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Pan-European SEPA Migration: A Challenging Opportunity for Multinational Corporations

The single euro payments area (SEPA) deadline of 1 February 2014 is approaching fast and corporates have just 10 weeks left to be SEPA-ready. This begs the question, especially for multinational corporations (MNCs), of who coordinates the migration - the local companies autonomously in each country or the European treasury team centrally?

In little more than two months' time existing local euro credit transfer and direct debit schemes in the eurozone countries will be replaced by SEPA credit transfer and direct debit (SCT/SDD) schemes, with only a handful of exceptions such as Ricevuta Bancaria (RiBa) in Italy. It's time for corporates to be ready for SEPA and while many are adequately prepared, reports suggest that many others are not.

What is the best way to become SEPA-ready, especially for MNCs? SEPA migration does not only require technical changes and adjustments of the enterprise resource planning (ERP) or treasury management systems. The migration approach - locally or centrally - is also an important factor for a successful and timely migration.

So who should coordinate the migration: the local companies autonomously in each country or the European treasury team centrally?

Local companies are generally more familiar with the local specifics and requirements in their home country. This obviously simplifies the SEPA migration in-country and saves time. However, in the big scheme of a pan-European migration, the company might not fully exploit the unique benefits and opportunities of the introduction of SEPA:

- Centralisation of all SEPA payments and collections.
- Standardisation of processes and formats across Europe.
- Simplification of the cash management and account structure.

In particular, MNCs recognise and consider these opportunities and try to seize the chance to push towards a shared service centre (SSC) or a payment factory; their most common objectives being to reduce the number of bank accounts and standardise and harmonise cash management processes.

By centralising all SEPA payments the number of bank accounts can be significantly reduced, one standard format - extensible markup language (XML)- can be implemented and transaction processes can be harmonised across Europe. In combination with other value added services and products, the effect of SEPA can be evaluated. One of these services/products is virtual accounting (VA).

VA requires only one single bank account that is linked to many virtual accounts, providing clients with the ability to administrate accounts without the involvement of the bank. VA also allows for a high level of reconciliation and improved working capital management.

A Balancing Act

Coordinating a pan-European SEPA migration project is, of course, a major challenge and one that is very time consuming even for an experienced treasury team. A particularly lengthy process lies in the attempt to ensure compliance to SEPA regulations, while also leveraging the benefits of SEPA at the same time. In addition to this, SEPA has proven to be less consistent across the countries than corporates anticipated. There are, of course, defined rules and regulations that are coherent and binding in all SEPA countries (such as price regulation or processing of SEPA payments). However, as ever, the devil is in the detail!

A prominent example is the mandatory use of ISO20022 XML message type for initiating payments. Being a standard messaging type, there are many different schemes and subsets of XML such as event-driven process chains (EPC), common global implementation (CGI) and the different local country subsets, which result in difficult choices for corporates. Yet at the same time it presents a unique opportunity to standardise the format used for payments and collections across Europe.

As a result, many corporates prioritised compliance over the opportunities and chose the local approach, because they didn't have the resources for a pan-European SEPA migration and wanted to make sure they were SEPA-ready in time for 1 February 2014. Those that are still not quite SEPA-ready simply don't have the time for a pan-European project.

However 'forbearance is not acquittance', and many treasurers will most likely focus on leveraging the opportunities and benefits of SEPA in 2014, to further optimise and improve existing processes and structures. Given more time and possibly more resources, this will probably see an expansion in the scope of the project to the non-euro countries of the SEPA area. Because the SEPA deadline for these areas of 31 October 2016, is also not too far away.

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