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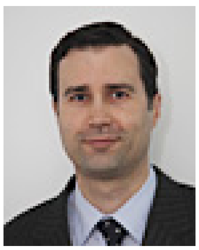
SEPA: Preparedness Is Crucial



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With end-dates for Single Euro Payments Area (SEPA) migration now on the horizon, planning for migration should already be under way.

With a European Commission (EC) proposal to regulate the end-dates for SEPA migration likely to come into force this year, many corporates are now asking themselves some pertinent questions regarding what the initiative means for them and what they need to do to ensure preparedness. While it is clear that no corporate will be able to completely escape its implications, the impact of SEPA will certainly vary greatly. For example, for a corporate making mainly domestic credit transfers, the impact might be limited to obtaining International Bank Account Numbers (IBANs) and Bank Identifier Codes (BICs). However, those that are active across a number of European jurisdictions will be faced with a much higher degree of complexity.

Questions to Consider

Thanks to the harmonization of cross-border payment structures, SEPA is another driver that is encouraging the trend toward more centralized payments and collections. When considering the initiative from a strategic perspective, corporates therefore need to examine the potential benefits of moving to a payments/collections factory structure if they have not done so already.

A second question that needs to be considered is the timing of migration. While there are a range of advantages that can be secured from being a "first mover," most corporates cannot migrate immediately due to the amount of preparation required. For this reason, the bulk of SEPA migration is expected to occur in 2012.

A third question that requires careful consideration relates to payment formats. SEPA instruments use XML, so those corporates using another format will need to either switch or continue to use bank conversion services. While XML is certainly the format of the future, switching will have an impact on corporate enterprise resource planning (ERP) systems and other connectivity — one reason being the larger size of XML files compared to most existing domestic equivalents — and there will inevitably be a cost entailed in doing so.

It is possible that corporates with a large and varied pan-European structure — particularly those that have grown through merger and acquisition — are operating a range of different ERP or treasury systems. Such a situation may make it more difficult for a corporate to analyse, for example, whether all their systems can accommodate IBANs and the XML format or whether extensive upgrades are necessary. Indeed, the SEPA migration could provide the ideal opportunity for such corporates to streamline and consolidate existing treasury systems.

These questions are only a few examples and highlight the degree of planning that is required to ensure that SEPA migration proceeds as smoothly and efficiently as possible. And while smaller corporates may be able to negotiate the change with relatively little effort, the majority will find that migration requires a considerable amount of preparation and planning. Please contact your Sales Manager for more detailed migration advice.