



The Single Euro Payments Area (SEPA)

Background

One of the ambitions of the European Commission is for currency to move as freely and cheaply across the European Union (EU) as it does within national borders.

Although a single currency has been introduced, there is no single euro payment scheme. Individual countries within the EU use their own payment schemes which have a variety of different formats, rules and consumer protections and, in some cases, operate at different speeds.

It is common for payment processing to take several days and companies often hold accounts in their principal trading countries to help overcome this – which can be costly, and is seen as a barrier to business across the EU.

What is SEPA?

The European Commission is working towards creating a Single Euro Payments Area (SEPA) in which individuals and businesses can make cross-border payments in euro as easily, securely and efficiently as they can within their own countries and subject to identical charges.

Underpinning SEPA is the EU Payments Directive, which:

- defines the conditions under which payment services may be offered to end-users
- brings in line the basic rules and responsibilities for those payment services
- establishes licensing rules for banks – if they are licensed in one EU country, they can offer the same services in another.

How can we expect SEPA to affect the UK?

SEPA relates to transactions in euro made between EU countries and so the UK is firmly within its scope. It is also within the scope of the Payments Directive.

The SEPA Credit Transfer Service must be made available from January 2008 with Direct Debit expected to be made available by November 2009. The longer term plan is for national payments schemes to be phased out. SEPA also introduces a new framework for card transactions with the objective of making payments and cash withdrawals as simple and convenient within the EU as they are domestically.

Benefits for your organisation

The commercial benefits of SEPA include:

- quicker payment transactions
- improved cash flow
- ability to consolidate banking arrangements
- ease of treasury management
- greater transparency
- more choice of payment services providers.

Further benefits of SEPA are competitive bank charges and the certainty of knowing when the beneficiary is going to receive payment – both helping to improve the efficiency of payments.

In time, common services, a single set of standards and a single common interface into banks and payment systems is expected to emerge. This will enable clean, fully automated transactions to undergo straight through processing across the EU.

Next steps

There are some practical things that your organisation can do to help ensure you are prepared for SEPA.

- Ensure you obtain BIC and IBAN references from all suppliers and that quoting them in payments is embedded in the payments procedure, where possible and appropriate.
- Ensure that all your suppliers are provided with your organisation's BIC and IBAN to minimise the risk of late payments.

Our commitment

We welcome the introduction of SEPA and will provide a full range of SEPA compliant payment solutions for your organisation.

We will provide further updates about SEPA over the coming months. In the meantime, for more information about SEPA or any of our Cash Management or Payment Services, please contact your relationship manager.

Please contact your relationship manager if you'd like this in Braille, large print or on audio tape.

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