

E-SEPA

E-Commerce is exploding – even in the recession. Mobile phones and other portable devices are everywhere. As everything is going towards internet and mobile, then surely payments should become web-based and mobile too.

The huge demand for these solutions is being matched by the EPC and the European Commission who are developing and pushing standardised solutions for Europe. These allow the payment at web shops in a uniform way, encourage paper-less payment, even getting rid of the incoming paper invoice and maybe making the mobile phone the new payment instrument of choice. Currently there are many different solutions in Europe (over 300 solutions alone for paying on the internet) and previously non-bank players like PayPal are capturing the market. So it is high time that the banks roll out the proposed single pan-European bank based solutions.

ONLINE BANKING E-PAYMENTS THE SEARCH FOR INTEROPERABILITY

With the success of e-commerce (and the 'success' of fraud) merchants are increasingly clamouring for an internet payment method that guarantees them irrevocably the money for their goods. Since the internet is also real time, the payment must therefore happen instantly. However current solutions are either revocable (see cards) and/or are not real-time (see credit transfer). So the market has developed several solutions in Europe, US Canada, China, Australia and beyond which solve this: the customer uses his normal Online Banking to make the payment to the merchant. This is real-time and irrevocable. The SEPA challenge now is to bring all these national solutions into a pan-European framework so that a merchant in the Netherlands can sell to a customer in Germany.

Samples of some online banking e-payment systems in Europe:

- **Austria: EPS (Electronic Payment Standard)**
- **Germany: Giropay**
- **The Netherlands: iDEAL**
- **Denmark: eDankort**
- **Switzerland: PostFinance e-Payment**

It is expected that the EPC will release the SEPA e-Channel Framework in June 2010. It can be used by several national solutions. Furthermore this work is closely discussed with the ICPNO (International Council of Payment Network Operators) to link solutions in Europe, UK, US and Canada. The resulting network of solutions will surely be an even greater success than each national solution (and iDEAL is already the biggest success in the Netherlands) since it connects across Europe and helps all stakeholders. The guarantee is good for the merchant, the immediacy is good for the customer (whose items are shipped immediately, whose download starts immediately) and the banks have a bank-based solution that matches anything in the market. They can even charge merchants for the added value of the guaranteed payment and thus have a new source of revenue by adding value to customers.

Equens has been a driving force within the EPC to develop the framework, standards and recommendations since the beginning. Based on the developments in e-Payments, Equens has identified SEPA e-Payment as a focus area and is working closely with banks, national solutions and the above interlinking projects to bring the European solution forward, allowing e-Commerce and e-Payment for banks and merchants without boundaries.

E-MANDATES JUST BEGINNING

The 'direct debit mandate' is given to bank or merchant to allow direct debits to be taken off an account in future. The e-mandate does this without any paper. It allows for example an electricity provider to get a customer to sign up for green electricity on the web and then authorise the future monthly direct debit payments – all online. This fully electronic process is clearly more efficient for merchants, banks and customers. E-mandates – although already fully in the EPC rulebook – are still an entirely new phenomenon. Some countries (e.g. all banks in Portugal) are going ahead with this, others are currently more reticent and are investigating the added value to their local community.

Equens offers banks a full suite of SDD services. These vary from a full-STP, tailor-made back office solution to a simple web-based solution. The company enables banks to send and receive SDDs and fully comply with the SDD regulations and implementation guidelines drawn up by the EPC. In any case it is clear that banks must not develop all this themselves but can outsource the management of the (e-)mandates to specialist service providers who can provide the solution much more cost-effectively for all banks through synergies of scale and scope.

Read more about our SDD solutions at www.equens.com/SDD



E-INVOICING HIGHEST RETURN

Currently bills are typically printed, folded, put into an envelope, stamped, sent by post, opened and the data typed back in to the recipient's payment system. This happens 27 billion times a year in Europe. E-invoicing, by contrast, is the sending, handling and storage of an invoice wholly by electronic means. This massive efficiency gain needs many players to change their habits – a hard thing to do. But for many years all larger corporates are demanding of their suppliers that they send electronic invoices if they want to stay in business ("e-invoice or no invoice!"). Also an increasing number of countries (e.g. Spain, Finland, Italy and Denmark) are making e-invoicing compulsory – especially for public procurements. So the tide will turn from paper to e-invoices, no question.

Growing awareness of advantages

E-invoicing creates substantial cost savings, improves cash flow and reduces credit losses, increases productivity and makes a direct contribution to a healthier environment and the reduction of CO² emissions. Awareness of these advantages is growing. Equens was also active within the European Commission's Expert Group on e-invoicing which recently delivered its report and recommendations giving the market a further push. Also public administrations and the European Commission have made major steps in making electronic invoices just as acceptable as paper invoices for VAT – a thorny issue and one that has been holding development back in the past. In the Nordic area and a number of other member states, banking-led initiatives have complemented those of other service providers leading to a large scale adoption of e-invoicing in all parts of those societies (corporates, banks, governments and end users).

Easy solutions for SMEs

One segment has been elusive, however: how to get the large body of SMEs to join the fully electronic community. Solutions that require no investment and no IT-skills are now available for them and it is expected that the market push from governments and large corporates will finally win them over. Then they will enter their bills on an online banking portal (rather than typing the bill in a word template) and will pay their bills by clicking on an 'incoming bills' tab in their online banking (rather than copying the IBAN, BIC, reference code etc. from the paper bill on to another credit transfer form).

The European Commission has launched the PEPPOL initiative (Pan-European Public Procurement Online) in which public administrations of multiple member states participate to promote electronic communication between enterprises and public authorities. In addition, the European Commission is implementing a pilot project to enable electronic invoicing within its own purchasing activities.

Moving towards a fully digitised real-time economy

Looking forward, it is reasonable to foresee that structured e-invoicing will become the predominant invoicing method throughout Europe and apply to both domestic and intra-member state business flows. Trading parties will have a wide choice of solutions and services to support e-invoicing. Further steps after invoicing would be integration into more parts of the financial and business value chains. This means that Europe will move from e-invoicing (with integrated e-payment) via e-procurement (with electronic catalogues and online ordering), e-trade (with integrated e-financing and digital trade papers), and finally to a fully digitised real-time economy.

In today's e-invoicing market it is impossible for the majority of businesses and consumers to make use of a single e-invoice solution.

Equens provides a service that literally 'dissolves' the problem: the Value Document Switch (VDS), which interconnects billing service providers by means of a standardised approach. Further options are being investigated.

Read more about our e-invoicing solutions at www.equens.com/e-invoicing