

# Single Euro Payments Area

*Key areas for your business to consider*

This Single Euro Payments Area (SEPA) enables individuals and businesses to make cross-border, non-cash euro payments anywhere in the euro area, as easily, efficiently, and for the same cost, as a domestic payment. Consequently, these changes will have a major impact on the European marketplace, service offerings from banks and the contracts/standards/terminology used between the various participants.

In addition to processing efficiencies and reduced transaction charges, there are additional opportunities for the corporate community. A harmonised payments environment with an emphasis on STP will be an enabler for digital commerce, e-invoicing and e-financing, and for value propositions around the financial supply chain. There are also early signs that SEPA may encourage mobile payments solutions – by banks and non-bank providers. However, given the initial changes required for SEPA compliance, these should be considered topics for subsequent phases.

At HSBC, we are currently developing solutions for our client base and advising them how best to reap the benefits of SEPA. Listed below are questions you should consider and discuss within your own organisation as well as within industry groups and with your vendors, suppliers, customers and banking partners. We have listed below just a few of the areas we consider to be key in making SEPA a success for your organisation.

## **Discussion points with your ERP/TMS vendor:**

It will be important to establish from the outset the mainly one-off costs that might be associated with any changes to ERP or other back office systems. It will also provide you with an indication of which banks and software houses are proficient in SEPA and which are not.

1. What measures should I take to ensure my ERP platform will be SEPA-compliant?
2. What changes are required to my existing system to support the new SEPA instruments?
3. With XML in mind, does my existing interface to the bank need to change?
4. Will there be a BIC and IBAN conversion module\* available to me? Is it necessary or can I continue with my present export format?
5. My ERP system presently releases payment instructions prior to value date. Will this change under SEPA?
6. Will my treasury system still be able to receive and process real-time information once the SEPA schemes are implemented?

\* HSBC's Global Payments Directory service may be able to help your company migrate data to IBAN format.

### **Discussion points internally:**

1. Do we have a SEPA migration programme established? Have we obtained senior support?

Have all internally and externally affected parties been identified, briefed and made aware of the possible scope and timing of the impact on them? (ie how many customers and suppliers are maintained throughout SEPA and in which countries?)

Has the SEPA change programme for my technology and operations departments been scoped and costed?

2. In which countries is my company's payments business concentrated?

How many bank relationships and bank accounts are maintained throughout the region? Can we rationalise them?

What is the mix of my payments business (percentage of urgent versus non-urgent)?

Are we using cheques?

What percentage of my collections are cash?

Can we migrate our payments and collections to SEPA for greater efficiency and control?

3. Have we obtained IBANs and BICs from all our counterparties? How best can we capture these data?
4. How can we best leverage the fixed value dating aspect of the SEPA schemes?
5. Does SEPA provide opportunities for us to rationalise our organisational structure and/or treasury activities?

### **Discussion points with your suppliers/ customers/vendors:**

1. Have we provided BIC/IBAN details to you?
2. Have you provided BIC/IBAN details to us?
3. Will you be changing payment/collection terms as a result?
4. Will SEPA be used as the catalyst for collaborative financial supply chain relationships between buyers and suppliers, eg dematerialisation of trade documents, provision of working capital finance etc?

5. What will be the impact of SEPA non-compliance on our trading relationship?

### **Discussion points with your payments bank:**

1. Will there be a BIC and IBAN data referencing service made available to assist with the migration to SEPA?

Do I need BIC and IBAN for domestic payments as well?

2. The European Commission Incentives Paper talks about e-invoicing. Will this also be a SEPA service offering?

3. Will my treasury system receive real-time information as a consequence of SEPA initiatives?

4. With fixed value dating to be introduced, will cash flow forecasting tools be available to me?

5. Will new working capital offerings be made available to me?

6. Is your bank directly connected to a PE-ACH?

Will SEPA provide capabilities other than the SEPA Credit Transfer and SEPA Direct Debit?

Will I need a mass migration of Direct Debit mandates to facilitate the move to SEPA Direct Debit?

7. How best should we go about consolidating our bank accounts held across the region?

8. What is the impact of SEPA on central bank reporting requirements?

9. Will your payments platform enable SEPA transactions to receive same-day value?

### **Discussion points at industry level and at National Treasurers Associations:**

1. Will the transition to SEPA be monitored on a country-by-country basis?
2. What is the in-country migration schedule for our market?
3. How will existing products and services be transitioned into the new SEPA products? How will this transition impact me?
4. How long will the dual-running period be for SEPA instruments and existing national schemes?

5. Will my company have the opportunity to consolidate bank accounts in the EU? Is it realistic to operate with one single account across the region?
6. How do you expect market practices to evolve as a result of SEPA?
7. What is the consequence of non-compliance with SEPA?
8. Will tax rates in the EU change in tandem with the implementation of SEPA?

### **Next steps**

For more information on SEPA

- Visit [www.hsbcnet.com/sepa](http://www.hsbcnet.com/sepa)
- E-mail us at [pcmpayment.services@hsbc.com](mailto:pcmpayment.services@hsbc.com)
- Call 0800 328 8842\*

\* Lines are open 9 am to 5 pm, Monday to Friday (excluding public holidays). To help us continually improve our service, and in the interests of security, we may monitor and/or record your calls with us.

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