



The Implementation of the Single Euro Payments Area (SEPA) in Greece

May 2013

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1 Introduction

The establishment of the Single Euro Payments Area (SEPA) is a project of particular relevance to the European financial system.

The starting point for a single payments area can be traced back to 1 January 2002, with the introduction of euro banknotes and coins, implying that central bank money would circulate without any conversion costs as the main payment instrument across the euro area.

The same had to be ensured for cashless payment instruments, enabling to fully reap the benefits of the single European currency.

SEPA covers the main electronic payment instruments, namely cards, electronic credit transfers and direct debits, which are offered to consumers, businesses and the public administration, enabling them to initiate and receive payments in euro. Cash and cheques fall outside the scope of SEPA.

SEPA is the most ambitious initiative in the history of the European payments market after the introduction of the single currency.

2 SEPA regulatory framework

The SEPA initiative is supported by three major pillars:

- the **European Commission**, which has driven and supported the political rationale for harmonisation in close cooperation with the European Council and the European Parliament;
- the **European Central Bank (ECB)**, whose Governing Council has defined and set the harmonisation goals and implementation timelines, much as with the introduction of the euro;
- the **European Payments Council (EPC)**, whose task is to reorganise the framework for the provision of credit transfers, direct debits and card payment services with the aim of establishing SEPA. The EPC is responsible for designing and specifying the payment services covered by SEPA, as well as for monitoring implementation and migration. It was established in 2002 by the European banking industry, opting for a self-regulation approach.

In this context, March 2012 saw the adoption of the so-called SEPA-Migration End-Date Regulation (Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 *establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009*, OJ L 94/30.3.2012 (here also referred to as simply “the Regulation”).

The Regulation stipulated, inter alia, the following:

1. an end-date, set at **1 February 2014**, from which euro credit transfers and direct debits shall be carried out in accordance with the technical requirements set out in certain Articles and in the Annex of the Regulation;
2. the abolition, as of **1 November 2012**, of any Multilateral Interchange Fees (MIFs) for cross-border direct debit transactions;
3. the abolition, as of **1 February 2017**, of any Multilateral Interchange Fees (MIFs) for domestic direct debit transactions;
4. reachability of payment accounts. Specifically:
 - for direct debit transactions, payees shall not require payers to hold a payment account with a payment service provider in a particular Member State;
 - for credit transfer transactions, payers shall not require payees to hold a payment account with a payment service provider in a particular Member State;
5. the abolition, as of **1 February 2016**, of the requirement on payment service users to provide the Business Identification Code (BIC) of the payment service provider when carrying out a payment transaction through a credit transfer or a direct debit;

6. the abolition, as of **1 February 2016**, of settlement-based national reporting obligations on payment service providers for balance of payment statistics relating to payment transaction of their customers; and
7. mandatory use, as of **1 February 2016**, and voluntary use, as of **1 February 2014**, of the ISO 20022 XML standard by payment service users which initiate or receive individual credit transfers or direct debits that are bundled together for transmission, where the payment service user is not a consumer or a microenterprise.

Furthermore, for the purpose of implementing the Regulation (Articles 11 and 12), **Article 30 of Law 4141/2013 re: "Investment tools for growth, extension of credit and other provisions"**¹:

- designates the **Bank of Greece** as the competent authority to ensure compliance with the provisions of Regulation (EU) No 260/2012;
- determines the penalties and penalty implementation procedures applicable to infringements of Regulation (EU) No 260/2012;
- designates the **Secretariat General for Consumers** at the Ministry of Development, Infrastructure, Transport and Networks as the competent authority to handle complaints related to Articles 7 and 8 of Regulation (EU) No 260/2012 and to impose the relevant penalties; and
- sets out the competent authorities for **out-of-court settlement of disputes** concerning rights and obligations arising from Regulation (EU) No 260/2012 between users and service providers. (**Hellenic Consumer's Ombudsman, Hellenic Ombudsman for Banking – Investment Services** and the **Amicable Settlement Committees** envisaged in Article 11 of Law 2251/1994).

Finally, making use of the option available under Article 16(3), (5) and 6 of Regulation (EU) No 260/2012, Act No 14/10.5.2013 of the Executive Board of the Bank of Greece lays down derogations from Article 6(1) and (2) of the Regulation, waiving the following requirements until 1 February 2016:

1. the technical requirements set out in Article 5(1), (2) and (4) and in points (1) and (2) of the Annex to Regulation (EU) 260/2012, in the case of credit transfer transactions carried out in the form of a "Non Automatic Credit", a domestic product supported by DIAS Credit Transfer (DCT), which is a service provided by DIAS Interbanking Systems S.A.;
2. mandatory use, pursuant to Article 5(1)(d) of Regulation (EU) No 260/2012, of the standard message format specified in point 1(b) of the Annex to the Regulation by payment service users which initiate or receive individual credit transfers or direct debits bundled together for transmission, where the payment service user is not a consumer or a microenterprise. In any event, payment service providers shall comply with the requirements of Article 5(1)(d) of the Regulation when a payment service user specifically requests the above message format;
3. requirement to provide the business identification code (BIC) for national payment transactions, as specified in Article 5(4), (5) and (7) of Regulation (EU) No 260/2012.

¹ Government Gazette A 81.

3 SEPA migration

3.1 Euro credit transfers carried out in accordance with the technical requirements set out in Regulation (EU) No 260/2012

According to European Central Bank (ECB) methodology² and data as at 30 April 2013, SEPA credit transfers accounted for 92.4% of all credit transfer transactions in Greece, while the respective euro area average was 38.2% on 28 February 2013.

As a result of the great efforts undertaken during 2012 by all stakeholders to achieve the migration of all credit transfers initiated by the Greek public administration to SEPA credit transfers, Greece now ranks fourth among the 17 euro area countries in terms of SEPA credit transfer uptake (see *Chart 1*)³.

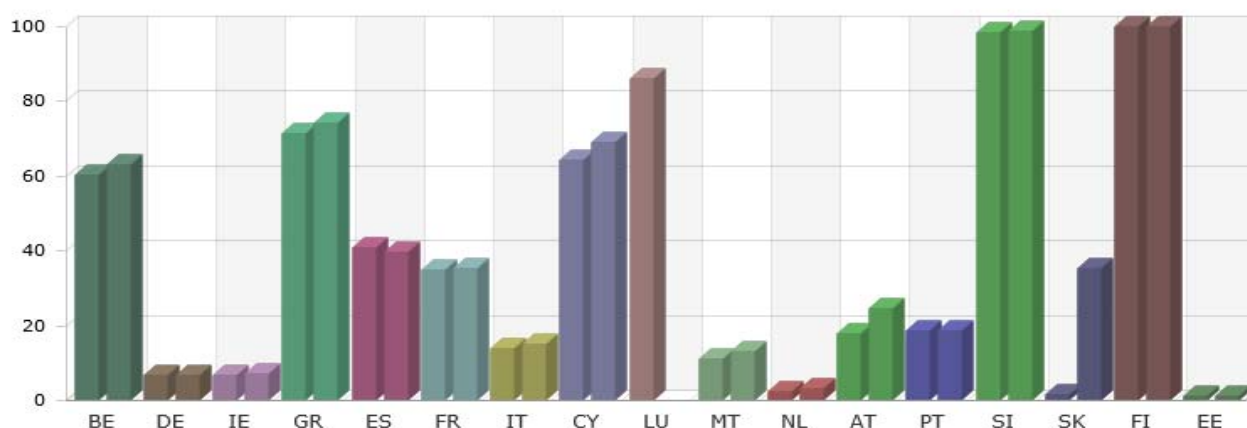


Chart 1: SEPA credit transfers as a percentage of all credit transfer transactions in euro area countries (as at 3rd and 4th quarter of 2012)

This momentum continued into the first quarter of 2013, thus making SEPA migration end-date of 1 February 2014 more manageable.

3.2 Euro direct debits carried out in accordance with the technical requirements set out in Regulation (EU) No 260/2012

According to European Central Bank (ECB) methodology and data as 30 April 2013, SEPA direct debits accounted for 92.1% of all direct debit transactions in Greece, while the respective euro area average was 2.3% on 28 February 2013.

² The methodology used and the relevant results are available at: <http://www.ecb.europa.eu/paym/sepa/about/indicators/html/index.en.html>.

³ For more details, see *SEPA Migration Report*, European Central Bank, March 2013.

However, it should be pointed out the uptake of direct debits in Greece lags significantly behind that of credit transfers in both volume and value terms. In addition, this payment instrument has yet to be used by the Greek public administration for revenue collection.

Unlike what is the case in most euro area Member States, in Greece the payer's mandate is collected almost exclusively by its payment service provider and not by the creditor receiving the payment.

3.3 Card payments

By 31 March 2013, according to Bank of Greece data, 93% of the credit, debit and prepaid cards issued by credit and financial institutions operating in Greece had migrated to the EMV international standard. In particular, the EMV migration rate stood at 95% for credit cards and at 93% for debit and prepaid cards.

EMV conversion of ATMs and EFT/POS stood at 100% and 92%, respectively.

Moreover, under a decision taken in July 2010 by the member banks of the Hellenic Bank Association (HBA) that issue payment cards and/or accept (debit and credit) payment card transactions, as of **1 May 2014** all transactions at EFT/POS in Greece with credit and debit cards issued by credit institutions operating in Greece shall be carried out using EMV chip-and-PIN technology. As of the above date, EMV chip-and-signature cards shall be rejected, at least by the issuing banks that have joined the project.

In the course of 2012, DIAS SA phased in a new feature within its DIAS ATM SWITCHING service, enabling users to change or unlock their PIN at over 6,000 ATMs nationwide.

Finally, the HBA has developed information material for cardholders/users and businesses and has set up a dedicated section on its website⁴.

3.4 Time frame for achieving the SEPA migration end-date of 1 February 2014

The two key challenges in achieving the end-date of 1 February 2014 under the Regulation can be summarised as follows:

1. ensuring SEPA compliance for all credit transfers through the interbank system of DIAS S.A. (DIAS Credit Transfer); and
2. ensuring the use of the ISO 20022 XML standard by payment service users (other than consumers or microenterprises) which initiate or receive individual credit transfers or direct debits that are bundled together for transmission.

As at 30 April 2013, credit transfers that still had to migrate to SEPA represented 7.6% of the total volume of credit transfer transactions.

⁴ For more details, see: <http://www.hba.gr/pin/> [in Greek]

The Greek banking system has set **Monday, 20 January 2014** as the end-date for migration of interbank credit transfer transactions. The necessary testing procedures will be carried out during the last quarter of 2013.

Moreover, by end-May 2013 all messages related to payments (credit transfers and direct debits) between businesses and Payment Service Providers (c2b) and between Payment Service Providers and businesses (b2c) must have switched to the ISO 20022 format.

As of that date, the ISO 20022 message format will be publicly available and businesses will be able to use it in communications with their payment service provider. Credit institutions will undertake to inform their corporate customers of the change. However, the General Secretariat for Information Systems, the Bank of Greece, businesses associations and IT companies will be expected to play a major supporting role in this respect.

4 Organisational structure for SEPA migration

Unlike some other euro area Member States, Greece has not set up a central body to coordinate SEPA migration to at the national level.

Instead, it has opted for a decentralised organisational structure, entailing on-going bilateral contacts and consultations between stakeholders. This model has proved very effective, as demonstrated by the migration rates achieved so far. With particular regard to the public administration's migration to SEPA credit transfers, the consultations have involved the relevant departments of the Ministry of Finance, the Bank of Greece, DIAS S.A. and the HBA.

Individual SEPA Task Forces have been set up to ensure the SEPA migration of social security organisations and public utilities.

There are also a number of sector-specific SEPA Task Forces, e.g. for telecommunications, insurance services, energy and water supply, etc.

Finally, as far as consumers and microenterprises are concerned, the use of the IBAN for all domestic and cross-border credit transfers and direct debits has been mandatory for several years now, thereby making SEPA a *de facto* reality.

Annex I: Additional Optional Services (AOS)

I.I. Overview

The EPCs SCT and SDD (Core & B2B) schemes recognise that individual scheme participants and communities of participants will provide complementary services based on the scheme so as to meet further specific customer expectations. These are described as Additional Optional Services (AOS). Scheme participants are payment service providers that have formally adhered to the SEPA Scheme(s). The following two types of AOS are identified:

- AOS provided by banks to their customers as value-added services, which are nevertheless based on the core payment schemes. These AOS are purely a matter for banks and their customers in the competitive space.
- AOS provided by local, national and pan-European communities of banks, such as the use of additional data elements in the ISO 20022 XML standards. Any community usage rules for the use of the Single Euro Payments Area (SEPA) core mandatory subset of the ISO 20022 XML standards should also be mentioned in this context, although they are not per se AOS. Other AOS may be defined, for example, relating to community provided delivery channels for customers.

Participants may only offer AOS in accordance with the following principles:

- All AOS must not compromise interoperability of the scheme nor create barriers to competition. The Scheme Management Committee (SMC) should deal with any complaints or issues concerning these requirements brought to its attention in relation to compliance with the rulebook as part of its normal procedures, as set out in the Internal Rules.
- AOS are part of the market space and should be established and evolve based on market needs. Based on these market needs, the European Payments Council (EPC) may incorporate commonly used AOS features into the scheme through the change management processes set out in the Internal Rules.
- There should be transparency in relation to community AOS. In particular, details of community AOS relating to the use of data elements present in the ISO 20022 XML payment standards (including any community usage rules for the SEPA core mandatory subset) should be disclosed on a publicly available website (in both local language(s) and English).

I.II.: Greek SEPA Credit Transfer Additional Optional Services

1. Greek character set

<http://www.dias.com.gr/default.aspx?pid=37&mid=1&sid=54>

<http://www.dias.com.gr/default.aspx?pid=37&mid=1&sid=54&lang=En>

2. White elements support ISO 20022

<http://www.dias.com.gr/default.aspx?pid=37&mid=1&sid=54>

<http://www.dias.com.gr/default.aspx?pid=37&mid=1&sid=54&lang=En>

I.III.: Greek SEPA Direct Debit Additional Optional Services

1. The DMF AOS

2. The "CMF reception by Debtor Bank prior to collection" AOS

3. Dispatch of recurrent collection (CORE product):

4. Acceptance period of Reversal by Debtor Banks

5. Greek Character Set

<http://www.dias.com.gr/default.aspx?pid=38&mid=1&sid=55>

Annex II: Links on SEPA

Bank of Greece:



<http://www.bankofgreece.gr/Pages/el/PaymentsSystems/SEPA/default.aspx>
<http://www.bankofgreece.gr/Pages/en/PaymentsSystems/SEPA/default.aspx>

Hellenic Bank Association:



<http://www.hba.gr/Index.asp?Menu=20>
<http://www.hba.gr/pin>

DIAS Interbanking Systems S.A.:



DIAS INTERBANKING SYSTEMS SA

<http://www.dias.com.gr/default.aspx?pid=41&mid=1>

European Central Bank:



<http://www.ecb.int/paym/sepa/html/index.en.html>
http://www.youtube.com/watch?list=PLnVAEZuF9FZkzSHOWroJKoolA8AULE3c-&v=rKH7KrF4j8g&feature=player_embedded#at=38



Annex III: SEPA migration checklist against the requirements of Regulation (EU) 260/2012

Deadline for implementation	Requirements under Regulation (EU) 260/2012	Status	
31 Mar. 2012	Reachability (Article 3)	✓	Completed
	Payment accessibility (Article 9)	✓	Completed
	Amendments to Regulation (EC) No 924/2009 (Article 17(1), (2) and (3))	✓	Completed
01 Nov. 2012	Abolition of multilateral interchange fees (MIFs) on cross-border direct debit transactions (Article 6 (3))	✓	Completed
01 Feb. 2013	Notification of the competent authorities responsible for ensuring compliance with the Regulation(Article 10(2))	✓	Completed
	Laying down rules on penalties (Article 11(1))	✓	Completed
	Member States shall notify the Commission of out-of-court complaint and redress procedures (Article 12(2))	✓	Completed
	Member States shall notify the European Commission when they intend to make use of a derogation as provided for in paragraph 1, 3, 4, 5 or 6 of Article 16 (Article 16(7))	✓	Completed
01 Feb. 2014	End-date for migration of credit transfers and direct debits (Article 6(1) and (2))	✓	Effective as of Monday, 20 January 2014
	For national payment transactions, PSPs shall not require PSUs to indicate the BIC of the PSP of a payer or of the PSP of the payee(Article 5 (7))	✓	Effective as of Monday, 1 February 2016 (making use of the derogation option under Article 16(6))
	Interoperability requirements (Article 4)	✓	Already effective for the national retail payment system
01 Feb. 2016	For cross-border payment transactions, PSPs shall not require PSUs to indicate the BIC of the PSP of a payer or of the PSP of the payee(Article 5(7))	✓	Effective as of Monday, 1 February 2016
	End of derogation regarding the use of BBAN (Article 16(1))	✓	The use of IBAN is already applicable to interbank payment transactions (both individual and bundled payments)
	End of transitional period during which SEPA provisions are not applicable to domestic credit transfer and direct debit transactions with a cumulative market share of less than 10% of the total number of credit transfers or direct debit transactions (niche products, Article 16(3))	✓	Applicable to a type of credit transfer transactions to be eliminated as of Monday 1 February 2016
	End of transitional period for payment transactions generated using a payment card at the point of sale (Article 16(4))	✗	Service not available in the Greek payments market.
	End of transitional period during which the requirement to use the ISO 20022 XML message format is waived for the initiation or receipt of individual credit transfers or direct debits that are bundled together for transmission (Article 16(5))	✓	Effective as of Monday, 1 February 2016. As of 1 February 2014, PSPs shall satisfy requests from PSUs which initiate or receive individual credit transfers or direct debits that are bundled together for transmission to use the ISO 20022 XML format. The relevant subset of ISO 20022 XML for credit transfer and direct debit messages will be publicly available as of end-June 2013.
	For cross-border payment transactions, PSPs shall not require PSUs to indicate the BIC of the PSP of a payer or of the PSP of the payee(Article 16 (6))	✓	Effective as of Monday, 1 February 2016
	Removal of settlement-based national reporting obligations on payment service providers for balance of payments statistics relating to payment transactions of their customers (Article 17(4))	✓	Effective as of Monday, 1 February 2016
01 Feb. 2017	Abolition of multilateral interchange fees (MIFs) on domestic direct debit transactions (Article 6 (3))	✗	No MIFs charged on domestic direct debit transactions

