



## Single Euro Payments Area (SEPA)

The introduction of the single currency (EURO) created the need for a euro area with integrated modern payments infrastructure and regulatory framework. The European banking industry recognised this need and initiated the process for the establishment of a Single Euro Payments Area (SEPA).

In June 2002, the European Payments Council (EPC) was set up as the coordination and decision-making body of the European banking industry in relation to payments, with the purpose of supporting and promoting the implementation of SEPA.

SEPA is an area in which consumers, companies and other economic stakeholders take and receive payments in euro, whether across or within national boundaries under the same basic conditions, rights and obligations. The geographic region of SEPA covers the 27 member states of the European Union, as well as Iceland, Switzerland, Lichtenstein, Norway, Monaco, United Kingdom and San Marino. By adopting SEPA payment products (credit transfers, direct debits and payment cards), users are able to effect electronic payments within the SEPA countries, with the same convenience, time and cost, as domestic payments.

## Implementation

Regulation 260/2012 of the European Parliament and of the Council of 14 March 2012 (SEPA Regulation) regarding the establishment of technical and business requirements for credit transfers and direct debits in Euro, set a deadline, dated 1 August 2014, for the successful migration to SEPA credit transfers and direct debits. Even though, in Cyprus, the implementation of the Single Euro Payments Area Law entered into force as of 25 July 2014 and an Amendment was released on 16 June 2017, the migration to SEPA credit transfers and direct debits was successfully completed before the deadline of August 2014.

Thanks to the Single Euro Payments Area (SEPA), customers can now make cashless euro payments – via credit transfer and direct debit – to anywhere in the European Union, as well as a number of non-EU countries, in a fast, safe and efficient way, just like national payments. SEPA was introduced for credit transfers in 2008, followed by direct debits in 2009, and fully implemented by 2014 in the euro area (and by 2016 in non-euro area SEPA countries).

## Benefits

SEPA was launched by the European banking and payments industry with the support of national governments, the European Commission, the Eurosystem, and other public authorities. As SEPA not only harmonised the way non-cash euro payments are conducted, but also completed the introduction of the euro as the single currency, the Eurosystem had a very strong interest in the success of the SEPA project.

SEPA payment system offers the below advantages:

- **Speed:** Credit process need 1 business day for electronic transfers and 2 business days for paper-based payment orders;
- **Cost:** payment institutions are only allowed to charge SEPA payments as for their domestic payments.
- **Harmonization:** standardized payments in technical terms for counterparties, details of payments and charges distribution. Moreover, a SEPA payment must be processed in Euro currency, not over than EUR50,000 and payment charges must be equally distributed between ordering and beneficiary counterparty (Shared Charge).

### **Instant SEPA scheme**

Now SEPA is moving towards harmonizing real-time payments. This is being done to make Europe a more competitive economic hub and to promote growth. As the shift towards SEPA credit transfers and direct debits nears completion along economic digitizing that will change the expectations of consumers and retailers, the focus of the European Payments Council (EPC) will be on instant payments over the next years to come.

Instant SEPA scheme is currently into force since November 2019, but its technical implementation within the SEPA participant countries, is ongoing.

Key characteristics of Instant SEPA scheme are:

- SEPA credits in maximum of 10 seconds for the SEPA beneficiary;
- Up to Eur15,000 can initially be transferred;
- Scheme will cover only Euro payments;
- It is an optional scheme; therefore payment institutions or PSPs can adhere as receivers only, or as both originators and receivers;
- Instant SEPA scheme has its potential scope of 34 European countries.

For any assistance or further consultation on the above and/or other business matters, please do not hesitate to contact us at:

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