



# Going Global with SEPA



An interview with Dr Ernst Ohmayer, Head of Global Cash Management, UniCredit



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In this month's Executive Interview, we are delighted to feature Dr Ernst Ohmayer of UniCredit. In addition to sharing his expertise on SEPA, Dr Ohmayer, in conversation with Helen Sanders, argues that banks' and corporations' investment in SEPA has far wider implications than simply the euro payments area.

## Why is SEPA such an important topic for UniCredit?

SEPA is important for every company doing business in Europe, and we have been proactive over a number of years both to prepare our own systems and processes for SEPA migration, and to encourage our customers to do the same. Today, with the end dates for national formats now defined as February 2014, the situation is clear, and corporates can no longer delay making their preparations. However, while the need for SEPA migration within the euro payments area is well-publicised, the issues and opportunities relating to non-euro payments are less so, as I will come on to shortly.

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## What trends are you seeing with respect to SEPA migration?

While there were a number of large multinational corporations that were early adopters of SEPA payment instruments, the majority of corporates have not yet migrated from national payment instruments to SEPA. Since the end dates for national payment formats were set, however, we are undoubtedly witnessing an acceleration in SEPA migration. We have spent a lot of time talking

to customers and helping them to understand and overcome the issues associated with migration, but some uncertainties still remained. With market practices now more clearly defined, they are in a position to start their projects.

## What particular migration challenges would you highlight?

Many companies do not necessarily appreciate that there are process changes associated with SEPA in addition to technical or format changes. For example, the mandate process for SEPA Direct Debits (SDD) is different from the way in which mandates are managed under most national schemes. In addition, transitioning may involve interacting with a large number of customers with which direct debit mandates are in place, not



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simply the bank that provides direct debit services.

At UniCredit, we are actively supporting our customers' migration projects, but also making it easier to comply with SEPA. We are doing this through our EuropeanGate, which enables customers to present information in a wide variety of formats through a single entry point, and we then deal with the relevant conversion and routing on their behalf. This makes the transition process far easier and less disruptive to customers' internal systems, and we are seeing significant demand for this service.

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### **What project outcomes have been achieved by your customers who have already migrated to SEPA?**

Early adopters of SEPA used the opportunity of harmonised payments to optimise their cash and liquidity management in Europe, including implementing or updating their in-house banking arrangements, standardising formats and simplifying account structures. However, with the end date approaching rapidly, most companies migrating to SEPA now will not have time to derive additional value beyond SEPA compliance. Consequently, the value of standardisation and harmonisation for these companies is likely to come afterwards. In addition, banks are already thinking about how a harmonised payments landscape enables them to offer new products and services beyond those that are already in existence, which will in turn offer additional value to corporate customers.

### **You mention the issue of non-euro payments. What were you referring to?**

The current SEPA Rulebooks regulate the format of payment messages between banks. While these also provide a recommendation for bank-to-corporate communication, this is not mandatory. To resolve this uncertainty, a number of individual countries, such as Germany and Austria, have established working groups, but these initiatives are potentially dangerous by deviating from the concept of

harmonisation at a pan-European level.

At UniCredit, our aim is to foster and promote standards across all types of payments, not only for SEPA but more widely. With all companies implementing XML for SEPA compliance, the same formats should be extended beyond the European payments area, leveraging banks' and corporates' investment in SEPA, and delivering even greater benefit through streamlining processes and rationalising formats, potentially at a global level.

### **What needs to be done to achieve this?**

There are three components that are required:

Firstly, the CGI (Common Global Initiative) for ISO 20022 standards based on XML is a very positive approach, and we warmly support and participate in the efforts of this community to promote standards for both SEPA and non-SEPA payments. Standards for SEPA Credit Transfers (SCT), SDD and account statements are already defined, which we support both through SWIFT FileAct and through our electronic banking channel. Customers can send composite payment files in this format and we are able to split the file and if necessary, convert payments to the relevant national payment format in instances where XML is not yet supported. Going forward, standard formats for other types of transactions will also be designed through the CGI.

Secondly, standardisation based on XML should apply not only to transactions but also to information and reporting, such as transaction monitoring and error messages. While there is already progress being made in this area by the CGI, UniCredit has made a major step forward by supporting business transaction codes, which significantly improves the quality of reporting.

Thirdly, the element that has yet to be developed is standardised fee reporting, although again, there is significant progress being made through the efforts of TWIST and others, and we would expect this to be available at the end of 2012.

By focusing on standardisation in each of these areas at a global level as opposed to SEPA alone, the entire transaction cycle and the resulting messages can be harmonised

and streamlined. There will inevitably be some exceptions, at least initially, as some countries are quicker to adopt such initiatives than others. At UniCredit, we are focusing on standardisation in Central and Eastern Europe, as well as the SEPA zone, as the major bank for corporates in the region.

### **What has your customers' response to this wider focus on standardisation been so far?**

We are seeing considerable enthusiasm and support for standardisation at a global level, as opposed to focusing only on SEPA. However, inevitably, the priority has to be SEPA compliance initially, but corporate customers are encouraged that their investment in SEPA has the potential to bring wider benefits.

### **What sort of timeframes could corporates be looking at for this wider standardisation?**

During 2012 and 2013, SEPA will be the priority, but wider standardisation developments are going on in parallel, not only for payments but for reporting and information as well. At UniCredit, we are pushing forward strongly with standardisation, which applies to as many processes as possible. One of these is account opening and maintenance, which can be a major overhead for corporates with large account volumes across a number of countries. Companies are seeking a uniform process and documentation for account opening across different countries and business entities. While there are some legal differences between countries, we have been able to construct a framework agreement that includes 70-80% of standard terms and conditions, to which country-specific appendices can be added solely to manage exceptions.

SEPA is currently a commodity, with most projects over the next year or so focused on file formats, data fields and technical integration. Going forward, we will see the true value, both in the definition of new products and services and in the expansion of XML-based formats outside the SEPA zone. □