

How to make SEPA beneficial and profitable



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Why are so many banks parties preoccupied with the legal obligations related to SEPA? At Equens, we see it as our task to increase awareness of the fact that SEPA presents opportunities for beneficial and profitable product and/or process innovations for them and their customers.

In this statement, I will elaborate on one example of a SEPA-incited development that is welcomed both by banks and their corporate clients: the increasing market demand for an efficient solution for submitting SEPA payments from several countries. Traditionally, banks in Belgium, the Netherlands and the United Kingdom have been able to use multi-bank, single-channel services on a domestic level. SEPA can help overcome historical barriers in other markets.

Submitting payments: a complex affair

SEPA offers banks that focus on the corporate segment ample opportunities to proactively reinforce their relationships with their clients, and even attract volume from banks that are less proactive, without having to invest heavily in SEPA-compliant products and processes. Until now, corporates often held several bank accounts with different banks, which could be located in various countries. Submitting payments was therefore complex, because they had to deal with connectivity, the development and maintenance of different interfaces, and a separate submission and reconciliation process.

How to become the primary channel of payment factories

The SEPA products SCT and SDD will allow corporates to operate in a much more standardised way. As a consequence, they are very likely to consolidate their payments into a limited number of 'payment factories', or even a single one. The challenge for banks is to become the primary channel of that payment

factory in a way that enables them to reap the maximum benefits from their relationships with their clients, while avoiding the negative aspects of keeping up with SEPA compliance as much as possible. In the meantime, different channels and interfaces will remain in use for banks and corporates. Even after the large-scale migration to SEPA, there will still be a need for country-specific functionalities, as banks will want to provide the level of service they currently provide in their domestic markets. This will not simplify the process of submitting payments as much as had been expected. Moreover, the SEPA rulebooks are updated every year. Consequently, from an operational point of view, corporates will not fully benefit from the advantages SEPA is supposed to create. Banks, on the other hand, will also feel the burden of being obliged to continue investing in ever-changing SEPA conditions at the cost of their focus on added value for their customers and corporate clients.

Integration of channel and functionalities

Corporates will set ever-stricter requirements in terms of processing times and value-added services because of higher market demands. For instance, they will want up-to-date status information on their international payments, at any time of the day. This will lead to a demand for chain integration of channels and functionalities. Traditionally, market players have only catered for one of the two, thus providing sub-optimal solutions. On the one hand, service providers offer a safe channel for sending files, after which

the processing still has to be done. On the other hand, there are market parties that offer the functionalities, such as validations. Banks will welcome cost-efficient, integrated and maintenance-free solutions which can help them to distinguish themselves on the market. In turn, this will enable them to maintain the vital payment relationship with their corporate clients.

Service on a European level

Service providers in several markets are aware of these issues. They offer banks a service which enables their corporate clients to submit their payments directly to the processor via a single channel. This service has been available for some time in the domestic markets of a number of European countries, namely Belgium, the Netherlands and the United Kingdom. In the Netherlands, for instance, 55% of credit transfers and 75% of direct debits are processed via Equens' domestic Directe Aanlevering (Direct Delivery) solution (1.5 billion transactions per year). This way, banks are able to retain full control of their customer relationships.

SEPA offers the possibility to develop this service on a European level, allowing banks to outsource SCT and SDD processing for large, international corporate clients. To overcome cultural barriers in markets where similar services have, until now, been unknown, the service offerings have to meet strict requirements, specifically concerning customer ownership. At the present time, there are three modalities available on the market: (see above diagrams)

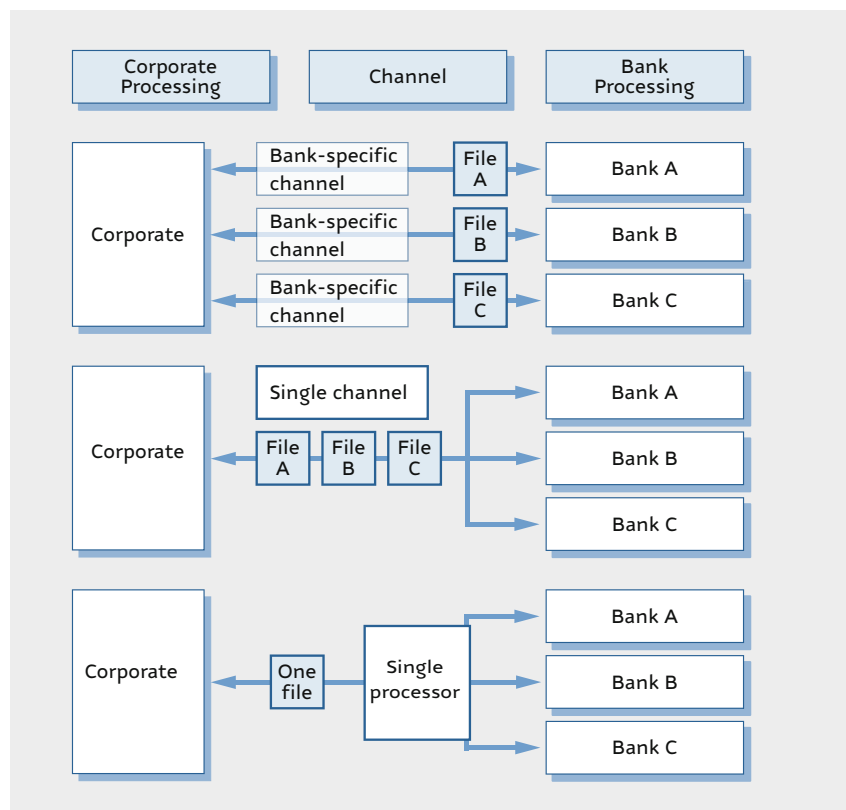
1. Use of a single (standardised) format (SEPA format)
2. Use of a single (standardised) channel (SWIFT for corporates)
3. Use of a single processor.

One processor in practice

Under the brand name Corporate Payment Services, Equens has developed a service via which corporates and service agents can deliver their SCT and SDD transactions from multiple initiating banks directly in one message. Banks that outsource this service can act merely as a 'postbox' or opt for direct delivery by the corporate client to

Single format	Single channel	Single processor
Use of multiple bank-specific channels	Use of a single channel	Use of a single channel
Multiple files (per bank)	Multiple files (per bank)	One file (multi-bank)
Cut-off time differs per bank	Cut-off time differs per bank	Single cut-off time
Authorisation per bank	Single authorisation (if provided in channel)	Single authorisation
Channel and processing functionality dependent on bank	Processing functionality dependent on bank	Channel and processing functionality independent of bank
Multiple status reports	Multiple status reports	Single status reports

Or graphically



Equens. In the latter case, corporate clients can submit the payments from all of their bank relations together. This means corporates do not have to separate their transactions by bank, and only have to develop and maintain one XML customer-to-bank interface and one type of connectivity. This way, banks and their corporate clients do not have the worry of meeting local requirements and remaining up-to-date with the changing SEPA rulebooks. Furthermore, and importantly for banks, this gives them the opportunity to focus on services that ensure their exclusive commercial relationship with their corporate clients. In conclusion, SEPA can incite innovations that are

beneficial to all parties involved in the payment chain.

For additional information about Equens' Corporate Payment Services (CPS), please contact:

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