



**EUROPEAN COMMISSION**

## **MEMO**

Brussels, 31 July 2014

### **Single Euro Payments Area (SEPA) – frequently asked questions**

The Single Euro Payments Area (SEPA) creates a true European Single Market for retail payments in euro where transfers, direct debits and payments between Member States are as easy and fast as the equivalent domestic transactions. It will become fully operational in all eurozone countries on 1<sup>st</sup> August 2014. It will also apply to euro-denominated transactions in non-eurozone countries from 30<sup>th</sup> October 2016. SEPA will greatly facilitate euro payments for citizens and businesses and increase competition between banks.

#### **What is the “Single Euro Payments Area” (SEPA)?**

The introduction of the euro has helped to make a cash payment anywhere in the euro area just as easy as at home. But until recently it was not so easy to pay for goods or services electronically in another euro area country, for example with your bank debit card - a means of payment favoured by many Europeans today. And when you wanted to transfer money from your home bank account to an account in another euro area country, the payment could take much longer, and sometimes the beneficiary did not get the full amount.

The Single Euro Payments Area (or “SEPA” for short) changes all this. It makes all electronic payments in the euro area as easy as cash payments. You can make fast and secure transfers between bank accounts anywhere in the euro area. And if you are shopping abroad, you can also use your bank debit card to make a payment in euro, as you would in your home country.

SEPA is where more than 500 million citizens, over 20 million businesses and European public authorities can make and receive payments in euro under the same basic conditions, rights and obligations, regardless of their location.

It also means better banking services for all: transparent pricing, valuable guarantees ensuring that your payments are received promptly and in full, and banks assuming responsibility if something goes wrong with your payment.

The SEPA Regulation (EC 260/2012) adopted in 2012, aims to create true European Single Market for retail payments. The SEPA regulation initially set 1st February 2014 as the date at which all credits transfers and direct debits will be made in euro under the same format. The Regulation was amended in January 2014 ([IP/14/6](#)) to extend the deadline to 1st August 2014. The regulation also foresees arrangements for non-eurozone countries, which have until 31 October 2016 to implement SEPA credit transfers and SEPA direct debit for their transfers in euro.

## **I have a personal bank account in the euro area. What will SEPA mean for me?**

SEPA will not be like the introduction of the euro, which had a big impact on all our daily lives. In fact, the changeover to SEPA should be as seamless and as smooth as possible. For most people, it simply means that your ability to make payments in the euro area will significantly improve now that your bank has made the changeover to SEPA.

Nevertheless, there may be some changes that affect you directly. It is possible that your bank account number has to be extended or slightly altered to ensure compatibility with the common scheme across the euro area. However, these changes are being carried out for you automatically by your bank.

The introduction of SEPA gives you the following advantages:

**Only one bank account needed for the whole euro area:** SEPA makes things much easier if you are working or studying abroad in another euro area country, especially on a temporary basis. At present you have to go through a range of formalities to open a new bank account in the new country. However, with SEPA you can simply carry on using your existing euro account in your home country. For example, you can have your salary paid into your home account and you can also use your home account to pay any bills you have in the new country. This means very few practical changes, especially if you are used to internet banking.

**Direct debits from anywhere in the euro area:** if, say, you rent a holiday home on a long-term basis or have regular bills to pay in another euro area country, you are able to pay these bills from your home country by direct debit. And it opens up many other possibilities for regular payments and subscriptions, such as to a foreign newspaper or magazine.

SEPA is much wider than the 1 August migration to SEPA Credit Transfers and SEPA Direct Debits. Taking into account the other Directives and Regulations (Payment Services Directive, E-money Directive, Cross-border payments Regulation) that helped to build it, SEPA brings:

**Lower prices for basic payment services in high-cost countries:** in some euro area countries, the annual cost of running a bank account can be as much as €250, compared to only €30 in others. More competition between banks will help to drive down these inflated costs. And in countries where prices are already low, they should remain low.

**Transparent pricing and no hidden charges:** banks have to tell you exactly what they are charging you for, and hidden charges should disappear, such as hanging on to your money before adding it to your account (known as 'float income'), or crediting money to your account but allowing you to use it only after a certain date (known as 'value dating'), which can mean inconvenience and loss of account interest for you.

**Better cross-border bank transfers:** you could already transfer money within the euro area, but often it took a long time. SEPA guarantees that your euro payments are made promptly and in full. Your payment shall be received within a guaranteed time, and banks are not be allowed to make any deductions of the amount transferred.

**And in the near future, the use of your debit card anywhere in the euro area:** when you're on holiday or visiting another euro area country, you are able to pay with your debit card as you would at home. This is particularly useful if you do not have a credit card, or for making low-value purchases for which a credit card is often not accepted. Nor will you need to carry around lots of cash, since you are able to use your debit card anywhere at any time, and to make withdrawals from cash machines, just as if you were at home.

## **I run a business in the euro area. What will SEPA mean for me?**

Of course, you are also able to benefit from all the advantages described above – including improved and cheaper payment services, better and more transparent information and guaranteed payments. Again, the changeover to SEPA should be as smooth as possible for businesses, although you may have to make changes to your own payments systems where necessary.

The introduction of SEPA gives businesses the following additional advantages:

**Direct debits from anywhere in the euro area:** businesses usually prefer to collect regular bills by means of a direct debit because it is more efficient and allows payment automation, which saves money overall. But until now it has not been possible to set up a cross-border direct debit for these customers in the same way as you would do for a customer at home. With SEPA this changes and it is possible to set up cross-border direct debits in euro between any two bank accounts anywhere in the EU, enabling you to bill customers regularly on a cross-border basis.

**Handle all euro payments from a single bank account:** if your business regularly buys or sells cross-border, you often need to set up bank accounts in the different euro area countries where you do business. This leads to extra costs, payment delays, and general inefficiency. With SEPA, you are able to organise all your euro payments from a single euro account in the country of your choice. This will significantly improve your money management through greater efficiency, faster cash flow and lower costs. And if you are a small business not used to operating cross-border, the fact that euro payments can now be made so easily due to SEPA should enable you to benefit more fully from the Single Market.

### **And in the future, with SEPA for cards:**

**Only one terminal for payment cards:** when you sell to cross-border customers you can sometimes lose sales because you do not have a terminal that accepts the customer's domestic payment card. Either that or you have to pay extra costs to operate additional terminals accepting foreign cards. With SEPA, you only need one card terminal to accept all SEPA-compliant cards. This will stimulate sales and reduce your costs, especially considering that the fees you pay banks to accept national debit cards tend to be much lower than for other cards.

## **Won't SEPA just lead to higher banking costs for customers?**

On the contrary, SEPA means lower costs.

SEPA aims to increase efficiency and reduce prices by making the euro area banking market more competitive. Opening the whole of this market to competition will force down prices and enable you to shop around for the best deal in other euro area countries. Also, payments processing is by nature a bulk business, and by allowing it to be combined across different euro area countries, significant economies of scale can be realized, which in turn should lead to cost savings.

In longer term, all of this will lead to lower costs for payments, particularly when in two years time the Payments Account Directive is implemented greatly facilitating cross-border opening of account for all EU consumers. In some euro area countries, the annual cost of running a bank account can be as much as € 250, compared to only € 30 in others.

While the EU does not control market prices for payments, competition authorities in the EU will be closely following market developments and will be swift to intervene if banks use SEPA as an excuse to increase prices.

## **I don't live in the euro area. What will SEPA mean for me?**

SEPA involves all euro payments in the Union. Non euro-countries will adopt the SEPA standard by 31 October 2016 for euro payments made in these countries bringing the same benefits as described before for payers and payees.

More information about SEPA:

European Commission:

[http://ec.europa.eu/internal\\_market/payments/sepa/index\\_en.htm](http://ec.europa.eu/internal_market/payments/sepa/index_en.htm)

European Central Bank: <http://www.ecb.europa.eu/paym/sepa/html/index.en.html>

European Payments Council (representing the European banking industry):

<http://www.europeanpaymentscouncil.eu/>