

**Disclaimer**

This translation to English of the original Swedish plan for Single Euro Payments Area (SEPA) *is for guidance only* and will therefore have no legal implications. In the case of conflict between this translation and the Swedish original text, the latter will take precedence.

# **Swedish plan for Single Euro Payments Area (SEPA)**

Third edition, 29 May 2009

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## 1. Revisions

February - May 2009

1. Adaptations based on decisions during workshop with SEPA Steering Group, November 2008:
  - A driving force for SEPA - the possibility for Europe's banks to establish market-appropriate business models for SEPA-compliant products and services (3)
  - Establishment of new reference group (4.4)
  - Swedish position on end-date (6.3)
  - Swedish position on SEPA Direct Debit (6.9)
2. Deleted: "The current trade mark association, BankomatCentralen, comprises certain specific national solutions which need to be SEPA-compliant. A further analysis needs to be undertaken regarding the extent to which the cashpoint system (BankomatCentralen will be affected." (2 and 5.8 in earlier version)
3. Description of Swedish working groups (4.3)
4. Chapter 3 Undertakings under SEPA and timetable for implementation are moved to chapter 5
5. Revision of chapter 5: Undertakings under SEPA and timetable for implementation
6. Clarifications regarding the requirements for reachability in SEPA Direct Debit (6.1)
7. Primary requirements for euro payments in SEPA (6.8)
8. Deletion of reference to E-Rix (6.8)
9. Version management (6.8)
10. Mandatory notification in SEPA Direct Debit (6.9)
11. Short description of SEPA Core Direct Debit and SEPA B2B Direct Debit (6.9)
12. Revised chapter Adaptation to SEPA for cards (6.10)
13. New chapter: Reflections on SEPA Cards Framework (6.11)
14. New chapter: Summary of current situation and unresolved issues (7)
15. Updated activity list: Coming work (8)
16. SEPA Credit Transfer and SEPA Direct Debit - new diagrams Annexes 1 and 2 (9)
17. Add Monaco as new SEPA participant (EU/EEA/Switzerland/Monaco)
18. In addition to the supplements above, various revisions have been made in light of the fact that SEPA has commenced (January 2008)

## 2. Introduction

The purpose of this document is to provide an outline description of the Single Euro Payments Area (SEPA) and how the Swedish banks are continually adapting relevant payment instruments and services in order to satisfy the requirements imposed for “SEPA-compliance”. The description of SEPA is brief, with references to relevant documentation at the primary interested parties behind the development.

The primary target group for this plan is banks on the Swedish market, but the document is also intended to serve as basic information to public authorities, partners of the banks, and other stakeholders.

A migration plan for the 16 States included in the Eurozone (1 January 2009) is necessary in order to elucidate the way in which the change-over from a national payment infrastructure to a corresponding common payment area for SEPA can be implemented. Sweden’s decision to remain outside of the European Monetary System, and thereby retain the national currency, the Swedish crown, entails that we also retain a domestic payment system for the Swedish crown.

However, the banks in Sweden have jointly decided to comply with SEPA by adapting payments in euro and also preparing a Swedish plan for the adaptation work. The purpose of this document is therefore to describe how, when, and within which areas the Swedish banks are implementing adaptation to SEPA. Consideration has been taken of the recommendations of the European Central Bank (ECB) and Swedish Central Bank regarding the content of a “migration plan”.

Parallel to SEPA, the EU Commission has presented a proposal for a new EU Directive on payment services in the internal market (Payment Services Directive, PSD). The Directive will greatly affect SEPA. The Directive is scheduled to enter into force on 1 November 2009. However, the Swedish Ministry of Finance has given notice of a delay in the implementation in Sweden until spring of the 2010. The requirements which may be placed on the Swedish banks as a result of PSD have been addressed in this document only in certain specific respects.

### 3. Driving forces for SEPA

By means of SEPA, citizens, companies and other economic participants can make and receive payments in euro, within Europe, both nationally and cross-border, on the same basic conditions, with the same fundamental rights and obligations, regardless of locality and place. SEPA's development prioritises the Eurozone, i.e. the states which use the euro as the national currency. It is possible for European states outside of the Eurozone to participate in the euro payments system. By participating in the overall payment co-operation - instituting SEPA routines and standards - the banks in all countries within the EU/EEA, as well as Switzerland and Monaco, are participating in the development of an internal market for payment services.

A number of participants are behind SEPA. European banks and bank associations have formed the European Payments Council (EPC). Both the European Central Bank (ECB) and the European Commission are heavily involved. There is, for the most part, congruence between what the banks and the public authorities seek to achieve, but there are certain small distinctions. One question important for Sweden is the possibility for Europe's banks to establish market-appropriate business models for SEPA-compliant products and services. The banks deem this question to be of great significance for the further development and adaptation of products with SEPA. Self-ownership of the business models is the driving force behind further development and innovation. There are also clear differences between different countries in respect of the extent to which SEPA-adaptation is to be implemented.

An overall description of the three primary initiators of SEPA is set forth below.

#### **3.1 European Payments Council (EPC)**

The three European banking associations, European Banking Federation, European Savings Banks Group and European Association of Co-operative Banks have, together with the national bankers' associations and their member banks, formed the European Payments Council (EPC). EPC consists of banks and bankers' associations (a total of approximately 70 members from all EU and EEA countries as well as Switzerland and Monaco) which represent all sizes and types of credit institutions throughout the market.

EPC's intention is to create a Single Euro Payments Area, which is to lead to an integrated European payments market in which citizens and economic participants will be able to make payments as quickly, simply and securely as in their home country. EPC's focus is on central payment services in euro, for both consumers and companies, throughout Europe.

EPC's vision statement says:

“SEPA will be the area where citizens, companies, and other participants can make and receive payments in euro, whether between or within national boundaries within Europe, under the same conditions, rights and obligations, regardless of where they are located.”

In addition to the decision-making forum, EPC Plenary, there are a number of steering and working groups, with appurtenant timetables, to ensure the work processes.

EPC's work has been focused on defining and preparing rulebooks and routines for SEPA Credit Transfers, SEPA Direct Debits, and a framework for cards. These have been developed as bases for new payment services which will be implemented gradually commencing 2008 until an end-date specified by EPC. A definition of the end-date is awaited from EPC.

The objective is that national payment infrastructures for euro can thereafter be abolished and national and cross-border payments in euro within the EU/EEA, Switzerland and Monaco will be handled in uniform infrastructures.

The SEPA Credit Transfer Rulebook (SCT) contains a series of rules, methods and standards on a bank-to-bank level. This enables the European banks within SEPA to offer customers a central payment product in euro. As a result, customers and banks can make transfers in euro throughout the SEPA area as easily and efficiently as they do today on their local markets.

Similarly, the SEPA Direct Debit Rulebook (SDD) contains a series of rules between the banks, and methods and standards in order to enable the European banks to offer customers a pan-European direct debit product in euro. With SDD, payees can be offered integrated receipt of payments in euro from their customers within the country and from other SEPA states.

SEPA Cards Framework (SCF) establishes high-level rules for card systems, which are implemented by banks, card systems (MasterCard, VISA, etc.) and other stakeholders. The purpose of this framework is to enable European customers to use bank-issued general purpose cards for payments and cash withdrawals in euro throughout the SEPA area with the same ease and convenience as they currently do in their home countries. Similarly, merchants will be able to receive card payments from customers throughout the SEPA area. SCF establishes conditions for banks, card systems and all stakeholders to achieve an integrated market for card payments.

EPC has also published a framework for Pan-European Automated Clearing House (“PE-ACH”). PE-ACH comprises traffic of mass payments in euro. It includes both cross-border and domestic payments in euro within the EU/EEA. Most Swedish banks are currently, directly or indirectly, participants in EBA, the pan-European clearing house. However, the framework is open for more participants within clearing and settlement.

#### *Reference links*

[EPC’s organisational chart](#)

[Informational material about SEPA](#)

[SEPA Cards Framework \(SCF\)](#)

SEPA rulebooks “SCT Rulebook” and “SDD Rulebook” and implementation instructions for them are available on EPC’s website:

[EPC Knowledge bank](#)

Additional information about SEPA is provided on the Swedish Bankers’ Association’s website:

[Swedish Bankers’ Association](#)

### **3.2 European Central Bank (ECB)**

ECB plays an important role as monitor of the payments system and catalyst for new development. ECB has expressed its support for SEPA and provides support for the work, while imposing requirements. Locally, the national central banks work from the same point of departure. ECB has participated as an observer in a number of groups within EPC. In order to follow-up on the banks' work and clarify the public authorities' requirements, regular statements are issued and ECB's SEPA progress report is regularly issued. ECB primarily focuses on the implementation of SEPA in the Eurozone (EU16), but also maintains a dialogue with the Commission for a co-ordination of the requirements on SEPA which, from the Commission's perspective, cover all EU member states. ECB's reports have at times been very critical, with increased demands on the European banks as compared with the original plans presented by EPC. ECB has clearly stated that SEPA is to be put into practice.

*Reference links*

[ECB progress reports](#)

[Joint press release on SEPA from ECB and the Commission](#)

[The Single Euro Payments Area \(SEPA\) - An integrated retail payments market](#)

[ECB on SEPA](#)

- SEPA speeches by Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB

[27 October 2008](#)

[9 September 2008](#)

[2 July 2008](#)

[28 January 2008](#)

### **3.3 The European Commission**

The European Commission also has expressed objectives in respect of SEPA. Since 2001, the Commission has worked on a new legal framework for payments on the internal market. As early as at the end of 2001, EU Regulation 2560/2001 on cross-border payments was issued. The primary purpose of this regulation is to prevent payment service providers from charging higher prices for a cross-border payment in euro or in Swedish crowns within the EU than for a comparable payment transaction made domestically. This was seen as a first step towards putting into practice the concept of equal conditions for payments on the EU internal market.

The Regulation is now undergoing a revision, through a broadening of its scope also to include Direct Debits in euro. Under the revised Regulation, direct debit services in euro must be adapted to SEPA Direct Debit and the payer's bank must be reachable for direct debiting commencing 1 November 2010. The revision also includes an increase to 50,000 euro in the limit for balancing reporting (reporting to the Swedish Tax Agency).

In addition, the Commission is working on comprehensive regulatory regime for payments, a proposed directive on payment services on the EU internal market, the Payment Services Directive (PSD). This directive replaces the Directive on Cross-Border Payments (97/5) and

supplements the Regulation on Cross-Border Payments (2560/2001). The directive, which has been adopted by the Council and the Parliament, was published in the EU's Official Journal on 5 December 2007. According to the directive, the member states must have implemented comparable legislation in their national law not later than 1 November 2009. During March 2009 the Swedish Ministry of Finance gave notice of a delay in the implementation in Sweden until the spring of 2010, at the earliest.

The directive, which governs a number of areas such as information requirements, credit value, security requirements, and liability issues, is strongly focused on increased consumer protection.

In addition, a regulation in respect of the application of FATF, Special Recommendation no. 7 (SRVII) entered into force on 1 January 2007. The sanctions under the regulation entered into force on 15 December 2008.

Monitoring of legal questions takes place, among other ways, via the European Banking Federation (EBF) and EPC, through Swedish representation on the Commission's working group for market participants as well as through regular meetings of a reference group at the Ministry of Finance.

#### *Reference links*

New Legal Framework for Payments in the Internal Market (Payment Services Directive):  
[Payment Services Directive in Swedish](#)  
[Payment Services Directive in English](#)

Regulation 2560/2001 on cross-border payments as well as the regulation requiring sender information to accompany payment transactions (implementation of FATF SRVII):  
[Legislation payments](#)

## 4. SEPA organisation in Sweden

The Swedish Bankers' Association co-ordinates the Swedish banking market's adaptation to SEPA. This takes place through co-ordination of the Swedish participation in EPC and through direct contacts with both international authorities such as the European Commission and ECB, and the Ministry of Finance and the Swedish public authorities. Decisions are taken on an industry level in respect of regulatory regimes which are to be followed and adaptation to SEPA in the banks' joint infrastructure. Information regarding SEPA is published on the Swedish Bankers' Association's website as well as on the Swedish Bankers' Association's members' website.

### **4.1 SEPA Steering Group, Sweden**

Since EPC was formed in June 2002, the Swedish Bankers' Association has operated a Swedish SEPA Steering Group. This Steering Group co-ordinates all domestic work in respect of SEPA and Swedish representation in EPC. All of the large banks on the Swedish market are represented in the Steering Group. The Swedish Central Bank and PAN Nordic Cards Association participate in the group as observers. In addition to preparing Swedish positions for the various EPC groups, the Steering Group proposes adaptations to SEPA in the banks' common infrastructure and endeavours to realise sound implementation of SEPA-related regulations.

### **4.2 Swedish representation in EPC's groups**

Swedish representation in the EPC's decision-making and working groups is currently as follows:

#### *EPC Plenary*

Leif Trogen, Swedish Bankers' Association

Kjell Hedman, Swedbank (represents the European Savings Banks Group)

Björn Flismark, SEB (represents SEB through wild card in EPC)

#### *Co-ordination Committee*

Leif Trogen, Swedish Bankers' Association

Björn Flismark, SEB (Chairman, Information Security Support Group (ISSG))

#### *Programme Management Forum*

Lars Herslöf, Handelsbanken

#### *Legal Support Group*

Lars Rutberg, Swedish Bankers' Association

#### *SEPA Payment Schemes Working Group (SPS) and*

#### *SEPA e-mandate Working Group*

Kirstine Nilsson, Swedbank

#### *SPS Standards Task Force*

Rolf Bohman, Swedish Bankers' Association

#### *Cards WG*

Jan-Olof Brunila, Swedbank

*Mobile Payments Working Group*  
Gunnel Silvé, Handelsbanken Finans

*Information Security Support Group (ISSG)*  
Pär Karlsson, Swedish Bankers' Association

#### **4.3 Swedish working groups**

In order further to prepare Swedish perspectives for EPC's groups, the SEPA Steering Group has two working groups:

SEPA Payment Schemes Working Group - SPS AG

SEPA Mobile Channel Working Group - M-Channel AG

In addition, security and standardisation questions, as well as legal questions, are handled within the Swedish Bankers' Association's standing working groups and committees.

Swedish card questions are handled within the Pan-Nordic Card Association. Card questions in respect of SCF are referred to the SEPA Steering Group, which has primary responsibility for strategic positions taken within the card area that are directly connected to the work regarding a common payment market.

#### **4.4 Swedish reference group**

ECB advocates establishment of national so-called Stakeholder Forums, reference groups. The purpose of a reference group is, at an early stage, to inform and acquire perspectives on coming SEPA-compliant products and services.

During 2009, the Swedish Bankers' Association formed a Stakeholder Forum and invited participation from interested parties from ministries and public authorities. It is possible, in consultation with the Swedish Bankers' Association's members, also to inform consumer organisations, industry organisations, and software companies.

## 5. Undertakings under SEPA and timetable for implementation

### **5.1 How the Swedish Bankers' Association ensures that the banks commit to EPC's rulebooks**

The Swedish Bankers' Association has long been responsible for extensive self-regulation on the Swedish financial market. This regulation takes the form of agreements, recommendations and standard forms. In addition, industry practice for certain applications is established by means of decisions of the association's committees and steering groups. In certain cases, the members are bound to this regulation by virtue of their membership in the association. Non-members can also sign up to a number of agreements and recommendations, primarily within the payments and clearing area. The statutes of the association require a member company to comply with agreements and recommendations established by the association.

Swedish participation in EPC and in SEPA was decided upon at a Board meeting of the Swedish Bankers' Association in 2002. Membership in EPC entails, pursuant to EPC's Charter, an obligation to implement the decisions taken. The Board of the Swedish Bankers' Association also actively participates in this work by all important and principal positions being adopted through resolutions of the Board.

Adherence to EPC's rulebooks is open to all banks on the Swedish payment market and takes place by means of execution of special adherence agreements which are distributed by the Swedish Bankers' Association.

On 31 August 2007, the Swedish Bankers' Association was designated as a National Adherence Support Organisation (NASO). In this role, the association is to act as the point of contact between the Swedish institutions and EPC in respect of questions regarding the adherence process for SEPA payment instruments and otherwise to provide support to the Swedish institutions in this process. The association's long-term goal is that all banks which participate in the Dataclearingen system will adhere to SEPA Credit Transfer (SCT).

Important conclusions and undertakings which follow from the Swedish banks' adherence to SEPA are set forth below.

### **5.2 SEPA Rulebooks**

- The undertakings pertain to compliance with the rulebooks for SEPA's payment instruments in respect of:
  - SEPA Credit Transfer Rulebook: Payment initiated by the payer
  - SEPA Direct Debit Rulebook: Payment initiated by the payee/direct debit payment

SEPA's rulebooks pursuant to the foregoing contain a series of conditions, methods, and standards for payment transfer between banks (interbank communication) as well as between banks and clearing houses.

### **5.3 SEPA Cards Framework**

- The undertakings also apply to compliance with SEPA Cards Framework

- SEPA Cards Framework (SCF) establishes high-level rules for card systems and describes how the framework is to be implemented by banks, card systems (MasterCard, VISA etc.) and other stakeholders.

#### **5.4 Clearing and settlement in XML**

- SEPA imposes “reachability” requirements through the banks’ adherence to a Pan-European Automated Clearing House (“PE-ACH”); a European infrastructure for clearing and settlement of SEPA payments.
- The ISO 20022 XML standard has been instituted for computer file communications between banks as well as between banks and SEPA-compliant clearing houses.

#### **5.5 IBAN and BIC**

- As of 1 January 2007, it is mandatory to state the IBAN (International Bank Account Number) as payee account number as well as the BIC (Bank Identifier Code) for bank identification for payments in euro within the EU/EEA area and Switzerland.
- SEPA requires that the IBAN and BIC for account numbers and bank identification be stated for both payer and payee.

#### **5.6 National Adherence Support Organisation (NASO)**

- As Swedish National Adherence Support Organisation (NASO) it is incumbent upon Swedish Bankers’ Association to serve as the point of contact between EPC and the banks in Sweden for the purpose of providing support in respect of EPC’s rulebooks and adherence thereto.

#### **5.7 Timetable for implementation**

- The timetable for the Swedish adaptation is linked to the document “EPC Roadmap 2004-2010” adopted by EPC, see appendix 2 in the Annex.
- A decision regarding a so-called end-date is expected from ECB and EPC. An end-date means that traditional domestic payment services for the euro currency are discontinued in order to offer only SEPA-compliant payment services.

#### **5.8 Swedish payment infrastructure**

- Since Sweden does not use the euro as the national currency, the Swedish payment infrastructure will be retained in its current scope until further notice. The SEPA work will not include any development as regards the Swedish crown.
- However, the development which takes place within SEPA, with euro as the currency, will be taken into consideration in all further development and administrative work within the Swedish payment infrastructure. Notwithstanding that the SEK infrastructure will be separated from the EUR infrastructure until further notice, lessons are to be drawn from the development of the latter. Where appropriate, co-ordination will take place in order to avoid the occurrence of unnecessary deviations from the new “European standard” for payments.

## 6. Swedish plan for SEPA

The overall strategy for the Swedish adaptation to SEPA was established by the SEPA Steering Group following a workshop in May 2006. The continued work surrounding adaptation to SEPA, following SEPA's introduction in January 2008, was laid down by the SEPA Steering Group during a workshop in November 2008.

### 6.1 SEPA Rulebooks and Frameworks

With respect to euro payments, the Swedish banks must be completely SEPA-compliant in accordance with the timetable established by EPC for Credit Transfers and cards.

The larger banks in Sweden which conduct cross-border operations on a wider scale are currently SEPA-compliant for SCT. Certain locally-based banks as well as medium-sized banks, which currently have payments exclusively in Swedish crowns and no cross-border payments, have declared that they intend to adhere to SCT later.

The cards which are currently issued are SEPA-compliant in as much as the cards now contain a chip and PIN and cards, through their affiliation to VISA/MasterCard, are negotiable in the EU/EEA, Switzerland and Monaco.

With respect to Direct Debits, at its meeting in December 2008 the EPC Plenary clarified the reachability requirements. Within the EMU it is mandatory to offer SEPA Direct Debit as a debiting bank. For countries outside the EMU, it is optional to offer SEPA Direct Debit as a debiting bank. For all banks and countries within SEPA, it is optional to offer SEPA Direct Debit as a crediting bank.

A revision of Regulation 2560/2001, in the spring of 2009, governs the reachability requirement for SEPA Direct Debit. For transactions "denominated in euro", the countries which offer domestic direct debit services in euro must offer full compliance with SEPA.

It is up to each bank to decide on the question of implementation of SEPA Direct Debit in Sweden. See further below under section 6.9 Direct Debit.

The timetable for the Swedish implementation work is otherwise linked to the "EPC Roadmap 2004-2010" established by EPC.

Proposals for new legislation, for example PSD and revisions of 2560/2001, must continue to be monitored in order to enable compliance therewith when they are instituted.

As set forth above, the Swedish Bankers' Association has been designated as NASO in Sweden. In this role, the association will work to achieve as high a level of adherence to EPC's rulebooks as possible.

### 6.2 Swedish payment infrastructure

Since Sweden does not have the euro as national currency, full adaptation from the existing domestic payment infrastructure to a new European payment infrastructure is not relevant within the foreseeable future. The Swedish payment infrastructure must be retained since a

cost-efficient infrastructure for payments in Swedish crowns will not be developed with the SEPA work.

SEPA imposes requirements for account numbers in accordance with IBAN. According to a SEPA workshop for the banks in May 2006, the use of IBAN at a later phase should be considered for Swedish payments as well; however, this depends on whether or not Sweden joins the EMU.

### **6.3 Swedish position on an end-date**

Europe is now working, through ECB and EPC, on a decision to discontinue all domestic payment solutions for euro within SEPA, a so-called end-date commencing which only a completely SEPA-compliant payment infrastructure with appurtenant SEPA rulebooks and framework will be used.

The fact that Sweden is not in the EMU limits Swedish influence. Before deciding on Swedish adaptation in the event of an end-date, existing euro transactions must be identified, and the nexus of current products and SEPA's instruments must be mapped. It is only thereafter that Sweden, based on each payment instrument, can establish a development/phase-out plan.

### **6.4 Payments which are covered by EPC's SEPA-requirements and by PSD**

The frameworks and rulebooks produced by EPC for SEPA payments cover payments in euro within the EU/EEA, Switzerland and Monaco. Euro payments outside of this area are not covered. The Rulebooks adopted by SEPA do not contain any amount limits.

PSD covers cross-border payments within the EU/EEA in euro, as well as domestic payment transactions in the currency in the relevant member state outside the Eurozone. The current legislative proposal (May 2009) for a Swedish Payment Services Act (*Sw. Betaltjänstlag, BTL*) to implement the PSD also includes payments where one of the parties is situated outside of the EU/EEA, as well as payments in currencies other than those of the EU/EEA states.

### **6.5 How will EPC's requirement for compliance with SEPA payments and format be interpreted?**

Banks and companies in Sweden, where the euro is not the domestic currency, do not have the same incentive as euro countries to restructure all payment traffic to SEPA payments. However, each bank in Sweden which offers payments services must ensure that SEPA payments are offered to customers for payments in euro by means of the most common channels.

EPC does not impose any requirements on how SEPA payments are to be treated as between the customer and bank but, rather, only places requirements on handling on a bank-to-bank level. However, EPC has expressed a recommendation regarding use of ISO 20022 XML in conjunction with computer file communication between banks and customers. This standard, ISO 20022 XML, is mandatory in the SEPA-compliant communication between banks and between banks and pan-European clearing houses.

## 6.6 Global and local perspective on ISO 20022 XML

The ISO 20022 XML standard is the standardised format for computer file communication for financial services in all currencies. It does not apply exclusively to SEPA. A Nordic co-operation in respect of ISO 20022 XML for payment notification is already in place for the purpose of facilitating implementation of the standard in the national infrastructures. The Nordic work plans to publish the following notifications pursuant to ISO 20022 during 2009:

- Customer Credit Transfer Initiation - payment notification
- Customer Payment Status Report - notification of status report
- Customer Payment Cancellation Request - request for cancellation of payment order
- Bank to Customer Statement - account statement
- Bank to Customer Debit Credit Notification - debit and credit notification, respectively

## 6.7 Will there be non-SEPA-compliant payments in EUR?

The banks' offering of SEPA payments to customers requires the customer to submit SEPA-mandated information in the payment notification, for example IBAN and BIC (see further 6.8). Until further notice, such euro payments where the customer fails to comply with the imposed requirements will be administered as normal foreign payments.

Payments in euro outside of the EU/EEA/Switzerland/Monaco are not handled as SEPA payments.

The requirements which will apply under PSD and BTL must, however, always be satisfied by the banks *vis-à-vis* the customers.

## 6.8 Credit Transfer - adaptation

### *Implementation of "SEPA payments"*

SEPA Rulebooks govern the content and behaviour of banks *inter se*. The bulk of the content consists of previously-known business terms. However new references, rules and identification terms appear. These new terms, which are voluntary for payers and payees, were created by the payment sender to be used by payers and payees as necessary. In the event that this information is stated in the payment notification, the banks must advise thereof.

### *Primary requirements placed on a euro payment in SEPA*

- Account number and bank identified by IBAN and BIC
- Debiting account and crediting account maintained within EU/EEA/Switzerland/Monaco
- The currency is always euro
- Fee allocation - SHA (shared costs)

The flow of a payment order under SEPA Credit Transfer is illustrated in Chapter 9, Annex, Appendix 1.

### *Mandatory notifications*

SEPA Credit Transfer requires the bank to handle the following notifications:

1. Interbank Payment Dataset - payment order

2. Interbank Return Credit Transfer Dataset - return notification
3. Interbank Credit Transfer Reject Dataset - rejected payment

#### *Version management*

SEPA Rulebooks are updated once per year. Any changes to a Rulebook are decided upon 12 months prior to publication. A new version of the Rulebook is thereafter published during the third week of November of the following year.

SEPA's version management of SEPA Credit Transfer Scheme Rulebook commenced in 2009 by means of a decision that requested changes in November 2009, with publication of a new version of the Rulebook in November 2010.

#### *Swedish euro payments - settlement*

Sweden currently has no euro clearing. Euro transactions are primarily settled via Finland and Germany. The banks have stated that all possible channels for settlement of euro need to be investigated for future handling. This applies to both incoming and outgoing payments.

#### *Swedish crown payments*

SEPA is not believed to result in any reason for changes to Swedish crown payments, at least not initially. However, PSD has a very significant impact on the banks' payment services. Notwithstanding that a so-called "full harmonisation directive" is involved, which means that the member states may neither implement nor retain legislation which deviates from the provisions of the directive, there is relatively significant latitude for unique national solutions.

In conjunction with any revision of existing products for Swedish payments, it should be considered whether the banks can benefit from SEPA. Instead of revising old formats, new technologies should be utilised, for example that which is developed within ISO 20022. (See 6.6 above.)

The Dataclearingen system is not directly affected by SEPA. An analysis was carried out in the autumn of 2005 and it can still be seen as a guiding principle for future strategy for the Dataclearingen system. The operations of the Dataclearingen system will, through BGC's co-operation with VocaLink, be transferred to VocaLink.

### **6.9 Direct Debit - adaptation**

#### *Implementation of Direct Debit in euro*

The banks produced a common, summarised position on Swedish implementation of SEPA Direct Debit during a workshop at the Swedish Bankers' Association in November 2008. In light of EPC Plenary's statement of 30 September 2008 that the participation of non-euro countries is optional and, based on revised Regulation 2560/2001, which provides that the regulation applies to direct debit transactions "denominated in euro", each bank is free to decide on the issue of implementation of SEPA Direct Debit (SDD).

There are currently a number of reasons for the Swedish banking market to put on hold a national plan for SDD. Several unresolved issues remain, which have great significance for implementation. When these unresolved issues are clarified, the Swedish banking market will

once again review whether there is a reason for the banks to issue a common Swedish recommendation regarding affiliation.

The preconditions for implementation of SEPA DD may be changed, for example through:

- Swedish political positions
- requirements of European authorities.

Developments for clearing and settlement of direct debit transactions in euro pursuant to SDD Rulebook take place at EBA and other clearing participants.

### *Direct Debit Rulebooks*

Two variations on SEPA Direct Debit are presented:

- SEPA Core Direct Debit Scheme - SDD. Pertains to direct debit in euro, domestically or cross-border, within the EU/EEA, Switzerland and Monaco, between companies and customers. In SDD, the payee initiates the payment through a so-called collection. SDD requires that the payer and payee have agreed on the service by both signing a mandate (a consent). The debiting account and crediting account are maintained within the EU/EEA, Switzerland and Monaco. SDD can be used for individual direct debit withdrawals or for recurring direct debit withdrawals.
- SEPA Business to Business Direct Debit Scheme - SDD B2B. Applies to direct debit in euro, domestically or cross-border, within the EU/EEA, Switzerland and Monaco, between two companies. A company can choose, via direct debit, to make its payments to another company. This also requires a mandate (a consent) signed by both parties.

A simplified flow of SEPA Direct Debit collection is illustrated in chapter 9 Annex, Appendix 1.

### *Mandatory notification*

In the event that SEPA Direct Debit is offered, the bank must handle the following notifications:

1. Interbank Collection (Pacs.003.001.01)
2. Interbank Direct Debit Return/Refund of a Collection (Pacs.004.001.01)
3. Interbank Direct Debit Reject Dataset (Pacs.002.001.01)
4. Interbank Reversal Instruction for a Collection (Pacs.007.001.01)

### *Right of debit reversal*

With respect to Direct Debits, it is important that there be legislation in place which clarifies the liability relationships between various participants when debiting takes place. PSD regulates the so-called refund right (right of debit reversal), whereby the payer has a right, within 8 weeks from the debiting, to request return of the payment (13 months in the absence of a mandate). The refund right (right of debit reversal) increases the need for risk assessment by the individual bank when offering the SEPA Direct Debit service in its role as a crediting bank.

Since the right of reversal is governed by PSD, it applies to both SEPA Direct Debit and domestic direct debit services within the EU/EEA.

SEPA Direct Debit Business to Business does not afford any refund right (right of reversal) for authorised transactions.

#### *Further development of Swedish direct debit*

A gap analysis between Bankgirot's direct debit and the SDD Rulebook has been conducted in conjunction with BGC's co-operation with VocaLink in order to determine whether any co-ordination/improvement is possible. The point of departure is that there is presently no reason to develop a domestic direct debit for euro and thus the analysis is limited to Swedish crowns.

Each bank should be free to take decisions regarding application of DD for *currencies other* than euro.

### **6.10 Adaptation to SEPA for cards**

SEPA Cards Framework (SCF) covers card systems with a business model which is based on the so-called four-party model, such as MasterCard and Visa. During 2009, EPC is beginning to update SCF to include also a so-called tri-partite system, primarily in accordance with rules described by the European Central Bank in its 6<sup>th</sup> Progress Report.

The banks have adapted cards and card services to SCF. MasterCard and Visa implement the rules which are imposed under SCF. This is also a condition for their continued delivery of card services to the banks.

Together with the Swedish Bankers' Association, the PAN Nordic Cards Association (PNC) plays an important role in the SEPA adaptation. PNC has been engaged to work actively on the implementation of SEPA. PNC's mission also includes all Nordic and Baltic countries, which guarantees minimisation of divergent interpretations of SCF. The same rules and business conditions will apply throughout the EU/EEA area. PNC therefore is also participating in the standardisation work for different interfaces in card processing which is underway in working groups under the SEPA Cards Working Group.

The primary points which have been identified to date in respect of SEPA adaptation for cards on the Swedish market can be summarised as follows:

- Commencing 31 December 2010, all cards which are covered by SCF must have a chip in accordance with the EMV (Europay-MasterCard-Visa) standard and all terminals should be able to accept chip reading and PIN verification. Cashpoint machines must be updated to this standard and the banks must also endeavour to upgrade card terminals at points of sale. Each bank is responsible for its customers and equipment.
- New general card programmes which do not satisfy SEPA and EMV requirements may no longer be issued (applicable commencing 1 January 2008).
- The card schemes may not be domestic insofar as, by means of rules or other measures, they limit membership or acceptance to a certain country or have discriminatory rules for

participant banks from other countries. It must be possible to issue cards and for card transactions to be acquired also outside of the card scheme's country of origin.

- The standardisation requirements for interface and terminal certification which are described in SCF are a crucial success factor for implementation of SEPA. The fact that standards are still not defined is a risk factor for implementation of SCF. However, as set forth above, the banks are actively participating in the work.
- SCF covers card transactions in euro within the SEPA area, as well as opt-in currencies as in EU Regulation 2560/2001, currently Sweden only.

Adaptation to SEPA for cards is primarily a bank issue. However, other participants on the market, such as service suppliers within transaction management on the card market, are also involved in enabling realisation of the standardisation requirements within SCF.

## **6.11 Reflections in respect of SEPA Cards Framework**

### *Standardisation*

Work is currently underway in EPC on standardising the interfaces between:

- Card - terminal
- Terminal - acquiring bank
- Acquiring bank - card issuing bank
- Certification and type approval of payment equipment

EPC expects the standard description, called "The Volume", to be published in its entirety at the end of 2009. The Volume is a functional and computer-oriented breakdown of SCF within the areas designated above.

The purpose of this standardisation work is to facilitate interoperability between the card payment infrastructures in various EU countries and make it technically possible for a number of card programmes within the EU, primarily international programmes such as Visa and MasterCard, to be handled in all EU countries. The banks in Sweden are affected to a lesser extent by such new functionality in respect of their own card issuance since they issue cards primarily linked to the Visa or MasterCard networks, which are already well-accepted within the entire EU/EEA area. In the acquiring area, however, new business possibilities might be created for the Swedish banks. In addition, standardisation may lead to increased competition between different card systems, which can benefit both banks and their customers, card holders, and the card-accepting merchants.

### *Development of SCF*

#### Tri-partite system, etc.

EPC is working on a clarification of the SCF framework so that it will also cover tri-partite payment systems for cards, as well as include companies with the Payment Institution status as per the EU payments directive, PSD.

#### Scope and acceptance

The SCF framework has given rise to a number of questions, *inter alia* following statements regarding the card systems' acceptance and issuance in the 31 member states of the EU/EEA.

The Swedish Bankers' Association currently interprets the framework as meaning that domestic cards will be accepted provided the card system does not prohibit signing acceptance agreements or issuing cards in other member states. (See 6.10 above.)

#### Questions and Answers (Q&A), document 2008

At the request of the ECB and the EU Commission, the EPC has also published a Q&A document in order to clarify how SCF is to be interpreted and applied.

Link to [EPC Q&A document](#)

#### Governance/Steering

The banks in Sweden are working for creation of an organisation for governance/steering of SCF.

#### *Current situation in Sweden*

As of 1 January 2008, the banks in Sweden only issue cards adapted to SCF. In addition, the banks undertake, according to a migration plan for cards, to comply with the SCF regulatory scheme commencing January 2011. This entails, *inter alia*, that cards issued in Sweden will have an EMV chip and that cards with only magnetic strips will be phased out. To the extent that cards linked to a domestic card scheme are issued, they will be open for issuance and acquiring (of transactions) outside of Sweden as well.

In accordance with this interpretation, the banks' cashpoint machines in Sweden have already been updated such that they can read EMV chips, and work is in full swing on persuading merchants to upgrade to EMV chip-reading store terminals.

By means of the above interpretation of the SCF undertakings, the banks will satisfy the SCF requirements not later than January 2011. Banks which participate in so-called tri-partite card systems will receive instructions in the next version of SCF regarding how to adapt themselves to EPC's requirements.

EPC's work on updates of SCF has commenced and, as of May 2009, it is unclear when the next version of SCF will be published.

## 7. Summary of current situation and unresolved issues

### *SEPA Credit Transfer - SCT*

As described in section 6.1, the larger banks in Sweden which conduct cross-border operations on a large scale are currently SEPA-compliant for SCT. Some locally-based banks and banks with payments exclusively in Swedish crowns and with no cross-border payments have given notice of later affiliation to SCT.

An end-date for SEPA has only a small impact on Sweden, since the bulk of today's euro payments are now compliant. An inventory of which euro flows may remain to be adapted must be made. An evaluation in respect of future Swedish needs for supplements to the SCT Rulebook is to be made through the Swedish SPS AG.

### *SEPA Direct Debit - SDD*

Each bank is free to decide on any affiliation to SEPA Direct Debit. An important issue is what demand is expected for cross-border direct debit services in euro, in a non-euro country such as Sweden.

According to the EU Commission's competition organisation, business models currently described in the SDD rulebook which provide for compensation between debiting and crediting banks for SDD transactions, so-called MBP Multilateral Balancing Payments, will not be permitted after 1 November 2012. The EU Commission and ECB have opened the possibility for dialogue with EPC in respect of future business models for SDD.

### *SEPA Cards Framework - SCF*

The banks are adapting cards and card services to SEPA Cards Framework.

The Swedish banks' implementation of SCF has functioned well, primarily in that the banks have already instituted a deregulated market on which the volume of purely domestic cards is negligible relative to the total card market.

There remain certain important issues regarding interpretation of the SEPA Cards Framework. The EU Commission currently also allows domestic cards, provided that their schemes are open for use and affiliation also for card issuers and card transaction acquirers outside of the relevant country. We therefore do not rule out the existence of open domestic schemes in the future.

## 8. Coming work

The Swedish Bankers' Association is continuously working on the common bank adaptations for SEPA.

Current and future activities:

1. Analysis of legislation, primarily PSD (2007/64/EC) and 2560/2001.
2. Information dissemination
  - a. Contacts with legislators and public authorities, so-called Stakeholders' Forum, for information dissemination and collection of opinions regarding the further development of SEPA.
3. Inventory of which euro flows may remain to be adapted to SEPA.
4. Binding application of EPC's regulatory scheme on the Swedish market must be ensured.
5. An active participation in the development and administration within EPC through broad and skilled presence on committees as well as support groups and working groups.
6. Maintain relevant national steering and working groups for the further adaptation and development of SEPA.
7. Support for the banks' individual implementation projects.
8. Continuous development of the Swedish plan for SEPA.
9. As Swedish NASO, encourage and support all institutions which have adhered, or intend to adhere, to EPC's regulatory scheme.

## 9. Annex

### Appendix 1

#### SEPA Credit Transfer and SEPA Direct Debit

##### SCT:

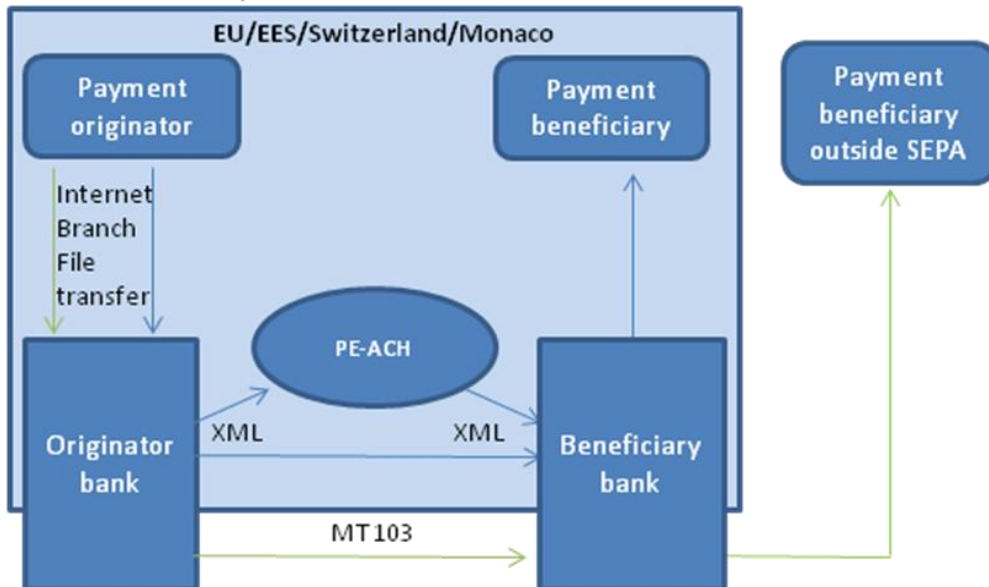
Payment in euro

→ = SEPA Credit Transfer

→ = Non-SEPA cross border payment

XML = ISO 20022

PE-ACH = Pan European ACH



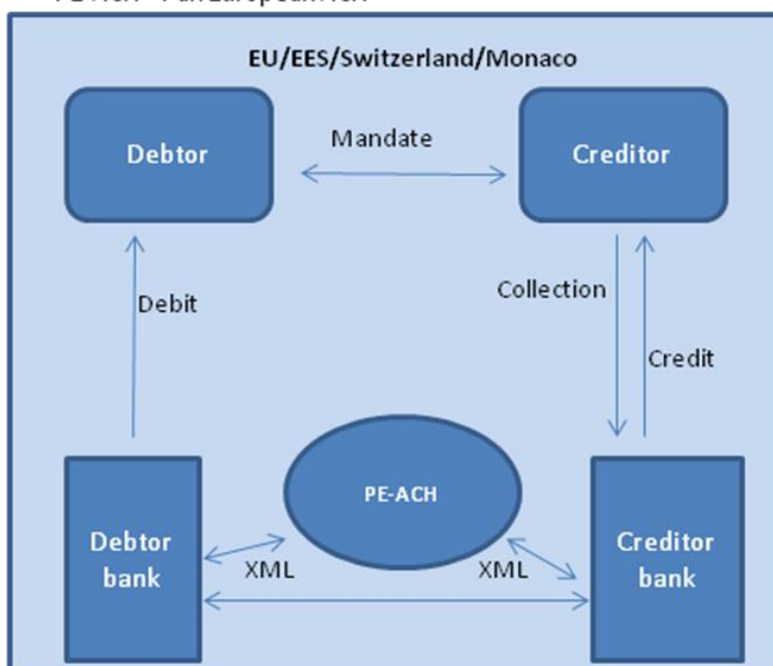
##### SDD:

Direct Debit in euro

→ = SEPA Direct Debit

XML = ISO 20022

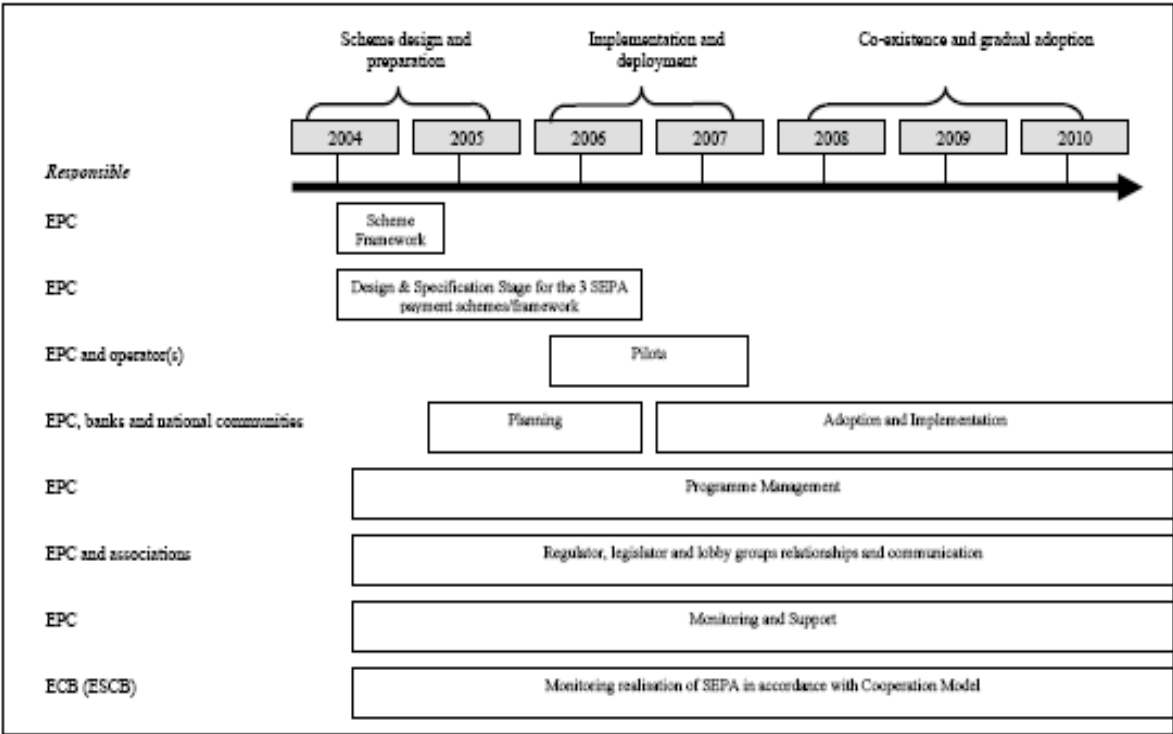
PE-ACH = Pan European ACH



**Appendix 2**

Extract from EPC’s document ”EPC Roadmap 2004-2010”

[Link to the complete document](#)



[Link to Communication from the Commission Completing SEPA: a Roadmap for 2009-2012](#)