

SEPA – Vision and Reality

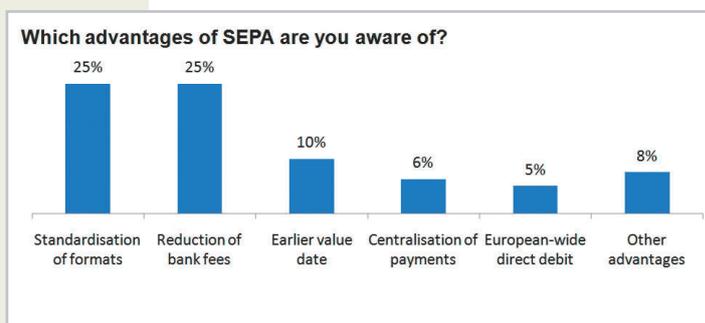
Sixteen months after the official launch of SEPA credit transfers and five months before the introduction of SEPA direct debit, there are few signs of any standardisation in the area of euro payment transfers among corporates.

SEPA remains a divisive factor among corporates in Germany and Austria, both in terms of perceptions and implementation. This was highlighted by a recent survey of major companies in both countries conducted by the treasury consulting firm Schwabe, Ley & Greiner in mid May 2009.

Awareness but no implementation

The most important findings of the survey on the issue of SEPA payment transfers: The vast majority of even the largest companies in Germany and Austria are not only still far from ready for implementation, they do not plan to switch to using SEPA payment instruments in the foreseeable future. On the other hand, SEPA is an issue which major companies are acutely aware of and attach considerable importance to – highlighted by an overall response rate of over 50 %.

A total of 149 companies were approached in the course of the survey. Sixteen of them have DAX listings, eleven are listed on the ATX; of these, 69 % and 64 % respectively answered the questions on the issue of SEPA preparation and implementation.



The most important findings

The survey was based on an electronically distributed questionnaire; the majority of the respondents were the responsible cash managers. Certain key findings:

1. ADVANTAGES OF SEPA

The question of whether (and which) advantages would result from the new SEPA payment transfer formats was answered positively by only 55 % of respondents (see chart below).

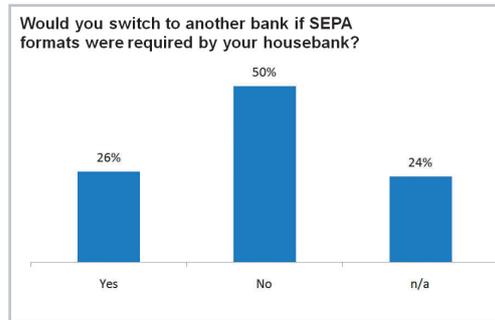
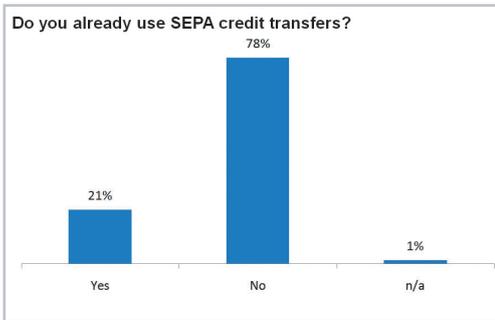
45 % of respondents did not regard the standardisation of SEPA payment formats as offering any potential benefits – indicating a clear need for improved information on the options for using SEPA instruments. The potential advantages of SEPA had not been extensively analysed by many companies. This indicates an opportunity for banks to develop convincing payment transfer concepts and actively approach companies sceptical about SEPA.

If the largest companies in Germany and Austria are not yet convinced of the advantages offered by SEPA, how much persuasion will be needed to convince the numerous SMEs of these?

2. UTILISATION OF SEPA CREDIT TRANSFERS

As mentioned above, SEPA credit transfers are hardly used: Only one in five companies said that they had fully switched to using SEPA credit transfers. The reasons for this are manifold: Many respondents (25 %) see no advantages and no necessity. 24 % still have the implementation ahead of them (planning phase and assessment of master data), whereby 11 % are currently in the implementation phase. IT-related problems are inhibiting the adoption of SEPA by 8 % of companies.

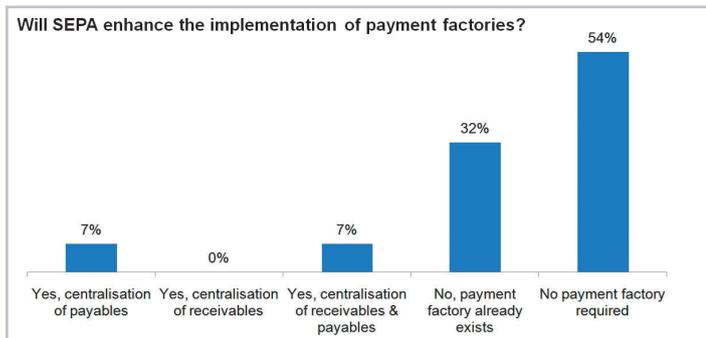
The good news that can be discerned from the results of the survey: 75 % of non-users are however, in principle, prepared to make use of the advantages offered by SEPA credit transfers.



3. SEPA AND PAYMENT FACTORIES

SEPA will only have minimal impact on the setting up of payment factories: Over half of respondents were of the opinion that they didn't require a payment factory; another third said that they had already centralised payment transfers. Fourteen percent of companies (7 %/7 %) responded that either the area of accounts payable or both that of accounts payable and receivable would be centralised in the course of the introduction of SEPA.

The SEPA payment instruments could potentially simplify the processes of payment transfers even in existing payment factories. This is an area in which many companies in Germany and Austria are not tapping the potential savings.



4. BINDING SWITCH BETWEEN PAYMENT FORMATS

A number of companies would be willing to let themselves be convinced to switch to SEPA. Although approximately a quarter of respondents would consider this as a reason for using another bank for payment transfers, more than 50% would "grasp the nettle" and adopt SEPA. The remainder are still undecided and, probably, also open to being persuaded.

This finding could well serve as an impulse for a communication offensive on the part of the banking sector. A binding end date for the implementation of SEPA would not fail due to opposition from the corporate community.

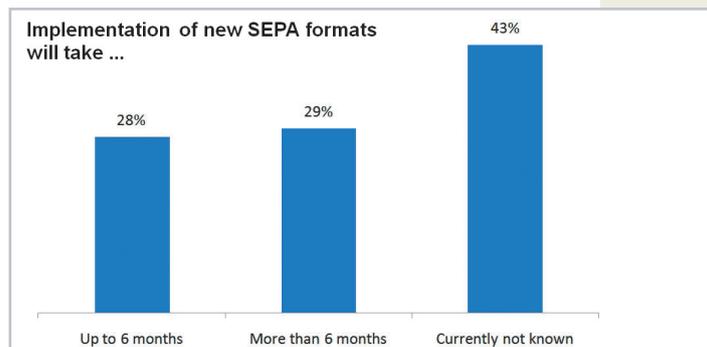
5. ESTIMATED IMPLEMENTATION PERIOD

The work-intensive changes to the master data of all creditors and debtors to the SEPA format (whereby all IBAN and BIC data have to be identified and entered into the system) is holding many companies back from implementing SEPA. Slightly over a quarter of respondents estimated that the implementation could be completed within less than six months; while a similar percentage estimated that the implementation would take over half a year.

It is interesting to note that almost half of respondents (43%) felt the resources necessary for the switch to SEPA could not be estimated or that a complete switch to SEPA was not possible.

These findings can also be interpreted as a clear message to the SEPA authorities, banks, trade associations and also business consultants that there is still work to be done. Those companies which have already carried out analyses of the resources associated with a switch to SEPA will be SEPA-ready

within one year, at the latest. SEPA offers corporate Europe many opportunities and the implementation of SEPA is achievable within a comparatively short project duration. This finding is also in line with our consulting experience.



The full findings of the study are available on request from Schwabe, Ley & Greiner by email: Martin Winkler, mw@slg.co.at.



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