems.

Interoperability: an amendment states that the participants in the scheme represent a **majority** of payment service providers across and within a majority of Member States. Where neither the payer nor the payee is a consumer, the payment schemes shall represent the majority of payment service providers providing such services across and within a majority of Member States where such services are available.

Essential requirements: **the amended Regulation** requires the use of certain common standards and technical requirements such as the use of international bank account numbers (IBAN), bank identifier codes (BIC) and a financial services messaging standard (ISO 20022 XML) for all bank account payments in euro in the EU.

In order to make payments easier for all customers, **the use of the BIC should be limited to those cases where truly necessary**. By 24 months after the date of entry into force of this Regulation, payment service providers participating in a Union-wide direct debit scheme shall establish and regularly update a centralised and well-functioning database to identify the unique BIC corresponding to a given IBAN, and to solve those cases where it is possible to attribute more than one BIC to a particular IBAN.

Migration deadlines for credit transfer and direct debit transactions: under the Commission proposal, national credit transfer and direct debit electronic payment schemes should be phased out 12 and 24 months respectively after the entry into force of the regulation. Members are of the opinion that there should be only **one end-date** in order to allow for an easier migration. This end-date should be **2 years after the entry into force of the Regulation.** Member States may, having taken into account and evaluated the state of preparedness and readiness of their citizens, set earlier dates.

At the same time, Members deleted the possibility for Member States to allow their competent authorities to waive all or some of the requirements.

In addition, it is added that the payment service providers of the payer and the payee shall not levy charges or other fees on the read-out process, which provides the data for those payment transactions initiated through or by means of a payment card at the point of sale, which result in direct debit.

Validity of mandates and the right to a refund: Members introduce a new Article stipulating that any valid payee authorisation to collect recurring direct debits in a legacy system prior to the date set out for migration shall continue to remain valid after that date and shall be considered as representing the consent to the payment service provider of the payer to execute the recurring direct debits collected by that payee in compliance with this Regulation in the absence of national law or customer agreements continuing the validity of direct debit mandates.

Interchange fees for direct debit transactions: the Commission proposal stipulates that for direct debit transactions which cannot be properly executed by a payment service provider because the payment order is rejected, refused, returned or reversed (R-transactions) carried out by payment service providers, a multilateral interchange fee may be applied if a certain number of conditions are complied with.

In this context, Members state that the payee's payment service provider or the payer's payment service provider may pass on R transaction fees to a particular payer only on the basis of costs incurred by the payment service provider in relation to that payer.

An amendment stipulates that the conditions shall apply to direct debit transactions from **1 November 2012** onwards.

Information requirements: in order to ensure that the standardisation of transactions and the mandatory use of IBAN and BIC find acceptance among Union citizens, Member States and banks shall carry out specific and extensive information campaigns in order to raise public awareness and adequately explain the benefits of the system and the consequences for national and international transactions.

Member States shall require banks to facilitate the transition for their customer, in particular with regard to the mandatory use of IBAN and BIC, through a transparent information policy.

Banks shall provide clear and understandable information to consumers on R-transaction fees in the interests of transparency and consumer protection.

Penalties: Member States shall, by 12 months after the date of entry into force of this Regulation, lay down rules on the penalties applicable to infringements to this Regulation. Member States shall notify the Commission of those provisions by 18 months after the date of entry into force of this Regulation. The penalties shall not be applied to consumers.

Governance: according to Members, the **Union method** shall be applied wherever possible. The SEPA Council, representing payment service providers and users at the same footing, shall ensure active involvement of stakeholders, contribute to sufficient communication of the SEPA process to end-users and monitor the implementation of the SEPA process.

Delegated acts: amendments have been made to the conditions as regards the delegation of power to the Commission. The delegations of power shall be conferred on the Commission for a period of five years from the date of entry into force of this Regulation (as opposed to an indeterminate period as proposed by the Commission). The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension.

Transitional provisions: Members request that during the migration period, the payment service provider shall provide to their retail customers for national payment transactions the technical services, enabling them to convert BBAN technically and securely into the respective IBAN by the payment service provider concerned.

Payment service providers located in a Member State which does not have the euro as its currency shall:

- comply with the requirements set out in Regulation for credit transfers denominated in euro at least three years after the entry into force of the Regulation;
- comply with the technical requirements concerning transfers and direct debits denominated in euro at the latest 30 October 2016.

Report: by five years after the date of entry into force of this Regulation, the Commission shall present to the European Parliament, the Council, the European Economic and Social Committee, EBA and the ECB a report on the application of this Regulation accompanied, if appropriate, by a proposal.