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SEPA Compliance Gap Highlighted by gtnews Payments Survey

Neil Ainger - 28 January 2013

According to the latest gtnews Payments Survey, there are still a significant number of corporates that have yet to begin a migration programme for the single euro payments area (SEPA) ahead of the 1 February 2014 migration deadline, with 37% of the 284 corporate treasury readers questioned in October and November of last year, admitting that they do not yet have SEPA services in place. Other findings from the just released '2013 gtnews Payments Survey' include the fact that 93% now use electronic e-payments, against 59% for cheques, and only 7% for the much-hyped mobile payments.

Single euro payments area (SEPA)-related payment formats are very slowly gaining ground ahead of the 1 February 2014 end date, with 42% of respondents, versus 34% previously, now using SEPA credit transfers (SCTs) and 20% using SEPA direct debits (SDDs), which was only 14% in the previous 'gtnews Payments Survey'. However, these payment formats are still only being used by a minority of the 284 surveyed corporates, so there is still a lot of work to do to achieve full compliance just one year before the SEPA deadline hits. The mandate management challenge facing many corporates on SDDs is likely to remain a considerable challenge throughout 2013.

The most cited reason for embarking upon a SEPA project is naturally enough compliance with 64% of the corporate treasurer readers of gtnews selecting this option. Cost saving is the next most popular choice (with more than one choice acceptable) with 60% of respondents selecting this, ahead of 53% seeing benefits in centralising payments and 41% choosing bank relationship reduction. The latter is possible because a single bank can now theoretically handle all SEPA payments across European borders.

The latest 'gtnews Payments Survey' confirmed that while cheques are still used by 59% of the 284 corporates questioned, with North American usage ahead of Western European, it was electronic payments (e-payments) which are by far the most common form of regular everyday payment. 93% of respondents said they use them, versus 87% in the previous gtnews survey. The triumph of efficient e-payments and wire transfers has been helped by the improvements and adoption of automated clearing house (ACH) credits and debits in developed countries with 71% and 50% of corporates respectively saying they now use them (up by 16% and 3% respectively since the last survey).

Mobile payments, despite the hype, are only being used by 7% of corporations. The use of mobile authorisations in the trade finance field or elsewhere, one of the few acknowledged benefits for treasurers of the mobile channel, is still relatively unknown as well – only 12% of respondents use them, but 29% indicate that they are planning to do so. Further growth may therefore become evident in this specialised, niche usage of the mobile channel.

The **2013 gtnews Payments Survey** questioned 284 corporate treasurers in October and November last year and was released in Q1 2013. Key findings of the report include:

- A high proportion of survey respondents (41%) reported that treasury only employs one or two technology systems to access and use payment information; only 12% report using 10 or more systems.
- The use of SWIFT services for payment processes is not universal, although they have a small edge (54% report using SWIFT, while 46% do not). Fast-growing, emerging regions, such as Asia-Pacific, central and eastern Europe (CEE) and the Middle East/Africa, are more actively adopting SWIFT.

Interestingly, 45% of North American respondents reported using SWIFT versus 36% previously, which suggests a growth curve.

- One third of respondents are now using electronic e-invoicing, with a further 36% saying they plan to do so, but a significant 31% of corporates remain unconvinced saying they have no plans to adopt it.
- The payments-on-behalf-of (POBO) model, which follows a corporate treasury's decision to centralise its procurement functions and often works best with a shared service centre (SSC), is a popular new structure to adopt. Exactly half of the treasurers questioned in the 'gtnews Payments Survey' are either using a POBO (28%) or plan to do so (22%). Western European organisations are the keenest on POBO with 52% in favour against only 42% in North America who said they are using the structure or plan to.

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