

National and International Payments

M 2.1 Arbeitsblatt Vorderseite



**Cross-border payments
in Europe: SEPA**



Introduction

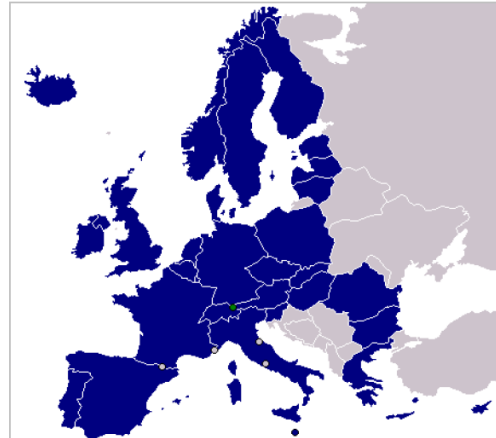
Since the introduction of the euro banknotes and coins in 2002, consumers have been able to make cash payments throughout the euro area from a single purse using a single currency. The Single European Market (*Europäischer Binnenmarkt*) makes sure, that we can buy goods freely throughout the European Union. However, non-cash cross-border payments have been rather complicated and low inside the Eurozone and even more so in EU member states that have not adopted the Euro.

The SEPA project represents the next major step towards closer European integration. SEPA will allow customers to make non-cash euro payments to any person or institution anywhere in the SEPA using a single bank account and a single set of payment instruments. All payments will thereby become “domestic” which means that there will no longer be any difference between national and cross-border payments in the SEPA. People will be able to make payments in euro all over Europe as easily as if they were making a payment in their home town.

SEPA Countries

Not only the members of the Eurozone, but many other European countries have decided to become members of the SEPA which means, that they, too, will accept the Euro-based payment instruments.

TASK 1: Have a look at the map. The SEPA members are indicated by the dark colour. Which of the 31 SEPA countries do not belong to the European Union?



<http://en.wikipedia.org/wiki/Image:SEPA.PNG>

1.
2.
3.
4.

SEPA Components

SEPA is based upon the following elements:

- the single currency = the Euro
- a single set of euro payment instruments –
 - credit transfers (SCT)
 - direct debits (SDD)
 - card payments (SCF)
- identical prices for domestic and cross-border payments
- guaranteed periods after which the money must have reached the receiver's account.

TASK 2: Read through the descriptions below and find the German expressions for the described payment instruments. Fill in the gaps in the texts using the technical terms you have learned for payments and banking.

National and International Payments**M 3.1 Folie/Arbeitsblatt Rückseite**

What is a credit transfer? (_____)

A credit transfer is a payment initiated by the payer. The payer sends a payment instruction (_____) to his / the payer's bank (_____), which moves the funds (represented by bank money = _____) to the receiver's / payee's bank (_____).

Credit transfers can also be made with online banking facilities (_____).

What is a direct debit? (_____ / _____)

A direct debit is a money transfer initiated by the payee (_____) via the payee's bank (_____) after an agreement has been made between the payee and payer (the sender). There are two types of direct debits:

- Direct debits for recurring payments (such as utility bills for water or electricity) (_____). In these cases the payer gives the payee an agreement, which is called direct debit mandate (_____), to withdraw the money from the payer's account.
- Direct debits for one-off payments where the payer's mandate (_____) authorises only one single payment (e.g. for a purchase at an online-shop).

In each case the payee has to give the payer notice (_____) before the money is withdrawn.

Both forms of mandates can also be given electronically (e.g. via e-mail or on the Internet), which causes a certain risk of fraud with stolen data. Therefore disputed direct debits can be recalled (_____) up to 8 weeks after payment and unauthorized DDs up to one year after payment.

What is a card payment? (_____)

A card payment is the use of "plastic money" to settle a payment. Of the numerous types of payment cards that are available to cardholders, two main types can be identified:

- **debit cards** (_____): payments are withdrawn immediately from the cardholder's bank account.
- **credit cards** (_____): a number of payments can be made within a certain credit limit (_____). The balance is settled in full by the end of a specified period (e.g. monthly), which means that up to the end of the period the cardholder is granted a credit by the card firm. If the balance is settled not fully but only in part at the end of the period, the remaining balance is taken as extended credit on which the cardholder is charged interest (_____).

National and International Payments

M 3.2 Folie/Arbeitsblatt Vorderseite [siehe dazu auch M 1.2]

TASK 1: Try to fill in the two SEPA forms below and on the next page.
What words are used for "payer" and "payee" in German and in English?
What specific additional data do you need for the SEPA credit transfer (SCT) and for the SEPA direct debit (SDD) compared to a national payment? Find reasons why!

The image shows a blank SEPA credit transfer form (Kreditüberweisung) with the following fields and instructions:

- Header:** Euro-Überweisung, BANKDEFF XXX, KREDITINSTITUT Irgendwo. Note: Nur für Überweisungen in Deutschland und in EU-/EWR-Staaten, in Euro. Bitte Meldepflicht gemäß Außenwirtschaftsverordnung beachten! Entgeltfrei Auskunft unter 0900-1294 111.
- Angaben zum Begünstigten:** Name, Vorname/Firma (max. 27 Stellen, bei maschineller Beschriftung max. 35 Stellen).
- IBAN** (24 Stellen)
- BIC des Kreditinstituts** (8 oder 11 Stellen)
- Betrag:** Euro, Cent
- Kunden-Referenznummer - Verwendungszweck, ggf. Name und Anschrift des Überweisenden - (nur für Begünstigten)**
- noch Verwendungszweck (insgesamt max. 2 Zeilen à 27 Stellen, bei maschineller Beschriftung max. 2 Zeilen à 35 Stellen)**
- Angaben zum Kontoinhaber:** Name, Vorname/Firma, Ort (max. 27 Stellen, keine Straßen- oder Postfachangaben)
- IBAN** (24 Stellen)
- D E** (Country code)
- 16** (SEPA indicator)
- Datum** (Date)
- Unterschrift(en)** (Signature)

Source: Heigenmoser R. (2007): SEPA aus Bankensicht (ppt-Präsentation)

TASK 2:

Find out, what the meaning and function of the missing additional information (cf. Task 2) is:

1. _____ = _____

2. _____ = _____