Leveraging SEPA for Euro payments optimization outside Europe

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The single euro payments area (SEPA) migration is much more than a European compliance headache. From a strategic perspective, SEPA offers opportunities to Credit Unions and Corporates outside Europe to achieve greater benefits by rationalising EURO payments practices with European counterparts, enhancing processing quality and reducing cost and risk of EURO payments.

The fundamental change that the single euro payments area (SEPA) brings from an operational perspective is the standardisation of EURO payments through the ISO20022 XML messaging standard and the payment schemes harmonizing service conditions for credit transfer and direct debit execution across Europe.

Although SEPA was initially launched in 2008, since 2012, the European Commission has issued a SEPA migration roadmap with legal deadlines accelerating the migration of all payment market infrastructures in Europe to the new SEPA standards. The EURO zone, group of 17 countries in the Europe using EURO as domestic currency has to complete the migration by February 2014. The rest of SEPA zone grouping 15 countries that are either part of the European Union or committed on voluntary base to adhere to the SEPA schemes has to migrate by February 2016 latest. All together, the SEPA market unifies of more than 500 Million citizens in 33 countries served by a community of more than 5000+ Banks processing roughly more than 90 billion electronic EURO payments per year (European Central Bank figures 2012).

The great benefit of the SEPA payments schemes is that all businesses that make euro payments, including EURO businesses outside Europe, can do it using a single euro account processing all SEPA compliant payments with the EURO zone by 1 February 2014 and with the rest of the SEPA zone by 1 February 2016.

SEPA Migration: A Strategic Opportunity for Credit Unions outside Europe

At first view, the Financial Institutions and the Corporates headquartered outside Europe and with operations in Europe may simply view SEPA migration as an European compliance issue with limited relevance to them, leaving it up to the European affiliate to deal with the compliance deadlines.

Nevertheless, from a more strategic perspective, SEPA offers an opportunity for Banks and Corporates to achieve greater benefits by rationalizing payments practices, enhancing processes and reducing cost and risk of EURO payments processing. One major reason for Financial Institutions' ability to achieve these benefits is that SEPA will enable them to make all their euro payments out of one account, significantly reducing the number of bank accounts and simplifying the clearing and settlement structures and relationship with European counterparts.

Credit Unions and Corporates can even use a payment-on-behalf-of (POBO) model for SEPA payment model to make payments for their entire group from one single euro account and go for a

SEPA cloud processing model to minimize impact on IT infrastructure and resource, hence accelerate their readiness and business agility to comply with the tied SEPA migration deadlines.

In a nutshell, compliance of EURO payments workflow with SEPA means that the euro payments and collections in the SEPA zone have to apply the SEPA operation rulebooks for Credit Transfer and Direct Debit, as issued by the European Payment Council (EPC http://www.europeanpaymentscouncil.eu) .

The SEPA operations rulebooks for Credit Transfer and Direct Debit are a common set of conditions and operation rules from a legal, formatting, processing and end-user service conditions point of view. Since one single account per legal entity is enough to reach and be reached by the entire SEPA financial community, Financial Institutions have the ability to simplify their account structures and operations, which means they can reduce their risk and further lower the cost of payments.

Today, the SEPA migration is a reality for millions of customers and thousands of Corporates and Financial Institutions and progressing steadily. According the European Central bank monitoring on Monthly base the SEPA migration and the volume of SEPA payment processed across Europe, more than in average 35% of total volume of Credit Transfer in Europe is already SEPA compliant and some countries the total volume of Credit Transfer is approaching 100% (http://www.ecb.int/paym/sepa/about/indicators) .

Credit Unions outside Europe that have multiple EURO accounts and multiple European Counterpart across the eurozone can gain significant assets from streamlining their EURO payments so

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