



Mr. Fred Bär
Eacha
c/o VocaLink
Drake House
Homestead Road
Rickmansworth
WD3 1FX
United Kingdom

Mr. Michel Barnier
European Commissioner for Internal Market and Services
European Commission
BERL 10/034
B - 1049 Brussels

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Dear Mr. Barnier

We write with reference to the hearing on SEPA end date, which takes place on November 17. Since 2006, ECHA has maintained a dialogue with ECB and EPC and wishes to express its view to the European Commission on the proposed regulation on SEPA end dates.

ECHA represents 22 European national and international ACH's that provide clearing and settlement services in euro and non euro currencies for banks throughout SEPA and beyond. ECHA members provide cost effective payment services supporting banks, public authorities and corporates across Europe. These services encompass both business and retail payments.

ECHA has developed the ECHA interoperability framework for infrastructures, which is an important building block for the implementation of SEPA and is compliant with the SEPA rulebooks and guidelines developed by EPC. The ECHA members are using this framework operationally today to exchange SCT and SDD payments and thereby providing reach throughout the SEPA. ECHA is therefore a stakeholder in SEPA and has a major interest in its success and more particularly the migration of existing payment instruments to the SEPA equivalents in the most effective and efficient way.

- ECHA welcomes the European Commission's plans to legislate on the end date for SEPA, which should create certainty for all participants. The strategy to date has been based on convergence and harmonisation such that the SCT and SDD schemes would replace the existing equivalent national payment schemes. ECHA members have invested with this strategy in mind. ECHA's view on the draft regulation can be summarised as follows:
- ECHA are concerned that the draft regulation, which introduces the "minimal requirements" concept, could result in a situation where any number of local, national, and sectoral differences in payment instruments may need to be supported in the future. This is far removed from the harmonisation strategy which the banking industry has been following, and which ECHA members have been implementing, over the past 4-6 years. It is likely to lead to a "mini-SEPA".
- ECHA is concerned that the deviation from the EPC rulebooks and implementation guidelines permitted under the draft regulation would undermine

the progress achieved to date in establishing competition, interoperability between CSMs and reach across the SEPA for the new instruments.

- EACHA and its members have been preparing for the controlled switchover from the existing national payment schemes to the SEPA payment instruments. Adopting a different switchover strategy at this point, where potentially multiple schemes would have to be supported, would increase the operational risk, increase complexity, and increase costs. Indeed, the current convergence strategy was developed because it was recognised that interoperability between existing schemes was an unrealistic approach.
- Some of the EACHA members and their member banks in accession countries are working on plans to implement SEPA standards before their entry to the euro to make it easier to migrate to the euro. This strategy will be impacted by the coexistence of several divergent schemes.
- One of the aims of SEPA was to reduce the number of schemes and infrastructures to a level where economies of scale improved efficiency, while at the same time ensuring choice and competition based on common standards. For example, in the USA there is a single rules and standards body (NACHA) but there is strong competition between banks and infrastructures based on these standards. In EACHA's view, there is a real danger that the end result of the current draft regulation will be a fragmented SEPA where there is no incentive to migrate to common standards thereby inhibiting competition.

EACHA thinks that the current SEPA convergence strategy based on the migration to the EPC Rulebooks and Implementation Guidelines is the best way of achieving the SEPA and therefore recommends that the Regulation should enforce them as the common set of standards for SEPA.

Yours sincerely



Mr. Fred Bar
EACHA President

Tel +44 (0) 870 920 8184
Mobile +44 (0) 7984 129 873
Email fred.bar@vocalink.com

cc Ms. Gertrude Tumpel-Gurgerell, ECB
Mr. Gerard Hartsink, EPC