



EUROPEAN CENTRAL BANK

EUROSYSTEM

EUROSYSTEM'S SEPA EXPECTATIONS

EXECUTIVE SUMMARY

A lot has been achieved; a lot remains to be done.

The creation of the Single Euro Payments Area (SEPA), the aim of which is to break down the barriers for euro payments within an area currently encompassing 31 countries, is moving forward. The Eurosystem appreciates the efforts made and the objectives met by the European banking industry and its self-regulatory body, the European Payments Council (EPC), and continues to strongly support the SEPA project. In its role as a catalyst for change, the Eurosystem is closely monitoring the development of SEPA. One of the insights the Eurosystem has gained since the introduction of the SEPA credit transfer (SCT) on 28 January 2008 is that the mere adherence to SEPA rulebooks and frameworks is necessary, but often not sufficient.

In order to exploit the full potential of the expected SEPA benefits, broader actions need to be taken. Therefore, **the Eurosystem has developed expectations for the different stakeholders**, an approach taken as a result of the fact that a number of different market participants asked for more SEPA guidance from the Eurosystem throughout 2008. The published expectations shall provide support to the national banking communities, as well as payment institutions, in their communication efforts with users. Moreover, the expectations will give users guidance with regard to the adjustment of their payment-related activities and in terms of what they can expect from their bank/payment institution.

SEPA providers typically offer payment-related services to other parties, which can be called "SEPA users". In fact, a stakeholder (e.g. a bank) can be a SEPA provider on the one hand, and a SEPA user on the other (e.g. when paying a supplier for office utensils).

As far as SEPA providers are concerned, there is a specific focus on expectations for banks and payment institutions, since card schemes and infrastructures are dealt with in other work streams. The types of SEPA user are manifold: on several occasions the Eurosystem has brought attention to the importance of companies (large corporates, as well as small and medium-sized enterprises (SMEs)) and public administrations, as they contribute most heavily to the overall number of transactions. Banks (commercial banks, as well as central banks) and the future payment institutions are not only providers, but also users. Merchants also play an important role in the SEPA process, since they have a "gatekeeper" function for the use of a specific SEPA payment instrument at the point of sale (i.e. card payments). Last but not least, the retail customers should finally benefit from SEPA too, and the Eurosystem will appreciate it if they actively adopt the SEPA payment instruments.

The Eurosystem's expectations should make the market aware that for the Eurosystem – even in these turbulent times – SEPA remains a top priority and a "mini SEPA" (i.e. for cross-border payments only) is not an acceptable result. The current financial crisis is causing more and more banks to focus on their retail business again; payment services are at the core of this retail business. Full migration to SEPA is now even more important, since SEPA is the foundation for the future European retail payments business.

However, **the Eurosystem's expectations are not intended to be established as formal requirements and are not legally binding, neither for SEPA users nor for SEPA providers**. With regard to SEPA providers, the aim is that the expectations published by the Eurosystem will provide a benchmark. Providers are invited to assess the services they offer against the criteria and recommendations on a regular basis autonomously and to publish

the results. However, it has to be emphasised that SEPA providers are by no means legally required to do so.

For users, these expectations show how migration to SEPA can be actively promoted, providing guidance for implementing SEPA and, moreover, giving an impression of what the successful SEPA implementation would mean for them, as well as how they could benefit from it.

The main messages for SEPA providers (i.e. banks and payment institutions) are as follows.

- 1. The Eurosystem expects banks/payment institutions to ensure their operational capability to send and receive SEPA payments.** Banks/payment institutions which offer credit transfer and/or direct debit services in euro should offer the respective SEPA instruments, too. For reachability reasons, all relevant BICs should be listed in the directory of at least one infrastructure with SEPA-wide reach. Business processes and software applications should be adapted to the SEPA requirements and SEPA standards should be introduced for communication with customers. Last but not least, if conversion between the new SEPA formats and legacy formats is offered until the migration end-date, it has to be ensured that no loss of data occurs.
- 2. Moreover, the Eurosystem expects banks/payment institutions to offer users SEPA instruments that correspond to instruments already offered in the form of legacy euro payment instruments for sending as well as receiving domestic and cross-border payments within SEPA.** The active use of SEPA instruments by customers can be promoted by making SEPA instruments at least as attractive to customers as current legacy instruments, by actively informing customers and by observing the Eurosystem's SEPA policy.

The main messages for SEPA users are as follows.

- 1. The Eurosystem expects companies and public administrations: (i) to include a reference to the SEPA criteria of the EPC and the Eurosystem's expectations in the text of their invitations to tender; and (ii) to use a payment service provider which observes these SEPA rules and expectations.** Furthermore, internal systems and databases should be adapted (e.g. integration of IBAN and BIC, XML capability) in order to enable frictionless end-to-end straight-through processing. Probable necessary investments should be budgeted on time. In addition, companies and public administrations should support the general adoption of SEPA products by providing their customers with IBANs and BICs on invoices and online/paper forms, instead of legacy account identifiers.
- 2. The Eurosystem expects commercial and central banks, as well as payment institutions, to lead by example by including a reference to the SEPA criteria of the EPC and the Eurosystem's expectations in the text of their invitations to tender.** They should use SEPA instruments and (in case they do not effect payments autonomously) choose a payment service provider which observes these SEPA rules and expectations when paying their suppliers or effecting salary payments. If the respective accounts are within the same institution, IBAN instead of legacy account identifiers should be used.
- 3. When offering card payments to its customers, the Eurosystem expects merchants to consider whether the card schemes and acquirers with which they are contracting follow the SEPA cards framework and observe the ToR for card schemes.** They should migrate towards EMV-certified terminals and to systems using SEPA standards (once available) and promote the usage of efficient card

schemes at the point of sale. If this is a viable commercial decision, they should consider accepting additional European card scheme(s) once available.

4. **The Eurosystem expects migration to SEPA to be facilitated if retail customers inform themselves about the IBANs of their accounts and the corresponding BICs of their banks.** Furthermore, it is beneficial for the SEPA adoption if they use BICs and IBANs for making payments (preferably by SEPA payment instruments) whenever they are indicated on invoices. When considering establishing a new banking relationship, retail customers can compare the services offered by the banks of other SEPA countries too. When paying at the point of sale, card payments should be used instead of less efficient means of payment (e.g. cheques), on a domestic as well as on a SEPA level.

I INTRODUCTION

The Eurosystem continues to strongly support the creation of the Single Euro Payments Area (SEPA), in which individuals and corporates are able to make cashless payments throughout the euro area from a single payment account anywhere in the euro area using a single set of payment instruments as easily, efficiently and safely as they can today at the national level. SEPA is needed to move towards a more integrated payment market in Europe, which will bring substantial economic benefits for society. It is also a necessary step in the completion of the introduction of the euro as the single currency of 16 countries in Europe. As such, SEPA is not just a business project, but is also closely linked to the political ambition for a more integrated, competitive and innovative Europe. SEPA is a major European objective, which, in ambition, size and complexity, is comparable to the changeover to the euro and the introduction of euro banknotes and coins. The project to design and set up SEPA is coordinated and promoted by the European Payments Council (EPC), the European banking industry's self-regulatory body in the field of payment services. In its role as a catalyst for change, the Eurosystem is closely monitoring the development of SEPA. One of the insights the Eurosystem has gained since the introduction of the SEPA credit transfer (SCT) on 28 January 2008 is that the mere adherence to SEPA rulebooks and frameworks is necessary, but not sufficient. In order to exploit the full potential of the expected SEPA benefits, further actions need to be taken. Therefore, the Eurosystem has developed expectations for different stakeholders, an approach taken as a result of the fact that a number of different market participants asked for more SEPA guidance from the Eurosystem throughout 2008.

The focus of this document is the whole of SEPA, irrespective of whether a country is part of the euro area or not. However, as is typically the case in the SEPA project, it only focuses on payments denominated in euro.

The Eurosystem's expectations for SEPA providers and SEPA users should make the market aware that for the Eurosystem – even in turbulent times – SEPA remains a top priority and a “mini SEPA” (i.e. for cross-border payments only) is not an acceptable result. The current financial crisis is causing more and more banks to focus on their retail business again; payment services are at the core of this retail business. Full migration to SEPA is now even more important since SEPA is the foundation for the future European payments business. These expectations should give market participants guidance in the migration process.

Last but not least, it is worth emphasising that the Eurosystem intends neither to make its expectations mandatory, nor to formally assess their fulfilment. However, the Eurosystem would appreciate it if the different stakeholders were to consider these expectations in their activities, and encourages especially banks and payment institutions to assess themselves against these expectations.

2 PREREQUISITES CONSIDERED

When establishing these expectations, the Eurosystem considered a number of prerequisites, which – for transparency reasons – are listed below.

- The Eurosystem has no intention to formulate expectations as binding requirements, i.e. no additional burdens are put on users and providers.
- The Eurosystem will make no formal assessment or survey of the expectations at this stage.
- It is possible – but there is no obligation – for users and providers to assess themselves against the expectations and publish the results. However, the Eurosystem would particularly appreciate it if banks and payment institutions were to carry out a self-assessment. (A template for such a self-

assessment has therefore been developed by the Eurosystem and can be found as an annex to this document.)

- There is no obligation for niche-players to offer the whole SEPA product range; they can fulfil the expectations with their limited services.
- There is no duplication of the already existing EPC documentation and work already done by the Eurosystem (e.g. the terms of reference for infrastructures). However, in order to give a comprehensive overview, the Eurosystem's other work streams are briefly summarised in this document.

3 TYPES OF SEPA STAKEHOLDER

This document differentiates between SEPA providers and SEPA users. While SEPA providers typically offer payment-related services to other parties (e.g. clearing services, credit transfer or direct debit services), SEPA users are customers of a SEPA provider, acting on their own behalf when making use of payment services. In fact, a stakeholder (e.g. a bank) can be a SEPA provider on the one hand (e.g. when offering a credit transfer service to its corporate customers) and a SEPA user on the other (e.g. when paying a supplier for office utensils). This document aims to take these specifics into consideration.

Three categories of SEPA provider can be identified:

- **banks and payment institutions;**
- **card schemes; and**
- **infrastructures** (often referred to as “automated clearing houses/ACHs” or “clearing and settlement mechanisms/CSMs”).

Whereas banks and payment institutions typically service consumers and companies

(SMEs, large corporates and merchants), the customers of infrastructures are usually banks. However, this is no disjunctive classification, since there are banks which offer clearing and settlement services to other (often smaller) banks, as well as CSMs allowing corporates direct access to their services. The Eurosystem has already published terms of reference for infrastructures, which can be found on the ECB's website (<http://www.ecb.int/paym/sepa/components/infrastructures/html/tor.en.html>). In order to help the European banking industry to create a SEPA for cards, the Eurosystem has developed SEPA compliance criteria for card schemes and the corresponding terms of reference. Because of these two separate work streams, infrastructures and card schemes are not explicitly considered in this document.

As far as SEPA users are concerned, five categories can be identified:

- **companies (i.e. corporates and SMEs);**
- **public authorities;**
- **banks (i.e. commercial banks and central banks) and payment institutions;**
- **merchants; and**
- **retail customers.**

On several occasions, the Eurosystem has brought attention to the importance of companies (corporates as well as SMEs) and public administrations (see, for instance, the progress reports on SEPA and various speeches by Eurosystem representatives¹), as they contribute most heavily to the overall number of transactions in payment systems. Therefore, they are the main focus of the Eurosystem's SEPA expectations for users. Nevertheless, the three remaining types deserve some consideration, too. Banks (commercial banks, as well as central banks) and the future payment

¹ The reports and speeches can be accessed via <http://www.ecb.europa.eu/paym/sepa/html/index.en.html>.

institutions are not only providers, but also users. They could obviously be included in the first two types of user, but because of their symbolic importance, and in order to create awareness, they are treated as a separate user type. Merchants also play an important role in the SEPA process. In so far as they carry out credit transfers and/or direct debits, they are dealt with as the user type “company”. In addition to their typical company-related payment processes, they have an important “gatekeeper” function for the use of a specific SEPA payment instrument at the point of sale (i.e. card payments). Last but not least, the retail customers should finally benefit from SEPA too and the Eurosystem would appreciate it if they were to actively adopt the SEPA payment instruments.

4 ASSESSMENT OF THE CURRENT FULFILMENT OF EXPECTATIONS

The Eurosystem’s expectations are not intended to be established as formal requirements and are not legally binding, neither for SEPA users nor for SEPA providers (i.e. banks and payment institutions). As far as SEPA providers (i.e. banks and payment institutions) are concerned, the aim is that the expectations published by the Eurosystem provide a benchmark so as to ensure that they can refer to the fulfilment of the more comprehensive Eurosystem expectations and not only to the mere adherence to the relevant rulebooks and frameworks. The Eurosystem will not assess whether SEPA providers (i.e. banks and payment institutions) fulfil these expectations, but providers are invited to assess the services they offer against the criteria and recommendations on a regular basis autonomously and publish the results. However, it should be emphasised that SEPA providers (i.e. banks and payment institutions) are by no means legally required to do so. Since infrastructures and card schemes are dealt with in detail in other work streams, only a guideline for the self-assessment of banks/payment institutions has been annexed to this document.

It is not expected that banks and payment institutions which are currently not active in a specific product type (e.g. direct debits) should be obliged to offer the corresponding product type within SEPA. Therefore, SEPA expectations only relate to those product types which a bank or payment institution offers already in legacy euro instruments. Providers are free to choose not to offer a product type which they do not provide already for legacy euro instruments, and yet they can still fulfil these expectations.

Obviously, it would be much more difficult to assess the fulfilment of expectations by users (be it by means of a self-assessment or an assessment by another party) than would be the case for providers. This is one of the reasons why no assessment is envisaged for the fulfilment of SEPA expectations by users. However, these expectations show users how migration to SEPA can be actively promoted, providing users with guidance for implementing SEPA and, moreover, giving them an impression what the successful implementation of SEPA would mean for them, as well as how they could benefit from it. Therefore, the expectations published by the Eurosystem will provide support to the national banking communities, as well as payment institutions, in their communication efforts with users and will provide users with guidance regarding the adjustment of their payment-related activities.

5 REASONS FOR ESTABLISHING THESE EXPECTATIONS

Owing to the current financial crises, there is a risk that SEPA could be considered an issue of minor importance. The publication of the expectations shall reiterate the Eurosystem’s policy provisions and help to foster a “SEPA-friendly” environment. SEPA promoters within banks and companies will have additional arguments (and may even get necessary resources more easily or at least be in a stronger position to defend their current

resources) if they can refer to a list of the Eurosystem's expectations.

Although the majority of providers have already confirmed publicly that they are SEPA scheme-compliant (see, for instance, the EPC's list of SEPA scheme-compliant CSMs) or have signed the adherence agreement (see the EPC's list of banks that have signed the adherence agreement for SEPA credit transfers), live operations have shown that mere adherence and/or compliance with the EPC's rules is often not sufficient to foster the full adoption of SEPA, let alone gain a substantial part of the overall payments volume, or provide clear guidance in order to avoid problems in day-to-day operations.

The publication of these expectations and recommendations will explain to market participants what the Eurosystem expects from providers and will confirm that these expectations go beyond the pure adherence to the relevant rulebooks and frameworks. In addition, they will explain to market participants how the Eurosystem expects users to be able to gain the maximum potential from SEPA.

One of the lessons learned from the SCT introduction is that the market obviously needs and often demands more guidance than is currently offered. The expectations formulated in this document offer additional guidance by communicating that, at least in the view of the Eurosystem, SEPA goes beyond the narrow approach of pure adherence to rulebooks.

By publishing expectations and recommendations, the Eurosystem is providing an opportunity for providers to communicate the extent of their SEPA preparedness for marketing purposes and to support their customers' migration. SEPA "frontrunners" gain the opportunity to differentiate themselves from more passive stakeholders; their activities are rewarded with this new marketing opportunity. Thus, they can brand themselves as "fulfilling the Eurosystem's SEPA expectations".

6 EXPECTATIONS FOR PROVIDERS (I.E. BANKS AND PAYMENT INSTITUTIONS)

As mentioned before, infrastructures and card schemes have their own work streams and are, therefore, not dealt with in this document.

6.1 STATUS QUO REGARDING BANKS AND PAYMENT INSTITUTIONS

A considerable share of payments are exchanged not via infrastructures, but bilaterally. In addition, banks often act as "quasi-infrastructures" servicing other banks. Banks, despite having signed the adherence agreement, state publicly that by offering clearing services they are able and willing to do any kind of conversion requested (even if a loss of data is involved). Whereas the Eurosystem has introduced ToR for infrastructures (in addition to the written declaration which the CSMs made to the EPC²), so far the Eurosystem's expectations for banks have been communicated only occasionally in speeches and progress reports. The PSD will give payment institutions the possibility of offering a broad range of payment services. In order to guarantee a level playing field, payment institutions are dealt with in the same way as banks in this document. This is based on the assumption that the EPC will also treat payment institutions in the same way as banks (e.g. as far as adherence is concerned).

6.2 EUROSISTEM EXPECTATIONS FOR BANKS AND PAYMENT INSTITUTIONS

The Eurosystem expects banks/payment institutions to:

1. ensure their operational ability to send and receive SEPA payments by:

- a) adhering to the SEPA credit transfer rulebook and being a participant in the SEPA credit transfer scheme if they conduct such business;

² See http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_scheme-compliant_csms for the list of CSMs which have stated that they are SEPA scheme-compliant.

- b) adhering to the SEPA direct debit rulebook(s) and being a participant in the SEPA direct debit scheme if they conduct such business;³
- c) listing all operational BIC8 or BIC11⁴ used for payment services in at least one CSM directory that provides full SEPA reachability;
- d) aligning business processes and affected software with the provisions of the relevant EPC rulebooks, and successfully testing the solutions and putting them into the live environment;
- e) offering the use of SEPA standards in the customer-to-bank and bank-to-customer fields⁵ (as developed by the EPC, but currently only recommended for optional use), at least in addition to legacy standards, and – if useful – cooperating with customers’ software providers in order to contribute to customers’ migration to SEPA payment instruments. Since retail customers are not included in these standards, the Eurosystem expects providers to offer their retail customers the same access channels for SEPA instruments as for legacy payment instruments (e.g. internet banking). After the migration end-date, only SEPA standards will be used in the data exchange with customers (except in those cases where banks and their customers mutually agree on the use of conversion services);
- f) refraining from offering conversion services which result in a loss of data. It has to be guaranteed that all data – even if they cannot be converted into a legacy format – are passed on to the receiving bank (except in cases in which the payee explicitly asks the receiving bank not to forward all information). Following the SEPA migration end-date (once defined), the offering of any conversion service in the interbank space must cease;

2. offer SEPA instruments to users that correspond to instruments the bank/payment institution already offers in the form of legacy euro payment instruments.⁶ The Eurosystem expects SEPA instruments to be available for *sending and receiving* domestic and cross-border payments within SEPA.

By fulfilling these expectations, a bank/payment institution is operationally ready to process (relevant) SEPA instruments. It also makes these instruments available for active use by its customers. In addition, the Eurosystem recommends that banks/payment institutions:

- a) make SEPA instruments attractive to customers by:**
 - i) making SEPA payment instruments the default option for domestic and cross-border transactions within SEPA, thereby replacing legacy euro payment instruments;
 - ii) making services that are available for legacy payments (e.g. internet banking and the ability to register recurring or standing orders) available for SEPA instruments as well;
 - iii) offering services which allow customers to effect payments containing only the IBAN (i.e. without the BIC);
 - iv) working to improve the SEPA instruments in order to meet user requirements and demands by

³ This means that the Eurosystem expects a bank/payment institution which offers, for instance, a legacy direct debit solution for euro payments to also offer SEPA direct debits (once available).

⁴ BIC11 is necessary only if payments addressed to the generic BIC8 plus any branch code – including “XXX” – cannot be processed.

⁵ It is assumed that the same standards will be recommended for communication by payment institutions.

⁶ The Eurosystem expects not only that a payment instrument offered in the legacy format is offered in the SEPA format too, but also that the same service level is guaranteed. If this is not possible with the core SEPA format, AOSs should be introduced in accordance with the EPC guidelines.

establishing additional optional services (AOSs), supporting the transformation of successful community AOSs into SEPA-wide AOSs, and implementing products based on the e-SEPA initiative and future frameworks such as “SEPA online payments” and “SEPA mobile payments” (once available);

b) actively inform customers about SEPA by:

- i) dedicating an area on the bank’s/ payment institution’s website to SEPA and providing additional information for customers;
- ii) clearly describing the benefits of SEPA to different types of user;
- iii) making the BIC (for as long as it is a required identifier in SEPA) and the IBAN easily available to its customers (e.g. positioning it in an obvious place on the bank account statement, in the internet banking interface and on cards – provided there are no legal obstacles);

c) observe the Eurosystem’s SEPA policy by:

- i) using an infrastructure (if relevant) that has undergone the self-assessment against the relevant ToR relating to infrastructures, that has published the results and observes the ToR in accordance with this self-assessment;
- ii) offering clearing and settlement services (if relevant) based on the applicable principles from the ToR relating to infrastructures.⁷

a more harmonised treatment of national and cross-border payments:

1. include a reference to the SEPA criteria of the EPC and the Eurosystem’s expectations⁸ in the text of their invitations to tender for payment processing services;
2. use a provider which observes the EPC’s and the Eurosystem’s SEPA rules and expectations.⁸ This provider does not necessarily need to be located within the same country. The Eurosystem expects users to consult with this chosen SEPA provider and the user’s (business) software provider on how to achieve technical readiness for SEPA and how to benefit from SEPA;
3. effect the necessary changes in and additions to their internal systems and databases (e.g. by updating bank codes and account numbers to BICs and IBANs), their ERP software and the underlying processes (e.g. reconciliation, cash management) in order to be able to originate and process SEPA credit transfers;
4. effect the changes necessary for SEPA direct debits (once available), for instance regarding the handling of mandates or – if not solved by the legislator in the PSD transposition – the migration of legacy mandates;
5. realise the potential benefits from using XML standards in the customer-to-bank and bank-to-customer space, including standards for reporting and reconciliation (if and when available) – these benefits could include the

⁷ Of course, only a limited number of the ToR principles for infrastructures might be relevant for banks and payment institutions offering clearing and settlement services. According to the Eurosystem, these are: Criterion 1 (questions 6.a, 7, 8 and 8a), Criterion 3 (questions 11a-e) and Criterion 4 (questions 15 and 15a, where “participants” should be read as “serviced financial institutions”). ToR for infrastructures: <http://www.ecb.int/paym/sepa/components/infrastructures/html/tor.en.html>.

⁸ These expectations refer to the basic compliance based on the EPC’s documentation and, additionally, the fulfilment of the expectations for SEPA providers formulated by the Eurosystem in this document.

7 EXPECTATIONS FOR USERS

7.1 COMPANIES AND PUBLIC ADMINISTRATIONS

Based on the discussion above, the Eurosystem recommends that large users (such as companies and public administrations) wishing to achieve

use of structured remittance information and a higher flexibility to change banking relationships;

6. consider the planning of necessary investment in order to have it included in the next budget period;
7. support the general adoption of SEPA products by:
 - a) printing the IBAN and the BIC on all invoices (not only on cross-border invoices as currently requested by EC Regulation 2560/2001) in a more obvious place than the legacy identifiers to further support the adoption of SEPA. In addition, national SEPA migration committees could discuss and agree on the approach of printing SEPA identifiers only;
 - b) making them easily available on their websites, if they already have legacy identifiers published on their website too;
 - c) ascertaining and using IBANs and BICs for their own purchases;
 - d) not putting any restrictions on the location of a payer's (e.g. a debtor in the case of a direct debit) or payee's bank (e.g. for salary payments for employees) within SEPA;
 - e) paving the way for payers to use SEPA instruments, e.g. by using IBANs and BICs instead of legacy identifiers if customers are provided with online or paper forms.

7.2 COMMERCIAL AND CENTRAL BANKS AS WELL AS PAYMENT INSTITUTIONS

Banks and the future payment institutions play a crucial role in the SEPA process. Not only do they contribute to the policy-setting process, they are providers of the resulting SEPA payment instruments too. Since they expect other users to adopt SEPA payment

instruments, the Eurosystem also expects them to lead by example in order to be consistent. Therefore, banks should:

1. include a reference to the SEPA criteria of the EPC and the Eurosystem's expectations⁹ in the text of their invitations to tender for payment processing;
2. use SEPA payment instruments (instead of legacy euro payment instruments¹⁰) and use a provider (i.e. for payments which are not "on-us" payments) which observes the EPC's and the Eurosystem's SEPA rules and expectations, and which does not necessarily need to be located within the same country, in order to:
 - a) pay their suppliers. If unavailable, the Eurosystem expects banks and payment institutions to actively request the necessary SEPA identifiers from their suppliers;
 - b) effect salary payments. The Eurosystem expects employees to provide their IBANs and BICs;
3. use IBANs instead of account numbers, if the payments mentioned under 2.a and 2.b are effected in-house (i.e. "on-us payments").

7.3 MERCHANTS

In addition to the characteristic payments related to a company, merchants typically have a contractual relationship with card acquirers and offer their clients one or more card schemes for effecting payments. When doing so, the Eurosystem expects merchants to consider:

- 9 This expectation refers to the basic compliance based on the EPC's documentation and, additionally, the fulfilment of the expectations for SEPA providers formulated by the Eurosystem in this document.
- 10 Transactions not denominated in euro are not affected by these expectations.

1. accepting cards offered by card schemes which observe the ToR for card schemes and that follow the SEPA cards framework¹¹;
2. use IBANs and BICs (if the latter is requested at all) instead of national identifiers whenever indicated on the invoice;
2. making contracts with acquirers which have aligned their card business with the provisions of the Eurosystem's ToR for card schemes;
3. use SEPA credit transfers and SEPA direct debits (when available) instead of the corresponding legacy products;
3. migrating towards EMV-certified terminals and to systems using SEPA standards (once available);
4. use card payments at the point of sale, instead of less efficient means of payment (e.g. cheques), at a domestic as well as a SEPA level;
4. accepting additional (European) card scheme(s) once available (if this is a viable commercial decision);
5. compare the services offered by banks in several SEPA countries, when establishing a new banking relationship.
5. promoting the usage of efficient card schemes at the point of sale or at least not discouraging their use in comparison with cash (e.g. by exclusively offering discounts for cash payment).

7.4 RETAIL CUSTOMERS (CONSUMERS)

There is a common understanding that retail customers are not very likely to actively request SEPA payment instruments, since the benefits may not be that obvious to them. However, retail customers will be affected by a phasing-out of the legacy instruments too. Formulating expectations for retail customers can easily be misconceived as putting an additional burden on consumers. In combination with consumers' reluctance to change payment behaviour, this might easily contribute to a SEPA-averse attitude. Therefore, it is worth emphasising that the measures listed in this section are not actions that the Eurosystem "expects" from every consumer, rather the Eurosystem "expects" that the migration to SEPA will be facilitated if a lot of consumers take these steps.

A retail customer can:

1. inform himself/herself about the IBAN of his/her account and the corresponding BIC of his/her bank;

8 CONCLUSION

By publishing these expectations, the Eurosystem would like to reinforce its strong commitment to SEPA and the need – in order to become as successful as other major European projects (e.g. the euro cash changeover) – SEPA has to be backed not only by the banking industry, but by all stakeholders which are part of the payment value chain. However, the banking community has been in the driving seat since the start of the project and will continue to be so. Therefore, the Eurosystem has paid specific attention to this particular stakeholder group in this document and the annexed template.

As we move forward toward a fully-fledged SEPA, the validity of the expectations formulated in this document will be examined by the Eurosystem from time to time, and the expectations will be updated if necessary. Therefore, the Eurosystem welcomes any feedback regarding these expectations from any type of stakeholder.

¹¹ For possible exemptions regarding three-party card schemes, see the sixth progress report on SEPA (Section 2.3).



ANNEX

EUROSYSTEM'S EXPECTATIONS FOR SEPA PROVIDERS

SELF-ASSESSMENT TEMPLATE FOR BANKS AND PAYMENT INSTITUTIONS

[name of the bank or payment institution]

BACKGROUND INFORMATION

The Eurosystem's expectations are not formal or legally binding requirements for a SEPA provider (i.e. a bank or a payment institution). Rather, the aim is that the expectations published by the Eurosystem provide a benchmark to ensure that providers can aim to fulfil the Eurosystem's more comprehensive expectations and not only adhere to the relevant rulebooks and frameworks. The Eurosystem will not assess whether SEPA providers fulfil these expectations, but providers are invited (not legally required) to assess their operations against the criteria and recommendations on a regular basis and to publish the results.

It is not expected that banks and payment institutions which are currently not active in a specific product type will need to offer the corresponding product type within SEPA. Therefore, SEPA expectations relate only to products a bank or payment institution already offers in legacy euro instruments. Providers are free to choose not to offer a product type which they do not provide already for legacy euro instruments, and yet they can still fulfil the expectations.

SELF-ASSESSMENT

[name of the bank or payment institution]

1. ensures its operational capability to send and receive SEPA payments by:

- a) adhering to the SEPA credit transfer rulebook and being a participant in the SEPA credit transfer scheme (only applicable if such business is conducted);¹²

YES NO

Comments:

- b) adhering to the SEPA direct debit rulebook(s) and being a participant in the SEPA direct debit scheme (only applicable if such business is conducted);¹³

YES NO

Comments:

¹² This means that the Eurosystem expects a bank/payment institution that offers, for instance, a legacy credit transfer solution for euro payments to also offer SEPA credit transfers.

¹³ This means that the Eurosystem expects a bank/payment institution that offers, for instance, a legacy direct debit solution for euro payments to also offer SEPA direct debits (once available).

c) listing all operational BIC8 or BIC11¹⁴ used for payment services in at least one CSM directory that provides full SEPA reachability;

YES NO

Comments:

YES NO

Comments:

d) aligning business processes and affected software with the provisions of the relevant EPC rulebooks, and successfully testing the solutions and introducing them into the live environment;

f) not offering conversion services which result in a loss of data. Except for cases in which the payee explicitly asks that not all information be forwarded, full data are provided to the payee. After the SEPA migration end-date (once defined), the offering of any conversion service in the interbank space will cease;

YES NO

Comments:

YES NO

Comments:

e) offering the use of SEPA standards in the customer-to-bank and bank-to-customer field¹⁵ (as developed by the EPC, but currently only recommended for optional use), at least in addition to legacy standards and – if useful – liaising with the customers' software providers in order to contribute to customers' migration to SEPA payment instruments;

2. offers SEPA instruments to users that correspond to instruments already offered in the form of legacy euro payment instruments.¹⁶ The SEPA instruments are available for sending and receiving domestic and cross-border payments within SEPA.

14 BIC11 is only necessary if payments addressed to the generic BIC8 plus any branch code – including “XXX” – cannot be processed.

15 It is assumed that the same standards will be recommended for communication by payment institutions.

16 The Eurosystem expects not only that a payment instrument offered in the legacy format will also be offered in the SEPA format, but also that the same service level will be guaranteed. If this is not possible with the core SEPA format, AOSs should be introduced in accordance with the EPC's guidelines.

By fulfilling these expectations, we are operationally ready to process (relevant) SEPA instruments. We also make these instruments available for active use by our customers.

YES NO

Comments:

YES NO

Comments:

In addition, we observe the Eurosystem's recommendations that a bank/payment institution:

iii) offering services which allow customers to effect payments containing only the IBAN (i.e. without the BIC);

YES NO

Comments:

a) make the SEPA instruments attractive to customers by:

i) making SEPA payment instruments the default option for domestic and cross-border transactions within SEPA thereby replacing legacy euro payment instruments;

YES NO

Comments:

iv) working to improve the SEPA instruments in order to meet user requirements and demands by establishing AOSs, supporting the transformation of successful community AOSs into SEPA-wide AOSs and implementing products based on the e-SEPA initiative and future frameworks such as "SEPA online payments" and "SEPA mobile payments" (once available);

YES NO

Comments:

ii) making services that are available for legacy payments (e.g. internet banking and the ability to register recurring or standing orders) available for the SEPA instruments as well;

b) actively inform customers about SEPA by:

YES NO

Comments:

- i) dedicating an area on the bank's/ payment institution's website to SEPA and providing additional information for customers;

YES NO

Comments:

c) observe the Eurosystem's SEPA policy by:

- i) using an infrastructure (if relevant) that has undergone a self-assessment against the relevant ToR for infrastructures, that has published the results and that observes the ToR in accordance with this self-assessment;

YES NO

Comments:

- ii) clearly describing the benefits of SEPA for different types of user;

YES NO

Comments:

- ii) offering clearing and settlement services (if relevant) based on the applicable principles from the ToR for infrastructures.

YES NO

Comments:

- iii) making the BIC (for as long as it is a required identifier in SEPA) and the IBAN easily available to its customers (e.g. inserting it in an obvious place on the bank account statement, in the internet banking interface and on cards – provided there are no legal obstacles);

Details of the person to be contacted in case of questions:

ABBREVIATIONS

SEPA	Single Euro Payments Area
SCT	SEPA credit transfer
SDD	SEPA direct debit
CSM	clearing and settlement mechanism
IBAN	International Bank Account Number
BIC	Bank Identifier Code
AOS	additional optional service

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