The Eurosystem, as a facilitator of the SEPA project, closely monitors and supports the migration process towards the use of SEPA payment instruments. It compiles quantitative SEPA migration indicators at the euro area and the country levels. In order to assess SEPA's preparedness across the transaction chain at the national level, the Eurosystem has also developed a set of new qualitative indicators. The Eurosystem published its first report on SEPA migration in March 2013; a second report is planned for the fourth quarter of 2013. The European Commission has published three new proposals for legislative acts concerning the European market for retail payments.

**Countdown to 1 February 2014 in the euro area**
The SEPA migration end-date regulation (Regulation No 260/2012) established 1 February 2014 as the deadline for the euro area migration to SEPA credit transfers and SEPA direct debits. The project has, therefore, entered the critical and final stage of the process in the 17 countries of the euro area. Key requirements of the regulation include, for instance, the use of International Bank Account Numbers (IBAN) and the financial services messaging standard ISO 20022 XML. End users, such as public administrations and businesses, large and small, have less than five months to ensure that their payment orders are made in accordance with the SEPA requirements, so that these orders do not have to be refused by payment service providers. The Regulation authorises Member States in the euro area to establish transitional arrangements (waivers) for some specific requirements, for a period of up to two years. The website of the European Central Bank offers country-specific fact sheets on such waivers, on the relevant competent national authorities and on penalty provisions, as well as a link to some overview tables compiled by the European Commission.
Outcome of current SEPA migration tracking and of the Eurosystem’s first SEPA migration report.

The large majority of euro-denominated credit transfers can be expected to be migrated to SEPA by autumn or early winter 2013 (SEPA credit transfer transactions accounted for 50% of the total credit transfer volume in July 2013 in the euro area, according to the Eurosystem’s SCT indicator). However, late migration, particularly for SEPA direct debits (SDDs), has remained a source of concern. According to the euro area SDD indicator, the use of SDDs accounted for only 4.8% of the total volume of direct debits in July 2013. According to the Eurosystem’s first migration report, late migration is highly undesirable for a project such as SEPA. In some cases, companies may even face the risk of some level of disruption in their handling of payment orders. Therefore, the Eurosystem strongly advocates that all stakeholders, including “big billers”, public administrations and SMEs, migrate at the earliest stage possible, in order to avoid risks which could impact the wider supply chain and the SEPA migration at large.

To avoid such risks, payment service providers should make their customer servicing channels ready for SEPA transactions as soon as possible, and should also devote sufficient resources to familiarise end users with the technical, business and contractual issues related to migration to the SEPA schemes.
Other forthcoming changes in the retail payments market:
three new legislative proposals

In July 2013 the European Commission published a proposal for a revised Payment Services Directive, otherwise known as the PSD2. The proposal is to extend the Directive so that it also covers third-party providers of payment services, such as payment initiation services offered in the context of e-commerce. The information requirements have been extended to also cover all currencies and transactions for which only one of the payment service providers is located within the EU. Further proposed changes aim to further strengthen consumer protection in the context of payments.

In addition, in July 2013, the European Commission published a proposal for a regulation on interchange fees for card-based payment transactions. The proposal applies to card transactions for which both payment service providers are established within the EU. It envisages introducing a cap on interchange fees as well as removing a number of business rules that currently restrict pan-European issuing, acquiring and processing in the cards’ market.

A further proposal for a new directive was published in May 2013 on the transparency and comparability of payment account fees, payment account switching, and access to a basic payment account. The objective of this proposal is to improve consumer protection, competition, and financial inclusion in the payment accounts market.
Payment innovation trends: two examples

Payment innovations can be either drivers of or barriers to the process of establishing a single and efficient market for retail payment services. This is why the Eurosystem monitors innovation trends in retail payments, facilitating European dialogue on such issues between the various stakeholders in the industry. Below are two examples of such innovation trends:

• **Payment account access services:** A new type of service has emerged that provides access to existing, internet-enabled payment accounts of banks or payment institutions on behalf of the customer. The emergence of these services has raised a number of policy and business concerns, for instance, with regard to the right of access to these payment accounts, and also to payment security. The new “third-party provider” will require either confirmation that the payment order is irrevocable for the customer and will be executed if funds are still available, or information such that the availability of funds is insufficient to execute the payment order. The Eurosystem facilitates European dialogue on such issues between the various stakeholders in the industry. Further clarity on these issues will be provided over the course of the revision of the Payment Services Directive.

• **M-POS:** Mobile devices (e.g. smartphones) as card payment acceptance terminals have spread significantly over recent years, and with them also a new generation of innovative payment solutions. Mobile devices as card payment acceptance terminals are gaining ground in many European countries and could have the potential to boost the number of card transactions. It will probably also change the card-payment acceptance landscape. The Eurosystem is monitoring these solutions in order to explore the potential benefits of their SEPA-wide distribution and also to gain insight into the related security aspects.

For more information on SEPA, provided by the Eurosystem, please visit the ECB website on SEPA at: www.sepa.eu