

Single Euro Payments Area: Key Facts

Non-urgent payments in Europe

1. What does SEPA stand for?

SEPA is the abbreviation for the Single Euro Payments Area.

2. What are the objectives of SEPA?

SEPA is an initiative to establish a truly integrated European payments landscape where euro payments are subject to a uniform set of standards, rules and conditions and can circulate as easily, quickly, securely and efficiently as in national markets today.

3. What are the benefits of SEPA?

Corporate clients are able to reap many benefits from SEPA, including:

- Lower charges across the payments landscape in Europe
- Higher automation levels and improved exception handling
- Opportunity to review account structures and possibly streamline them
- Stepping stone to improved liquidity management
- Potential to use one platform for all euro payments
- Usage of one single file in a common format to receive and send payments
- Increased payment narrative and description fields

4. What important changes will SEPA bring?

The SEPA Credit Transfer was introduced in January 2008 and the SEPA Direct Debit was introduced in November 2009. Additionally:

- Changes are expected to be made to the mandate handling for Direct Debits, when this instrument is introduced
- IBAN and BIC will be used exclusively as beneficiary identifiers
- A dedicated field for ordering customer's reference will be introduced (optional)

- A consistent clearing format will be adopted
- By meeting early cut-off times same-day value may be achieved for any transaction amount

While banks need to develop these new products and functionalities, the existing payment products need to be supported. Banks will need to comply with related requirements defined by new European legislation and self-regulatory documents of the European Payments Council.

5. What countries does SEPA cover?

SEPA is live within the 17 countries that currently make up the euro area: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Slovenia, Slovakia and Monaco.

However there will be opportunities for banks outside the euro area to implement SEPA as well. Ultimately, the payments landscape in the SEPA-32 is expected to become standardised, consistent and harmonised

6. What currencies are covered under SEPA?

SEPA covers euro transactions only.

7. Who is affected by SEPA

SEPA will bring benefits to:

- Consumers: approximately 500m
- Corporates: over 25m
- Banks: approximately 9,000

SEPA will mean that changes will need to be made to:

- Cash machines
- Point of sale terminals
- ERP systems

8. SEPA is live

Since January 2008, SEPA credit transfers have been operating alongside existing processes along with Direct Debits which were introduced in 2009. Over time, banks' clients are expected to migrate to the new instruments. After a transition period, the old schemes and instruments are expected to cease. Each country within the SEPA zone has published a national migration plan outlining the timescales for change.

9. What is the current status of SEPA?

Following the successful launch of the credit transfer (approximately 4,500 banks, representing roughly 95 per cent of payment volumes in Europe are already processing billions of euros via SEPA every day), banks have now turned their attention to the development of Direct Debit products since its launch in 2009. The related legal framework (the Payment Services Directive) has been agreed by European Parliament and enacted in national law in November 2009. At HSBC, we are hard at work to develop solutions to meet your needs.

Next steps

For more information on SEPA

- Visit www.hsbcnet.com/sepa
- Call 0800 328 8842*
- E-mail us at pcmpayment.services@hsbc.com

* 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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