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SEPA Preparations Take on Urgency Following Decision on End Date



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Time is up for corporations that have been taking a "wait-and-see" approach to the Single Euro Payment Area (SEPA) migration.

The development that everyone has been waiting for has occurred — we now have a mandatory SEPA migration end date — and so SEPA has become a regulatory rather than a voluntary project. Our resulting recommendation to clients is simple: Start right away analyzing what you must do to comply.

An End Date ... Finally

It's been a long road getting here, but a date by which corporations must abandon legacy payment schemes in favor of the SEPA Credit Transfer (SCT) and the SEPA Direct Debit (SDD) has been set: Feb. 1, 2014.

Slow migration to the SEPA instruments led the European Commission to propose a regulation establishing this end date, and European legislators agreed to that proposal in December.

The Council of the European Union still must formally approve the regulation, but that's a formality. Enactment is expected by April 2012, at which time the regulation will become binding for companies operating throughout the European Union (EU).

State of Readiness

Despite the fact that the SEPA instruments are far from new — the SCT was introduced in early 2008 and the SDD was launched in late 2009 — corporations are in various states of readiness for the migration.

SEPA aims to allow companies operating on a pan-European basis to make payments and collect funds across the EU using one bank in one country, thus eliminating the use of local payment/collection instruments and local bank accounts and the need to use a multitude of file formats and adhere to various direct debit return rules. But for many corporations, the business case for migrating to these instruments hasn't been overwhelming, and thus adoption rates for the SCT and SDD have been rather meager to date.

At Deutsche Bank, we have some clients who are already fully migrated, as well as numerous others who are in the process of finalizing their readiness. However, the vast majority of our clients are in the planning/analysis/implementation stage.

For this latter group of clients — and for those who have done very little to prepare for the SEPA migration, choosing instead to wait for an end date announcement — here are key compliance steps moving forward.

Start right away!

To be ready to migrate in 2013 before the end date arrives, corporations need to initiate their analysis immediately. That means looking hard at what you must accomplish to become SEPA ready. Begin by focusing on the following areas:

- **IBAN migration.** The new SEPA instruments require International Bank Account Numbers, or IBANs, which are structured differently from legacy domestic account numbers. Does your corporation have an enterprise resource planning (ERP) or treasury workstation system that cannot process IBANs? Will you need to upgrade your ERP system or workstation?

Additionally you will need to identify any other systems that use account numbers — such as human resources, accounts receivable and accounts payable systems — and ensure they are IBAN capable.

Beyond the systems ramifications, you will need to obtain the IBANs and Bank Identifier Codes (BICs) of your vendors and employees and migrate to those from legacy numbers. Plus you will need to report your own IBAN to clients.

- **Format strategy.** SEPA transactions need to be in a designated XML format. One early step in your SEPA preparations must be to decide whether you will create your payments in that XML format or rely on the conversion capabilities of your bank.

Some questions you will need to ask include: Does your ERP system or treasury workstation support XML? And should you migrate to XML for SEPA transactions alone or for all transactions?

- **SDD preparations.** SEPA migration will be more complex for those corporations that use direct debits. As a result, it's even more urgent for corporations that will be migrating to the SDD to get started on this process immediately.

Some key steps here include obtaining SDD creditor IDs, communicating those to debtors and including them in the SEPA Direct Debits; generating unique SDD mandate IDs, communicating those to debtors and including them in SDDs; and understanding and adjusting to the different SDD submission deadlines.

How Deutsche Bank Can Help

Make Deutsche Bank your trusted advisor on issues related to the SEPA migration. We have extensive SEPA migration experience and have invested in a state-of-the-art SEPA processing engine. We also offer format conversion capabilities that give you the option of sending all of your transactions to Deutsche Bank in your preferred format and having the bank convert them to XML.

What's more, to initiate SEPA transactions, you can use any of your existing Deutsche Bank accounts throughout the eurozone, meaning you don't have to open any new accounts just to accommodate SEPA.

To learn more, talk to your Global Transaction Banking representative.