SUMMARY OF
THE 21ST MEETING OF THE
CONTACT GROUP ON EURO PAYMENTS STRATEGY (COGEPS)

held on
Wednesday, 28 October, from 9 a.m. to 5 p.m.
at
Hotel Crowne Plaza Brussels – Le Palace,
Rue Gineste 3, 1210 Brussels, Belgium.

Summary of the previous meeting

The COGEPS members took note and approved the summary.

1. Retail payments issues

1.1 Cards

a) ECB’s presentation

Mr Tur Hartmann (Eurosystem) pointed out that a lot had already been achieved with regard to the creation of an integrated market for cards. However, there were still some issues remaining that needed to be addressed. In particular, the SEPA Cards Framework needed to become more detailed and there was a need to develop a Card Transaction Processing Framework. Furthermore, the rules of some individual schemes were still hampering the creation of an integrated cards market, and the separation between card scheme and processing entity needed to be enforced. He pointed out that it might be worthwhile for the three new card initiatives on the European market to consider joining forces.

Claude Brun (Vice-Chair of the European Payments Council (EPC), Chair of the EPC Cards Working Group) stressed that the EPC’s role as far as cards were concerned was to promote standards. By no means would the EPC hamper new initiatives relating to cards. Mr Brun pointed out that in the cards business it was necessary to take a global perspective. Looking only at Europe could lead to the creation
of a mini-SEPA. For example, fraud issues relating to cards have a global dimension, which must be taken into consideration.

**b) Presentation by representatives of three card initiatives**

Mr Bechis (Euro Alliance of Payment Schemes (EAPS)) presented an overview of the current activities of EAPS. He referred to one point made in Mr Tur Hartmann’s presentation, namely the risk of a dispersion of initiatives, and stressed that EAPS’s aim was to avoid exactly this problem. By creating participation rules to connect existing schemes, cross border transactions are facilitated. EAPS is leveraging the value of the brands that are already in existence. The founding members of EAPS were EPCS GmbH (Germany), Consorzio Bancomat (Italy), LINK (UK), SIBS (Portugal), Euro 6000 (Spain) and Eufiserv Payment. He added that customers in the different European countries were also used to their brands, which would facilitate the acceptance of EAPS. He considered it to be a major advantage for EAPS that the scheme did not have to be built from scratch. Building a completely new scheme would, in his view, take five to eight years. However, that much time was not available to achieve the aim of creating an additional European card scheme. The EAPS link between Germany and Italy was already operational. He mentioned that the governance arrangements of EAPS were also in line with the requirements that had been set up by the authorities. With regard to the use of interchange fees, the respective existing national rules would apply. He said that the inter-scheme fees were based on bilateral agreements. Participation in EAPS was open to schemes and would soon also be open to individual acquirers and issuers. Mr Bechis concluded his presentation by pointing out that EAPS was already up and running. In his view, a conversion of schemes was inevitable.

Mr Buysschaert (Payfair) gave a report on the current status of the Payfair cards initiative, which he described as an industry initiative. He stressed that all relevant stakeholders, namely banks, consumers and merchants, should be more involved in defining how payment card services are provided. Each party should pay its share of the costs. Transparency is vital and more competition would be beneficial for everyone. Mr Buysschaert said that Payfair, as a new initiative, had the advantages of being transparent, neutral and flexible. The roll-out in Belgium was well under way and good progress had been made in France and Germany. Furthermore, first contacts had been established in the Netherlands, the United Kingdom, Spain, Italy, Poland and some other central European countries. Banks were invited to join Payfair. Mr Buysschaert stressed that it was also vital to have an end-date for cards in order to ensure that a true SEPA could be realised.

Mr Denèle (Monnet) presented the latest developments with regard to the Monnet card scheme. He recalled the changed environment in the European cards market, which was, among other things, characterised by new customer needs and requirements against the background of an emerging European payments market. He pointed out that Monnet aimed to give answers to most of the stakeholders’ questions. Monnet is a bank-owned project, which is open to participation by other parties. Mr Denèle said that, in addition, co-badging with international card schemes was a possibility. Fair revenues should be ensured, while, at the same time, customers should not be “ripped off”. A recent feasibility study,
which was carried out in France and Germany, revealed the need to widen the scope of the project to other countries. Mr Denèle said that collaborating with other initiatives was therefore being considered. Obtaining clarity from the competition authorities was regarded as crucial for launching the scheme. Some other issues which still needed to be addressed were the set-up of a European acceptance network, the definition of a migration plan, the company structure and a business plan.

c) EPC’s presentation

In his presentation, Mr Brun (Vice-Chair of the EPC, Chair of the EPC Cards Working Group) focused on the establishment and work of the EPC’s Cards Stakeholder Group (CSG).

The CSG consists of representatives of banks, retailers, vendors, processors and schemes, all of which were speaking on behalf of their sector and not on behalf of their individual organisation. The group is co-chaired by the Chair of the EPC’s Cards Working Group, Mr Brun, and by a representative of the retailers’ sector, Mr Pierre Boyer. A large part of the CSG’s work programme relates to standards and security requirements. Mr Brun said that, since September 2009, the CSG had already addressed a number of issues. The Group had endorsed its Terms of Reference, reviewed comments on version 3.5 of the Cards Volume, and worked towards finalising version 4.0 of the Volume and defining the POI security requirements for inclusion in the Volume. Work on certification was supposed to start in a second phase. Furthermore, Mr Brun pointed out that EMVCo and PCI had signalled their willingness to cooperate with the EPC on different topics relating to cards.

d) Discussion among participants

Mr Dutreuil (FBF) raised the question of whether the Eurosystem had any concrete ideas regarding the new card scheme initiatives joining forces or whether its statements in this respect should rather be regarded as an invitation to the schemes to consider the idea. He pointed out that DG Competition could raise concerns if a single big scheme emerged from the joining of forces. He raised a second question concerning the issue of card fraud and inquired whether the ECB would be willing to establish a European-wide database on card fraud.

Mr Tur Hartmann (Eurosystem) replied that the topic of joining forces had been mentioned in a recent speech by Ms Tumpel-Gugerell and that this proposal was one viable option to proceed in the cards dossier. However, the Eurosystem did not yet have any specific plans in this respect. He stressed that the request to set up a cards fraud database was not a new topic. However, the Eurosystem had never received a concrete request in this respect. He said that once such a request was made, the Eurosystem would analyse the matter. Mr Tur Hartmann pointed out that a fraud database would not help to address problems which are the result of “card-not-present” transactions, however.

Mr Brun (Vice-Chair of the EPC, Chair of the EPC Cards Working Group) acknowledged the problems originating from card-not-present transactions, but stressed that the costs for retailers also had to be taken
into account if card-not-present transactions could no longer be used. He also mentioned the lack of a missing creditor identifier as a security threat.

Mr Denèle (Monnet) supported the notion that security and fraud are important topics, which will become even more important in the European context. In particular, cross-border transactions are prone to fraud. He said that, in his view, an independent agency was needed to address the problems on a larger scale.

Mr Santamaria (Banco Santander) enquired whether the new card schemes were in line with the authorities’ requirements. He feared that there would be no further developments if the authorities did not signal their agreement with the plans for the new card schemes at an early stage.

Mr Tur Hartmann replied that an important point for consideration was that European banks retained control over a European card scheme. He said it was still too early to say whether the new schemes already met all of the Eurosystem’s requirements.

The issue of separating scheme and processor (“unbundling”) was also raised. Mr. Tur Hartmann indicated that the Eurosystem was currently working to get a better understanding of the items that need to be separated (“unbundled”) in order to facilitate proper competition.

Mr Leinonen (Eurosystem) emphasised that there had been little progress in the area of standardisation of payment transactions. He asked the representative of the European Commission’s DG Competition whether, in the Commission’s view, there would be any sustainable card schemes in the future without a multilateral interchange fee (MIF).

Ms Wezenbeek (European Commission, DG Competition) underlined that the European competition authorities were not categorically opposed to a MIF for cards; certain levels were acceptable, for example in the case of Mastercard. The decision on whether new schemes that are not yet mature could levy a higher MIF during their start-up phase than established systems would depend on the exact circumstances in each case. However, arguing that fees at national level were higher than at international level and that, therefore, the higher national fees should also be “transferred” to the international level should not be considered to be a promising way forward.

Mr Schrade (Eurosystem) stressed that an integrated European market needed a European scheme. He acknowledged that banks might not wish to invest in several schemes and that it might therefore be necessary for the cards scheme projects to join forces. The new card schemes might all have to conduct a thorough review of their respective business cases.

1.2 Launch of the SEPA Direct Debit (SDD) scheme

a) EPC’s presentation

Mr Segers (Secretary General of the EPC) introduced the topic for the EPC. He mentioned that an e-mail approval procedure had been initiated for the latest versions of the Core and B2B SDD Rulebooks. He emphasised that no further developments would take place to enable the technical processing of a
multilateral balancing payment, but rather a technical solution for the processing of a bilateral interchange fee would be developed. With respect to being reachable for the SDD scheme, he clarified that reachability needed to be established in the country where a bank provides its SDD service and not necessarily in the country where a bank is legally incorporated, but does not provide SDD services. With regard to credit identifiers, he reiterated that these were a necessary precondition for the SDD scheme to function. At the same time, in all countries apart from Monaco and Iceland, credit identifiers already exist or are in the course of being developed.

b) Tour de table among representatives of banks with regard to any concerns or problems relating to the launch of SEPA direct debits

In reference to the situation in Spain, Mr Santamaria (Banco Santander) stated that the SDD scheme would not improve the current national services, but would mainly help to deconstruct international barriers. He said that the national law implementing the Payment Services Directive was expected to enter into force by the end of November or the beginning of December 2009. The migration at national level was then expected to take place between mid-2010 and the end of 2010.

Mr Ernst (Banque et Caisse d’Epargne de l’État) said that the SDD scheme would be implemented in Luxembourg in the course of 2010.

For Portugal, Ms Machado (Caixa Geral de Depositos) stated that the implementation of the SDD scheme would start in the second half of 2010.

Mr Kraft (BNP Paribas) said that, in France, the implementation of the Payment Services Directive was currently the main focus, while only a small number of banks would offer SDD services as from November 2009. The majority of banks in France are likely to follow in the second half of 2010.

Mr Tavlaridis (Hellenic Banking Association) reported that the majority of Greek banks had already signed up to the SDD scheme and would offer services as from 1 November 2009.

According to Mr Ferrero (INTESA SANPAOLO SpA), the launch of the SDD scheme in Italy created considerably less excitement than the launch of the SEPA Credit Transfer (SCT) scheme. He said that the draft law for the implementation of the Payment Services Directive had already been submitted to parliament.

Mr Guns (KBC Bank) reported that most banks in Belgium would be ready to offer the core SDD scheme and the B2B SDD scheme by 2 November 2009. He said that the national implementation of the Payment Services Directive was scheduled to be finalised by 1 February 2010. Whether there are any implications resulting from this slight delay in the implementation remained to be seen.

Mr Pirnat (The Bank Association of Slovenia) mentioned that the SDD scheme was expected to be launched in the third quarter of 2010.

For Ireland, Mr O’Neill (Irish Payment Services Organisation Ltd) stated that 40% of the banks would adhere to the scheme as from November 2009, while the remainder of the banks would join the SDD
scheme during the first quarter of 2010. However, the biggest Irish bank would only join the scheme by November 2010. He said that the question of mandate migration had been solved via legal channels.

Mr Aalto (Pohjola Bank Plc) pointed out that there was no major interest in the SDD scheme from banks in Finland, given that e-invoicing solutions were already quite advanced. He said that the implementation of the Payment Services Directive would be presented to parliament by the end of this year and should be complete by 1 May 2010.

While stressing the fact that the United Kingdom is not part of the euro area, Mr Smee (Payments Council Ltd) reported that the launch of the SDD scheme could be expected to be relatively “soft” and would not be widespread.

According to Mr Trogen (Swedish Bankers’ Association), the implementation of the Payment Services Directive should be finalised in Sweden by 1 April 2010. He said that SDD services would mainly be offered via the subsidiaries of Swedish banks in the euro area; the domestic direct debit scheme would not be upgraded.

For Germany, Mr Schrade (Eurosystem) underlined the fact that the implementation of the Payment Services Directive had already taken place. He said that 1,265 banks had adhered to the core SDD scheme. Two of the three main banking sectors in Germany had shown great interest in the SDD scheme. He mentioned that some SDD transactions would take place as early as 2 November 2009, but that the first year of operation was still considered to be a pilot phase. He reported that one outstanding problem in Germany was the question of the legal validity of the current mandates for the new SDD scheme, and this had still not been solved.

Mr Brits (Eurosystem) reported that, in the Netherlands, the SDD scheme was expected to start slowly. He said that, while the larger banks would be reachable, the whole Dutch market was not expected to be reachable until 1 July 2010.

Mr Demetriou (Eurosystem) mentioned that the question of the legal validity of mandates had been solved in Cyprus and that the implementation of the Payment Services Directive was likewise on track.

c) Eurosystem’s presentation

In his presentation, Mr Tur Hartmann (Eurosystem) highlighted the impressive work that had been carried out in order to make the launch of the SDD scheme possible. He also mentioned a few issues which still needed to be addressed, for example the active offering of SDD services to corporate and private customers and the technical and security aspects of the e-mandate service, in particular with regard to stakeholder concerns. He considered that there were certain deficiencies in the marketing of the SDD scheme which prevented its wider acceptance; for example, the fact that the SDD scheme does not have a product manager. According to Mr Tur Hartmann, the lack of creditor identifiers in some countries was not a security issue, as had been mentioned by some participants, but more an operational topic. Mr Hartsink (Chair of the EPC) pointed out that the EPC could not act as product manager for the SDD
services delivered by scheme participants, as this was part of the competitive space and thus out of the scope of the EPC.

Mr Fontes (Millenium BCP Bank) asked whether the counterparty risk in the SDD scheme would be addressed by the Eurosystem. Ms Russo (Eurosystem) explained that this would indeed be done, as it forms part of the Eurosystem’s oversight work. Mr Hartsink suggested addressing this issue in greater depth at COGEPS’ next meeting. He pointed out that there are rules in place for the EPC to be able to remove a failed bank from the scheme.

d) European Commission’s presentation

Ms Wezenbeek (European Commission, DG Competition) reported that there had not been any significant new developments concerning MIFs for the SDD scheme in the last few months. She recalled the European Commission’s earlier statement that the Commission would provide guidance if market players submitted concrete proposals for review. However, as the EPC Plenary had decided on 24 June 2009 against developing further proposals, there was no case at hand on which to give guidance. Therefore, DG Competition’s earlier policy line remained in place, namely that there did not currently appear to be a need for a MIF in the long run, i.e. after the transitional period to a new scheme. At the same time, applying a MIF to rejected transactions remained an option.

Mr Thom (European Commission, DG Markt) informed the COGEPS members that, according to the information currently available to the European Commission, the implementation of the Payment Services Directives would be delayed in Sweden and Finland.

Mr Poncelet (European Banking Federation) replied that, according to his latest information, there would be delays in up to 14 countries, albeit some of the delays being relatively short. However, he stressed that a delayed implementation of the Payment Services Directive would still not prevent banks from introducing the SDD scheme on a best-practice basis.

e) Discussion among participants

Mr Santamaria (Banco Santander) pointed out that the EPC did not consider it to be worthwhile to invest resources into developing new MIF proposals, as the outcome of a review would very likely be negative. Mr Hartsink (Chair of the EPC) suggested restarting the dialogue with DG Competition on this matter after a review of the responses on the consultation. Mr Dutreuil (FBF) inquired whether there was any business model for a MIF that could be acceptable to the competition authorities, to which Ms Wezenbeek (European Commission, DG Competition) replied that the Commission had no further comments to make beyond those which had already been made in the Commission’s public statement.
1.3 SEPA communication

a) Eurosystem’s presentation

Mr Tur Hartmann (Eurosystem) briefly explained that the Eurosystem’s SEPA communication strategy was devised by the ECB and the NCBs, while implementation at national level rested with the NCBs, as they have direct contact with the stakeholders in their country. He mentioned that it was difficult to get coverage of SEPA in the big generalist newspapers, so the ECB would follow a strategy of concentrating on media targeted at corporates or SMEs (e.g. business association magazines). He said that promoting SEPA to consumers would mainly have to take place via the banks and the services they offer to their clients.

b) Tour de table among representatives of NCBs about SEPA communication activities at national level

The representatives of the NCBs gave an overview of the various communication activities in their countries, which were either planned for the occasion of the launch of the SDD scheme or as general information about SEPA topics. All representatives agreed that communication on SEPA was vital in order for the migration to SEPA to be successful.

c) EPC’s presentation

Ms Ruesing (EPC) gave an overview of the EPC’s latest communication activities and highlighted the communications material for different stakeholders (brochures, leaflets, general SEPA information, etc.), which had been published recently. She emphasised that more support for communication on SEPA was needed, in particular from public authorities.

d) Discussion among participants

Mr Santamaria (Banco Santander) referred to Mr Tur Hartmann’s statement that customers should mainly receive their information from the banks. In his view, this approach would confuse two topics, namely communication about SEPA and marketing of SEPA products. Only the latter was a task for banks. Informing the general public about SEPA and its benefits was a task for public authorities. Mr Fontes (Millenium BCP Bank) agreed with Mr Santamaria and pointed out that banks can market SEPA services, but the SEPA project was not a product that could be marketed by banks.

1.4 Migration towards SEPA Credit Transfers and SEPA Direct Debits

a) Eurosystem’s presentation
Mr Tur Hartmann (Eurosystem) stressed the need to have an end-date for the migration towards SEPA payment instruments. As the relatively slow take-up of SEPA credit transfers had shown, it would not be sufficient to rely on market forces alone. He added that an end-date was also necessary because various studies had proven that continuing to run SEPA payment instruments and national payment instruments in parallel would be too costly for all stakeholders involved. There would have to be an analysis of the scope a possible regulation could have. Among the options were regulations of standards or of the schemes themselves. Furthermore, it would have to be decided whether the interbank domain or the customer-to-bank domain should be regulated. He said that the Eurosystem and the European Commission were cooperating closely on this matter.

b) Update by the European Commission on the latest developments

Mr Thom (European Commission, DG Markt) recalled the main points which were mentioned in the Commission’s SEPA Roadmap. Furthermore, he provided details about the outcome of the Commission’s consultation regarding the need to have an end-date for migration to SEPA. A total of 140 answers had been received as part of the consultation. However, the Commission noted that some important stakeholders, such as the European Association of Corporate Treasurers and Business Europe, had not replied. The result of the consultation was that roughly one third of those who answered were in favour of setting an end-date, one third was in favour subject to some conditions, and one third was against setting an end-date. He said that those in favour had stated that a regulation should cover both the interbank domain as well as the bank-to-customer domain. Furthermore, both standards and schemes should be covered. However, a discussion held by the European Commission’s Payment Committee on 1 October 2009 had shown that the large majority of representatives of public administrations in the Member States was not in favour of setting an end-date at that point in time. Mr Thom mentioned that careful preparation would have to take place ahead of the upcoming discussion on an end-date with the Member States. He hoped that the ECOFIN Council, at its meeting in December, would invite the European Commission and the ECB to prepare draft legislation on an end-date.

c) EPC’s presentation

Mr Segers (Secretary General of the EPC) referred to the EPC Plenary decision that a single migration end-date was needed for both the SDD and the SCT schemes. It should be set by means of a regulation. Furthermore, when setting a date, consideration should be given to the normal investment cycle of three to five years. In the EPC’s view, publicly announcing that there will be an end-date would actually be more important than deciding on a precise date. If current non-euro area SEPA countries joined the euro area, they should be free to determine their own migration end-date, although this should be no later than five years after the adoption of the euro.

d) Discussion among participants

Mr Thom (European Commission, DG Markt) mentioned that an impact assessment regarding the setting of an end-date still needed to be carried out. Furthermore, the question of how such legislation should be drafted still needed to be answered.

Mr Fontes (Millenium BCP Bank) stressed that, without an end-date, the risk of having a “mini-SEPA” would increase sharply. Mr Hartsink (Chair of the EPC) underlined that the EPC would be ready to assist in compiling a convincing case for an end-date in preparation for the meeting of the ECOFIN Council. Mr Dutreuil (FBF) highlighted the fact that competition would be hampered if national schemes remained, as they constitute an entry barrier for “foreign” banks to national markets. In Ms Machado’s opinion (Caixa Geral de Depositos), without an end-date, there would be no full migration to SEPA; it was therefore of paramount importance to convince the ECOFIN Council of its necessity. Mr Ferrero (INTESA SANPAOLO SpA) raised the point that SEPA was still considered by many people to be a project run solely by the banks. He said that, at the same time, it was difficult to defend the importance of SEPA within a bank, for example in the context of budget negotiations. Mr Thom said that the authorities in many Member States feared that the SDD scheme would be perceived as being inferior to the current national schemes and they were therefore afraid of a negative backlash from the public if the use of SEPA instruments were enforced. Continuing to explain the concepts and benefits of SEPA could be one solution to convince the sceptics.

1.5 Next releases of SEPA Credit Transfer/SEPA Direct Debit Rulebooks

a) EPC’s presentation

Mr Segers (Secretary General of the EPC) presented an overview of the upcoming new releases of the Rulebooks. New versions of all three Rulebooks are scheduled to go live on 1 November 2009 in order to make legal revisions (e.g. relating to the Payment Services Directive) and editorial changes (SCT version 3.3, Core SDD 3.4, B2B SDD 1.3). He said that the new versions of the Rulebooks were scheduled to go live on 1 November 2010 in order to integrate several operational changes (SCT version 4.0, Core SDD 4.0, B2B SDD 2.0).

b) Discussion among participants

Mr Schrade (Eurosystem) inquired why the EPC intended to set up a separate Rulebook for a “Fixed Amount SDD scheme”. Mr Segers (Secretary General of the EPC) replied that the refund topic touched

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2 Previously referred to also as “No Refund SDD scheme”.
upon a key aspect of the core SDD scheme, which was why creating a separate Rulebook was being considered. However, no final decision had yet been taken.

1.6 SEPA governance

a) Eurosystem’s presentation

Mr Tur Hartmann (Eurosystem) underlined the fact that the Eurosystem’s main aim in reforming the governance of SEPA was to involve all relevant stakeholders to a greater extent and to create greater transparency. The focus in the reformation of SEPA governance would be on those topics which the industry cannot solve on its own. The reformed SEPA governance would promote action where the current structures are unable to deliver.

b) Update by the European Commission on the latest developments

Mr Thom (European Commission, DG Markt) agreed with the key elements of the reform of SEPA governance presented by Mr Tur Hartmann. He said that the Commission’s ultimate goal in this field was to create greater transparency in the SEPA decision-making process. In particular, users needed to be more involved. The idea was not to replace the work carried out at the national level, but to complement this work with a European forum.

c) EPC’s presentation

Mr Hartsink (Chair of the EPC) stressed that the EPC did not yet have a common position concerning the reform of the governance of the SEPA project. The EPC’s Article 5 Committee (consisting of the Chair and Vice-Chair of the EPC and representatives of the ECSAs) would analyse the issue once proposals by the Eurosystem and the European Commission had been presented. If a new SEPA governance body were to be created, it would be necessary to clearly define the line between the competencies and scope of the new body on the one hand and the SEPA High-Level Meeting and COGEP on the other hand. In addition, Mr Hartsink stressed that it was necessary to clearly distinguish between the governance of the EPC and the governance of SEPA, which were not the same issue.

1.7 SEPA and innovative payment methods

a) Eurosystem’s presentation

Mr Tur Hartmann (Eurosystem) pointed out that the main question regarding innovation in the field of payments was whether banks intended to stay involved in the issue, or whether they were happy to leave this business to other parties. If banks did not get more involved in this field, they would certainly lose out to other parties.
b) European Commission’s presentation

Mr Thom (European Commission, DG Markt) pointed out that SEPA should drive the modernisation of the retail payments market, which was why innovation featured prominently as one of the priorities in the European Commission’s SEPA Roadmap.

c) EPC’s presentation on e-payments channel

Mr Segers (Secretary General of the EPC) summarised the achievements of the EPC in the field of e-payments. He said that the EPC is creating a framework that could then be applied by market participants when creating their own solutions. This framework would be submitted to the EPC Plenary once it was finalised.

d) EPC’s presentation on m-payments channel

Mr Flatraaker (DnB NOR and Chair of the EPC M-Channel Working Group) presented the EPC’s recent work in the area of m-payments. He illustrated the importance of mobile phones and described different ways of using it. Furthermore, he stressed that the mobile phone was an excellent channel for accessing payment services. Mobile phones could become an important new channel for leveraging the existing SEPA payment instruments. He said that the EPC was currently giving priority to developing solutions for proximity mobile payments. The M-Channel Working Group had set up a roadmap and prepared the first deliverables, which would be submitted for a review by stakeholders by mid-November. Furthermore, a paper clarifying the line between the competitive and cooperative space has been drawn up.

e) EBA’s presentation on e-invoicing solution

Mr Lichter (Euro Banking Association (EBA)) introduced the COGEPs members to the EBA’s work on an e-invoicing solution, which started in 2007. He said that, following an initial thorough assessment, the EBA had prepared an “E-Invoicing 2008” reference guide. The release of the report had coincided with the launch of the Expert Group on E-Invoicing, which had been established by the European Commission. Subsequently, the EBA participated in the Commission’s group and continued its own work in the field. He said that a service description and a Rulebook for a pan-European service were currently being developed. Furthermore, a business rationale for banks had been drawn up. By the end of 2009, a White Paper would be finalised, which would contain a comprehensive overview of all the work that had been done, as well as proposals for future work.

f) Discussion among participants
Mr Brun (Vice-Chair of the EPC) stressed that the EPC was concentrating on proximity payments as far as mobile payments were concerned and that remote payments would follow later. Mr Santamaria (Banco Santander) voiced his concern that by restricting innovation to only e-payments and m-payments, the banks would lose their innovative drive. By developing a common solution for e-payments and m-payments, these payment methods would somehow be “socialised”, which in turn would actually hamper innovation. In this respect, he argued that innovation should take place in a competitive environment. In addition, in his view, banks needed the right incentives to develop new innovative payment methods. With regard to this point, Mr Tur Hartmann referred to various studies that had shown that banks could obtain further revenue by being active in this field. Mr Schrade (Eurosystem) pointed out that for innovative payment methods to become successful it was necessary to create reach. With regard to the Eurosystem’s suggestion to the EPC to adopt an e-payments scheme, Mr Brun underlined that the work should concentrate on standards for innovative payments and not on developing specific payment applications.

2. Cash issues

Banks’ presentation

Ms Machado (Caixa Geral de Depositos and Chair of the EPC’s Cash Working Group) gave an overview of the work of the EPC’s Cash Working Group. She recalled the measures that had been announced in the Eurosystem’s Roadmap and reminded the group of the measures for further convergence of NCB cash services, which were submitted by the EPC to the ECB on 29 July 2009. Among other things, the wish list mentioned the following topics: 1) an active contribution from the Eurosystem to help promote the use of the most efficient means of payment; 2) improvement of operational efficiency by standardisation with regard to lodging, sorting and packaging; 3) improvement of cash operations between central banks and banks against the background of a smaller number of NCB branches; and 4) a pan-European approach to security and logistical issues on counterfeiting detection and cross-border cash transport.

Mr Santamaria (Banco Santander) asked when the Eurosystem intended to publish its study on the cost of means of payments. Ms Russo (Eurosystem) informed him that it would be published soon.

3. Large-value payment issues

a) Eurosystem’s presentation

Mr Vaes (Eurosystem) presented the latest developments in the field of TARGET2. He gave an overview of the developments in volumes and values that had been processed in TARGET2 in 2009, about the technical availability of the system, and about release management. He said that volumes in TARGET 2 had been decreasing in 2009. However, the same trend had also been witnessed in other systems. The
share of the TARGET2 volumes attributable to the proprietary home accounting system (PHA) had likewise been decreasing. The use of PHAs was expected to be phased out over the coming four years. He said that the next release (version 4.0) would go live in November 2010 and discussions on the subsequent release (to go live in November 2011) were scheduled to start soon.

b) Banks’ presentation

Mr Jones (TARGET Working Group) highlighted that there were some major issues ongoing in the field of large-value payments. He said that, among other things, a review of the compensation guidelines had been drawn up and had just been sent out for consultation. Furthermore, the interrelation of TARGET2 with CCBM2 and TARGET2-Securities needed more attention, in particular the fact that TARGET2-Securities would use the XML 20022 standard from the beginning, whereas payments business including TARGET 2 still uses the old SWIFT FIN standards extensively with no agreed timetable to migrate to ISO 20022 standards. Mr Jones stressed that time-critical liquidity needs were becoming more and more important for the banking sector. Therefore, the problem that liquidity remains locked in TARGET2 in the event of a failure of the system required closer examination. He went on to say that, in the present market conditions, this problem was perhaps not so relevant, but once liquidity became scarcer, the problem would re-emerge.

4. Lessons to be drawn from the financial turmoil

a) Report from the Eurosystem concerning the impact of the financial crisis on clearing and settlement systems

Ms Russo (Eurosystem) provided some information regarding the impact of the financial crisis on clearing and settlement systems. She said that this information was scheduled to be published in full at a later stage by means of a report by the Eurosystem. In order to gather information on the impact of the crisis, the Eurosystem had carried out a survey among banks and infrastructures about the lessons learnt and had conducted about 50 interviews. The aim of the report was not to come up with proposals for regulation, but to better understand the mechanics of the financial crisis. Among the main findings was that the distribution of relevant information proved to work unsatisfactorily. For example, there were branches of US banks in Europe which had received the news about the failure of Lehman Brothers earlier than other European banks. There were information and notification procedures available, as outlined in the Settlement Finality Directive. However, these procedures only applied within the EU. Furthermore, such information had been submitted to the Ministries of Finance, but not, for example, to the payment system overseers.

Furthermore, the declaration of a default proved to be difficult, as there was no common definition of the term “default” across countries. The liquidation of collateral had likewise turned out to be problematic, as the respective markets no longer functioned properly. Lending by banks came to a standstill, as banks
hoarded their excess liquidity on accounts with the central banks, instead of granting credit to other banks or their clients for fear of losing the money in a default. On a positive note, it has to be recognised that, contrary to the money market, the payments and securities settlement infrastructures worked very well during the crisis. The security created by settling in central bank money helped to calm a strained situation. Ms Russo said that a general conclusion which could be drawn was that transparency and certainty in times of crisis must be improved, in particular in the event of extreme situations turning out to be even more extreme than anyone had expected. Interdependencies between systems could even increase pressure and there should therefore be an analysis of how such interdependencies could be managed.

5. Any other business

Mr Hartsink (Chair of the EPC) reminded the group that the next meetings of the COGEPS would take place on 15 and 16 March 2010 in Frankfurt, and on 5 and 6 October 2010 in Brussels.

Mr Dutreuil (FBF) inquired about the use of the SEPA Rulebooks in countries and for currencies outside Europe and whether an analysis of possible problems would be carried out, in particular with a view to the fact that EU law, on which the Rulebooks are based, does not apply outside the EU. Mr Hartsink suggested including this item on the agenda of the next COGEPS meeting. Ms Russo (Eurosystem) remarked that the World Bank could be contacted in order to convey any concerns, as well as information about SEPA, to countries and currencies outside Europe. She also pointed out the fact that in Europe, contrary to the United States, there is no entity in charge of analysing risks. In the United States, the Federal Reserve Bank has established a Payments Risk Committee. At its next meeting, the COGEPS may wish to discuss the advantages and disadvantages of establishing such a committee.