

## ROADMAP

<b>TITLE OF THE INITIATIVE</b>	Improving the governance of the Single Euro Payments Area (SEPA)		
<b>LEAD DG – RESPONSIBLE UNIT</b>	MARKT H/3	<b>DATE OF ROADMAP</b>	09/2012
This indicative roadmap is provided for information purposes only and is subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.			

### A. Context and problem definition

(1) What is the political context of the initiative? (2) How does it relate to past and possible future initiatives, and to other EU policies? (3) What ex-post analysis of existing policy has been carried out? What results are relevant for this initiative?
<p>The initiative aims at improving the governance arrangements for retail payments throughout the EU. The integration of the European market for electronic payments is one of the priorities defined in the Digital Agenda, more specifically under the Digital Single Market. The Single Euro Payments Area (SEPA) aims at achieving this market integration for the different retail payment instruments in euro. At the end of 2010, the Commission proposed a Regulation<sup>1</sup> setting obligatory deadlines for migrating national payment schemes to pan-European schemes for payments in euro. The Regulation was adopted by the EP and Council in 2012 and ensures full migration to pan-European core payment instruments in euro by 2014. In the negotiations on the Regulation, the European Parliament and the Council introduced a recital asking the Commission for a review of the governance arrangements of SEPA before the end of 2012.</p> <p>The governance of SEPA was historically in the hands of the European Payments Council (EPC), a body established by the European banking industry to promote the realisation of SEPA and the development of pan-European payment instruments. To broaden stakeholder participation, the Commission and ECB in 2010 established the SEPA Council, an informal stakeholder body with high-level representatives from the demand side (corporates, SMEs, consumers, retailers, public administrations) and supply side (payment service providers) for the provision of strategic advice and guidance in a non-binding manner. Under these arrangements, the EPC participates as a member of the SEPA Council and maintains its role as the management body for already existing retail payment schemes. Hence, there is currently a clear separation between the strategic level of governance (SEPA Council) and the technical level (EPC). The terms of reference of the SEPA Council foresee a review of its functioning by the Commission and the ECB by the end of 2012.</p>
What are the main problems which this initiative will address?
<p>End-users criticise an on-going imbalance between the demand and supply side of the payments market due to the lack of a clear mandate of the SEPA Council, gaps in the composition of the SEPA Council (e.g. non-bank payment service providers and e-commerce retailers) and missing involvement in the consultation and decision-making process of the EPC, including the technical development of payment schemes which is currently the sole responsibility of the EPC. Stakeholders also ask for better dispute resolution processes and more efficient information exchange and coordination processes between different stakeholder categories. Therefore, the present initiative aims to address:</p> <ul style="list-style-type: none"> <li>• The lack of a clearly defined mandate for the SEPA Council;</li> <li>• The informal status of the SEPA Council:</li> <li>• The incomplete composition of the SEPA Council</li> </ul>
Who will be affected by it?
Stakeholders across the payments market, including payment service providers, banks, payment institutions, retailers, and payment service users, including large and small businesses as well as consumers.
Is EU action justified on grounds of subsidiarity? Why can Member States not achieve the objectives of the proposed action sufficiently by themselves? Can the EU achieve the objectives better?
The key objective of SEPA is market integration across the EU which by definition can be more effectively addressed through a coordinated governance approach rather than through individual measures at Member

<sup>1</sup> Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:094:0022:0037:EN:PDF>

State level.

## B. Objectives of the initiative

What are the main policy objectives?

The general objective of the initiative is to support the SEPA vision of end-users being able to do cross-border retail payment transactions in euro as easily, efficient and safe as domestic transactions today. The specific objectives are to:

- ensure more openness and improved stakeholder balance through an enhanced SEPA governance framework;
- improve the quality of advice from the SEPA Council with a view to better contribute to the definition of the retail payment strategy by the Commission

Do the objectives imply developing EU policy in new areas?

No. Retail payments have historically been subject to EU policy through the Payment Services Directive<sup>2</sup>, the Cross-Border Payments Regulation<sup>3</sup>, the aforementioned Regulation establishing technical requirements for credit transfers and direct debits in euros. The subject of retail payments governance has, inter alia, specifically been addressed in the Commission Green Paper on card, internet and mobile payments<sup>4</sup> and the subsequent public consultation.

## C. Options

- (1) What are the policy options (including exemptions/adapted regimes e.g. for SMEs) being considered?
- (2) What legislative or 'soft law' instruments could be considered?
- (3) How do the options respect the proportionality principle?

The following main policy options could be considered:

- 'Do nothing', i.e. continue with the current self-regulatory approach
- 'Soft law': Commission Communication clarifying future governance arrangements including a Commission Decision formally establishing the SEPA Council as an advisory body to the Commission and ECB with a well-defined mandate, including its composition
- Address the issue through new or existing SEPA related legislation, i.e. aforementioned Regulation establishing technical requirements for credit transfers and direct debits in euros
- Assign the responsibility for SEPA governance to the ECB in line with its prerogative under Article 127 of the Treaty, for example by letting the ECB manage the SEPA Council

## D. Initial assessment of impacts

What are the benefits and costs of each of the policy options?

- 'Do nothing': the current self-regulatory approach has proven to be insufficient and is subject to substantial criticism by stakeholder groups on the supply and demand side of the market.
- 'Soft law': the proposed approach would address the current weaknesses and gaps of the SEPA Council and improve the governance arrangements for SEPA, leading to a more balanced and efficient integration process for retail payments in euro to the benefits of payment service providers and users

<sup>2</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:319:0001:0036:EN:PDF>

<sup>3</sup> Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:266:0011:0018:EN:PDF>

<sup>4</sup> Commission Green Paper 'Towards an integrated European market for card, internet and mobile payments', <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0941:FIN:EN:PDF>

<p>(consumers, large businesses, SMEs, retailers). The costs related to the option will be marginal.</p> <ul style="list-style-type: none"> <li>Legislative instrument: discarded as disproportionate at this stage. A legal proposal would be intrusive and could lead to disruption and delays in the enhancement of governance arrangements until the end of the legislative adoption process.</li> <li>ECB lead: While generally feasible this option would fail to address the retail / payment user dimension of the problem as the ECB's primary competence lies in the inter-bank space.</li> </ul>
<p>Could any or all of the options have significant impacts on (i) simplification, (ii) administrative burden and (iii) on relations with other countries, (iv) implementation arrangements? And (v) could any be difficult to transpose for certain Member States?</p>
<p>No.</p>
<p>(1) Will an IA be carried out for this initiative and/or possible follow-up initiatives?  (2) When will the IA work start?  (3) When will you set up the IA Steering Group and how often will it meet?  (4) What DGs will be invited?</p>
<p>The recommended policy option is to pursue the 'soft law' approach, implying a Commission Communication and Commission Decision. The latter will specify the composition, role and tasks of the SEPA Council, ensuring a more balanced stakeholder involvement, but it will not change nature of the SEPA Council as an advisory body to the Commission and ECB. The proposed initiative aims to enhance the inclusiveness, efficiency and transparency of governance arrangements. The overall steering of the retail payments integration process remains with the Commission. We therefore believe that this initiative does not require an Impact Assessment.</p>
<p>(1) Is any option likely to have impacts on the EU budget above €5m?  (2) If so, will this IA serve also as an ex-ante evaluation, as required by the Financial Regulation? If not, provide information about the timing of the ex-ante evaluation.</p>
<p>No.</p>

<p><b>E. Evidence base, planning of further work and consultation</b></p>
<p>(1) What information and data are already available? Will existing IA and evaluation work be used?  (2) What further information needs to be gathered, how will this be done (e.g. internally or by an external contractor), and by when?  (3) What is the timing for the procurement process &amp; the contract for any external contracts that you are planning (e.g. for analytical studies, information gathering, etc.)?  (4) Is any particular communication or information activity foreseen? If so, what, and by when?</p>
<p>No IA planned.</p>
<p>Which stakeholders &amp; experts have been or will be consulted, how, and at what stage?</p>
<p>SEPA governance was subject to several discussions at the above mentioned SEPA Council. Furthermore, a broad-scale public consultation on SEPA governance (inter alia) was undertaken in the context of the Green Paper on card, internet and mobile payments which generated more than 300 replies from a broad variety of stakeholders. Thirdly, on-going consultations of advisory bodies for payments policy, i.e. the Payments Committee (representing Member States) and the Payment Systems Market Expert Group (representing market participants) took place. In all instances, stakeholders, in particular from the user side, have consistently called for more balanced stakeholder participation and a clearly defined role of the SEPA Council.</p>