

SEPA Cards Framework Scheme Restructuring Faltering?



Peter Jones
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Will the SEPA Cards Framework (SCF) and the European Payments Council's (EPC) ambitious plans to restructure the European Union's (EU) fragmented national debit card schemes deliver anything of value by the end of 2010?

This was a question asked several times by speakers and attendees at a European Card Acquiring Forum in Brussels in early June 2008. Many of those present expressed concern over progress. When asked if SEPA for cards was losing momentum, a high proportion of the 150+ delegates agreed.

By now all of Europe's domestic card schemes should have presented detailed plans for their future. Few have made significant change. Most have implemented modest adaptations and many expect to continue with co-branded arrangements with either MasterCard or Visa.

At the conference there was also a clear divergence between the SEPA requirements of the very large merchants (European Retail Round Table) and the planned SEPA deliverables for cards. Peter Jones, Managing Director of Payment Systems Europe (PSE Consulting), commented that of 45 major barriers to pan-European operation for acquirers and processors in the cards business identified by PSE in 2005, very few have been addressed so far. Also during his presentation (on the impact of regulatory intervention on acquiring), he commented that the EPC's declaration that national debit card schemes need not now be accepted in all eurozone nations has had a most damaging effect on scheme restructuring. Schemes no longer feel obliged to extend their reach across the eurozone or seek alternative solutions from Visa or MasterCard. The announcement will, to a degree, undermine EAPS which could become a solution for a problem that no longer exists. In addition, the European Competition Directorates's analysis which backs up their intervention relating to MasterCard interchange indicates that the concept of a common domestic debit MIF has been shelved. The Commission has devolved responsibility to the National Competition Authorities. Recent announcements by the Dutch Competition Authority that PIN debit should be retained and similar pronouncements by the Finnish regulator relating to Pankkikortit, are re-enforcing the view that national card schemes do not need to change. A conference speaker from Cartes Bancaires when asked what criteria a new entrant acquirer needed to enter the French market said "there will be no change from the current". Similarly, during a panel discussion the question was asked "was SEPA a regular item on the Board agenda of major acquirers". The answer from a senior banker in the audience was that "it certainly is not".

So when will Europe see the SCF vision become a reality? More specifically, are the EPC Cards Working Group showing themselves able of delivering change? This month has seen the release of a "standardisation volume" which takes the first tentative steps towards the development of a common set of standards for the POS domains outlined in the original 2006 SCF. However some within the payments industry believe this document perpetuates the old structures. Many believe it will be several years beyond 2010 before these standards are fleshed out and translated into harmonised terminal applications and interfaces across the EU.

With only 2½ years to go what is the current prognosis? Will the cards landscape change significantly? Will markets remain fragmented and barriers remain in place? Finally, who will benefit from SEPA? At this stage few predict a positive outcome.

About PSE Consulting

PSE Consulting is a leading European payment business and technology consulting organisation. The company was created in 1991 by Peter Jones and operates from offices in London.

PSE Consulting is a founder member of the European Payments Consulting Association (EPCA), an association of like consultancies operating in six European nations.

PSE Consulting provides independent advice to many of the European institutions mentioned within this article and to many other players who are currently shaping the European market place.



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