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**ADDENDUM**  
**To the Spanish SEPA MIGRATION**  
**PLAN**

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*SEPA Migration Monitoring Commission*

December 2007

# **ADDENDUM to the Spanish SEPA MIGRATION PLAN**

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## Introduction

The Spanish SEPA Migration Plan was released last May after being approved by the Payment Systems Working Group. Although its contents, commitments and milestones are still valid, the time elapsed since its publication, the steps forward made and the agreements stricken both at national and international level, and the rapidly approaching date of the SEPA launch make advisable the release of this document about the implementation of the SEPA project in Spain.

The objective of this document is two-fold. Firstly, to inform about the latest events and decisions made on the development of the project at national level, providing more details about certain aspects that could not be fully defined previously.

Secondly, the document aims to make the contents of the different national migration plans homogeneous, according to the consensus reached in Europe. It will then be easier to compare the different transition paths and strategies to SEPA chosen by each country.

Thus, the different sections of this progress report deal with specific issues that had either not been agreed on before or not dealt in a structured way in the original Plan.

### 1. SEPA services offered by the vast majority of banks

The commitment of the Spanish credit institutions with the SEPA Project, as stated in the Spanish migration Plan, continues to be fully valid.

Regarding **SEPA credit transfers**, the Spanish banking community reaffirms its commitment to offer this new pan-European instrument in a generalised way and since the first moment. Therefore, the Spanish credit institutions have undertaken the internal developments required, they have successfully passed the relevant tests, both at internal level and with different CSMs, and they are now going through the process of adherence to the Scheme at the EPC.

Regarding **direct debits**, the Spanish banking industry keeps working in line with the developments reached at European level to offer this new pan-European instrument as soon as the new Directive on Payment Services has been transposed into Spanish national law.

***Almost all Spanish credit institutions will offer SEPA credit transfers since their launch date***

### 2. Commitment of main public administrations and corporates and indication of starting date

During 2007 several initiatives have been developed, both in the public and the private sector, aimed at the promotion of the SEPA Project. Apart from the remarkable number of events on SEPA, the most important milestones have been the release of the Migration Plan and the setup of the SEPA Migration Observatory. Different industries have thus a forum where they can participate and exchange all the relevant information to make the transition to SEPA.

***All industries are intensifying their efforts to provide an adequate SEPA implementation process in Spain***

Despite the foregoing, each economic agent is responsible to make its own decisions on the adoption of the new payment schemes and SEPA standards and on the transition pace.

According to the latest information available, it is now possible to assert that during the second half of the year the industries concerned have intensified their efforts to provide an adequate SEPA implementation process in Spain.

Concerning **Public Administrations**, the General Directorate for the Treasury and Financial Policy is coordinating a number of specific working groups on the SEPA Project. Public Administrations from different levels (national, regional and local) and different scope of activities (taxes, social security, treasury management and others) are working in those groups.

### **3. Ability of the ACH to send and receive STC payments**

Iberpay, the institution managing the Spanish retail payments system, has been working to adapt its systems to process transactions made using the new pan-European instruments and reaffirms its commitment to be ready to process SEPA credit transfers since the first moment.

During the second half of 2007 the scheduled technical tests have been successfully conducted both at internal level and with the participants. Therefore, credit institutions will be ready to send and receive SEPA credit transfers through the SNCE from January 28, 2008.

All direct participants in the new SEPA credit transfer subsystem of the SNCE have already completed or are about to finish the formalities of the adherence process.

***The SNCE will be, since the launch date, a SEPA Scheme-compliant Clearing and Settlement Mechanism that provides full reachability to the Spanish credit institutions***

Iberpay has also formally notified the EPC that it intends the SNCE to become, since the first moment, a SEPA Scheme-compliant Clearing and Settlement Mechanism that meets all the requirements set up by the EPC.

Iberpay is also working on two complementary initiatives in order to provide full "reachability" to all Spanish credit institutions, i.e. credit institutions will be able to access any other credit institution within the SEPA area and vice versa.

Firstly, within the framework for interoperability between ACHs defined by EACHA, Iberpay is in contact with other European ACHs (Equens, STET, SIBS, Vocalink, Seceti) to link up with them and provide its members with access to the respective national communities (to send and receive SEPA credit transfers to/from each country).

Secondly, Iberpay will provide a <technical payment gateway> to the STEP2 SCT Service through which Spanish credit institutions who did not directly access this EBA system will be able to send and receive cross-border transactions to/from the other SEPA countries. This solution ensures full reachability in the SEPA area to the Spanish banking community.

#### 4. Critical mass of payments and expected migration end date

The SEPA Migration Monitoring Commission has determined the criteria that will allow assessing the level of readiness reached by the Spanish banking community prior to the launch in Spain of the new **SEPA Credit Transfer**.

***The Commission has set several criteria to assess the level of readiness for SEPA***

A first criterion to assess the level of commitment of the Spanish credit institutions to offer the new SEPA Credit Transfer is to examine the level of formal adherence to the Scheme, measuring either the number of credit institutions who have already adhered to the EPC Scheme, or the percentage of credit transfers that those credit institutions hold in the global number of credit transfers sent to the SNCE. This criterion is met if the first indicator is not less than 80% or if the second one reaches 95%.

In addition, there is a second objective criterion to be met in order to consider that the national banking community is ready for SEPA. The Spanish credit institutions who have adhered to the Scheme must be participants in any "SEPA compliant" infrastructure or CSM<sup>1</sup>. Where this criterion is met, and granted that the relevant tests are successfully passed, the credit institutions will be able to send and receive SEPA Credit Transfers to/from any credit institution in SEPA, achieving thus the "reachability".

Once the SEPA Credit Transfer Scheme becomes a reality in Spain, similar criteria will be adopted to assess when a critical mass of operations has been migrated to the pan-European credit transfer scheme.

***Once a critical mass of SEPA credit transfers is reached, an end date will be set for the migration to this instrument***

When that threshold is reached, the new instrument will have gained widespread acceptance among the different payment users. In that moment, the national banking community will decide on the deadline when the different kinds of credit transfers that are used today will be discontinued. That date will also mark the end of the migration period to the new European credit transfer instrument.

**Direct Debits** will evolve along similar lines that will be defined later on, prior to their launch. Regarding **Cards**, the end of the migration phase is set to take place in December 2010, when the EMV Standard will have been universally adopted.

To assess how credit institutions are getting ready for the change to SEPA, the Migration Monitoring Commission has prepared a questionnaire that has been sent out to all credit institutions via their respective banking association. The answers will provide detailed information on how well the SEPA Project is known in each institution, which is the market positioning chosen and the IT developments that are under way.

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<sup>1</sup> Clearing and settlement mechanism which is able to process SEPA credit transfers.

## 5. BBAN-IBAN conversion facility for databases

International standard codes are used in the new SEPA instruments as identifiers of bank accounts and financial credit institutions, IBAN and BIC respectively<sup>2</sup>.

***The great majority of credit institutions will offer automatic services for the conversion to the SEPA identifiers***

In order that a fluid and successful migration to SEPA takes place, the Spanish banking community considers essential that customers have those identifiers available. Therefore, since long ago Spanish credit institutions provide customers with both identifiers in their electronic banking applications as well as in paper forms and the different notifications addressed to them.<sup>1</sup>

The availability of the identifiers used in SEPA, coupled with the fact that the great majority of credit institutions will offer to their customers the automatic conversion of the identifiers used nationally into those used in SEPA, have made unnecessary to globally carry out a massive conversion process.

Besides, there are tools available that calculate the IBAN from the national bank account number (CCC) and provide a univocal, quick and simple conversion avoiding any kind of manual handling.

## 6. DD mandate migration

***Conversion of existing mandates should not become an obstacle to the transition to the SEPA Direct Debit***

Another element to take into consideration in a fluid and successful migration to SEPA is how to guarantee that the millions of direct debit mandates that exist today will remain valid when the new SEPA Direct Debit instrument is launched. Customers and credit institutions will thus be spared the trouble of going through a process of renewal of mandates or creation of new mandates.

The SEPA Migration Monitoring Commission is studying this issue and it is expected that it will not be an obstacle to the implementation of the new SEPA Direct Debit. As a last resort, the statute that will be passed to transpose the new Payment Services Directive into Spanish law should take this issue into account to ensure a smooth transition to SEPA.

## 7. Structured remittance

***The Spanish community advocates the development of an international standard to structure the remittance information on a credit transfer***

Nowadays in Spain the remittance information on a credit transfer is not formatted according to any predetermined standard structure.

Nevertheless, considering that this could become an element that contributes to the success of the migration, the Spanish community is in favour of the development of an international standard within the EPC that will define the contents and the formats of each field, in order to avoid diverging interpretations among countries.

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<sup>2</sup> IBAN (International Bank Account Number) is an international standard code for the identification of banking accounts. BIC (Bank Identifier Code) is an international code, developed by SWIFT that allows the univocal identification of financial institutions.

## 8. EMV implementation

***The complete adoption of the EMV Standard will be achieved before the set deadline.***

As stated in the Spanish Migration Plan to SEPA, the migration process in the banking payment cards area will not follow a plan of the industry as a whole. Instead, each credit institution, either as issuer of cards, acquirer or owner of ATMs, will define its own specific plans as appropriate.

However, taking into account the decisions and developments already made or being made in each credit institution, the Spanish banking community thinks that there will not be any obstacle to meet the deadlines set to comply with the SEPA requirements.

In this sense, the Spanish banking community and the card networks reaffirm their commitment to make progress in the different standardization areas concerning transactions with bank cards. The generalised adoption of the EMV standard is foreseen to have been achieved before 31 December, 2010. As of the end of the third quarter 1.7% of the cards, 64% of POS devices and 82% of ATMs have been migrated to the EMV Standard.

## 9. Customer information

***All industries concerned are carrying out their own communication policy on SEPA***

With the aim of providing all industries concerned and the general public with the relevant information on the SEPA project, there is an Annex in the Spanish Migration Plan where the most important documents are detailed together with a number of useful links to national and international websites where they are readily accessible.

At the end of this document an updated version of the Annex is provided. The documents published since the Plan was released (in May 2007) are highlighted.

Each credit institution, according to the communications policy of its choice, will also spread among its customers the information deemed relevant.

For their part, consumer interest groups, merchants and business associations, as well as Public Administrations, are responsible for providing information to their associates regarding the main features of the SEPA Project and its impact on them.

## 10. Guidance on standards in C2B/B2C domain

***The Spanish community also advocates in this space the need of a standard developed by the EPC***

The Spanish banking community has been working for some time now to solve the issues relating to payment initiation by customers as, for example, what has been mentioned before about IBAN and BIC, the standardization of forms for over-the-counter orders or the electronic banking applications.

Additionally, concerning the mechanisms to interchange electronic information with customers, the redrafting of the traditional "Notebooks" of the Spanish banking associations, which detail the records and formats of the files interchanged between credit institutions and customers, is

provisionally foreseen as a temporary solution. The simultaneous development of XML-based interfaces for information interchanges with customers is also foreseen.

The Spanish community is, however, in favour of the development within the EPC of an international standard for the initiation of payments in XML format, valid for all the countries within SEPA, to avoid the risk of diverging interpretations as mentioned in Section 7 above.

## **11. AOS published in English**

The Spanish banking community has not deemed necessary, for the time being, to develop additional optional services.

## **12. Announcement of communication events in 2007 and early 2008**

It is extremely important to spread among the industries concerned and the general public information on the features, scope and impact of such a complex, extensive and important project.

To that end, the SEPA Migration Monitoring Commission decided to set up a specific website ([www.sepaesp.es](http://www.sepaesp.es)) where all the relevant SEPA documentation would be accessible together with links to other national and international organizations involved in the SEPA project.



## ANNEX – Documents and Links of Interest

(Last updated in December 2007)

**Published by the EPC** (accessible at [www.europeanpaymentscouncil.org](http://www.europeanpaymentscouncil.org)):

- **General**

- *"Making SEPA a reality"*
- *"SEPA Cards Framework"*
- *"Framework for the evolution of the Clearing and Settlement of Payments in SEPA"*
- *"EPC Roadmap 2004 -2010"*

- **Technical Documents**

- *"Open Letter to Banks planning to adhere to the SEPA Credit Transfer and SEPA Direct Debit Schemes"*
- *"Addendum to the Open Letter of 31 May 2007 to all SEPA banks planning to adhere to the SEPA Credit Transfer Scheme"*
- *"Guide to the Adherence Process for the SEPA Credit Transfer Scheme"*
- *"SEPA Credit Transfer Scheme Rulebook (v 2.3)"*
- *"SEPA Direct Debit Scheme Rulebook (v.2.3)"*
- *"SEPA Credit Transfer Scheme Implementation Guidelines (v. 2.3)"*
- *"SEPA Direct Debit Scheme Implementation Guidelines (v. 2.3)"*
- *"SEPA Data Model"*
- *"SEPA Testing Framework"*
- *"Technical Validation Subsets (v 2.2)"*

**Published by Eurosystem / Banco de España** (accessible at [www.bde.es](http://www.bde.es)):

- *"Zona Única de Pagos para el Euro (SEPA) del concepto a la realidad - Quinto informe de progreso"*
- *"Las tarjetas de pago ante el proyecto SEPA: algunas reflexiones"*
- *"La Zona Única de Pagos para el Euro (SEPA): Un mercado integrado de pagos al por menor"*
- *"Un área única de pagos para el euro: La SEPA, génesis y principales ingredientes"*
- *"El Proyecto de integración de los sistemas de pago minoristas en la UEM"*
- *"La opinión del Eurosistema sobre 'Una SEPA para las tarjetas'"*

**Published by Iberpay** (accessible at [www.iberpay.es](http://www.iberpay.es)):

- *“SEPA Credit Transfer Scheme Rulebook (v 2.2)” (Spanish version)*
- *“SEPA Direct Debit Scheme Rulebook (v.2.2)” (Spanish version)*
- *Interfaz Transferencias SEPA (v. 2.3.1)*
- *Interfaz Débitos Directos SEPA (v. 1.5)*

**Other documents:**

- *“Banks preparing for SEPA” (published by the Euro Banking Association, accessible at [www.ebaportal.info](http://www.ebaportal.info))*

**Official Spanish SEPA website**, where there are links to access the sections on SEPA in the websites of the three national banking associations, Iberpay, Banco de España and other international organizations:

[www.sepaesp.es](http://www.sepaesp.es)