

Institute of Credit Management

Consulting White Paper

'Single European Payment Area'

Institute of Credit Management Methodology

Date: 19/09/2012
Version: 1
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Institute of Credit Management
Consulting – Whitepaper

Single European Payment Area (SEPA) Methodology

SEPA Overview

The **Single Euro Payments Area** (SEPA) is an initiative of the European banking industry that will standardise and simplify all electronic payments across the euro area

- The Single Euro Payments Area (SEPA) affects all companies doing business with European partners and sending or collecting payments in euros
- SEPA introduces two new payment instruments, replaces local payment formats, and requires the utilisation of new master data for payments

SEPA currently comprises of 32 countries, including the 27 member states of the European Union, (euro zone and non-eurozone members). This also includes European Economic Area (EEA) members Iceland, Liechtenstein, and Norway, as well as Monaco and Switzerland.

The countries are: ***Austria, Belgium, Britain, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland (Republic of Ireland), Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland.***

Compliance

In February 2012 the European Parliament and European Commission set the dates for full compliance as:

- **Euro area: Compliance by 1st February 2014**
- **Non Euro countries: 31st October 2016**

Although the UK is not a Euro zone country, many Businesses originate euro payments from UK accounts, *any euro payments are SEPA payments and need to comply.*

Risks of non-Compliance

Banks will be unable to process non-compliant payments via the SEPA channel, thus businesses risk missing payment dates if their processes and systems do not comply with the SEPA standards. The only alternative will be to make these payments via wires at a premium cost, or retrospectively become SEPA compliant.

SEPA will impact processes, data and systems, making these timescales tight.

The ICM Consulting Methodology



The ICM Consulting Methodology guides you logically through the steps required to implement SEPA, whilst allowing you to realize the benefits SEPA can bring. We can provide support where required within this end-to-end framework, but the **ICM** approach recommends the majority of the work is completed by the business with guidance and support from the **ICM Consulting Team**.



Setting your Strategy is imperative in order to successfully implement SEPA in accordance with the strategic direction your organization wants to take.

- Have you made the relevant strategic decisions yet? For example should you centralise payments and collections? / Which banking partners will you retain post SEPA?
- Have you developed a business case?
- Have you engaged with the relevant stakeholders?



This is often a phase that is overlooked and the importance underestimated in many implementations. This step is critical to ensure that the impact on all processes and systems are fully understood. The analysis phase consists of working with the business to review / document current processes and to perform a gap analysis against SEPA requirements. Analysis also needs to be completed for changes to the mandate format and data attributes required to comply with SEPA.

- What is the impact on each department? (Accounts Receivable, Accounts Payable, Legal Etc.). Do current processes support Account Payables and Account Receivables?

The user of the Direct Debit scheme has the responsibility of retaining the Direct Debit Mandate under SEPA. This is a significant change for many countries. The SEPA Direct Debit rulebook stipulates rules around storage of the mandate that need to be adhered to.

Do your current processes and systems support this?



Once you have made the strategic decisions and understand what needs to happen to implement SEPA, a plan needs to be put in place to identify the resources and implement within the timelines. The plan also needs to reflect activities and timelines required from your banking partner.



Action

Execution of all activities according the SEPA Direct Debit rulebook including but not limited to:

Data:

- Identification of customer BIC and IBAN codes
- Identification of data required in relevant format
- Assess payment volumes in each country
- Analyse quality of data, execute a plan to clean and obtain the data from Customers

Process

- Development of processes to reflect changes. The Examine phase will identify the changes to Business Process required. The extent will not be known until completion of this phase, however changes are likely to include changes to current payment cycles times, Process changes to adhere to the rules surrounding the archiving of the mandate

Systems

- Create a Test strategy
- Identification of data required in relevant format
- System Design
- System development

Other

- Requirements Gather following the Examine phase
- Testing
- Implementation of system changes including Testing
- Go- Live support

The Implementation plan requires a good understanding of the basics of SEPA and the payment instruments.

For more information and to discuss how the ICM can assist you in developing and implementing SEPA for your business please contact qicm@icm.org.uk

Document Ends

Document Name: QICM_WP1_SEPA_20120919.doc

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Document Date: 19th September 2012

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