

Address by Mr. Mario Spiteri, Honorary Treasurer of the Malta Chamber of Commerce and Enterprise on the occasion of a National Conference on the Single European Payments Area (SEPA) on Friday, 26th October 2007.¹

Your Excellencies, Distinguished Guests, Ladies and Gentlemen,

It is indeed my privilege, as Senior Vice President of the Malta Chamber of Commerce and Enterprise to form part of such a distinguished set of speakers addressing this prominent seminar, so please allow me – first of all - to thank the Central Bank of Malta, the Malta Bankers' Association, and the Malta Chamber of Commerce and Enterprise for inviting me to address this event.

I would like to welcome this bold initiative by these organisations as part of their continuous information strategy for the benefit of their members and the Country as a whole. Ladies and gentlemen, this has been a very fruitful and informative event. I hope that everyone present today will go back more informed about this whole process and the business sector will appreciate the huge advantages of having the SEPA in place

Let me now move on to the subject of my intervention i.e. *'The Business Community perspective on SEPA'*. As you are all aware In the European single market there are still large differences between the national payment systems. The EU is seeking to remove these obstacles and reduce the costs to cross-border payments for consumers by creating a Single European Payments Area (SEPA). To this effect the European Payments Council (EPC) was set up in 2002 to develop a common infrastructure and standards.

¹ Due to unforeseen circumstances, Mr. Mario Spiteri presented this speech instead of Mr. Norman Aquilina, Senior Vice President of the Malta Chamber of Commerce, as had been previously indicated by the programme.

However, there has been only little progress, since banks are reluctant to apply standards and are fearing competition being opened up to non-banks, which makes it difficult to reach the 2010 target.

The rationale behind this concept is to make it as easy, quick and cheap for an EU citizen in any member state to make a payment to an individual or business in another member state as it is to make a similar payment within the borders of his own country. The difficulties are the differences in member-state law and regulation; incompatibility of national infrastructures and technology (much bank card operation and security has been purely national up until now); bank and other charges; dispute resolution and the transition from old payment methods (cash, cheques) to new electronic methods.

It is also interesting to note that while the Commission's legal framework will apply to all the EU 27, the EPC's strategy concentrates on Euro payments therefore payments involving currency exchange are not at present included.

Increasingly, payments are being made by an ever-widening variety of electronic means - card, bank transfer, internet and mobile phone. While foreseeably, cash will remain with us, the use of cheques is fast declining. This development is embraced by the SEPA policy and by the banks for whom cash is the most costly payments method. The Commission's new legal framework therefore, applies to electronic payments only.

Ways of paying are increasing. Many consumers already have internet banking and pay via credit card over the telephone or the internet. The next development is payment by mobile phone. This can either be done by entering a credit card number on the phone keyboard; adding items for payment to a mobile-phone bill (eg key into the phone a number displayed on a vending machine/ car-park ticket machine) or using a pre-payment system. Another possibility is entering a contract with a payment

service provider to make payments through a mobile – thus using the mobile phone as a virtual credit card.

The over-arching twin objectives of the EU Commission in relation to SEPA are improvements in efficiency, and new levels of pan-European competition among banks. It is now far from clear how efficiencies will arise; and the anecdotal evidence suggests that there is little enthusiasm among banks to seek out competitive opportunities in SEPA, either at home or abroad. With only a few months to go to the start of SEPA, what is particularly striking is the silence. There is little awareness among the business community or the population in general. There appears to have been little or no consultation and few public announcements by the banking industry as such today's event marks a strong approach towards achieving this. It is important that that this process is given the importance it is due.

The introduction of SEPA will increase the intensity of competition amongst banks and corporates for customers across borders within Europe. It also provides a business opportunity for a range of other organisations, including payment processors to help banks reduce costs and develop new payment services.

Multi-national businesses and banks have the opportunity to consolidate their payments processing onto common platforms across the Eurozone. They will benefit from substantial efficiencies by choosing among competing suppliers offering a range of solutions and operating across borders.

For consumers, SEPA could mean cheaper, more efficient and faster payments transfer when moving Euro from one Eurozone country to another. SEPA will enable customers to make cashless Euro payments to anyone located anywhere in the area using only a single bank account and a single set of payment instruments.

From the business community's side it is undeniable that we stand to gain from this process. The project includes the development of common financial instruments,

standards, procedures, and infrastructure to enable economies of scale.

Let us not forget that this should in turn reduce the overall cost to the European

economy of moving capital around the region which is estimated today at 2%-3% of total GDP.

The Chamber suggests this event should not be the first and last event of the sort. We should continue informing the business community and the consumers at large of the great advantages of having this unique payments area. The Chamber understands the difficulties Banks will be facing with this change and the huge investments which needs to be done. Nevertheless we hope that this is another step forward for our business community following EU accession and the introduction of the Euro next January.

In Conclusion I augur that this event has served as an occasion to discuss this challenge confronting the banking and business sectors in Europe and mostly important in Malta. Distinguished guests, Ladies and gentlemen, it's been a great pleasure to address this seminar and I wish you all a continuous discussion that will be relevant and stimulating to all the stakeholders involved.

Thank you