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# Think SEPA. Think Deutsche.

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Any lingering doubts over the Single Euro Payments Area (SEPA) should certainly have been quashed by the announcement of February 2014 as the official end date for migration to the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD). But with only 15 months to go, a degree of corporate hesitation is still apparent, which is wasting valuable migration time.

And time is of the essence — not only because of the looming deadline, but because SEPA implementation projects can be unexpectedly complex undertakings and take longer than anticipated. Compliance will require existing systems to be either adapted — a deceptively gentle term for what is actually a significant re-haul — or fully replaced. Yet despite the scale of the task — and the urgency required — trepidation combined with some concerns over the euro have led to a noticeably sluggish corporate response, with many yet to adequately begin migration preparations.

## Migration to SEPA: Benefits and Challenges

While migration is undoubtedly a daunting task, and some corporate concerns are understandable, the move to the SCT and SDD is an inevitable change that should be welcomed. The full implementation of SEPA can lead to greater centralisation and consolidation of payments and collections systems, which can in turn lead to reduced costs, significantly increased operational efficiency and faster settlement times.

In time, it can also expand the payments market by accelerating competition between banks and introducing new players into the European payments space — all of which will improve service quality and spark further innovation.

But such benefits do not come easily. Corporates, for example, face a number of operational challenges with respect to migration that are costly, complex and time-consuming.

The most significant of these challenges is formatting. XML is the designated SEPA format and many banks — who have long competed on data formats — believe that XML is fast becoming the standard format for *all* (SEPA and non-SEPA) future transactions, and see the value of a uniform global data standard. For corporates, the move to XML is technically optional, but is an issue that must be carefully considered.

The chief advantages of XML are that it provides an improved structure and wealth of information in its arrangement. For these reasons — in addition to its emergence as the file format of the future — corporates may wish to make their proprietary systems XML-compatible. This would also eliminate their dependency on the file conversion services offered by some banks and third-party vendors, which are expensive and may prove unsustainable. However, the transition to XML is also costly. XML files are much larger than their domestic or global equivalents, and can therefore have negative knock-on effects on corporates' existing enterprise resource planning (ERP) and systems connectivity. Deciding whether to convert or continue to rely on conversion services is a complex undertaking and should not be made without expert consultation and follow-up support and guidance.

In addition to data formatting, there is the issue of collating the required information. For SEPA transactions, the sole permissible account identifiers are the International Bank Account Number (IBAN) and Bank Identifier (BIC) codes. The required methods of obtaining this information vary between countries and — although vendor solutions are available to take some of the strain — corporates should not underestimate the level of manual effort this will require. Companies must also ensure that their EPR and HR systems — among others — are capable of accepting and processing these codes. If not, a new release/upgrade of the system will be required — an unanticipated cost for many.

## Seeking Expert Help

Of course, compliance challenges go beyond the realm of the operational. Such less-evident issues serve to illustrate the true scale of SCT and SDD migration. They also highlight the fact that it is a task many companies will be unable to undertake alone — particularly within such a tight timeframe. In order to ensure a smooth and timely transition, the best option for corporates that have yet to begin migration plans — or are in the early stages and struggling to find a clear way forward – is to enlist the services of an experienced and expert bank.

The right partner bank can provide the necessary guidance and resources for successful migration. Guidance, certainly, is a key issue. As a trusted partner to many of Europe's corporates, Deutsche Bank has been heavily involved in the SEPA project, from participating in regulatory debates to driving technology innovation. Based on the depth of our understanding, we have devised what we call a "4-Pillar" implementation strategy that aims to provide immediate, tangible financial benefits, data format flexibility, account flexibility, and access to value-added services designed to maximise the benefits of SEPA.

From a capabilities perspective, Deutsche Bank has made noteworthy ongoing investment in an automated and scalable SEPA engine to deal with increasing payment flows. Combined with our 4-Pillar strategy, this reflects our belief in the long-term value of turning a fragmented market into a borderless payments zone, and is evidence of our longstanding commitment to SEPA's success.