

Getting compliant with SEPA – are you ready?





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What is SEPA?

- A new payments scheme promoted by the European Payments Service Directive to deliver a **single payments market for EURO**
- Harmonises EURO payments schemes across 27 EC states plus Iceland, Liechtenstein, Switzerland and Monaco
- Aimed at :
 - *Increasing **transparency** of information to customers*
 - ***Faster** settlement times – from up to 5 days down to 1*
 - *Making **cross border** payments as **easy, efficient and secure** as local payments within a member state*
 - *Introducing more **competitiveness** in the market*
- SEPA compliance is obligatory – **1st February 2014** is the mandatory deadline

What makes a payment a SEPA payment?

The characteristics of a SEPA payment

		TO	
		EU 32 countries	Non-EU32 countries
FROM	EU 32 countries		
	Non-EU32 countries		

Checklist

In Euro

Electronic payment

IBAN / BIC required

XML required

Shared costs

SEPA impacts not just cross border , but also local in-country credit transfers/direct debits

How will SEPA impact you?

Key elements of new scheme

If you make and receive electronic payments, you need to consider :

- an upgrade of your ERP and Treasury Management Systems to create and receive ***XML ISO 20022*** file format types
- converting all bank accounts of your employees/vendors /DD customers to **BIC** and **IBAN** format
- updating your mandates to **electronic format**
- adapting your business processes to distinguish between **first time/one off** and **recurring** direct debit collections
- adapting your **business processes** to receive and process new “R” type messages from rejected direct debits
- preparing your business for “**automatic right to refunds**” from your direct debit customers – **8 week no quibble, 13 month** if no direct debit mandate found
- adapting your **business processes** to incorporate **additional information** requirements from your customer
- assigning a **unique mandate reference** number to each of your DD customers

SEPA Migration Planning:

What you need to consider for SEPA

BIC and IBAN code – increase from 12 numerical code to up to 32 alpha numerical codes – consider new & existing customer /employee/supplier details?

processes and systems need to be set up to capture BIC and IBAN details & convert existing Sort Code and Account details – is this simple?

Will systems be able to send and receive new XML format payment and settlement files?

Banks will transfer management of direct debit mandates to companies - can all mandates be produced on demand .. do they need to be?

Customer can demand “no quibbles” refund up to 8 weeks after DD and up to 13 months unless company can produce signed mandate – consider cash mgmt, credit scoring impacts?

Is there a plan to convert/capture vendor and employee BIC and IBAN codes?

New “r” codes introduced representing additional reasons for DD rejection – are reconciliation and collection processes set up to recognise and manage these?

DD customers need to be assigned a unique mandate reference number – can billing systems/processes generate and track this? What about communications to customers?

Are the banks ready to support new XML files testing? Are they clear on how they plan to use new “r” codes

How will SEPA impact you?

SEPA Benefits

If you make and receive electronic payments, SEPA will enable you to:

- incur **lower transactions** fees
- accurately **plan** for when **payments** are remitted
- accurately **plan** for when receipts are expected
- manage your **customers' payment information** and **direct debit mandates**
- reduce the **risk of failed direct debits**
- **enhance** your **cash forecasting** capabilities
- **rationalise** your banking relationships and accounts
- consider future opportunities such as **shared service** and payment factory hubs

How will SEPA impact you?

SEPA Risks

If you have are not fully prepared for SEPA your company :

- may not be able to pay your employees on time
- may run the risk of not collecting cash from 1st February
- may struggle to pay vendors on time

SEPA non compliance may result in fines, but more importantly, may create substantial cash flow difficulties

What you can do to prepare – Checklist

- ✓ **Engage with your Bank to ensure :**
 - that they are SEPA compliant
 - that you understand their requirements of you
 - that they have a testing window open for you
- ✓ **Engage with your IT Vendor/In house IT Team**
 - to assess if conversion services are planned for
 - that third party systems are SEPA compliant
 - to identify system upgrades required to support increased file size/new field requirements
- ✓ **Engage with your Customers/Vendors**
 - to communicate and confirm new BIC and IBAN codes
 - to communicate new DD dates
- ✓ **Assess your business processes**
 - to ensure “fit for purpose” in context of new SEPA payments environment and enhance customer rights

How prepared are we?

PwC SEPA Readiness Thermometer August 2013

One in three companies still at risk of not being ready

- **34%** at risk of **not** being **ready** in time
- **46%** admit to **not** having a **back up plan**

But

- More companies are **actively working on SEPA readiness** since January survey
- And have a **better understanding** of the task at hand

With four months to go to the deadline, a structured approach to planning and implementation will ensure success !!!!!

Thank you

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