EUROPEAN COMMISSION

PRESS RELEASE

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Single Euro Payments Area (SEPA): Commission introduces an additional transition period of six months to ensure minimal disruption for consumers and businesses

The Commission has adopted a proposal to give an extra transition period of six months during which payments which differ from the SEPA format can still be accepted so as to minimise any possible risk of disruption to payments for consumers and businesses. The proposal does not change the formal deadline for migration of 1 February 2014.

Internal Market and Services Commissioner Michel Barnier said: *"An efficient Single Market needs an efficient SEPA. The entire payments chain - consumers, banks, and businesses - will benefit from SEPA and its cheaper and faster payments. Cross-border payments are no longer exceptional events which is why an efficient cross-border regime is needed.*

As of today, migration rates for credit transfers and direct debits are not high enough to ensure a smooth transition to SEPA despite the important work already carried out by all involved.

Therefore, I am proposing an additional transition period of 6 months for those payment services users who are yet to migrate. In practice this means the deadline for migration remains 1 February 2014 but payments that differ from a SEPA format could continue to be accepted until 1 August 2014.

I regret having to do this but it is a measure of prudence to counter the possible risk of disruption to payments and potential consequences for individual consumers and SMEs in particular.

There has been evidence in the past few months and I have warned many times that migration was happening too slowly and call once more on Member States to fully assume their responsibilities and accelerate and intensify efforts to migrate to SEPA so that all can enjoy its benefits, that is, faster and cheaper payments across Europe. The transition period will not be extended after 1 August."

The Single Euro Payments Area (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.

The SEPA Regulation (EC 260/2012) adopted in 2012, aims to create the reality of a European Single Market for retail payments. The SEPA Regulation marks 1 February 2014 as the point at which all credit transfers and direct debits in euro should be made under the same format: SEPA Credit Transfers (SCT) and SEPA Direct Debits (SDD).

The Commission and the Eurosystem have been monitoring progress of all stakeholders: banks, payment institutions, national and local administrations, corporates (including small and medium-sized businesses), and consumers. Although migration rates have been growing over the last few months to reach 64.1% for SCT and 26% for SDD in November, it is now highly unlikely that the target of 100% for SCT and SDD can be reached by 1 February 2014.

If no action were to be taken by the Commission and the co-legislators, banks and payment services providers would be required to stop processing payments that differ from the SEPA format as of 1 February 2014. This could result in serious difficulties for market participants that are not yet ready, particularly SMEs, who could have their payments (incoming or outgoing) blocked.

That is why the Commission is making a proposal today to amend the SEPA Regulation and minimise the risk of possible disruption. The introduction of a transitional period of six months, until 1 August 2014, means that the SEPA end-date remains the same but banks and payment institutions will be able to agree with their clients to process payments that differ from the SEPA standard until then. After 1 August 2014, there will be no further transitional period.

Taking into account the urgency of the situation, the Commission urges the co-legislators to rapidly take up and agree this proposal so as to ensure legal clarity for all stakeholders. The Commission also calls upon Member States to ensure that, should the proposal still be in process of adoption on 1 February 2014, banks and payment services providers will not be penalised for continuing to process legacy payments in parallel with SEPA payments. For this reason, the proposal, if adopted after 1 February 2014 by the Council and Parliament will have a retroactive effect as from 31 January 2014.

Participants of the SEPA High Level meeting which brings together high-level representatives from the European Central Bank and board members of the Eurosystem central banks were consulted on this initiative on 19 December 2013.

For more information

http://ec.europa.eu/internal_market/payments/sepa/role/index_en.htm

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