

Swedish Bankers' Association

Svenska Bankföreningen

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European Commission
Internal Market and Services
Financial Institutions
Retail issues, consumer policy and
payment systems

Working Paper on SEPA Migration End-Date

Swedish Bankers' Association has been invited to comment on the above mentioned document (below "Working Paper"). The Association would like to inform you of the following.

General remarks

The Swedish banking community responded 16th of April 2010 to the EC discussion paper on SEPA Migration End Date, which was presented to the Payment Systems Market Expert Group (PSMEG). In our reply the Association emphasized that the proposed way forward with common standards and "essential requirements" would be a *clear deviation* from the SEPA Roadmap established by the EPC as well as a risk of creating a "mini-SEPA". The Association would like to reiterate our concerns in this respect also as regards the Working paper from the Commission.

The Association agrees that the current situation requires some tough decisions and that legislation on an end-date is necessary in order to bring about a full migration to SEPA and create the level playing field in the entire SEPA area. However, the proposals in the Working paper are too detailed and would create a risk for restricting product innovation. For instance the development of new schemes for mobile payments cannot encompass demands for handling up to 980 characters. Our view is that legislation in this respect must be of a more general nature and create high level principles. The Association has in addition some more detailed observations on the Working Paper which is presented below.

Detailed observations

End-dates, essential requirements and standards for credit transfers and direct debits

Swedish Bankers' Association agree with the suggestion in the Working Paper that separate end-dates should be set for credit transfers and direct debits and that the time-frame could be one and two years respectively as well as that these dates should apply only to the euro area Member states. As Sweden is a non-euro country it is important that we can be granted a transitional period. However, it is not clear from the Working Paper if the transitional period ("based on their limited euro payment transaction volumes") mean that *different* transitional

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periods can be set for different non-euro area Member states. In any case it is important that the final transitional period granted for non-euro area Member states be communicated to the market as soon as possible.

Payment account opening

The proposed provision on the opening of payment accounts is, according to the Association, out of scope of the envisaged EU legislation on setting end-date(s) for migration to SEPA.

However, we think that it should be – in principle – possible to open bank accounts regardless of nationality or place of residence. But, it is very important to emphasize that at the same time Anti-Money-Laundering and Know-Your-Customer rules should be applied when opening an account. If a person doesn't have his or her place of residence in the country where they want to open an account in, the just mentioned rules *may* make it difficult or even obstruct the opening of an account due to, amongst other things, the lack of EU level standardization of proof of identity and proof of place of domicile. A bank must also be allowed to carry out its regular risk-assessments before opening an account. These questions must be analyzed and elaborated on in the upcoming proposal for legislation.

Transitional provisions

As stated above it is important that Sweden as a non-euro country will be granted a transitional period. In our position paper from 6th August 2008 over the Commission consultation document from 8th June 2009 on possible end-date(s) for SEPA migration we stated that basic credit transfers would be possible to fully migrate within a three year period, but for more sophisticated payment instruments with value added services specific to national market a period of five years for migration would be needed.

Annex – Essential requirements

As regards the proposed way forward with common standards and “essential requirements” the Association would like to refer to what is said under general remarks.

Concerning the proposal that the remittance data field should allow for a minimum of 140 characters and payment schemes should allow for up to 980 characters we consider – as is stated above – that it is *far more* detailed than necessary. The rules must allow for new technologies to develop, like for instance mobile payments, that does not require that much data to be passed on. Such rules would also inevitably lead to market lock-ups and hinder innovation. We also see no need for a ceiling for transactions or a standard for decimals.

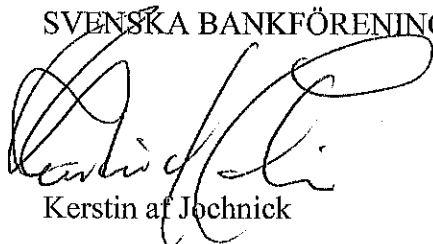
It is also proposed that some additional requirements should apply to credit transfers (point 2) and that mandatory data elements should be provided by the payer to his/hers Payment Service Provider (PSP) and be passed on throughout the payment chain. The Association would however like to call attention to the fact that regulation 1781 on information on the payer accompanying transfer of funds state in article 4.1 that *complete* information on the payer shall consist of his “name, address and account number”. In article 4.2 it is stated that the address may be substituted with the date and place of birth of the payer, his customer identification number or national identity number. In article 5.1 the main rule is laid down that PSP's shall ensure that transfers of funds are accompanied by complete information on the payer.

Article 6 however regulate transfers of funds within the community and by way of derogation from article 5.1 is stated that – where both the payers and the payees PSP are situated in the Community – such transfers shall be required to be accompanied *only* by the account number of the payer or a unique identifier allowing the transaction to be traced back to the payer. It is according to the Association obvious that the rules in regulation 1781 are not compatible with the current proposal for legislation on end-dates for SEPA. It is therefore necessary that the interaction between the regulation and the upcoming proposal for end-date(s) must be analyzed further.

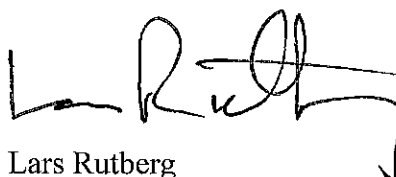
In point (3), indent 7, concerning direct debits there is probably an error in writing in that data element “provided by the payee” to his PSP should be “passed throughout the payment chain to the *payee*”.

Yours Sincerely,

SWEDISH BANKERS' ASSOCIATION
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