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FROM THE EMERGENCE OF THE EURO TO THE DEVELOPMENT OF THE SINGLE EURO PAYMENT AREA

(SEPA: 1 January 1999 – 31 October 2016)

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Abstract[1]

The emergence of the euro presented a serious challenge to payment services providers in the Member States of the EU. The fragmented payment markets gradually bent under changing-intensity legislatorial pressure and toed the euro payment line. The standard frameworks developed by legislators have served to keep the integration of euro circulation on the agenda since the early 2000s, in particular with respect to fees on domestic and cross-border payments, payment service providers and the provision of payment services. Taking advantage of self-regulation, payment service providers developed ISO-based payment schemes in the European Payments Council, the mandatory introduction of which was subsequently decided by the legislators. The SEPA arrives at an important milestone in its history on 31 October 2016, following which electronic euro payments can only be transacted according to the standards and regulations set out in the end-date regulation[2] – that is the current SEPA payment schemes – for all Member States, including non-Eurozone countries, such as Hungary. Before migrating to the e-SEPA era, it is interesting to consider legislators' and payment service providers' answers to SEPA challenges around Europe and in Hungary.

JEL codes: F15, G10, G15

Keywords: Single Euro Payments Area (SEPA) end-date, EPC, payment schemes

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2 End-date regulation: Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009.

1. THE SEPA AND EUROPE, THE SEPA AND THE EUROPEAN BANKING COMMUNITY

1.1 Legislators, legislation

The fundamental aim of the Maastricht Treaty was to create the Economic and Monetary Union and, as an integral part of it, a single currency, together with the conditions of its introduction. From 1 January 1999, eleven Member States (Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, Holland, Austria, Portugal and Finland) began using the euro as scriptural money in cashless payments both at home and in cross-border transactions. In the autumn of the same year the European Central Bank (ECB) voiced its concern over the considerable differences in the standards of domestic and cross-border services offered by the various retail (small-value) payment systems, in spite of the introduction of the single currency. These inequalities made a case for establishing a single euro payments area. The September report of the ECB (Improving cross-border retail payment services – the Eurosystem's view, 1999) explains how the *Eurosystem*[3] wished to be a catalyst for desired changes in a way that it initiates regular meetings with banks and payment service providers with a view to facilitating their agreement regarding the development of single-currency payments, in particular with regard to cross-border euro payments and the standardisation of euro payments in general.

A few months later in Lisbon the Member-State governments envisaged the SEPA, which they hoped would, among other things, revitalise the EU and improve its competitiveness. In its September 2000 report the ECB (SEPA Progress Report 1) outlined clear objectives and requirements for the banking sector regarding cross-border retail services, with a deadline of 1 January 2001. It expected, among other things, cheap and standardised cross-border retail services, which made straight-through processing (STP) and avoided so-called double charging, which service providers had explained by the data reporting obligation for balance of payments in small-value transactions (12,500 EUR). Expectations included securing uniform standards of service at attractive prices, which would be supported by a payment system suitable for accounting such payments, to be developed by the EBA[4] (*Bartha*, 2003). At the same time, the European Commission (EC) also came up with political requirements regarding such payments in the single-currency area, which would eliminate, in the entire EU, differences between euro payments within and across national borders, and which would be based on in-

3 The Eurosystem comprises the ECB and the central banks introducing the euro.

4 EBA: Euro Banking Association

ternational standards, the IBAN[5] and the BIC.[6] In the meantime the year 2001 saw the expansion of the Eurozone, with Greece joining and now consisting of 12 members. With respect, among other things, to the statements of the EC, the ECB publicly declares its dedication to the idea of the SEPA[7] and shares the Commission's view that the banking sector needed to be kept under control in order to meet the previously declared objectives. Another important event that year was when the co-regulator EP[8] and the Council, representing the governments of the Member States, adopted Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro. The Regulation prohibits payment service providers from applying different fees for national and cross-border euro payments and cash withdrawals in the EU. This regulatory measure is still considered to be a turning point in financial integration politics with which regulators clearly sought to stimulate – moreover, shake up – the banking sector and payment services providers so that they concentrated their forces on accomplishing the political vision of the SEPA.

January 2002 marked a new milestone in the history of the single currency when the euro coins and bank notes appeared in the 12 Member States of the single-currency area. In May the Commission published a working document "Re: a possible legal framework for the single payments area in the internal market." The Commission was satisfied that the condition of the integration of euro payments was a common legal framework that eliminated local anomalies and differences, that is, it ended the fragmentation of the payment services market. Later this document would constitute the basis of the proposal for the Payment Services Directive, and subsequently, Directive 2007/64/EC on payment services in the internal market, also known as PSD. Hungary fully transposed the PSD into national legislation in Act LXXXV of 2009 on payment services, which entered into force on 1 November 2009.

1.2 Reaction of the banking community – the timetable of the SEPA project developed by the EPC

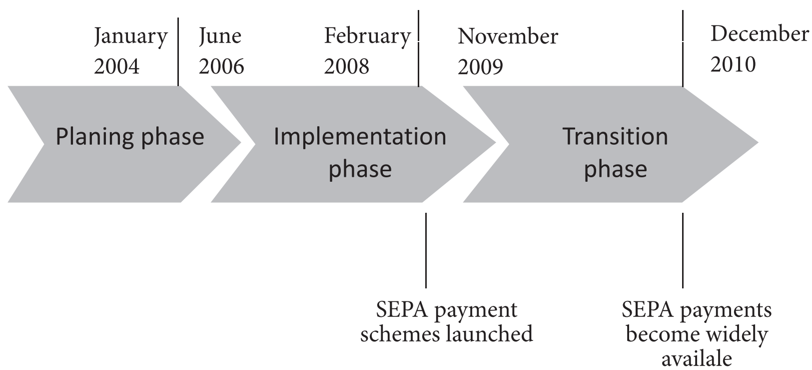
In response to the challenge posed by legislators, regulators and their proposed regulation, in the summer of 2002 the banking sector "took up the gauntlet" and organised itself under the aegis of the EPC.[9] As a non-for-profit organisation, the EPC focused on developing, within the legal framework set out by the regulators,

5 IBAN: International Bank Account Number
6 BIC: Bank Identifier Code
7 SEPA: Single Euro Payments Area
8 EP: European Parliament
9 EPC: European Payments Council

specific payment services complying with the directive. Accordingly, they began by developing an electronic-based SEPA credit-transfer (SCT) and SEPA direct-debit (SDD) schemes, also seeking to involve the concerned parties. It should be noted that the EPC is merely one of several concerned organisations, and had no wish to overstretch its role beyond developing these schemes under the SEPA programme or to put itself forward as the overseer of the SEPA process or an official EU institution.

In its 2003 report (SEPA Progress Report 2), the ECB welcomed the banks' self-organisation and dedication to the SEPA project. The Eurosystem expected the banking communities to voluntarily follow and implement the decisions made by the EPC. Naturally, the ECB monitored the implementation process as closely as it could with the resources available to it; and until 2010 it produced altogether seven reports regarding the process (SEPA Progress Reports, 2000–2011). The strategic document on the results of interbank co-operation, including the implementation and its phases, were published by the EPC in "Road-map 2004–2010".

Figure 1
Road-map 2004–2010



Source: author's figure based on Making SEPA a Reality (EPC066-06), p. 54.

By the autumn of the following year the working groups of the EPC had designed rulebooks for the SEPA credit transfer and direct debit schemes, containing interbank communication rules, practices and message rules (*Dávid*, 2008). The models enable providers to provide their customers core and basic transfer and direct debit services denominated in euro in the entire SEPA, meaning that these transactions can be concluded as cheaply and effectively as on the domestic payments market. In addition to the payment schemes, the requirements of payment systems dealing with their clearing and settlement are also established. (*Kovács*, 2010). The pan-European characteristic of collection should be highlighted: for the first time in the history of European payments a common, euro-based scheme was created, making every Member State reachable with respect to collection. The third element in the ECB's scheme was the SEPA Card Framework[10], developed by the EPC, which took into consideration the highest-level industrial standards and rules, and which provides cardholders and retailers a consistent user experience in both card payments and cash withdrawals. In the same year the Commission published its proposal entitled "Directive for a New Legal Framework for Payments in the Internal Market" which legislators and payment service providers would refer to as the PSD. Subsequently, in 2006, the Commission published its consultation material (Consultative paper on SEPA incentives) in which it makes a case for the SEPA as a necessary consequence of the introduction of the euro, also pointing out its socio-economic advantages and cost-saving effect. This paper also states that while on the one hand it considers it desirable that payments services should voluntarily put into service and offer their clients the SEPA payments, on the other hand it maintains the possibility of regulatory intervention where the process of migration ran aground.

In a joint statement the ECB and the Commission reiterated that "the introduction of the euro as a single currency can only be considered to be complete if the SEPA is also achieved", in other words, when cashless euro payments by consumers, enterprises and economic organisations can be concluded from a single account anywhere, equally simply, effectively and safely within the Eurozone as within the national environment.

1.3 Regulation in conjunction with self-regulation continues – the launch of payment schemes

The following year (2007) saw an increase in Member States making euro their national currency: Slovenia was the thirteenth to introduce the euro. The regulators – the EP and the Council – moved on too and adopted the PSD. The Directive sets out modern and comprehensive rules for electronic payments available in the EU, which not only govern SEPA services, but incorporate a considerably larger scope of payment services. Not to mention the fact that the PSD enables the establishment of new payment services and institutions in the future. Two PSD rules should, however, be highlighted, which affect SEPA direct debits: approval of them and the request for refunds. The deadline set by the PSD for transposition into national legislation is 1 November 2009.

10 SEPA Card Framework (SCF)

In January 2008 two new Member States, Cyprus and Malta, joined the Eurozone, bringing the total number to fifteen and taking the SEPA process to a new level with the EPC launching its first scheme, the SEPA Credit Transfer Scheme. The joining providers were able to offer this service to their clients for individual or batch transfers, provided that the client's provider was a member of the scheme. The standards of the SCT made the initiation of payment, the processing of transactions and dealing with the beneficiary – that is the automated management of transactions in the entire payment chain – considerably easier. The clearing of cross-border SEPA transfers is supported by the EBA's STEP2 system, the first so-called Pan-European Automated Clearing House (*Bartha*, 2003). With a view to seamlessly incorporating euro payments in the SEPA system in all Member States (including non-Eurozone ones), the EPC developed a system of administration for members that involved the setting up of so-called NASOs[11] in every Member State. The Commission created the opportunity and form for these organisations to provide national coordination and cooperation in the Member States, and called to life the Forum for National SEPA Coordination Committees. At biannual meetings, the Forum provides the opportunity to monitor the individual progress of the Member States, to identify and deal with issues hindering or slowing down migration, and to share best practices. (This EU Forum remained in existence until spring 2016.)

The year 2009 marked another important milestone when Slovenia joined the Eurozone, bringing the total of Member States using the euro to sixteen. On 1 November 2009 the PSD entered into force in every Member State and on the same day both of the EPC's other two schemes were launched, the core and B2B schemes of the SEPA Direct Debit Scheme, with over 2500 payment services. Another crucial regulatory event was the publication of the electronic money directive (2009/110/EC), which, apart from establishing the requirements for institutions issuing e-money, sets out detailed rules for e-money transactions. New legislation further included Regulation (EC) 924/2009 of the EP and of the Council on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001. Among other things, the new directive set out to limit, and ultimately phase out, so-called interchange fees and to promote the financial integration of the EU, in particular with a view to migrate providers to SEPA payment services as soon as possible. An important collection requirement is that the branch offices of payment services that are available at national level must be made available for cross-border SEPA collections after 1 November 2010. In addition to the above legislation the regulators seek to fasten migration to SEPA schemes by means of extra-regulatory measures. Mention should be made of the *EC's Completing SEPA: roadmap for 2009–2012* published in cooperation with the

11 NASO: National Adherence Support Organisation

ECB. This document drew up a list of tasks to be performed by all parties involved (including European and national authorities, payment services providers and their clients) in order to effectively implement the SEPA over the given period. The document specifically establishes six priority areas:

– foster migration;
– raise SEPA awareness and promote SEPA products; design a sound legal environment for SEPA and strengthen SEPA compliance;
– promote innovation;
– ensure necessary standardisation, interoperability and security; and
– clarify and improve the governance of SEPA.

The latter set out eliminate the uncertain economic environment caused by self-regulation by the financial services industry and the supporting legislative measures by the Commission and the ECB. In this context the consultation of the Commission sought an answer to the question how the unsatisfactory progress of voluntary migration could be changed. The responses of payment services providers unequivocally confirmed that they expect the legislators to find a solution and set the end-dates by which time national and cross-border payments must migrate to the SEPA transfer and debit schemes. The ECB repeatedly stated that a specific end date in the foreseeable future needed to be established, in an effort to take advantage of SEPA. Ten years after the introduction of the euro, it was time to develop a Single Euro Payments Area. ECOFIN[12] also shared these views, arguing that the advantages of SEPA could only be fully exploited if euro payments were concluded by means of harmonised SEPA payments, and confusion caused by protracted migration needed to be shortened and eliminated. Assuming an optimistic schedule, that is, the quickest migration to SEPA on both the supply and demand side, an estimation produced by Capgemini[13] for the 2006–2012 period claimed that an overall 123 billion euros could be saved in the social costs of payments in the EU.

In the spring of 2010 the Commission published a new strategic document, "A Digital Agenda for Europe". This points out that the effects and significance of SEPA goes beyond monetary policy and payments. Legal and technical harmonisation was also expected to transform business processes, migrating them from paper-based to electronic channels, and to promote the solutions it provided, such as electronic billing.

In addition to socio-economic cost saving, fast migration to SEPA will, however, also affect the transformation of business processes, the transition from paper-

12 ECOFIN: Economic and Financial Affairs Council
13 Capgemini: Capgemini analysis, 2007: SEPA: potential benefits at stake.

based to digitised/automatic administration. This, in turn, will trigger the release of human labour, causing job losses, and leading in many cases to structural unemployment. This effect is a hindrance to the migration to the SEPA payment schemes.

1.4 The intensity of migration falls short of regulators' expectations – the End-Date Regulation cannot be avoided

The next milestone on the path to regulating the end-date (June 2010) was the SEPA Council, called to life by the Commission and the ECB, which creates a platform for co-operation for representatives of the interested parties of the both the supply and demand side. It was expected to intensify migration to SEPA. The SEPA Council itself supported the closure of the migration process in a regulation, setting clear deadlines for transition to the individual schemes. In October the same year, the ECB published its so-called oversight frameworks for credit transfer and direct debit schemes, which revealed the risks of the payment schemes in an effort to boost user confidence. This, in turn, would also speed up migration to SEPA schemes. This brings us to the end of the year when the Commission presented a proposal for end-dates regarding SEPA migration.

In early 2011 Estonia joined the euro area. The Commission and the Council spent the year formulating a regulation that would set out migration end-dates for each payment scheme, mandatory for the members of the euro area. In December they agreed on the details of "Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009". The Regulation sets out two main end-dates for SEPA migration: one for Eurozone Member States (1 February 2014) and another for Member States, which do not have the euro as its currency (31 October 2016). The dates suggest that migration to credit transfers and direct debits is the same for all countries in each group. Significantly, the Regulation provides that the power to amend the technical requirements set out in the annex of the Regulation is delegated to the EC. It should also be noted that the Regulation prohibits certain conversions (BBAN[14] to IBAN[15] and the conversion of the standards used by enterprises to the XML standard in bundled instructions). It also contains the facilitating measure of customers only having to provide IBANs, not BICs, which is the duty of the payment services providers.

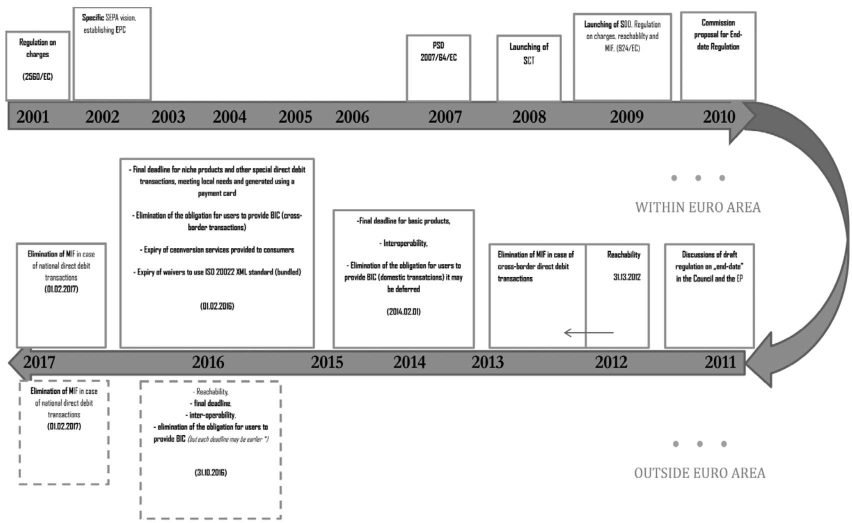
In the following year the ECB published the SEPA Migration Report 2013. It recounts that most concerned parties had completed the planning phase of migra-

14 BBAN: Basic Bank Account Number

15 IBAN: International Bank Account Number

tion and is aware of the implementation tasks lying ahead. However, it also transpired that the majority of enterprises was assuming a late migration (end of 2013), close to the end-date of 1 February 2014 set out in the regulation. The Eurosystem deemed this to be a considerable risk and called on high-turnover companies, public administration bodies and SMEs concerned to implement migration to the SEPA schemes as soon as possible, preferably before the end of 2013. The Council and ECOFIN too supported implementation of migration by the deadline set out in the End-date Regulation, which they also sought to encourage by bringing together the competent authorities of the Member States.

Figure 2
SEPA milestones 2001–2017



Source: based on NBH (*Turján–Brosch*, 2012)

1.5 Moving on in regulation, revision of PSD – implementing migration and beyond

In the meantime the Commission published for public consultation its Green Paper (Towards an Integrated European Market for Card, Internet and Mobile Payments, 2012), which reviewed the role of new payment schemes on the euro payments market with respect to innovation, efficiency and competition, and sought to identify relevant regulatory tasks. The Green Paper and the responses greatly helped the Commission in conducting revision of PSD measures after three years, as set out in the PSD, and to settle the matter of MIFs on the card payments market. The result was a legislation package including the PSD2 and establishing the rules for interbank commissions on card payments. In October the ECB published its second SEPA Migration Report, which found that migration to the credit transfer scheme was generally proceeding smoothly, but the same could not be said for the SEPA direct debit scheme. Although payment services had migrated to the scheme, SMEs were lagging behind in that respect.

In these circumstances the ECB announced the setting up of SEPA's new management body, the Euro Retail Payments Board (ERPB) that would replace the SEPA Council. The ERPB would, more effectively than its predecessor, support the integration of euro payments, innovation and competition on the market. It would be presided by the ECB; the supply side would be represented, according to a rotation scheme, by Eurozone and non-Eurozone central banks, payment institutions and e-money issuing institutions. The Commission's representative would be present at the board meetings as an observer.

In early 2014 Latvia was the eighteenth of the 28 Member States of the EU to join the Eurozone. While this was a positive development, on a less positive note the Commission submitted a proposal for the amendment of Regulation (EU) No. 260/2012, in which it extended the deadline for Eurozone Member States by half a year, until 1 February 2014, making the end-date 1 August 2014. In doing so, it had taken into consideration the facts set out in the ECB's SEPA Migration Report, and in an effort to avoid the risks revealed in the report, it requested an urgent and exceptional procedure from the EP and the Council. As early as in March it published Regulation (EU) No 248/2014 amending, with retroactive effect, Regulation (EU) No 260/2012. In April the ECB published its new report, "Card payments in Europe – a renewed focus on SEPA for cards 2014". In this report it establishes that while efforts had been made to develop the third element of SEPA tools, it had not reached the level of harmonisation of the credit transfer and direct debit schemes. The framework for card payments had achieved some results in standardisation – specifically with respect to the standard application of the EMV chip and to card–terminal communication – but not in relation to domains, and consequently standardisation had to be continued. The report also highlights the fact that the standardisation of functions and security requirements was a prerequisite to the use of SEPA-compliant cards and terminals. The standardisation of cards was completed by testing the functions and evaluating them for security, and by developing a harmonised verification procedure. Ultimately this would reduce card-related fraud. In the summer of this year the ECB issued a Regulation on oversight requirements for systemically important payment systems.

Aspects of payment security are increasingly coming to the fore in the context of card fraud, as well as fast-spreading and popular innovative payment solutions such as Internet and mobile payments used in particular in e-commerce. Initially the ECB set up a forum called SecurePay that brought together the inspectors of European central banks and supervisory authorities. This issued recommendations regarding the security requirements of the new forms of payment. As a result of the ECB's close cooperation with the EBA[16], these recommendations were further developed with the collaboration of the Banking Authority in December 2014 (Guidelines on the security of internet payments 2014).

The most important recommendation regarding minimum security requirements was the so-called strong customer authentication (SCA)[17], which meant considerable tightening, and consequently increased, security for payment services. National banks were required to notify the ECB on the application of the recommendations by May 2015.

In conjunction with these developments, the legislators continued to revise the PSD2, with a view to including the activity and recommendations of the EBA. Revision of the PSD required dealing with a host of issues related to innovations in e-payments and the payment services of the fin-tech companies operating them, as well as new actors in the payment chain and e-commerce, increasingly becoming widespread. The involvement of so-called TPPs[18] in the payment chain not only created a new situation concerning security, but also prompted reconsideration/definition of the rights and obligations of the actors in the payment chain, including the definition of payment services. The final year to be considered in this review in 2016, that is, the implementation of all of the “left-over” requirements set out in Regulation (EU) No 260/2012, aka the End-date Regulation. The table of the NBH sums up the process in a simple table (*Turján–Brosch*, 2012).

16 EBA: European Bank Authority

17 SCA: Strong Customer Authentication

18 TPP: Third Party Provider – intermediary technological service provider involved in the provision of payments or information

Table 1
End-date Regulation requirements

Topic	Additional information	Deadline
Establishing reachability	Euro area MSs	2012.03.31
	Non-Euro area MSs	2016.10.31*
Final deadline for migration	Euro area MSs: basic products	2014.02.01
	Euro area MSs: niche products**+other special direct debit transaction, meeting local needs and generated using a payment card	2016.02.01
	Non-Eurozone MSs	2016.10.31*
Elimination of MIF in case of direct debit transactions	cross-border transactions	2012.11.01
	national transactions	2017.02.01
Establishing interoperability	Euro area MSs	2014.02.01
	Non-Euro area MSs	2016.10.31*
Elimination of the bligation for users to provide BIC	national trasactionss (in Euro area MSs)	2014.02.01***
	cross-border transactions (in Euro area MSs)	2016.02.01
	Non-Euro area MSs	2016.10.31*
Expiry of conversion services (from domestic payment account number [BBAN] to IBAN) provided to consumers	Euro area MSs	2016.02.01
	Non-Euro area MSs	2016.10.31*
Expiry of waivers to use ISO 20022 XML standars in case of users to initiate or receive bundled payment transactions (provided they are not-consumers and micro enterprises)	Euro area MSs	2016.02.01
	Non-Euro area MSs	2016.10.31*

Notes: *Or within one year of the date of the introduction of euro, if the euro is introduced in the MS before 31.10.2015. But not earlier than in the Euro area MSs.
** At the most 10% of credit transfer or direct debit transactions executed in the MS.
***Deferrable until 01.02.2016.
Source: based on NBH data

2. THE SEPA AND THE HUNGARIAN BANKING SYSTEM

2.1 Payment System Forum

The Hungarian banking community became involved in the development of the SEPA in the summer of 2003 when the Payment System Forum (Fizetési Rendszer Fórum; PSF) was set up at the instigation of the National Bank of Hungary (NBH), with support from the Hungarian Banking Association and with the participation of banks assuming a crucial role in payment services, as well as the Hungarian State Treasury. The PSF is a voluntary, independent, self-governing professional organisation dedicated to the cause of national payment services, which aims to continually and effectively develop national payment systems in keeping with market demands, and to integrate these systems into European payment systems.[19] Its organisational structure reflects that of the EPC's. It is headed by the Payment System Council (Fizetési Rendszer Tanács; PSC), a board consisting of the payment-services executives of the member institutions and is jointly chaired by the payment-services vice-president of the NBH and the president of the Hungarian Banking Association. The decisions of the PSC are based on consensus, which in turn the member institutions of the PSF implement on a voluntary basis. Professional sub-committees – such as the Cashless Payments Committee, the Standardisation Committee, the Card Committee and the Cash Committee – closely monitored the activity and results of the EPC from the very outset. In fact, later the membership of the PSF was represented in the EPC through MKB Bank Inc., and this way the working groups of the above-mentioned committees were able to participate in developing the SEPA credit transfer and direct debit schemes, the related standards, card payment frameworks and rulebooks.

2.2 The Hungarian SEPA Association

Owing to the fact that the membership of the EPC consists of a community of commercial banks and finances its activity from membership fees, and because it has no central bank as a member, its activity is self-regulated, and because the introduction of the euro in Hungary suffered multiple delays, in April 2008 the member banks of the PSF established the Hungarian SEPA Association (HSA), an independent organisation exclusively dedicated to the SEPA. This year was not only crucial on account of the founding of the HSA, but also because in February

19 We would note, however, that it is not legally independent and does not conduct any business activity whatsoever.

that year the SEPA credit transfer scheme was launched. Hungarian banks showed great interest in adhering the scheme, and at the start 10 Hungarian banks registered with the EPC and began offering SEPA credit transfer services to their clients. The ECB's requirement of securing availability fell in the 2005–2008 period. In this respect mention must be made of HUNSTEP2, a service jointly offered by the NBH and Giro Inc. As it has mentioned above, Member-State implementation of the PSD was by then "in the pipeline". The Hungarian Banking Association and the HSA actively participated in the legislation process, in collaboration with the national regulators. Payment services – i.e. the banks – carefully and consistently prepared to implement Hungary's Act LXXXV of 2009 on providing payment services.

Contrary to expectations, entry into force of the Directive was not followed by new payment service providers or payment institutions, including telco[20] companies entering the market en masse, and neither did the demand for postal or other credit transfer services increase. The E-money Directive also entered into force in autumn that year, and it went just about unnoticed on the Hungarian payments market. From as early as the entry into force of these rules problems arose in connection with the innovations in payment procedures and currencies, specifically their classification and identification on the basis of the definitions set out by the Directive. Complementary currencies (in form of vouchers) entered the market. However, the SEPA core and basis and business direct debit schemes were launched in November 2009. The Hungarian introduction of these schemes was far less successful than the credit transfer scheme, and ultimately only one Hungarian bank adhered it. The HSA was very active in the period between 2009 and 2012. First, it represented itself in the EPC working groups, and second, it gave high priority to fostering and promoting SEPA awareness in Hungary. It organised professional forums to keep the concerned parties informed, and used all channels available to reach the public. Modernisation of the GIRO clearing service (PÁL, 2014) led experts to the conclusion that migration to same-day cleared payments required a standard that could be used after Hungary's introduction of the euro. The NBH, Giro Inc. and the PSF were joined by the HSA, as a result of which a national clone of the SEPA credit transfer scheme was launched, called the HCT.[21] As a result of the so-called IG2[22] project GIRO Inc. introduced its intra-day payment service, conforming to the four-hour rule, on 2 July 2012. In the same period the number of SEPA credit transfer scheme members in Hungary doubled: cooperative savings banks and medium-sized banks joined the large banks in the ranks of the SCT scheme. This was managed by means of the NASO operated by the HSA.

20 Telco companies: telecommunication companies
21 HCT: Hungarian Credit Transfer – HUF-based SEPA
22 IG2: intergiro2 – name of the inter-day clearing project and new system.

Membership of the HSA underwent temporary changes, too. Magyar Posta Inc. (the national postal service) temporarily joined, and representatives of the public administration participated in the board meetings.

The publication of the End-date Regulation came at a time when it had become clear that the membership-financed funds of the HSA would be depleted in a few years. Also, having completed the transition to euro-based credit transfer (and in many cases direct debit) the stable members of the Association no longer had an interest in supporting SEPA migration across the entire national banking system. It was generally accepted that the Hungarian Banking Association, until then supporting the HSA, was better placed to do that.

2.3 The Hungarian Banking Association

In the summer of 2013, after the Hungarian Banking Association (HBA) expressed its willingness to take over SEPA-related tasks and financing, the HSA decided to wind itself up. In December 2013 the HSA and the HBA concluded an agreement on handing/taking over and continuing SEPA-related tasks.

On these grounds the HBA set up its SEPA Working Committee to manage the rulebooks and standards of the SEPA schemes. The working group responsible for the XML statement of account completed its proposal for a national standard and maintained the operation of the NASO. In the same period the NBH and the Hungarian State Treasury joined the SCT scheme.

In addition to monitoring the liquidation of the HSA, the SEPA Working Committee made it its main priority to support preparation to meet the requirements set out in the End-date Regulation. To that end it set up a migration working group, which, after collecting and analysing issues regarding compliance with End-date Regulation requirements, published in October 2015 its Prospectus ("Tájékoztató a 260/2012/EU Rendelet, az ún. SEPA Vég-dátum rendeletből adódó haza feladatokról" [Prospectus on the national tasks connected to the so-called SEPA End-date Regulation]). In this it discusses in detail, among other things, the interpretation of reachability , submission of bundled transactions and with the conversion of standards and the facilitation of using just the IBAN code (and omitting the BIC code) in the payment transactions.

The SEPA Working Committee developed a communication plan for the period from October 2015 to October 2016 to help both payment services providers and customers to prepare for the migration. This involved the organisation of numerous professional forums, and quarterly publications about SEPA-related news and crucial issues including the conversion of standards and dealing with the IBAN-only problem.

The ECB is closely monitoring the preparation and level of preparedness of the Hungarian banking system (as a non-Eurozone banking system) and Hungarian payment services, and in the time left until the end-date, the NBH is required to report to the ECB.

The SEPA Working Committee's questionnaire-based survey on the work carried out thus far and the NBH's euro payments statistics suggest that successful preparation is not under threat.

In summary, it can established that the development of the Single European Payments Area has taken considerably longer than the concerned parties had originally envisaged (2002–2012). The process of introducing the euro has still not been completed in many of the Member States (including Hungary), causing delays in the process of standardising euro payments. Completion of the latter is established by a regulatory intervention, the End-date Regulation. As regards the preparedness of national payment services it can be established that the majority of credit institutions involved in international payments voluntarily joined at the same time as the Eurozone banks, in particular in the first phase when the credit transfer scheme was launched. In the summer of 2016 the SEPA credit transfer scheme had two dozens of Hungarian members. The NASO provides support to payment services providers wishing to join until 31 October. The two-part questionnaire-based survey conducted by the HBA and the NBH has revealed that national payment services will have fully prepared by the end-date.

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