

**Report of the 6<sup>th</sup> EPCA Conference ‘Reshaping the European payment landscape’, Frankfurt 15-16 May 2007**

**From compliance to value creation**

By Manoj Kheerbat

Mid May 2007 approximately 200 professionals from 15 countries, gathered at the Frankfurt Intercontinental to discuss the changing European payment landscape. This conference was the 6th annual conference of the European Payments Consultants Association (EPCA) and was organized by Innopay and Pluscon, respectively the Dutch and Danish members of the association.

The central theme was ‘Re-shaping the European payment landscape’, developed by the two conference chairmen, Harry Smorenberg (SCC) and Douwe Lycklama (Innopay). The theme was explored through a focus on three key areas:

- An update on SEPA
- Beyond compliance
- Innovation

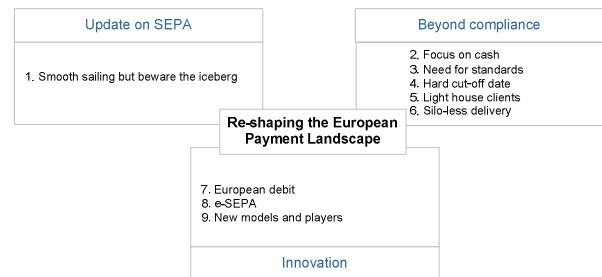
During two intense days 19 high level presentations addressed the changing payments landscape from various angles. Both the current status and future opportunities and threats were reviewed.

Keynote speaker Vanni d’ Archirafi (Citi) opened the conference by stressing that the payment landscape is under intense pressure from many fronts, including:

- Regulatory changes
- Corporate needs
- Consumer expectations and
- Technological innovations

He described how in response to these pressures the European payment landscape is transforming across the value chain. The key to success for market players will be the successful leverage of this transformation through innovative solutions to meet the need of corporates and consumers.

Nine key topics emerged during the conference which can be clustered across the three conference focus areas.



This conference report describes these nine topics and the contributions of the various speakers.

**SEPA update**

**1. Smooth sailing but beware the iceberg**

According to Tumpell-Gugerell (European Central Bank; ECB), the SEPA vision of contributing to the competitiveness of the EU economy by improving the efficiency and safety of payment services, appears achievable. She points out however that bank compliance is only the tip of the iceberg in fully achieving this vision. The



industry must now move to address wide scale adoption through paper free, value added services and straight through processing (STP).

Hartsink (European Payment Council, EPC) points out that reachability could still be an issue. The challenge lies in reaching the last banks. A point of concern are the smaller banks, will they be able to deliver all services to customers?

## Beyond compliance

### 2. Focus on cash

Hartsink described the tremendous prevalence of cash (6 out of 7 payment transactions are cash) and the cost of cash to the EU (EUR 50 billion per year in EU 15) and informed that the EPC is developing a vision for the positioning of cash in society.

Menier (Visa) supported the need to review cash by stating that cash was the final barrier and SEPA provided a great opportunity to replace it. Menier continued by advising that the replacement of cash needed to focus on local geographic solutions and could not succeed without an agile and flexible infrastructure and a supportive regulatory environment.

### 3. Need for standards

Alain Raes (Swift) proposed that beyond interbank reachability lies the challenge of reachability to the corporate / consumer. This must be inexpensive and easy to adopt. The challenges to this reachability are technology, standardization and interoperability.

Buschman (TWIST) and Tabasso (EACT) lent support to the need for standards but wondered whether the timing was right for the financial

community to give attention to this important issue.

### 4. Hard cut-off date

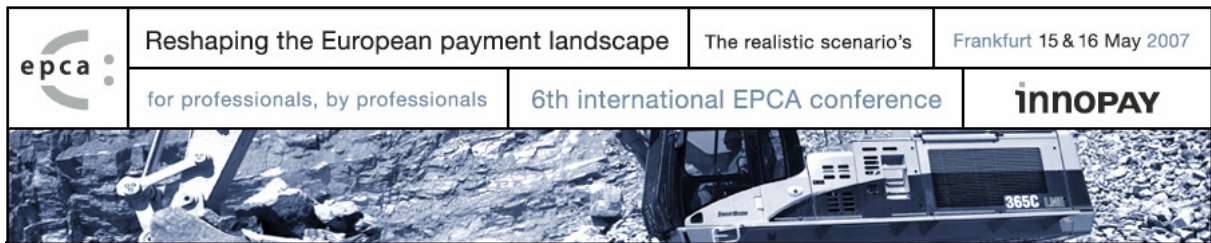
Weiss (SAP) communicated the needs of service providers in ensuring that corporate clients were ready to leverage the SEPA infrastructure. His most prominent request was for a hard cut-off date, without which, he suggested, it would be difficult to motivate organisations to plan and execute migration activity. Van Duuren (GTnews) gave indirect support for a hard cut-off date by revealing the results of a corporate survey which showed low levels of intentions to adopt SEPA amongst corporates.

### 5. Light house clients

Weiss also introduced the concept of a need for lighthouse clients; "pioneer" corporates that could be used as an example for showcasing the benefits of SEPA migration. Castillon (IBM) added that there was no standard European profile for such clients but that they would need to be located per country. The most important characteristic of such a client would be the acceptance of early adopter risk while the business case has not been fully proven.

### 6. Silo-less delivery

Castillon proposed that one of the difficulties of achieving SEPA adoption at large corporates was the need to sell the benefits across corporate silos. This situation was only exasperated by the fact that most financial institutions approached service delivery to such corporates through their own internal silos. Castillon's suggestion of silo less delivery was supported by Pickles (BT Radianz) who described how in his opinion delivery of financial services had acquired the



unusual characteristic of the customer being forced to adapt to the vendor. Pickles urged the banks to provide silo-less single point delivery of all services to meet the needs of the corporate.

## Innovation

Chaplin (CC Associates) described how SEPA creates a climate and technical environment in which new business models can be developed. Chaplin presented the EPCA innovation awards for which this year there were an unprecedented 41 entries.

### 7. European debit

Lamberti (Deutsche Bank) painted a vision of a European debit offering formed through the linkage of existing debit products. He informed that discussions were already underway to move closer to this goal of cooperation and interoperability. Lamberti agreed that there would be many challenges to achieving such a vision, including; different economics between national schemes, the cost of investing in a brand and the acceptance of differing interchange fees.

### 8. e-SEPA

Martin Wilson (Voca) and Michael Steinbach (Equens) both described how the processors were ready for innovation and for the offering of value added services such as e-billing and e-invoicing on their platforms. Bo Harald (TietoEnator) confirmed that e-SEPA is not hype but very much reality. He described the increasing success in the use of the bank id for a consumer's communication with non bank (e.g. public service, utilities, telcos) infrastructure. He further explained the advances being made in the Nordics in re-using the existing electronic

banking infrastructure for e-services such as e-invoicing.

### 9. New models and players

Aguilar (Fortis) showed how innovation need not only be externally focused but can also be used in developing new internal models of operation that are higher in productivity and lower in cost. Isaac (Citigroup) compared the benefits of moving to an outsourced model vs. white labelled model of operation for transactional services. He noted that regulators are showing increasing concern in outsourced activities to non regulated organisations increasing the popularity of white labelled services. Reddish (Mastercard) described the increasing popularity of pre-paid and how Mastercard is delivering innovation through a range of pre-paid products targeted at specific customer segments. Finally, Bellm (Paypal) delivered the closing presentation of the conference giving the figures for Paypal's explosive growth and plans for further growth in Europe, having now obtained a banking license for the region.

In summary, the conference delivered 2 days and 19 informative presentations worth of information and insights to 200 delegates from 15 countries. The messages from the conference were simple and powerful; compliance is great but without small banks, corporate and consumer buy-in the benefits of SEPA will not be realised. This buy-in requires silo-less delivery from the banks, a hard cut-off date from the regulators and lighthouse clients. Finally, innovative organisations continue to make inroads, preparing for them selves a platform for explosive growth on the back of e-SEPA, new business models and products.



## Feedback

- Did you find this summary of the conference useful?
- Do you have questions or need more information?

For all questions or comments please contact:

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## Speakers

Harry Smorenberg	CEO SCC, conference chairman
Douwe Lycklama	Director Innopay, conference chairman
Francesco Vanni d'Archirafi	Chairman Citibank Europe Plc.
Gertrude Tumpel-Gugerell	Member of the Executive Board European Central Bank
Gerard Hartsink	Chairman European Payments Council
Philippe Menier	Deputy Chief Executive Visa Europe
Alain Raes	Head of Banking Industry Division SWIFT
Juergen Weiss	Consulting Manager SAP
Pablo Castillon	Partner Banking Global Business Services IBM
Tom Buschman	Twist
Gianfranco Tabasso	European Association of Corporate Treasurers
Chris Pickles	Manager Industry Relations BT Radianz
Petra van Duuren	GTNews
John Chaplin	CC Associates
Hermann-Josef Lamberti	Member of the Board of Managing Directors Deutsche Bank
Martin Wilson	Chief Commercial Officer Voca
Tom Isaac	Managing Director Financial Institutions Group, Citi
Michael Steinbach	Chairman Board of Directors Equens
Marc Aguilar	General Manager Payments Services Fortis
Bo Harald	Head of Executive Advisors Unit TietoEnator
Chris Reddish	Group Head prepaid Europe MasterCard
Brent Bellm	General Manager PayPal Europe



