

## **The Single Euro Payments Area and the public sector**

By Julian Micallef

The SEPA, as it is commonly known through its acronym, is a project expected to bring about a zone where electronic payments conducted from a Member State to another are considered the same as payments made within the Member State. This should, essentially, make it easier for both sender and receiver in a transaction.

To explain the effect in everyday terms, a person who travels to buy in another country in the zone can use his usual debit card, without the need to carry substantial amounts of money in his pockets. This is because all cards conforming to the SEPA system can be accepted through one terminal. One would also be able to transfer his money from a bank account to another in different countries in the euro zone relatively much easier than is possible today.

Such a development, expected to become a reality by 2010, should leave a positive impact on various sectors and continue to improve the European single market. Among others, traders and businessmen will be able to conduct and receive payments from many countries more rapidly while banks will be presented with more opportunities to compete in new markets. As one would expect, a substantial impact shall be felt within the industry that supports card payments.

The public sector, as an entity that collectively administers huge amounts of payments, has an important role in this process. The European Payments Council, a decision-making organisation representing the European banking industry on the subject, has stated that the public sector has a significant role to exercise in directing more payments to be made within the Single Payments Zone.

Although the Single Zone shall lead to a number of benefits, also because European economies are expected to enjoy substantial savings with the adoption of a common standard, it also entails investing in new systems, that essentially are also costly. The public sectors' involvement could, through their economies of scale, shorten the period until the new systems start paying back the dividends both in terms of efficiency and expenditure levels.

We should be witnessing concrete steps in the SEPA's workings as from next year, and the European banking industry has announced that credit transfer schemes shall start operating from next January. Some more years have to pass before this process reaches its full potential. It should, however, be an interesting and natural development within the European project.

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