FINANCIAL NEWS

The initial phase of the Single Euro Payments Area was launched on August 1 after more than a decade of delays and debate but more work is still needed, writes Neil Ainger

Sun sets on first Sepa migration

Corbis

The long-awaited implementation of the European Union's Single Euro Payments Area initiative finally took place on August 1 this year, following an extension of the original deadline of February 1. Fears that full migration of credit transfers and direct debits would not be achieved proved unfounded, but market participants have warned that a lot still needs to be done to complete the Sepa project.

The European Commission launched Sepa in 2002 with the aim of creating harmonised standards for domestic and cross-border payments in Europe and thereby increasing payment efficiency. However, it was initially met with indifference and inaction by many corporates in Europe as well as a lack of political will.

Its progress was marked by a host of delays and postponed deadlines but Michel Barnier, European Commissioner for internal market and services, in August hailed the smooth migration a "real success". Since launch, more than two billion Sepa-compliant payments have been made every day in the euro area, according to data from the European Central Bank. Barnier said it was also enabling more than 500 million citizens and 20 million businesses to use a single bank account for all euro credit transfers and direct debits in the eurozone.

However, Barnier has warned that some forms of payment are yet to come online and that much work is still needed. He said in a press release on the day of launch: "We should not rest on our laurels as our mission does not end here. Some remaining payment services have to migrate to Sepa by 2016 and the implementation of [Sepa credit transfers] and [Sepa direct debits] for countries outside the euro area will continue until October 31, 2016."

According to Javier Santamaría, chairman of the European Payments Council, Sepa indicators from the European Central Bank in July this year "show that SCT-compliant transactions accounted for 98.5% of all credit transfers while SDD payments reached 97%".

Rob Allighan, Sepa product manager at Bank of America Merrill Lynch, said: "August 1 passed without any impact – payments and collections were still made... and, in the days since, we've not seen any [adverse] fallout at our bank or in the industry as a whole."

Challenges ahead

However, there are more challenges ahead for Sepa. While the first migration hurdle has been overcome, the next one comes on February 1, 2016 when exemptions for niche payment products must end.

Commentators point out that the August 1 migration deadline was only met because some companies outsourced their Sepa functions to third-party conversion services, including technology vendors and larger banks. Although they ensure

Rapid uptake

Sepa credit transfers and direct debits as a percentage of total credit transfers and direct debits in the lead-up to implementation on Aug 1, 2014