

Summary of selected 2004 EPC Plenary Resolutions

Resolution on the SEPA Roadmap 2004-2010, 10 December 2004

At its meeting on 6 October 2004, the EPC requested the preparation of a revised Roadmap 2004-2010 to guide EPC's programme of activities in the years ahead. This followed feedback from the Coordination Committee strategy off-site meeting in Durbuy on 6-8 September 2004.

The Roadmap, as drafted by an Editorial Board consisting of the EPC Chair and Vice-Chair and the Chairs of the Working and Support Groups, with input from the Coordination Committee, has been adopted

by the December 2004 Plenary. It will be available for comments by European and national banking communities on the implementation aspects and referred back to the EPC Plenary in March 2005 with the benefit of comments received.

Resolutions on the Pan-European Direct Debit, 17 June 2004

In consideration of the expectation from customers to be provided with a limited set of convenient, cheap, reliable and predictable pan-European instruments to cover their most important payment needs, and the fact that direct debits respond to a real need for processing recurring and non-recurring payments, the EPC endorsed the creation of a new electronic PEDD Scheme that can be used for Intra EU (i.e. both cross-border and national) transactions, considering that:

- a new instrument can coexist in parallel with unchanged national schemes during a transitional period and is the fastest way to launch the implementation of PEDD;
- the new instrument to process both cross-border and national direct debit transactions, future-oriented and secure for intra-EU transactions, should gradually lead the parties to use it for national transactions and will lay the basis for a sound business case.

The EPC defined the Pan-European Direct Debit (PEDD) as: "The instrument governed by the rules of the PEDD scheme for making payments in euro throughout the SEPA from bank accounts allowed to support Direct Debits. Transactions for the collection of money from a debtor's bank account are initiated by a creditor via its bank (creditor's bank) as agreed between debtor and creditor and based on an authorisation given to the creditor by the debtor to have its bank account debited (mandate)".

The EPC, on behalf of the European banking community, is accountable for the scheme and is responsible for the management of the scheme rules. In order to ensure the soundness of the scheme and consumer confidence in PEDD, banks are responsible for major processes, e.g. setting up PEDD and processing transactions. Consumer protection rules in line with industry best practice, including a dispute and redress procedure based on Alternative Dispute Resolution, will be defined.

The creditor's banks must be able to reach debtor's banks and debtor's banks must accept PEDD so that each creditor authorised to issue PEDD must be able to reach each debtor willing to pay via PEDD within SEPA. Debtors can refuse that their account be debited with PEDD transactions.

PEDD should gradually cover all market sectors. Government agencies and utilities should adopt PEDD to make the scheme viable and to support banks in their investments. The migration of the payment flows will be market driven. Interbank data and payment flows will respect PEDD scheme rules. Any migration of national direct debit schemes to PEDD will occur according

to progressive migration paths to be defined at national level by banks together with their customers.

Regarding the development and implementation of PEDD, the main principle is to begin with a basic scheme which could evolve to best cover the various market needs. There must be the same scheme in terms of means and processing for recurrent and one-off direct debit transactions.

The timeframe will be organised in two phases following the agreement of the model to be voted in June 2004:

- a first phase to finalise the scheme and produce a high-level project plan to be delivered by June 2005;
- a second phase dedicated to development and implementation, which will be subject to the coming into force of a robust legal framework and the removal of all national and EU legal and regulatory barriers to the full implementation of the PEDD scheme. This second phase will begin with a pilot targeted by end 2006, to process the first transactions. After successful completion of the pilot phase, implementation and evolution of the scheme will be able to start.

Resolution on a European set of banking best practices for cash handling, 17 June 2004

In consideration of EPC surveys which confirmed that cash is still the most used payment instrument in Europe, with some 360 billion cash transactions per year, and entails an annual cost in the range of 32 billion euro to the banking industry, the EPC adopted a Resolution promoting a number of best practices to encourage the use of electronic means of payment and optimise cash handling. This included:

1.1 Best practices for promoting electronic means of payment

- Educating retailers and consumers about cash-related security issues and costs generated by the use of cash, to increase awareness and lead to a more appropriate use of cash.
- Promoting electronic payments at points-of-sale, through joint cash/cards strategies including incentives for card usage, the promotion of pre-authorised debit instruments (e-money, e-purse, mobile payments,...), enlarging the possibilities for paying small amounts of money by card.
- Externalising the cost of cash to retailers and consumers to its actual users, in order to increase awareness of customers and limit the effects of economic distortion on other payment instruments.
- Encouraging governments to phase out cash disbursements use and accept and use electronic means such as credit transfers, direct debits, electronic money.

1.2. Best practices for optimising cash handling

- Shortening the cash processing chain, through a reduction of the number of participants in the processing and distribution chain.
- Developing cash recycling at branch/ATM level, in order to achieve a substantial reduction of transportation/handling costs and improve public security and providing a better cash service to customers.
- Developing cash management to optimise cash flows, e.g. via the centralisation of cash ordering procedures for all outlets and the production of cash order predictions.
- Optimising ATM performance, through the use of performance-evaluation software aimed at identifying the best denominational mix and replenishment frequency, the use of a fault monitoring system, centralising the branch ATM estate and automating the balancing and reconciliation ATM system.
- Outsourcing cash processing to common infrastructures to allow achieving economies of scale and reducing costs.
- Optimising teller operations, including increasing the number of functionalities of automated teller machines, the use of shared tills, and a weekly balancing of tills, or inclusion of merchants in the process chain.