

# The Single Euro Payments Area in a global context

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**The** Single Euro Payments Area (SEPA)  
aims at achieving a fully integrated  
market for euro retail payment  
services.



# Outline

- I. Financial integration
- II. Key components of SEPA
- III. SEPA for cards
- IV. SEPA and innovation
- V. Conclusions

# I. Financial integration

The Eurosystem has a keen interest in financial integration and the efficient functioning of the financial system.

# I. Financial integration

Financial integration is key for:

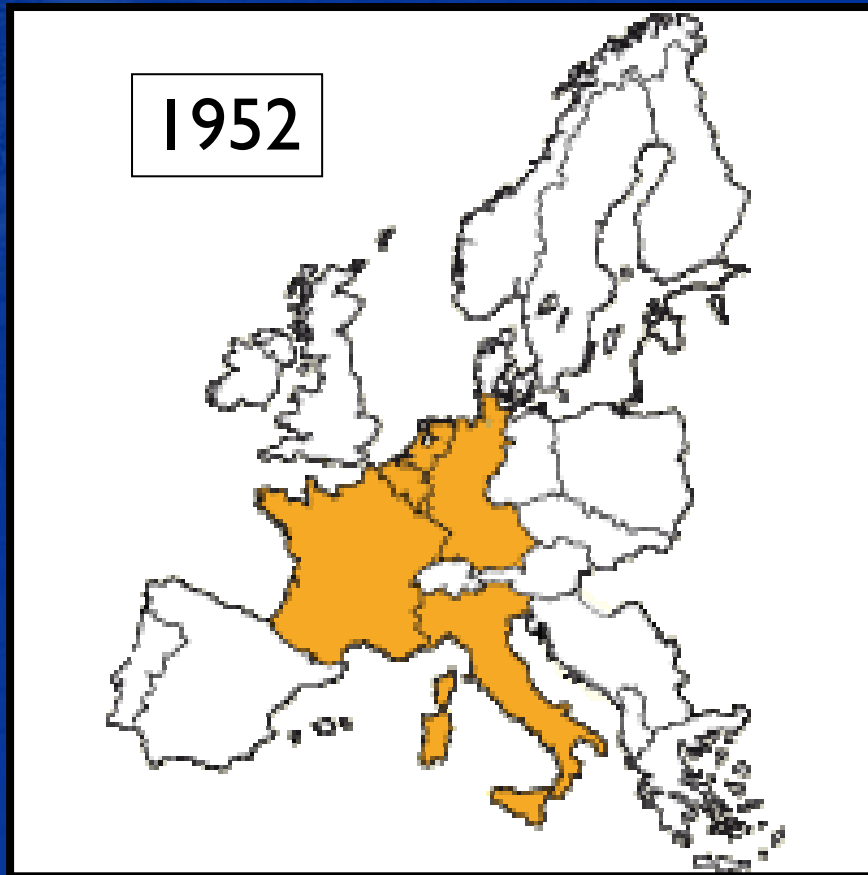
- Conducting monetary policy
- Safeguarding of financial stability
- Promoting the smooth operation of payment systems
- Enhancing competitiveness of the financial sector

# I. Financial integration

Financial integration means:

- Single set of rules
- Equal access
- Equal treatment

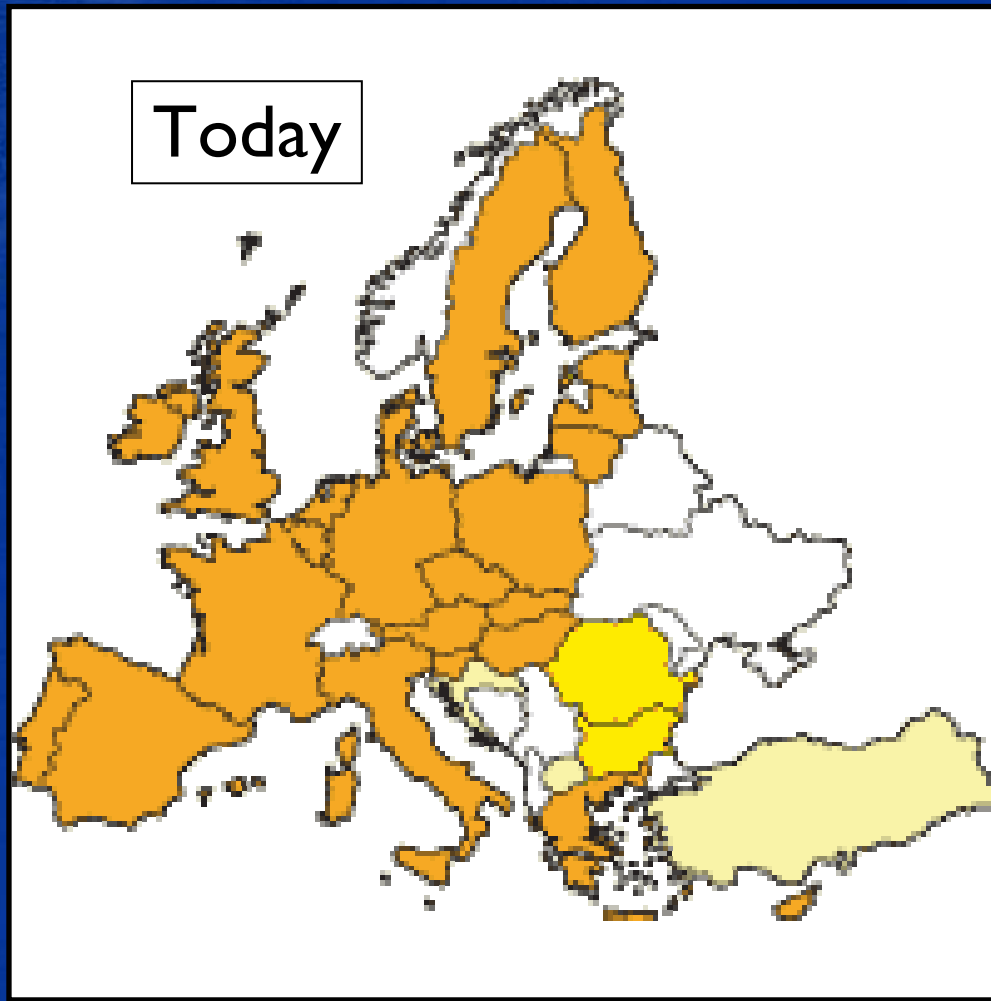
# I. Financial integration



Member States establishing the European Coal and Steel Community:  
Germany, France, Italy, the Netherlands, Belgium and Luxembourg.



# I. Financial integration



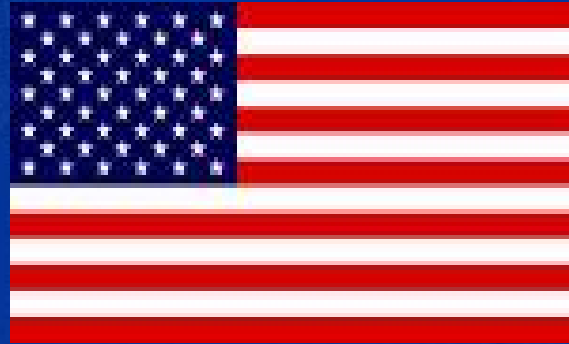
Member States in the EU:  
Germany, France, Italy, the Netherlands, Belgium, Luxembourg, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Austria, Finland, Sweden, Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

New Member States (2007):  
Bulgaria and Romania.

Candidate Countries:  
Croatia, the Former Yugoslav Republic of Macedonia and Turkey.

# I. Financial integration

Markets of similar size, market with similar rules?



**Population:**

(millions)

**300**

**494**

**GDP:**

(PPP, € trillions)

**11**

**12**

**Size of capital markets:**

(% of GDP)

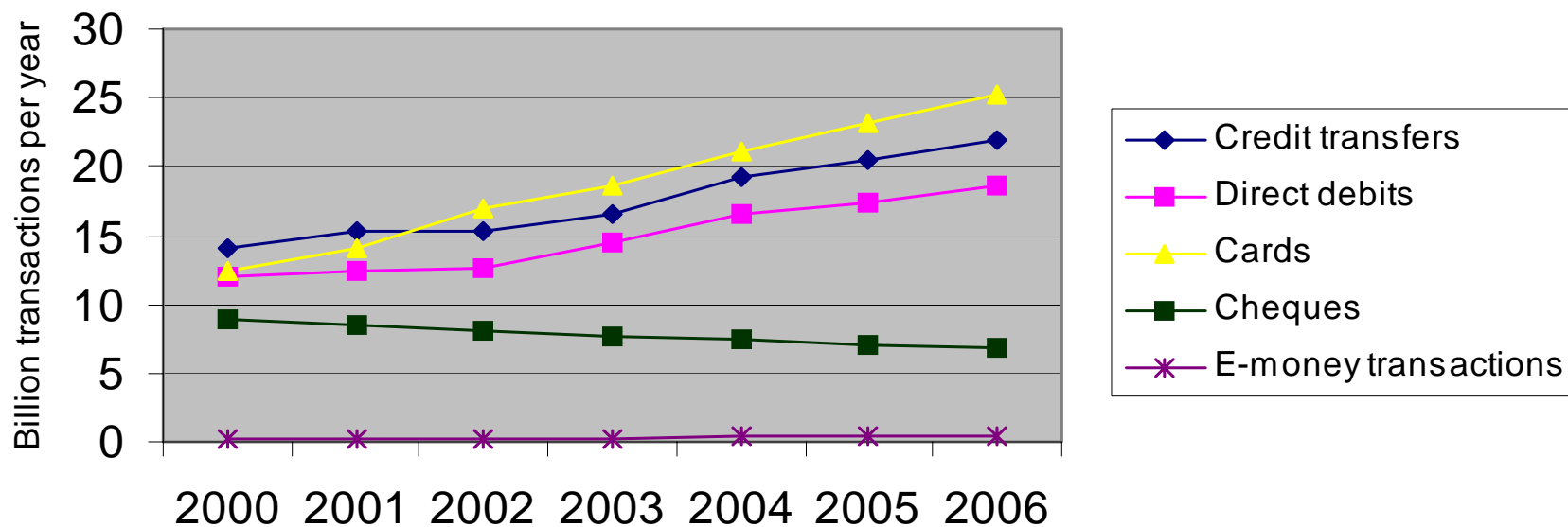
**362**

**337**

# I. Financial integration

Transactions increased; cards now number one

**Chart 1: Use of payment instruments by non-MFIs in the EU (2000 to 2006)**



Source: ECB

# I. Financial integration

Trends in payments are similar in EU and globally.

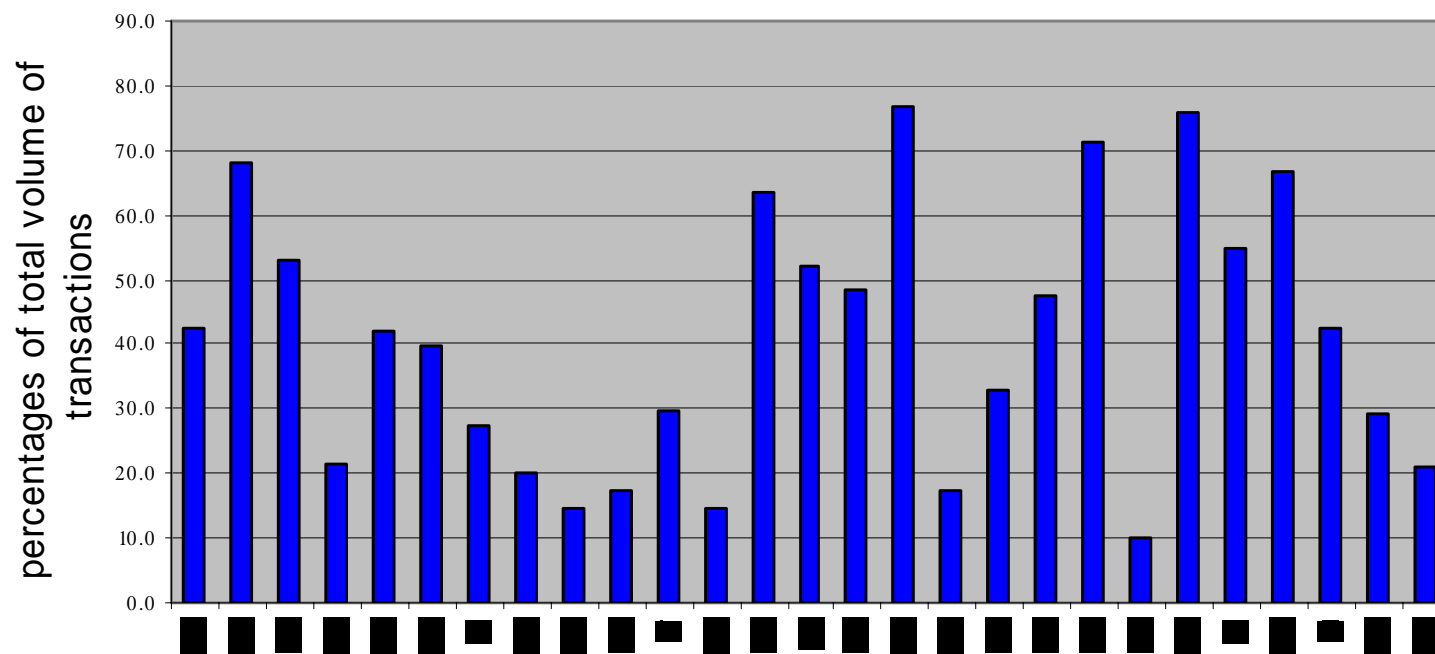
But habits differ:

- Use of payment instruments differs among regions.
- The industry has to develop common solutions that are able to cope with the different payment habits in Europe.
- Users should have similar choices between payment services across Europe.

# I. Financial integration

Most used in HU,RO; Less used in PT

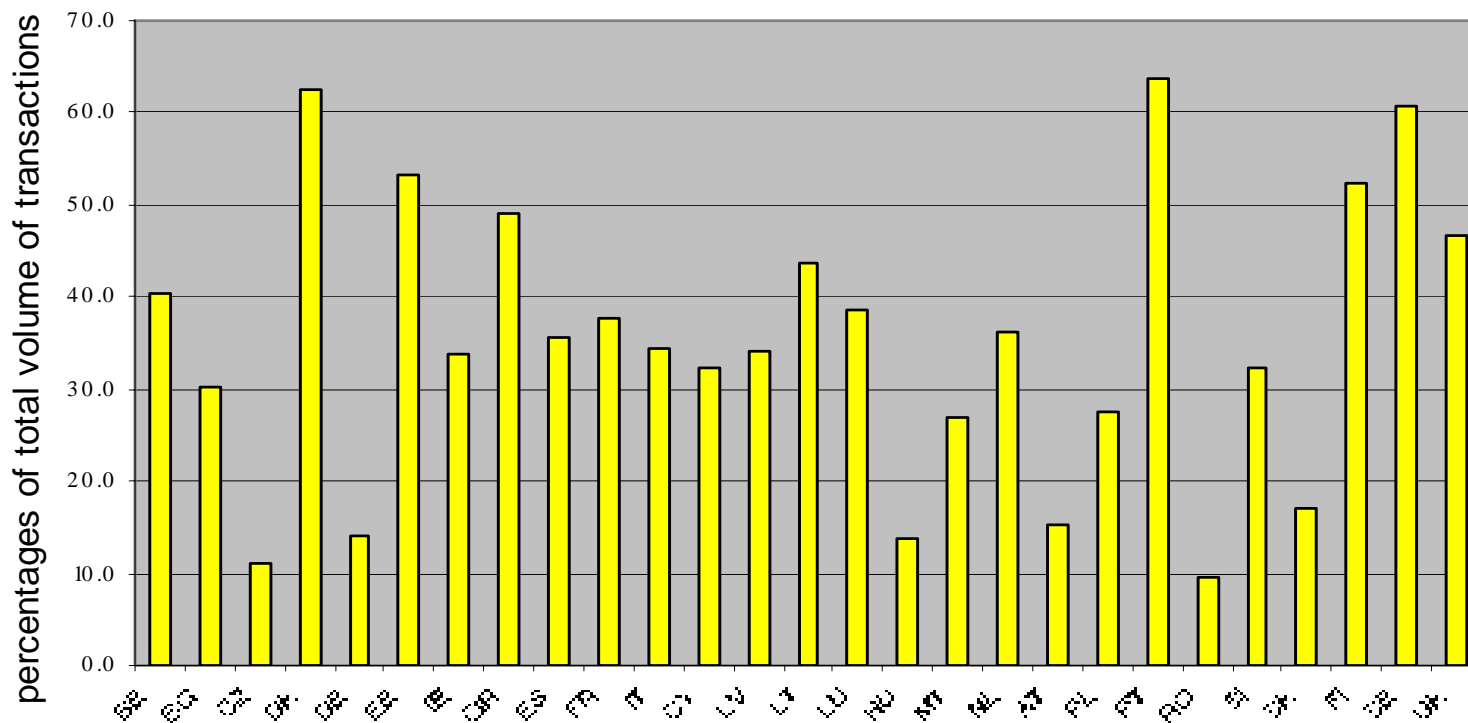
Chart 2: Relative importance of Credit transfers



# I. Financial integration

Most used in PT; Less used in RO

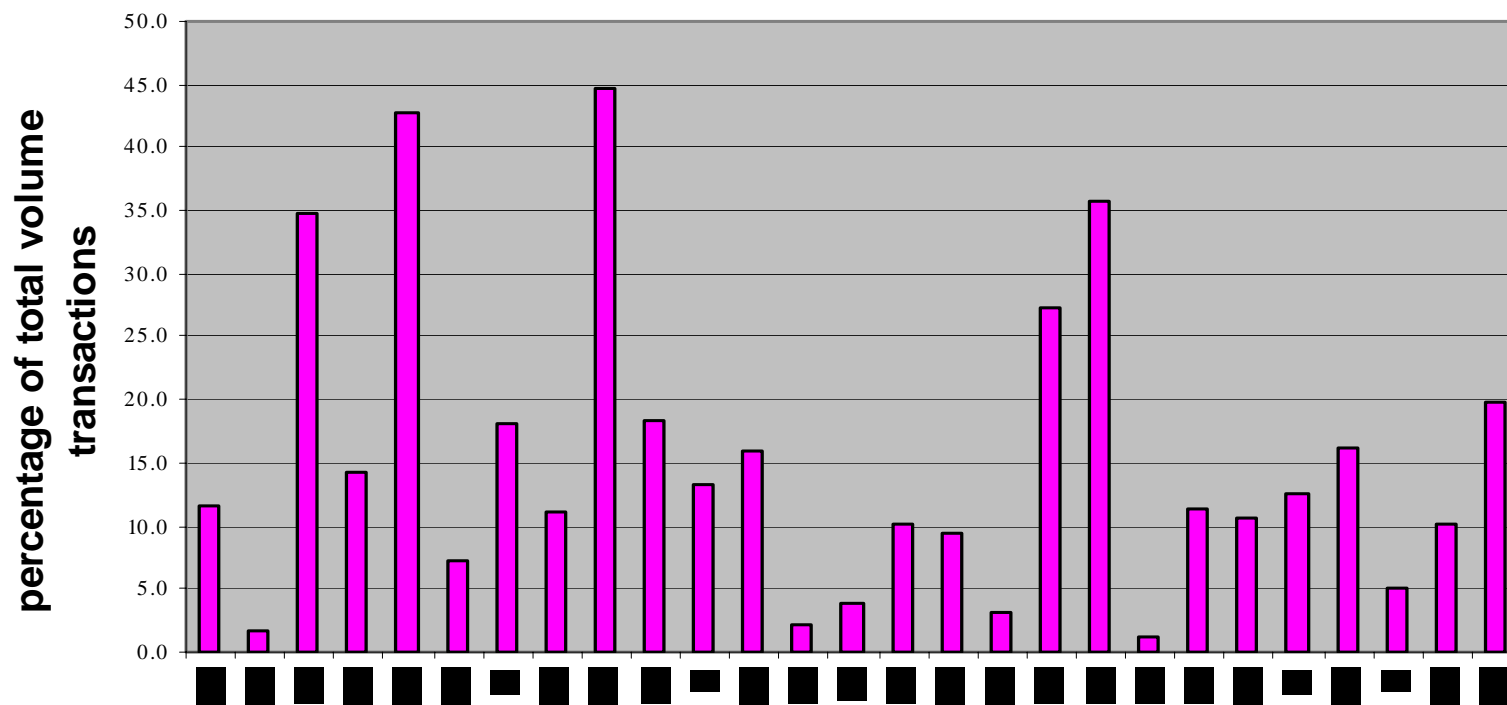
Chart 3: Relative importance of payment cards



# I. Financial integration

Most used ES, DE; Less used PL

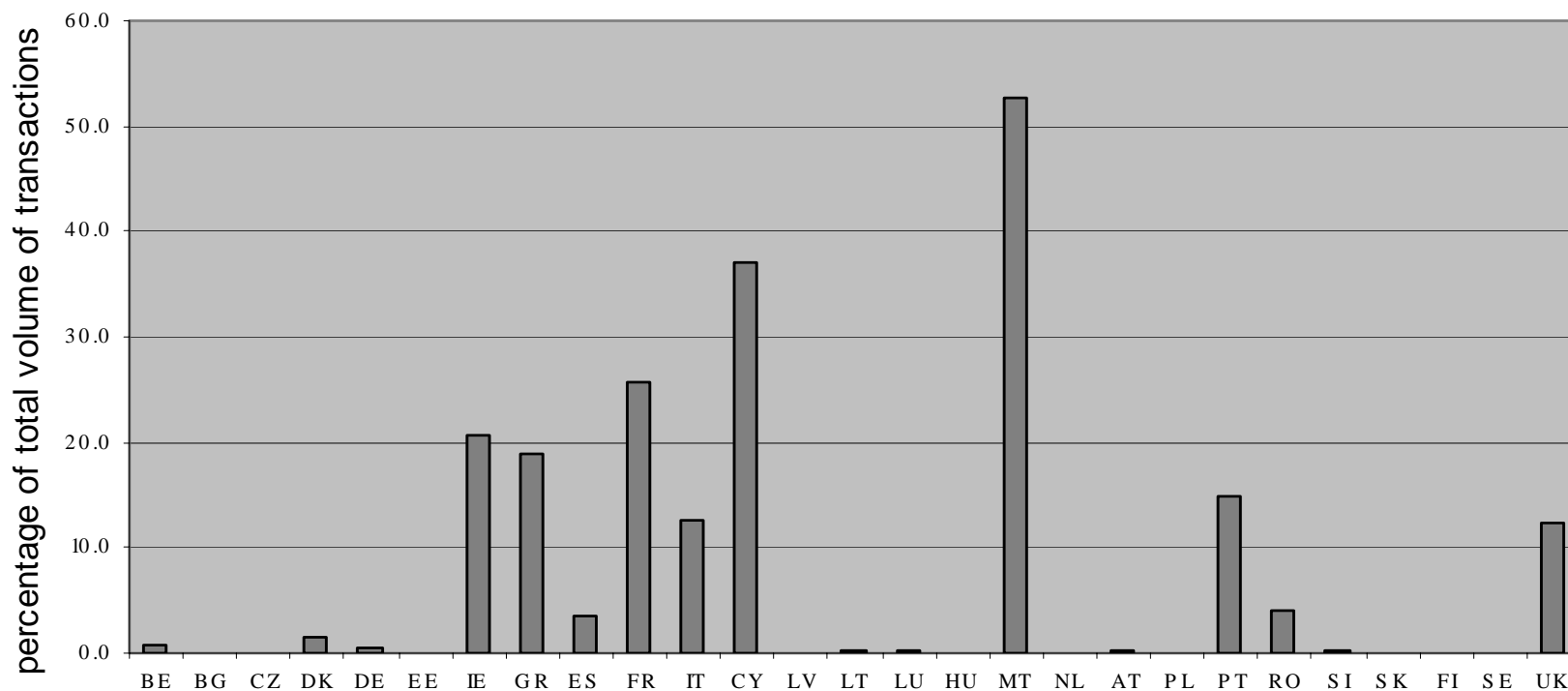
Chart 4: Relative importance of direct debits



# I. Financial integration

Most used MT, CY; phasing out in many countries

Chart 5: Relative importance of cheques





# I. Financial integration

- Consumers' habits of purchasing goods and services are changing:
  - More competition and new business opportunities.
  - Innovative payment solutions are likely to change consumer habits.

## II. Key components of SEPA

In the Single Euro Payments Area (SEPA) it should be possible to make euro payments under the same basic conditions regardless of its location.

## II. Key components of SEPA

### Before 1999/2002: Fragmented markets

National currencies

National payment products

National processors

### Now: moving towards integrated markets

Single currency

Unified set of rules for payments in euro

Adoption of international standards

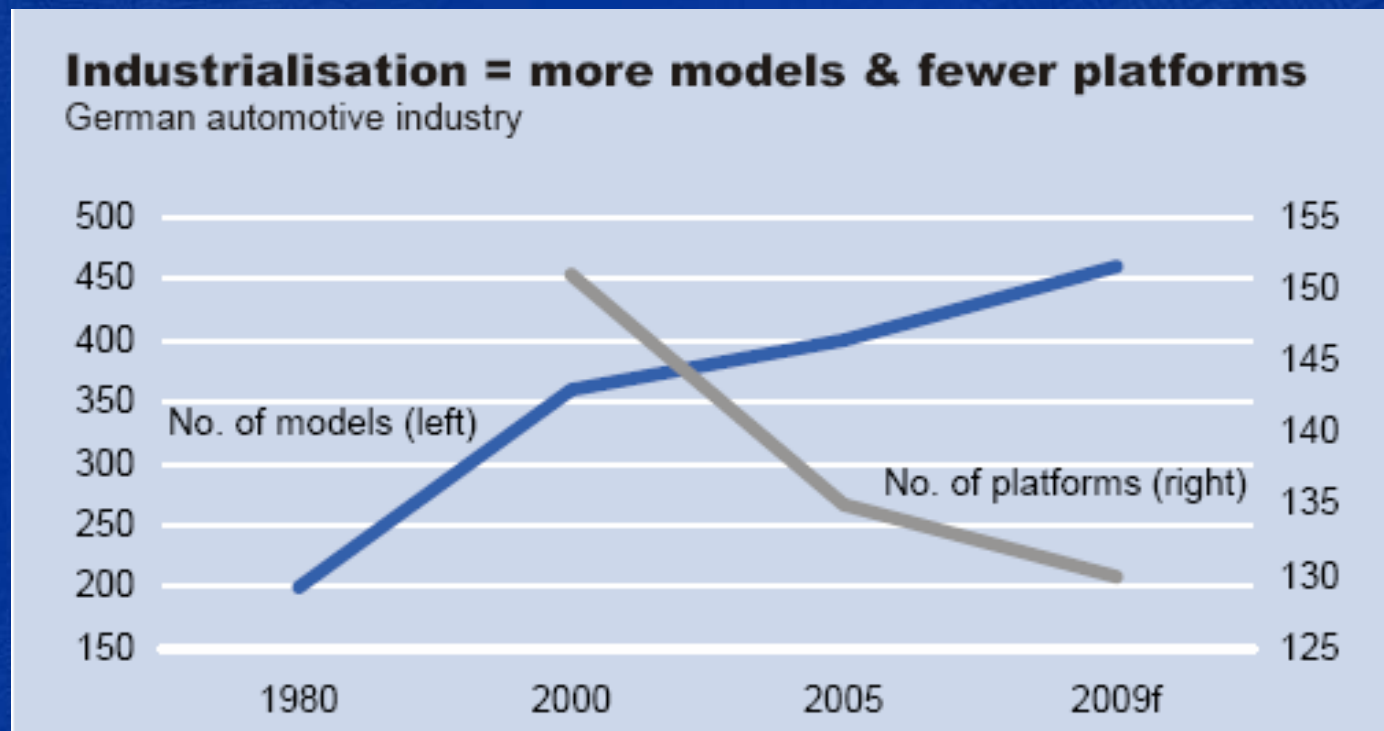
## II. Key components of SEPA

### SEPA launch

- SEPA credit transfer: one European standard, for every customer from 28 January 2008.
- SEPA direct debit: two European options (core and business related) available from November 2009.
- Cards market: one European framework (including common chip standards and market arrangements) from January 2008.

## II. Key components of SEPA

“Industrialisation of financial services”: increase productivity and product offerings by using standardised platforms



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

### **III. SEPA for cards**

The ultimate goal is an integrated and competitive cards market where you can use “any card at any terminal”.

# III. SEPA for cards

## Current cards market:

- Strong national card schemes; although: tendency towards high MIF in some countries [*efficiency*]
- Boundaries of collective agreements (competition versus cooperation) [*competition law*]
- Limited room for manoeuvre for schemes [*governance*]
- Lack of standardisation [*technical barrier*]

### III. SEPA for cards

Need for an additional pan-European card scheme:

- Increase choice for stakeholders
- Without moving to a duopoly



# III. SEPA for cards

## From 2008: start of SEPA cards framework

- To define strategy (e.g. co-branding, alliances, European scheme)
- To adjust arrangements (e.g. separation of scheme and processing, interoperability)
- To adopt further card standards (e.g. EMV)

# III. SEPA for cards

In the long run:

Gradual alignment of business models and progressive merger of schemes will lead to abolishment of regional schemes.

## **IV. SEPA and innovation**

Need for a broadening and deepening of SEPA to come to a fully integrated and innovative market.

## IV. SEPA and innovation

### Broadening SEPA: Involvement of corporates, merchants and consumers

- Stakeholders forums
- End-to-end straight through processing

# IV. SEPA and innovation

## Deepening of SEPA: Modernisation and innovation

For example:

- Online payments
- Mobile payments
- E-invoicing

## V. Conclusions

SEPA will fundamentally transform the European payments landscape.

# V. Conclusions

## I. SEPA is necessary and inevitable.

- SEPA will start 28 January 2008 with credit transfers; direct debit and cards will follow.
- National legacy instruments will disappear over time.

# V. Conclusions

## 2. SEPA is of global relevance.

- SEPA adopts latest international standards (i.e. ISO, EMV, etc.).
- SEPA facilitates entry of international service providers to Europe.
- SEPA increases competitiveness of European service providers.
- SEPA Rulebooks as an example of regional integration.



# V. Conclusions

## 3. SEPA is innovative.

- Banks start combining SEPA with projects on e/m-payments.
- The payments sector globally and in Europe is transforming - from a narrow transaction focus towards a holistic service approach.