Public Sector

TAKE PAYMENTS TO THE NEXT LEVEL

THE 10 BEST REASONS TO PRACTICE SEPA

What is SEPA?

In SEPA (Single Euro Payments Area) customers can make euro payments within and across 32 countries under the same rights and obligations. Standard SEPA payment instruments will gradually replace national euro payment instruments. SEPA consists of the 27 EU member states, Iceland, Liechtenstein, Norway, Switzerland and Monaco. The SEPA payment schemes are developed by the European Payments Council (EPC). The European Payments Council is the decision-making and coordination body of the European banking industry in relation to payments.

Why SEPA?

SEPA is a European integration initiative designed to strengthen the euro currency, enhance competition in the payments market and promote technological innovation.

The innovation and dematerialisation of payment processes, e.g. migrating government payments away from paper-based and cash processes, is vital to creating modern infrastructures designed to reduce expenses, to establish efficient operations and, in consequence, to further improve public services.

The European Commission expects SEPA to have an impact far beyond payments and related government services: SEPA drives forward the evolution of e-government solutions including e-invoicing, e-procurements, e-payments, e-signatures and e-services in the areas of taxation, customs and social security.

1. Accelerate innovation of payment applications

The adoption by public administrations of the new SEPA payment instruments provides a golden opportunity to renew ageing payment applications. It has often been the case that administrative systems such as those supporting payments are updated infrequently and on a minimum basis only. SEPA payment instruments introduce the newest and richest technology offerings and their associated cost benefits.

2. Take advantage of shared standardisation

SEPA promotes shared standardisation regarding a variety of services offered by government agencies across Europe: investments can be shared and productivity benefits of process transformation can be realised. Such a development could dramatically reduce the cost of implementing new processes and further drive cost efficiencies in the public sector.

3. Increase the potential of public procurement

Public procurement, e.g. the purchase of goods, services and public works by public administrations, is a key sector in the European economy totalling an estimated volume of 1.5 trillion euro or 16 per cent of EU GDP. SEPA establishes one domestic competitive payments market and public administrations will have far more choice in selecting service providers across the entire market place. The EPC recommends that the SEPA standards are a requirement in any procurement process for delivering payments services to public administrations in the euro area.

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4.

Decrease IT costs

The introduction of the ISO 20022 message standards – the SEPA data format – allows for rationalisation, which in turn will significantly reduce the costs associated today with the maintenance of the different national payment formats and related IT-standards, including system administration. The XML standard is widely accepted and a huge number of standard tools exist – often licence-free. In addition, using XML technology leads to more flexibility with a view to future adaptations of IT systems.

5.

Simplify reconciliation

The SEPA data format streamlines account reconciliation of payables and receivables through the adoption of new standards. The SEPA format is being updated annually according to a predictable release schedule to reflect customer needs.

6.

Streamline the back office

Uniform settlement periods and exception processes for all European countries will significantly reduce current complexities. The EU Payment Services Directive (PSD), to be implemented into national law of EU member states by November 2009, further improves legal certainty and predictability in payments.

7.

Make payment factories work for you

Payment factories are companies delivering payment-related services on an industrialised scale. The realisation of an integrated euro payments market will boost the trend towards outsourcing payments. SEPA allows payment factories to acquire additional transaction volumes which in turn generates scale and scope advantages. This development promotes attractive service offerings to public administrations wishing to benefit from centralised payments processing.

8.

Support mobile citizens and cross-border trade

The benefit of geographic reach is the ability to make and receive payments using the same infrastructure and channels as applied to purely domestic transactions. This is of particular importance with regard to the substantial numbers of pensioners, students and workers residing outside their original EU home country and businesses operating across the internal market.

9.

Promote the "e-internal market"

Harmonised e-government solutions and the development of related information and communication technologies (ICT) promote more efficient public services while completing a single market for the information society.

10.

Last but not least: create critical mass

To reach a critical mass of SEPA payments, the public sector must engage. The public sector accounts for up to 20 per cent or more of electronic payments made in society. Moving this volume of payments made by public administrations to SEPA instruments will trigger the adoption of SEPA instruments by others, such as corporates and consumers. Given the wider benefits for society, public administrations could and should therefore play a major role in kick-starting migration by setting an example for all customers.

For more information please refer to the EPC publication "SEPA for the Public Sector" and subscribe to the EPC Newsletter available on the EPC website at www.europeanpaymentscouncil.eu

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