



National Programme For Implementing SEPA In Slovenia

Purpose of the document	Produced as a framework document of the payment service providers operating in Slovenia, the National Programme for Implementing SEPA in Slovenia sets forth the framework for and keeps the stakeholders informed of the implementation of the activities aimed at the creation of an integrated euro payments area (Single Euro Payments Area or SEPA).
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1 PURPOSE AND STRUCTURE OF THE DOCUMENT

The National Programme for Implementing SEPA in Slovenia (*hereinafter referred to as: the National Programme*) is the Programme put together by the payment services providers, banks and savings banks - members of the Bank Association of Slovenia, and the Public Payments Administration of the Republic of Slovenia (*hereinafter referred to as: the Public Payments Administration - UJP*), the signatories to the activities launched under the project for the creation of a single euro payments area (SEPA) and subsequently the institutions of this National Programme.

The banks and savings banks - members of the Bank Association of Slovenia – have made a commitment to support the implementation of SEPA along the lines specified in the National Programme by assigning human resources, allocating funding and providing moral support.

Any other stakeholders of SEPA in Slovenia, which are not the members of the Bank Association of Slovenia, may join SEPA by signing a special adhesion statement declaring their commitment to the guidelines laid down in this document in the course of carrying out their operations.

The core purpose of the National Programme is the preparation of a framework for SEPA at the providers of payment services, providers of payment systems and the users of payment services in Slovenia. Another purpose of the National Programme is to inform all stakeholders of the SEPA project – providers and users of payment services, the public administration, the Bank of Slovenia, interest groups and trade associations and administrators of the payment infrastructure, about the objectives set under the project; with the achievement of these objectives, stakeholders will benefit from rapid, cheap and reliable and secure payment services provided in euro across the territory of the European Union under the same conditions and by deploying advanced, highly automated payment instruments.

This document is the fourth, updated/revised version of the National Programme (the first version was approved at the meeting of the Supervisory Board of the Bank Association of Slovenia on 15 February 2007, the second one was approved on 21 February 2008 and the third one on 24 February 2010). The numerous objectives of the SEPA project specified in the previous versions have already been achieved, certain objectives had to be amended in accordance with the new information and objectives of SEPA set at the level of the European Payments Council (*hereinafter referred to as: the EPC*), the European Commission and the European Central Bank (*hereinafter referred to as: the ECB*).

The present document comprises the following:

- The programme and the organisation of SEPA,
- The main starting points for the implementation of the SEPA project in Slovenia in 2007,
- the objectives achieved until 31 December 2011, respectively at the time when the document was finalised,
- the plan for the activities to be carried out in the coming years, and
- The novelties in the area of electronic (Internet) payments and mobile payments (e-payments and m-payments).

The National Programme has been prepared by the working groups and by the support groups of the SEPA project operating within the frame of the Bank Association of Slovenia and the technical services of the Bank Association of Slovenia with the collaboration of the payment service providers, the Bank Association of Slovenia and the Bank of Slovenia.

2 SEPA IMPLEMENTATION PROGRAMME AND ORGANISATION

2.1 OBJECTIVES AND MILESTONES OF SEPA

The principal **objectives** of SEPA are the following:¹

- Integrating the multitude of existing national euro credit transfer and euro direct debit schemes into a single set of European payment schemes is a natural step towards making the euro a single and fully operational currency,
- Creating a SEPA for cards with the aim to ensure the cardholder a unified making or accepting payments with cards throughout the euro area,
- Promoting increased use of electronic payment instruments, while reducing the cost of wholesale cash distribution,
- Establishing a platform for effecting payments via cash across the euro area in collaboration with the Eurosystem, which among others includes transportation, storage, insurance and quality standards for notes and coins and based on uniform procedures reducing the cost of cash distribution.

The ultimate objective pencilled in for SEPA, originally conceived as a market-driven project enjoying strong political and regulatory support of the European Commission and the ECB is, therefore, to provide for consumers, enterprises and the public administration to have access to rapid, cheap and secure/reliable payment services. The payment services will be available in the European Union in a uniform format across the geographical area of SEPA without making a distinction between payments denominated in euro within an individual country (*intra-national transfers/domestic payments*) and transfers made beyond the country's state borders (*cross-border payments*). Payment account holders will make non-cash payments within the euro area by using a single payment account and a single set of payment instruments and it will be done with the same ease, convenience and reliability when making cross-border payments as when making payments within the national borders. In addition, users of payment services will be free to choose a provider of payment services with the most attractive offer regardless of the Member State in which this payment service provider is registered. Individual national communities of the payment service providers will stand out in the competitive market only with their offer of services with value added. At the same time, SEPA will create an environment for achieving even higher effectiveness and competitiveness between payment service providers and providers of infrastructure. It will further contribute to increasing competitiveness of the regions of the European Union on a global scale. This is the ultimate goal all Member States of the European Union strive to achieve with more or less success.

Since the advent of SEPA, numerous important **milestones** have been reached within the frame of the payments integration initiative set out by the European Union:²

Dated	Issued by	Milestone
6 September 1990	European Commission	Communication from the Commission of the European Communities stating that the benefits of the internal market will only be fully realised if systems for effecting cross-frontier payments operate as effectively as those at national level. ³
19 December 2001	EU	Regulation (EC) No. 2560/2001 of the European Parliament and of the Council of 9 December 2001 on cross-border payments in euro was adopted.

¹ Source: http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_vision_and_goals

² Source: legislation of the European Union (EU) and the Resolutions approved by the EPC Plenary.

³ Source: aei.pitt.edu/4685/: *Making Payments and the Internal Market COM (90) 447 final 26 September 1990.*

1 May 2002	EPC	The ways of making SEPA a reality were consolidated into the 2002 White Paper titled <i>Euroland: Our single payment area!</i> – the formal establishment of the European Payments Council by putting signatures of the members of the working groups (banks and banking associations in the European Union, Euro Banking Association – EBA) on the EPC Charter.
10 December 2004	EPC	To reaffirm the vision set out in the 2002 White Paper with the title <i>Euroland, Our Single Payment Area</i> , a description of the way forward for delivery of the Single Euro Payments Area (SEPA) programme was prepared: <i>The EPC's Roadmap 2004-2010</i> .
21 September 2005	EPC	The first version of the document SEPA Cards Framework for payments denominated in euro was approved (<i>SEPA Cards Framework - SCF Version 1.0</i>) with a general purpose card and the incorporated principles for the payment service providers, card schemes, providers of card services and other stakeholders to observe.
8 March 2006	EPC	The first version of the document for practical use was approved by the EPC Plenary: The Rulebook for the SEPA credit transfer schemes (<i>SCT RB Version 2.0</i>) and the Rulebook for the Core SEPA direct debit schemes (<i>SDD RB Version 2.0</i>). (NB: <i>The documents are updated/revised every year in November. The updated/revised versions of SCT RB Version 6.0 and SDD Core RB Version 6.0 will enter into force on 17 November 2012</i>)
8 March 2006	EPC	The first version of the document Framework PE-ACH was approved (<i>PE-ACH/CSM Framework Version 1.0</i>) containing a presentation of the principles and proposals for a single European clearing infrastructure.
8 March 2006	EPC	The document containing the framework for SEPA cash was approved (<i>SECA Framework Version 2.0</i>) with the aim to promote electronic payment methods while reducing costs associated with the use of cash.
15 November 2006	EU	Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds.
13 December 2006	EPC	The Resolution on Receiver Capability to ensure full reachability of all financial institutions within SEPA was approved.
13 November 2007	EU	Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market approved. (<i>Came into force on 1 November 2009</i>).
18 December 2007	EPC	The first version of the Rulebook B2B for the SEPA direct debit schemes (<i>B2B SDD RB Version 1.0</i>) was approved. (NB: <i>the updated version of B2B SDD RB Version 4.0 shall apply from 17 November 2012</i>).
28 January 2008	EPC	The onset of the use of the SEPA schemes for credit transfers in euro.
31 March 2009	EPC	Resolution the way forward for delivery of the SEPA programme regarding mobile payments was approved (<i>EPC M-Channel Roadmap</i>).
16 September 2009	EU	Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in Community and repealing Regulation (EC) No. 2560/2001 was approved. (NB: <i>The Regulation was applied from 1 November 2009</i>).

2 November 2009	EPC	The onset of the use of the SEPA direct debit schemes.
23 June 2010	EPC	The White Paper on mobile payments was approved (<i>White Paper on Mobile Payments Version 1.0</i>).
14 December 2011	EPC	Version 6.0 the document on standardisation of cards within SEPA was approved (<i>SEPA Cards Standardisation Volume Version 6.0</i>).
14 March 2012	EU	Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009 was approved.

2.2 SEPA LEGISLATIVE FRAMEWORK

The SEPA legislative frameworks are governed by the following legal acts of the European Union:

Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds (*hereinafter referred to as: the Regulation 1781/2006*), has imposed the obligation on the payment service providers to provide for all transfers of funds to be accompanied by the information on the payer to make it always possible to trace the transfer of funds back to the payer due to the activities associated with the prevention, investigation and detection of money laundering and terrorist financing. For the Slovenian national community the Regulation 1781/2006 is also important since it enables the Member States of the European Union to decide not to apply the provisions set out in this Regulation to transfers of funds, when the amount of a single transfer of funds is 1,000 euros or less, without prejudice to the objective of efficiently combating money laundering and terrorist financing. The condition for exercising this derogation is that the payment service provider is able to trace back the transaction to the payer from the payee based on information on the payee by means of the payee's unique reference number (identifier),

Directive on payment services in the internal market – Directive 2007/64/EC of 13 November 2007 (*hereinafter referred to as: the PSD*) has put in place a uniform legal framework for the payment services and removed legal differences between individual national environments thus contributing to the establishment of a single internal market. The Member States of the European Union were expected to transpose the PSD into their national legislation by 1 November 2009 at the latest. In accordance with the PSD, the National Assembly of the Republic of Slovenia promulgated on 15 July 2009 the Payment Services and Systems Act – ZPlaSS (*hereinafter referred to as: the Payment Services and Systems Act*), replacing the Payment Transactions Act. The use of the Payment Services and Systems Act was made obligatory from 1 November 2009,

Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the European Union and repealing Regulation (EC) No. 2560/2001 (*hereinafter referred to as: the Regulation 924/2009*) uses the provisions of the repealed Regulation No. 2560/2001 on mandatory indication of the international bank account number (IBAN) of the payment account holder and the bank identifier code (BIC) of the account holder's provider of payment services. Under the Regulation 924/2009, with effect from 1 January 2010, reporting obligations for the balance of payments statistics relating to payments up to the amount of 50,000 euros per transaction were removed and by 1 November 2010, payment service providers had to fulfil a reachability provision applicable to direct debit transactions available to consumers under the direct

debit scheme, whereby payment service providers of payers reachable for a national direct debit transaction denominated in euro on the payment account of that payer must be reachable for direct debit transactions denominated in euro initiated by a payee through a payment service provider located in any Member State,

Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits made in euro and amending Regulation (EC) No. 924/2009 (*hereinafter referred to as the Regulation 260/2012*), the position of the European Parliament of 14 February 2012 and the Council decision of 28 February 2012 and published in the Official Journal of the European Union on 30 March 2012, stipulates 1 February 2014 as the mandatory end-date for migration of credit transfers and direct debits to the SEPA schemes for the countries in the euro area and 31 October 2016 for the countries outside the euro area. The Regulation 260/2012 has abolished the requirement that users payment service providers to specify BIC (it is possible to identify a unique payment account using only IBAN), and specifically by 1 February 2014 for national and after 1 February 2016 also for cross-border payment transactions. Furthermore, the Regulation 260/2012 introduces the ISO 20022 XML standard also at the level of the payment service user – the bank. In addition, by virtue of the Regulation 260/2012, the aforementioned Regulation 924/2009 is amended, which among other things, as of the effectiveness of the Regulation 260/2012, abolishes the maximum amount of cross-border payments in relation to a payment service provider's obligation to levy the charges on a payment service user in respect of cross-border payments that shall be the same as the charges levied by that payment service provider on payment service users for corresponding national payments of the same value and in the same currency. With effect from 1 February 2016, member States are to remove settlement-based national reporting obligations on payment service providers for balance-of-payments statistics relating to payment transactions of their customers. It is envisaged that the PSD will also be aligned with the provisions laid down in the Regulation 260/2012 in autumn 2012.

2.3 PAYMENT SCHEMES AND FRAMEWORKS

2.3.1 General on SEPA schemes and frameworks

The payment schemes and frameworks, which are necessary for making SEPA a reality, containing terms and conditions stipulated in European legislation governing the payment services area (PSD, Regulation 260/2012, etc.), are drafted and updated at the European Payments Council (EPC) as the decision-making and co-ordination body of the European banking industry of the payment service providers sector in the area of payment services. All key documents in relation to the payment schemes and frameworks referred to in point 2.1 are published on the EPC Website.⁴

The SEPA schemes and frameworks encompass a set of rules and practices put in place to provide for a platform for making payments, receiving payments and processing transactions in accordance with SEPA agreed between the payment service providers operating in a competitive environment.

The SEPA schemes and frameworks address the following matters:

- the purpose, objectives and definition of the schemes and frameworks, as well as implementing guidelines for the operational model,
- the business and operating rules covering the whole process of making payments,
- the principles and practices observed in inter-bank relationships and honouring obligations and in risk management,
- the documentation in connection with contracts and agreements;

⁴ The EPC Website: www.europeanpaymentscouncil.eu

The schemes spell out the requirements regarding:

- ownership and governance of the schemes.

In the course of developing the SEPA credit transfer and direct debit schemes, the design approach followed has been the »replacement« strategy, which means that new schemes with common rules, standards and practices for the whole SEPA had to be designed for these payment services. The rulebooks of the SEPA schemes and the associated documents are updated, that is, revised once a year.

The SEPA schemes for credit transfers and direct debits, operated by the EPC, demand a formal access for individual payment service providers.

For the card business, the strategy chosen has been to »adapt« the schemes already existing and their operators (card processing centres) to a new set of business and technical standards and processes. Furthermore, the cash transactions performed within the SEPA framework encompass the harmonisation and rationalisation of the procedures already in place for transportation, quality standards and security of bank notes and coins. The frameworks serve also to regulate the fast-developing area of mobile payments (*m-payments*).

Even in such cases where payment service providers do not formally join the SEPA frameworks, they have to make a clear commitment to align with the respective frameworks by a certain end-date. These frameworks are updated/revised from time to time when necessary.

2.3.2 Credit transfers under the SEPA credit transfer scheme

SEPA credit transfer is a payment service provided in accordance with the Rulebook for the SEPA credit transfer scheme (*hereinafter referred to as: the SCT scheme*).⁵ Credit transfers made within SEPA (SCT) are national and cross-border payment transactions denominated in euro carried out between users of payment services with payment accounts opened at payment service providers within the SEPA area. The SCT Scheme does not limit the amount of payments effected any longer; nevertheless, it provides the possibility to have the amount limited by the payer's provider of payment services.

SEPA Credit Transfers may be both single and mass (bulk) payment transactions.

The amount of the payment transaction is always credited to the payee's payment account in full. As regards the costs to be borne by the payer and by the payee, the shared cost option shall apply. Payment service users shall agree with their payment service providers the amount on which costs/fees are charged and the amount of these costs/fees. The payer and the payee shall settle the costs and fees charged by their payment service providers individually and separately from the payment transaction.

The SEPA Credit Transfers comprise also information regarding the payer for the purpose of transferring information related to a payment transaction in the case when the payer is not also the debtor the same time. The information regarding the payment transaction may be transmitted in a structured or in an unstructured remittance format. The information on payment transaction, transmitted by the payer to his provider of payment services, must be transferred to the payee in full and unmodified.

In accordance with the rules governing the SCT scheme, the payer's provider of payment services must make sure that the amount of the payment transactions is credited to account of the payee's provider of payment services within one bank business day (D+1).

⁵ Rulebook schemes SCT: http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_credit_transfer

So far, 21 payment service providers, including the Bank of Slovenia, have joined the scheme SCT in place in Slovenia. The list of signatories is published on the website of »SEPA Slovenia« at: www.sepa.si.⁶

2.3.3 Direct debits under the SEPA direct debit schemes

SEPA Direct Debit (SDD) is a payment service carried out in line with the requirements laid down in the Rulebook of one of two SEPA direct debit schemes: the core or business-to-business (B2B) schemes specified in the Rulebook for the Core SEPA direct debits scheme⁷ and the Rulebook for the SEPA B2B direct debit scheme.⁸ The Core SDD Scheme primarily caters to direct debits and serves to debit consumers' payment accounts in the first place, as opposed to the SDD B2B scheme serving only for the performing direct debit transactions between economic agents (business entities?). The SDD Schemes Rulebooks define also an e-mandate – a consent issued by the payer in electronic format for effecting direct debits and the risks associated with effecting SEPA Direct Debits.

The SEPA Direct Debits are performed between the participants with payment accounts opened with the payment service providers, which have joined the SEPA scheme, that is, the SEPA schemes for direct debit payments (*hereinafter referred to as: the SDD scheme/schemes*).

Acting on the basis of the mandate the payer shall submit to the payee in paper or electronic format, the payee shall send the instructions for direct debit collection through his payment service provider to the payer's payment service provider. The payer's payment service provider receives a payment order for debiting the payment account including the information on the mandate provided by the payer; the information regarding the payer's mandate shall be included each time the order to debit the account is submitted. The payer and the payee must have a payment account opened with the payment service providers, which have joined the SDD scheme, respectively to the schemes, since the fact that they are signatories to the SDD scheme(s) is binding upon them and they have to perform direct debits within the home country and across its borders in accordance with the SEPA requirements.

The number of payment service providers, which have joined the Core SDD scheme in Slovenia is 21 and the number of the payment service providers, which have joined the B2B scheme is 13. The list of the signatories is published on the website of SEPA Slovenia.⁹

2.4 THE ORGANISATION OF SEPA IN EUROPE

The European Payments Council EPC¹⁰ with membership composed of the payment service providers as the representatives of the European sector of payment service providers was the principal actor in the SEPA project until 2011. The geographical area of SEPA encompasses 32 European countries with their overseas territories and some other European countries as shown below:

- 17 Member States of the eurozone: Austria, Belgium, Cyprus, Estonia, Finland, France, Greece, Ireland, Italy, Luxembourg, Malta, Germany, Netherlands, Portugal, Slovakia, Slovenia, Spain and
- 10 other Member States of the European Union: Bulgaria, the Czech Republic, Denmark, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom (including Gibraltar),
- Three countries of the European Economic Area: Iceland, Liechtenstein and Norway,

⁶ The list of signatories: <http://www.sepa.si/SloPrenova/SepaSlo/SeznamSepaPristopnicSlovenija.pdf>

⁷ The SDD core schemes Rulebook : [http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_direct_debit_\(sdd\)](http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_direct_debit_(sdd))

⁸ The B2B SDD Schemes Rulebook:

[http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_business_to_business_direct_debit_\(b2b_sdd\)](http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_business_to_business_direct_debit_(b2b_sdd))

⁹ The list of the signatories: <http://www.sepa.si/SloPrenova/SepaSlo/SeznamSepaPristopnicSlovenija.pdf>

¹⁰ As of 2012, a new model of the project organisation is in the pipeline.

- Two countries and departments beyond the EU territory in accordance with the authorisation granted by the EPC Plenary allowing their competent institutions to adhere to the SEPA schemes: Monaco, Switzerland and Mayotte and Saint-Pierre-et-Miquelon (the French overseas departments),
- Nine other countries, territories and colonies: Aland Islands (the Finnish province), the Azores and Madeira (Portuguese overseas territories), the Canary Islands, Ceuta and Melilla (the Spanish territories), French Guiana, Gibraltar (the British overseas territory), Guadeloupe, Martinique, Reunion (the French overseas departments).

The EPC was established back in June 2002 by 42 European banks, three European credit sector associations (*ECSAs*) and the Euro Banking Association – *EBA*, and it is currently composed of 74 members representing European banks, banking communities and payment institutions. More than 360 professionals from 32 countries covering practically all areas of payment services are directly engaged in drafting and implementing the work programme of the EPC representing all sectors of the banking industry including payment service.

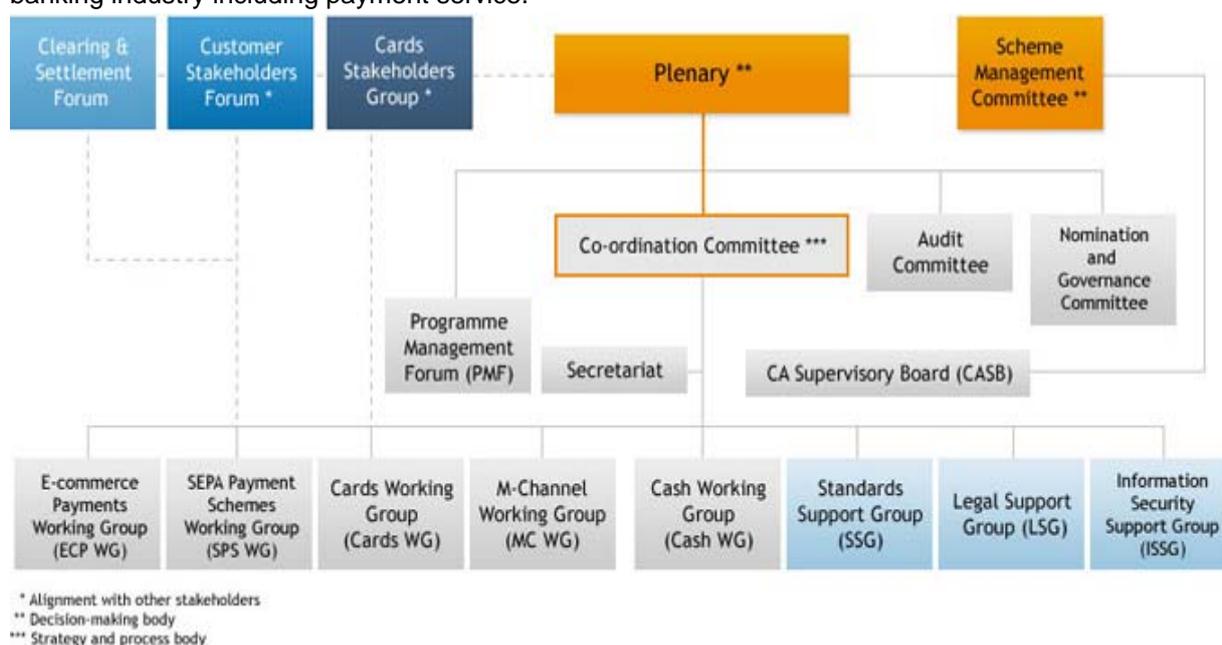


Figure 1: The organisational scheme of the European Payments Council (EPC Governance Structure)¹¹

The principal decision-making body of the EPC is the Plenary, which is composed of the representatives of the members of the EPC, and which meets four times a year. To provide support to the EPC Plenary, the Co-ordination Committee and the EPC Scheme Management Committee (SMC) have been created: the former with mandate to draft proposals laid before the Plenary to decide and the latter to resolve disputes in connection with the SEPA schemes. All EPC committees and other ad hoc bodies report to the Plenary. With the aim to provide a platform for consultation and exchange of opinions with the members of the EPC on particular topics, a special forum for programme management has been formed (Programme Management Forum – PMF). The Bank Association of Slovenia has its representative in the EPC Plenary, Co-ordination Committee and in the Programme Management Forum. An important role in managing the EPC (the Statute, membership, etc.) is played also by one of the EPC committees – the Nomination and Governance Committee – NGC.

For the purpose of achieving the objectives set out under the SEPA project, the following working groups have been established within the frame of the EPC: for SEPA payments (*SPS WG*), for cards (*Cards WG*), for cash (*Cash WG*), for e-commerce payments (*ECP WG*) and for m-channels (*MC WG*) and support groups for standards (*SSG*), legal matters (*LSG*) and for information security (*ISSG*). Members in the working groups and in the support groups are the representatives of the members of

¹¹ Source: http://www.europeanpaymentscouncil.eu/content.cfm?page=what_is_epc

the EPC. The representatives of the Bank Association of Slovenia take part in the work of all these working groups.

As recently in 2011, the EPC was the ultimate body vested with power to design solutions for SEPA (designing the SEPA schemes and frameworks) and to this end, the EPC engaged in interaction also with other interested parties – SEPA stakeholders, which make their voice heard in the Customer Stakeholders Forum. In line with commitment to providing impetus to the migration to SEPA after it lost momentum and failed to meet the expectations, a new model for running SEPA is in the pipeline (*SEPA governance*), with the EPC playing the role of one of the stakeholders acting as a representative of the European sector of payment service providers. Under the new governance model, the SEPA stakeholders representing other sectors (companies, consumers, etc.) would be on equal footing with the EPC.

The progress achieved in carrying out the activities for the implementation of SEPA are monitored closely also by the regulators, and specifically by the European Commission, which in 2009 released a timeframe for the implementation of SEPA 2009–2012¹², and in March 2012 adopted the Regulation 260/2012, and by the ECB, which publishes *ad hoc* reports on the progress of SEPA.¹³

2.5 THE ORGANISATION OF SEPA IN SLOVENIA

The SEPA project has been evolving under the umbrella of the Bank Association of Slovenia since its launch in April 2007 and it is organised along the same lines as the SEPA project is organised at the EPC. The SEPA community consists of 20 Slovenian banks and savings banks, members of the Bank Association of Slovenia,¹⁴ the Bank of Slovenia, the Public Payments Administration of the Republic of Slovenia – UJP and the company Bankart d.o.o. in the capacity as the provider of the SEPA national infrastructure for low-value (retail) payments.

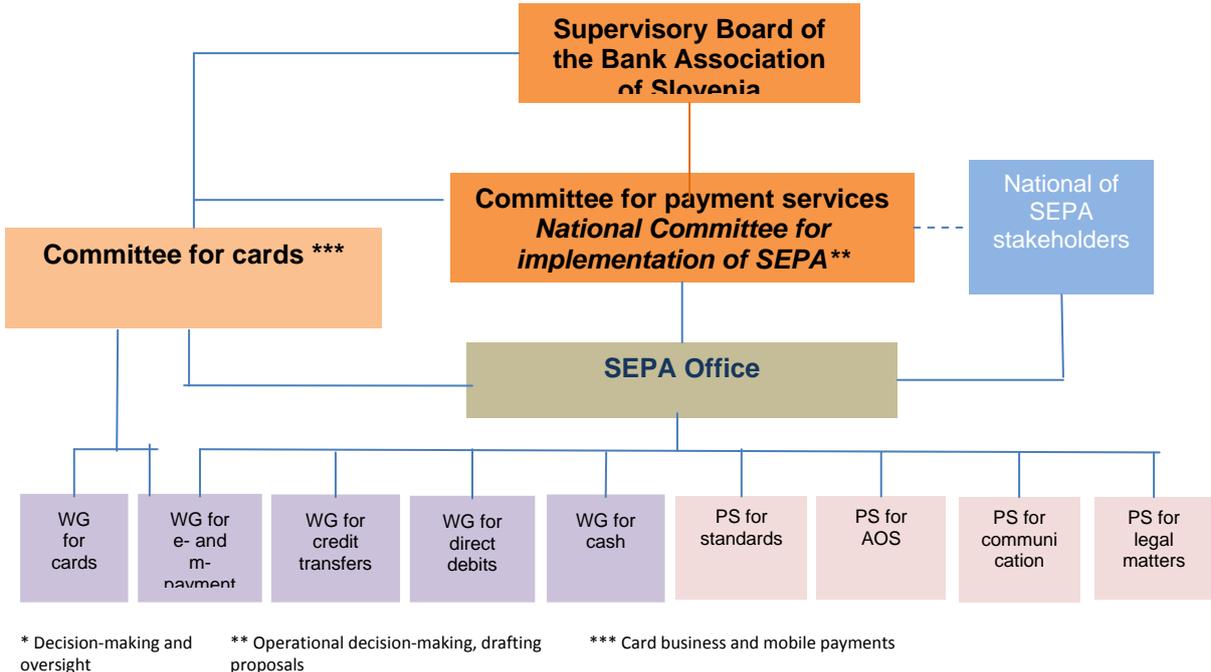


Figure 2: The organisational scheme of the SEPA project within the frame of the Bank Association of Slovenia (effective since June 2011)

¹² SEPA Roadmap 2009–2012: http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_en.pdf

¹³ Reports ECB: <http://www.ecb.int/pub/pdf/other/singleeuropaymentsarea200811en.pdf>

¹⁴ The Bank Association of Slovenia has 24 member institutions of which three are members (two branch offices of banks in EU and one bank) are included in SEPA through their parent banks located in EU; one member institution does not provide payment services for users.

The Supervisory Board of the Bank Association of Slovenia is the top-level decision-making body and it discharges oversight of the project as the Steering Committee. The Committee for Payment Services in the role of the National Committee for the implementation of SEPA (NOI) is operational decision-making body. The Committee for cards in the area of SEPA is operational body for the payment card area.

The national forum of the SEPA stakeholders in its role of a consultative body comprises representatives of all stakeholder groups of the SEPA project. The National SEPA Stakeholders Forum consists of the representatives of the Bank Association of Slovenia, Bank of Slovenia, Ministry of Finance of the Republic of Slovenia (*hereinafter referred to as: the Ministry of Finance*), Public Payments Administration - UJP, the chambers (for *trade, commerce and industry, crafts and small businesses*), consumer organisations and insurance associations, etc.

The activities in the area of SEPA are co-ordinated by the SEPA Office, a dedicated organisational unit within the Bank Association of Slovenia responsible for the co-ordination of all working bodies, keeping the payment service providers and other stakeholders informed on SEPA and exchanging communications with the EPC on the activities of the Slovenian community in the area of SEPA. The SEPA Office plays also a role in the adherence process as a national committee for the facilitation of the administrative process in adhering to SEPA (*National Adherence Support Organisation – NASO*).

There are six working groups and four support groups operating within the framework of the SEPA project, which means that all areas of SEPA are covered (*please see Figure 2*).

The Bank of Slovenia as the regulator monitors the progress achieved in carrying out the activities in the area of SEPA in Slovenia and released in March 2012 the second report on the progress with the title: *The SEPA project in Slovenia*,¹⁵ in which it provides in addition to an in-depth analysis of the developments since the release of the first report back in 2009 also its findings and recommendations to the stakeholders of the SEPA project in Slovenia.

2.6 THE ROLE OF INSTITUTIONS AND ECONOMIC AGENTS IN THE IMPLEMENTATION OF SEPA IN SLOVENIA

The realisation of SEPA depends on the pro-active participation of all economic agents and institutions, that is, stakeholders in the national environment, where all entities involved should contribute to its success by playing their part. To this end, it is of particular importance that the general public should understand and approve the principal objectives of SEPA since it is the only way to benefit from the expected advantages of SEPA. Therefore, communication with stakeholders is of paramount importance. An overview of the economic agents and institutions in Slovenia and of their tasks in the preparation and implementation of SEPA is given below.

Tasks assigned to payment service providers

- A full-scale communication and spreading awareness of SEPA benefits (education/training of employees and users)
- Design and implementation of SEPA products based on the SEPA schemes
- Adapting proprietary technology, testing the payment infrastructure and going live
- Providing testing environment for payment service users where necessary
- Defining and developing complementary services to meet specific customer expectations (*Additional Optional Services – AOS*) and services with value added (*Value Added Services – VAS*)
- Modifications and amendments to internal acts
- Co-ordinated approach to common vendors of software applications (harmonisation of technical and technological requirements)
- Co-ordinated approach to use of a common data standard for the users
- Co-ordinated approach to migration to the payment schemes (credit transfers and direct debits) and when making adjustments to the SEPA framework (cards, cash, e-payments, m-payments)
- Promoting migration of the existing payment schemes to the SEPA payment schemes

¹⁵ Report prepared by the Bank of Slovenia: <http://www.bsi.si/placilni-sistemi.asp?Mapald=1476>

- Monitoring implementing activities and progress in the area of cash and payment cards
- Participating in the meetings of the working bodies that operate within the framework of the EPC
- Allocating financial resources and assigning human resources for work on the centralised project within the framework of the Bank Association of Slovenia and providing moral support to the project

Tasks assigned to the Bank Association of Slovenia – ZBS

- To establish and manage the SEPA project for SEPA implementation in Slovenia (organisation of work and support to the SEPA working and support groups)
- To carry out the tasks of the national adherence support organisation (NASO)
- To co-ordinate activities and to circulate information to the banks and savings banks, members of the Bank Association of Slovenia, Bank of Slovenia and the Public Payments Administration of the Republic of Slovenia - UJP
- To prepare an action plan for a harmonised approach to the implementation of SEPA in Slovenia
- To adopt a single policy for the implementation of SEPA in Slovenia
- To prepare an action plan for swift migration of payments carried out through the national schemes to a single set of SEPA payment instruments
- To promote pro-active co-operation with all stakeholders (users, Bank of Slovenia, Public Payments Administration - UJP, Ministry of Finance, government, interest groups and trade associations)
- Defining additional optional services (*Additional Optional Services – AOS*) and services with value added (*Value Added Services – VAS*)
- Monitoring the progress achieved in testing the payment infrastructure at the member institutions of the Bank Association of Slovenia
- Liaisoning with the EPC and the European Commission
- Reporting to the EPC in accordance with requirements and guidelines regarding the progress of the SEPA-related activities and any inherent risks
- Having the most important approved documents of the Bank Association of Slovenia on SEPA translated into the English language
- Promoting migration of the existing payment schemes to a single set of SEPA payment instruments
- Preparing and implementing the national communication plan (marketing, leaflets, brochures, website, public relations – PR, answering questions asked by the media, special events and training sessions, etc.)
- Education/training in relation to the novelties introduced within SEPA and SEPA products
- Steering the SEPA National Forum
- Co-ordination of activities with the clearing house

Tasks assigned to the Bank of Slovenia 17 – BS

- Monitoring and directing the activities carried out by the payment service providers along the lines of the Eurosystem policy
- Liaisoning with the payment service providers through observers in the working and support groups operating within the framework of the Bank Association of Slovenia and by pursuing a pro-active stance in other working bodies (Committee for payment transactions, National SEPA Forum)
- Monitoring the progress achieved in the migration of payment transactions from the national schemes to the SEPA schemes

Tasks assigned to payment services users

- Co-operation with payment service providers at implementation of products SEPA
- Co-operation with payment service providers when carrying out the SEPA-related tests
- Adapting the proprietary payment infrastructure (alignment with new standards, B2B, e-mandate, etc.)
- Consistent use of the mandatory data for automated payments processing (acquiring data from suppliers – IBAN, BIC, etc.)
- Adopting any new standards for the user's electronic (Internet) operations with the payment service providers
- Engaging in co-operation-intensive activities with the Bank Association of Slovenia within the frame of interest groups and trade associations (Chamber of Commerce and Industry of Slovenia, Chamber of Crafts and Small Businesses of Slovenia, Consumers Association of Slovenia, Slovenian Insurance Association, Chamber of Trade of Slovenia, etc.)

Tasks assigned to the public administration

- Engaging in co-operation-intensive activities with the Ministry of Finance and the Public Payments Association - UJP with the Bank Association of Slovenia and with the Bank of Slovenia
- Promoting the implementation of the Programme and introducing SEPA into the frame of the public administration
- Providing assistance to budgetary users nation the process of changing over to SEPA and encouraging them to become »early adopters« of the SEPA payment instruments
- Playing the role of »early adopters« also at implementation of the SEPA Direct Debit schemes

Tasks assigned to payment infrastructure operators

- Adopting the decision to preserve, abolish, that is, develop the existing payment infrastructure (e.g. clearing cards (please see the term » clearing« in the glossary), processing payments under the NPI national schemes, SEPA infrastructure for low-value payments – SIMP)
- Putting in place the infrastructure for interoperability with the European payment systems, compliant with SEPA
- Adapting technology and standards and providing funding necessary for their introduction
- Providing testing environment and the co-ordination of testing the payment infrastructure with the SEPA stakeholders
- Liaisoning with other stakeholders

Tasks assigned to interest groups and trade associations

- Intensive co-operation interest groups and trade associations, such as the Slovenian Consumers Association, the chamberse (Chamber of Commerce and Industry of Slovenia, Chamber of Crafts and Small Businesses of Slovenia, Chamber of Trade Slovenia), Slovenian Insurance Association etc., with the Bank Association of Slovenia (SEPA Forum stakeholders)
- Raising awareness of the SEPA benefits – education/training for payment service user groups (consumers and enterprises)

3 MIGRATION TO SEPA IN SLOVENIA

3.1 BUILDING BLOCKS FOR THE IMPLEMENTATION OF THE SEPA PROJECT

There is a description of the situation existing in Slovenia in the area of payment transactions at the time when the SEPA project was launched within the frame of the Bank Association of Slovenia in April 2007.

3.1.1 Credit transfers

The following credit transfer instruments were used in Slovenia before they were designated for migration to the SEPA Credit Transfer scheme:

- national credit transfers:
 - national credit transfers were performed through the payment system for low-value (retail) payments (Giro clearing – ŽK, *please see point 3.1.6*),
 - new payment instruments (NPI):
 - special payment order (PP) – a standardised paper payment order containing an optically readable information (OCR) line that enabled automated payment processing,
 - standing order (TN) – electronic payment orders enabling several subsequent, monthly payment transactions,
 - direct credit (DO) – an electronic payment order enabling the payer to prepare payment orders crediting funds to several recipients/payees at the same time,
 - internal credit transfers carried out under the provisions and terms and conditions of a particular provider of payment services,
- cross-border credit transfers denominated in euro.

The national credit transfers, cross-border credit transfers and special payment order enabled the payers non-cash and cash settlement of their obligations.

The date for the settlement of credit transfers in Slovenia was the following:

- national credit transfers were settled through the Giro Clearing System on D+0 (within the frame of five cut-off times),
- payments of special payment orders were settled on D+1,

- as regards cross-border credit transfers, the settlement date depended on the working hours for effecting payments of an individual provider of payment services.

3.1.2 Debit payments

The following debit payment instruments were used in Slovenia before they were designated for migration to the SEPA Direct Debit schemes:

- direct debit (DB) – an electronic payment order enabling the recipient/payee to receive several subsequent monthly payments effected on the basis of the payer's universal mandate,
- special payment order (PN) – a standardised paper payment order containing an optically readable information (OCR) line (PN was not designated for migration to SEPA and was discontinued on 1 November 2009),
- cheques (cheques were not designated for migration to SEPA).

3.1.3 Card services

In the area of card services, two domestic card schemes were in place in Slovenia:

- Activa, issued by the payment service providers, members of the Activa card system, and managed by Banka Koper d.d., and
- Karanta, issued by the payment service providers, members of the Karanta card system, managed by Nova Ljubljanska banka d.d.

Pursuant to the umbrella licence contracts that sometimes allow a connection in the form of partner programmes, the national Activa card scheme is linked with the international card schemes MasterCard – Maestro and Visa, viz.:

- for debit cards: a linkage to the card schemes Maestro/Cirrus and Visa-Electron/PLUS,
- for credit cards: a linkage to the card schemes MasterCard and Visa.

A special feature of the Slovenian card landscape were the transactions through the ATMs with debit cards processed in Slovenia, even though these cards were linked to the international card scheme Maestro.

3.1.4 Cash payments

Euro bank notes and coins were introduced in Slovenia on 1 January 2007 and it marked the advent of the SEPA project in Slovenia with the EU single currency as the country's legal tender. The focus of attention was on the wholesale cash distribution, verification of authenticity and fitness of euro banknotes and on the harmonisation of cash-related operations with the aim to reduce costs for the users of cash.

3.1.5 Standards

In the area of standards, the following standards were used well ahead of the migration to SEPA:

- The international bank account number IBAN (ISO 13616, Financial services - International bank account number) in the national and cross-border payment transactions,
- The bank identifier code BIC (ISO 9362, Banking – Banking Telecommunication Messages) in the national and cross-border payment transactions,

- The structured reference of the payer and of the payee in the national payment transactions,
- the SWIFT standard for the electronic data interchange and information referring to payment transactions at the inter-bank level,
- The national data standard for the electronic data interchange referring to credit payment transactions made between payment service providers and legal entities (TKDIS). The use of the existing TKDIS data standard for the electronic data interchange referring to payments between payment service users and payment service providers, taken over by the payment service providers from the Agency of the Republic of Slovenia for payment operations, supervision and information has been very important in setting the stage for a high portion of payment services carried out in Slovenia using electronic channels,
- The national data standard for the electronic data interchange referring to credit payment transactions between payment service providers and legal entities (ZBSXML). In 2006, due to the limited use of the TKDIS standard and a broader use of the new standard (also for cross-border payment transactions), the use of the ZBSXML 1.0 standard was announced,
- The standard used for Zbirni center (ZC) Bankart (*hereinafter referred to as: ZC Bankart*) for the electronic data interchange between payment service providers and payment service users for credit and debit payments under the NPI schemes (*special payment order, direct credit, standing order, direct debit, special payment*). This standard was used also at the inter-bank level,
- A portion of direct debits within the country was carried out on the basis of bilateral agreements made between the payment service providers and the payees.

3.1.6 Payment infrastructure

Before giving the green light to the migration to SEPA, the payment infrastructure in place in Slovenia made it possible to effect payments using different payment instruments of which some were specific for the national environment.

Credit transfers were made as described below:

- Giro clearing payment system – ŽK enabled carrying out low-value (retail) payments between the participants of the payment system and primarily payments effected within the frame of payment services provided by the participants of the system for their customers through the Giro Clearing system,
- ZC Bankart – the payment system operating within the frame of the company Bankart d.o.o. and enabling electronic data processing of new payment instruments (NPI), and these payment instruments were mostly settled through the Giro Clearing payment system,
- STEP2 XCT and TARGET payment systems – cross-border credit transfers were carried out through the European payment system STEP2 XCT (*eXpress Credit Transfer*), and settlement was carried out in the European payment system TARGET,
- A portion of credit transfers within the country (direct credits and standing orders) was carried out on the basis of bilateral agreements made between payment service providers and payers,
- Correspondent banking for cross-border payments, which comprise cross-border transfers made between payment service providers and cross-border payment transactions in the national currency, and
- payments within a bank, that is, within a banking group.

Direct debits and special payment orders were processed at the Bankart Collection Centre. A portion of direct debit payments within the country was carried out on the basis of bilateral agreements concluded between individual payment service providers and payees.

In the area of **payment cards**, there were four card processing centres for processing card transactions:

- Bankart d.o.o. provided processing of Karanta and of the international card schemes Maestro, MasterCard and Visa and processing of the ATM transactions in Slovenia for 12 national payment service providers,
- Banka Koper d.d. provided processing of the domestic Activa card scheme and the international card schemes MasterCard and Visa for Banka Koper and for seven national payment service providers,
- e-Funds d.o.o. provided processing of the Mastercard and Visa cards for a provider of payment services, and
- Abanka Vipa d.d. processed its own Visa cards.

3.2 IMPLEMENTATION BY SEPA PRODUCT UNTIL 31 DECEMBER 2011

The following outline of the progress achieved in migration to SEPA in Slovenia during the period between the beginning of 2008 and the end of 2011 for every payment instrument, that is, SEPA product.¹⁶

3.2.1 Credit transfers

The term migration refers to the transition from the existing national schemes, rules and standards to the SEPA rules, schemes and standards. Slovenia has managed to keep in place most advantages of its national payment schemes and best practices in the process while observing the requirements spelled out by national legislation. One of the important provisions laid down in the Payment Services and Systems Act (ZPlaSS) prescribing stricter requirements for carrying out domestic credit transfers within the country than the requirements laid down in the PSD, stipulates that the amount of the payment transactions is credited to the account of the payee's provider of payment services on the same day when the payer's provider of payment services has received the payment order.

The migration of credit transfers started in 2008 when the payment service providers joined the SEPA credit transfer scheme. The mass migration of credit transfers at the level of the payment service providers started in 2009 when the processing of the national credit transfers migrated to the national payment system for credit transfers (*SEPA IKP, please see point 3.2.6*). The mass migration was completed at the end of 2011 by wrapping up the transition of processing of the new payment instruments (NPI) to the SEPA IKP payment system (SEPA Internal Credit Transfers).

The migration was carried out in line with the milestones laid down in the National SEPA Programme in Slovenia. The following business models have been prepared to facilitate the migration process:

- The business model for a gradual transition from the special payment order (PP) to the SEPA Credit Transfer scheme (SCT) and the introduction of a new universal payment order (UPN), and
- The business model gradually leading to the changeover from direct credits (DO) to the SEPA scheme for credit transfers (bulk payments).

As of 1 November 2010, a new form for the universal payment order (UPN) was implemented as a standardised form that facilitates making payment transactions and preserves all the advantages of the payment forms used until that date: the special payment order (PP02 form), the payment order (BN02 form) and the regulated cross-border payment order (RP01 form). The UPN form complies with

¹⁶ The progress made in migration to SEPA after 1 January 2012 until the completion of the National Programme revision is also included.

all SEPA requirements for carrying out payments; it contains also BIC of the payee's payment service provider and a four-digit external purpose code.¹⁷

As the users gradually introduced changes necessary to embrace the SEPA standard and the use of the UPN form, the scene was set for the start of the migration of also at the level of user-provider of payment services. The dynamics of the migration was at its peak when the payment schemes NPI for special payment order and direct credits were abolished in 2011. The payment service providers offered to their users, among other, free-of-charge Programme for conversion data on direct credits NPI from the standard used by the Bankart Collection Centre to the standard for SEPA Credit Transfer.

Until 31 December 2011, the migration of credit transfers to the SEPA Credit Transfer Scheme followed the road map shown below:

- 28 January 2008: payment service users are able to make cross-border SEPA Credit Transfers through a single entry point (*SEPA SVT-SCT*) provided by the Bank of Slovenia as a temporary solution,
- 9 February 2009: the migration of cross-border credit transfers from SEPA SVT-SCT to the payment system for external payments (*SEPA EKP*), operated by the company Bankart d.o.o.,
- 31 July 2009: the completion of the migration of national credit transfers at the inter-bank level from Giro Clearing to the SEPA scheme through the payment system SEPA IKP (SEPA Internal Credit Transfers),
- 1 September 2010: the completion of the migration of standing orders under the NPI scheme to the SEPA scheme for credit transfers phased in since 28 January 2008,
- 1 November 2010: the onset of the use of the UPN form,
- 31 December 2011: the completion of the migration of special payment orders under the scheme NPI to SEPA scheme for credit transfers,
- 31 December 2011: the completion of the migration of direct credits under the scheme NPI to SEPA scheme for credit transfers,
- 31 December 2011: the elimination of the old paper forms for payment orders (*PP02, BN02 and RP01*).

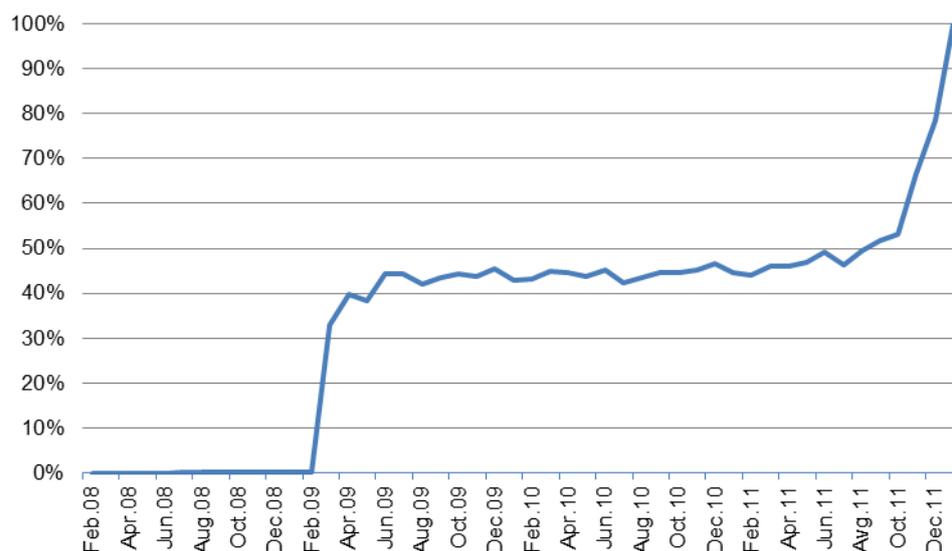


Figure 3: Migration to SEPA Credit Transfer in Slovenia (*at the level of payment systems*)¹⁸

¹⁷ The codebook with purpose codes for payment transactions: <http://www.rba.hr/web/pdf/docs/hub-3-purpose-codes.pdf>; www.sepa.si

AOS and VAS provided carrying out credit transfers. Within the frame of the Slovenian banking community that provides the SEPA Credit Transfers in Slovenia, neither additional optional services(AOS) nor value-added services (VAS) have been introduced.

3.2.2 Direct debits

In accordance with the provisions laid down in the Regulation 924/2009, as of 1 January 2010, most Slovenian payment service providers providing national direct debits were ready to offer the service of cross-border SEPA Direct Debit. In November 2011, the new payment system for the SEPA Direct Debits was established, and namely the payment system for carrying out direct debits under the Core Scheme (*SEPA IDD Core*) and the payment system for carrying out direct debits under the Business-to-Business (B2B) Scheme (*SEPA IDD B2B*).

In 2010, the focus of the activities was on the provision of reachability of the payment service providers for the SEPA direct debits to the payers' payment accounts under the mandatory core scheme and under the optional business-to-business, that is, the B2B SEPA scheme for direct debits. Testing of the payment infrastructure has been performed and the terms and conditions for the contracts for SEPA Direct Debit have been prepared, both for the payees (creditors) and for the payers (debtors). The payment service providers have signed up to the optional B2B scheme when it served their business interests.

The payment service providers, Bankart d.o.o. and the Bank of Slovenia, carried out even a broader range of activities in 2011, when the national payment system for performing national direct debits under the SEPA rules was established.

Laying the foundations for the possibility to deploy the SEPA Direct Debit Scheme followed the road map shown below:

- 1 November 2010: reachability for the Slovenian credit institutions is enabled for cross-border direct debits under the SEPA core scheme through the national system SEPA EDD CORE (21 payment service providers),
- 1 November 2010: reachability for the Slovenian credit institutions is enabled for cross-border direct debits under the SEPA B2B scheme through the national system SEPA EDD B2B (12 payment service providers, in 2011 one more payment service provider joined the scheme),
- 19 November 2011: the provision of national direct debits under the SEPA Core Scheme through the national payment system SEPA IDD CORE was enabled (all national payment service providers),
- 19 November 2011: the provision of national direct debits under the business-to-business (B2B) scheme through the national payment system SEPA IDD B2B was enabled.

In addition, in the second half of 2011, increased the activities, connected with the migration of the existing mandates for direct debits under the NPI scheme from the payers' payment service providers to the payees for the provision of direct debits under the SEPA rules. The draft versions of the documentation for the transfer of data from the existing valid mandates for direct debits under the NPI scheme were prepared before the end of 2011, and the first tests were performed.

AOS and VAS provided carrying out direct debits. It was agreed within the frame of the Slovenian banking community not to introduce any additional optional services (AOS) in the establishment phase of the SEPA Direct Debit in Slovenia.

Under the Slovenian NPI national scheme for direct debits, mandates are stored at the payer's bank. The payer's bank shall always verify that there is a valid mandate when a particular direct debit has to be performed. Consequently, at the changeover to the performance of direct debits under the SEPA

¹⁸ Source: Bank of Slovenia: www.bsi.si: *SEPA Project in Slovenia – Second Progress Report*.

rules, it is necessary to provide for the transfer of the mandates to the payee. The new mandates for direct debits under the SEPA schemes shall be granted and stored exclusively by the payees. Therefore, the payment service providers examined the proposal to enable granting of the mandates to pay by direct debit at the payer's (debtor's) bank as a service with value added (VAS) also when migrating to the SEPA direct debit schemes. Since for the transmission of data to the payee (creditor) it is necessary to put in place additional infrastructure, this possibility has not been seconded by the payment service providers so far. The decision on the introduction of any AOSs and additional VASs may be taken at a later date, provided a need for such a service is identified.

3.2.3 Card services

In the area of payment cards, the convergence of debit and credit cards, ATMs and points-of-sale to the EMV technology has continued. This process should have been completed by 1 January 2011, but two national card schemes have not made the necessary adjustments to embrace EMV technology waiting for the green light to embark on the process, once the issuer's payment services provider decides to do so. Moreover, as at 31 March 2012, two per cent of ATMs are not compliant with EMV technology.

Content	Total number of cards	Number of EMV-compliant cards	Share of achieving EMV compliance (in %)
Debit cards – valid in circulation	2,512,906	2,512,906	100.0
Credit cards – valid in circulation:	678,042	532,967	78.60
• are subject of adapting EMV	533,257	532,967	99.95
• are not subject of adapting EMV	144,785	0	0
Points of sale – POS	31,508	31,493	99.95
Automated teller machines – ATM	1,829	1,788	97.76

Table 1: The status of the EMV implementation as at 31 March 2012¹⁹

The Slovenian payment service providers have different obligations on the basis of the provisions laid down in the card framework SEPA (SCF) and depending on their role in the scheme.

Payment service providers who are card issuers:

- Have been issuing also SCF-compliant cards since 1 January 2008,
- Have been issuing mostly SCF-compliant cards after 1 January 2011,
- Provide to cardholders complete information on the benefits of SCF-compliant card products and enable free choice of processors/card schemes,
- Have provided for separation between the scheme management and card processing,
- Have laid down uniform terms and conditions for membership of a card scheme,
- Have enabled their members to obtain a single licence to operate across the SEPA environment,
- Have been pro-active in preventing card fraud and supporting preventive activities in accordance with the EPC Resolutions on card fraud prevention, and
- Have upgraded ATMs for carrying out transactions in the Slovenian and at least in the English language.

Payment service providers, who are acquirers of points-of-sale:

- Have enabled merchants to start accepting SCF-compliant cards from 1 January 2008 onward,

¹⁹ Source: The statistics of the Bank of Slovenia for the 1st quarter of 2012.

- Have provided merchants with full information on the benefits delivered by accepting the SCF-compliant cards and enabled them to take advantage of working with SCF-compliant POS terminals, as well as a free choice of card schemes,
- Have provided for the acceptance of SCF-compliant cards at SCF-compliant ATMs,
- Have provided for the separation between the scheme management and card processing,
- Have put in place uniform terms and conditions for membership of a card scheme,
- Have enabled their members to obtain a single licence to operate across the SEPA environment, and
- Have been pro-active in preventing card fraud and supporting preventive activities in accordance with the EPC Resolutions on card fraud prevention.

3.2.4 Cash payments

In the area of cash payments, specific activities have been carried out with the aim to reduce costs arising from the use of cash. The Bank of Slovenia has carried out all mandatory activities for the purpose of harmonising cash services provided by the central banks within the Eurosystem, which comprise the following:

- remote access to cash services of the central bank,
- common packaging standards,
- electronic data interchange between the payment service providers and the central bank,
- opening hours of the central bank,
- the possibility for sorting unoriented euro bank notes.

There is an adequate cash supply system in place in Slovenia through depots operated by the payment service providers, as well as a cash-processing model. The working group the Bank Association of Slovenia for SEPA cash has prepared the national plan for SEPA – cash in Slovenia,²⁰ which features a detailed comparative analysis of the existing situation and requirements laid down in the Framework for the single euro cash area (SECA). The document is revised every year and the comparison between members of is presented in a group matrix of the national plans members of the euro area.

3.2.5 Standards

The SEPA rules and the ISO 20022 XML message standards have enabled standardisation of the national and cross-border payment transactions. As a result, effecting payments and electronic data interchange on payments independent of infrastructure has become a reality paving the way for reducing costs associated with a single transaction.

Standard for SEPA Credit Transfer. With the launch of the SEPA project, new dimensions of designing and using standards were introduced with the objective to ensure interoperability of payment transactions across the area of Member States of the European Union. The obligation to use the ISO 20022 XML message standards (SEPA data formats) in the inter-bank environment and the recommended use of this standard between payment service users and payment service providers in 2007 meant that the Slovenian banking community was faced with a dilemma about the use of the ZBSXML standard Version 1.0. Having weighted pros and cons of the option to continue using the ZBSXML standard or switching over to the ISO 20022 XML message standards (SEPA data formats), it was decided to make the necessary adjustments to the ZBSXML standard in line with the SEPA requirements. The ZBSXML standard Version 2.0 was published on the public website pages (extranet) of the Bank Association of Slovenia in May 2008, ZBSXML Version 2.1 was released in December 2008, and the last valid version of ZBSXML 2.2 was published in January 2011.

²⁰ [http://www.sepa.si/SloPrenova/Gradiva_Publikacije/Sepa_Zbs/The national%20plan%20-%20SEPA%20cash_sep2010.pdf](http://www.sepa.si/SloPrenova/Gradiva_Publikacije/Sepa_Zbs/The%20national%20plan%20-%20SEPA%20cash_sep2010.pdf)

The ZBSXML 2.2 standard adjusted to meet the SEPA requirements ensures interoperability. To better serve the needs of its users, a user manual for the ZBSXML data standard and relevant XML schemes have been published; the circulation of all the documentation in versions 2.0, 2.1 and 2.2 is free and publicly available on the website of the Bank Association of Slovenia.²¹ The Rules on how to model and use standardised references applied when carrying out payment transactions are an integral part of the documentation pack for the ZBSXML standard.

In 2011, a consultative document for the new regulation was placed on the table (it was adopted in 2012 as the Regulation 260/2012) demanding mandatory use of financial services messaging standards such as ISO 20022 also at the level of the user – provider of payment services. In the light of the new circumstances, the Bank Association of Slovenia adopted a stance in September 2011 to extend the deadline for the use of all standards valid at that time (TKDIS and ZBSXML) for electronic data interchange for credit transfers between users and payment service providers until the entry into force of the Regulation 260/2012, that is, until the use of the ISO 20022 XML message standards becomes mandatory.

Standard for SEPA Direct Debit. In order to cater for electronic data interchange referring to the existing direct debits between a user and payment service providers in the national environment, different methods are in place (*paper, different data structures*). The most widespread standard for the exchange of data is the ZC Bankart standard and used also at the inter-bank level.

In order to give impetus to the migration of the existing direct debits in the SEPA environment, the banking community prepared in autumn 2011 a manual for the use of the ISO 20022 XML message standards for the users of the SEPA Direct Debit. The manual comprises the rules, instructions and activities for electronic data interchange between a user and payment service providers. Its purpose is to enable a simplified adherence of customers to the SEPA Direct Debit. The manual specifies also the rules for the Core SDD Scheme and for the B2B SDD Scheme and it is available free-of-charge to the public on the website of the Bank Association of Slovenia.²²

3.2.6 Payment infrastructure

SEPA Credit Transfers. In accordance with the SEPA requirements, EBA CLEARING launched on 28 January 2008 a new service within the STEP2 system (*STEP2 SCT Service*), which enables SEPA Credit Transfers to be made. The Bank of Slovenia has been included in the STEP2 SCT system as a direct participant since its launch, and most Slovenian payment service providers participate through the Bank of Slovenia as indirect participants. Consequently, the processing of cross-border credit transfers in Slovenia under the SEPA scheme has been performed through the Single Entry Point (*SEPA SVT-SCT*) at the Bank of Slovenia since 28 January 2008. Certain Slovenian payment service providers provide reach for credit transfers in the SEPA area through their parent banks incorporated abroad.

The SEPA rules enshrine the principle that the processing of the SEPA payment instruments is separated from infrastructure; therefore, for the processing of the SEPA payment instruments, the payment service providers in Slovenia could use the services of foreign providers also for processing payments made within the national borders. Since no European payment system has delivered such a high level of quality of payment services for low-value credit transfers within the home country such as the Giro Clearing system, with the aim to preserve the existing level of quality of payment services in the country, the payment service providers in Slovenia, have embarked on the project for putting in place their own payment infrastructure. The financing, implementation and governance of the SEPA infrastructure for low-value payments (SIMP) was taken over by the company Bankart d.o.o. For the purpose of overseeing and directing the activities on the SIMP project, the SIMP Project Council was

²¹ Objava: <http://www.zbs-giz.si/zdruzenje-bank.asp?StructureId=885>

²² Objava: http://www.sepa.si/SloPrenova/Gradiva_Publikacije/Sepa_Zbs/GradivaSepaZBS.htm

established composed of the representatives of Bankart d.o.o., Bank of Slovenia, payment service providers and the outsourced provider of services. After the SEPA IKP payment system²³ went live in March 2009, the SIMP Committee was appointed with mandate to monitor the functioning of the SEPA systems within the SIMP and to take a decision to make a change where necessary. Once the SEPA payment schemes were finally in place and the following the completion of migration to SEPA, it is expected that the SIMP Committee take over from the SIMP Project Council.

The first phase of SIMP comprised the implementation of the system for cross-border (external) credit transfers (*SEPA EKP*) going live on 9 February 2009 with the Bank of Slovenia as a direct participant of the STEP2 SCT system providing as an agent bank the reachability for the participants of the SEPA EKP system. External credit transfers are cross-border SEPA Credit Transfers, where one of the participants (either the payer's provider of payment services or the payee's provider of payment services) is a participant of the SEPA EKP system, while the other participant is any provider of payment services reachable through the STEP2 SCT system within the SEPA area. There is no limit on the value of payments effected in the SEPA EKP system.

The STEP2 SCT system has fallen short of expectations of its Slovenian users in terms of the speed at which payments are effected, since they were used to having five cut-off times a day; hence, in the second phase of the SIMP implementation, the implementation of a national payment system for carrying out the SEPA Credit Transfers was necessary. The SEPA IKP payment system started to operate on 4 March 2009.

In accordance with the modifications made to the SEPA schemes for credit transfers, upgrades were also made to the SEPA IKP and SEPA EKP payment systems. As a result, the Slovenian payment service providers, included in the SIMP, kept abreast of the modifications and amendments to the SEPA schemes.

SEPA Direct Debits. In November 2010, Bankart d.o.o. provided through SEPA EDD reachability to the pan-European payment system STEP2 M-PEDD (Multi Purpose Direct Debits) for the cross-border SEPA Direct Debit (SDD).

By becoming reachable as described above, the Slovenian payment service providers, which are reachable in the national New Payments Scheme or NPI, have fulfilled the requirement regarding reachability for SEPA direct debit transactions laid down in the Regulation (EC) No. 924/2009 on cross-border payments. The Bank of Slovenia as a direct participant of the pan-European payment system STEP2 MPEDD operated by EBA Clearing in its role of an agent bank has made it possible for most Slovenian payment service providers to be indirect participants of both SDD schemes. Certain national payment service providers have complied with the reachability provision also through other payment service providers, most often through their parent banks located in another Member State.

Two new payment systems set up for the purpose of carrying out the national SEPA Direct Debit schemes within the SIMP went live on 19 November 2011: SEPA IDD CORE and SEPA IDD B2B. The new payment systems have helped create the environment for the kick-start of the migration of direct debits from the NPI national schemes for direct debits to the implementing phase in line with the SEPA rules.

In accordance with the changes made to the SEPA schemes for direct debits, upgrading the payment systems SEPA IDD and SEPA EDD also within the implementation, testing and going live has taken

²³ SEPA IKP (SEPA Internal Credit Transfers) is the electronic payment system, which enables carrying out the SEPA Credit Transfer for low-value payments (up to the amount of 50,000 euros per transaction) between the system participants. Processing payment orders in the system is based on the calculation of the mutual net liabilities and net claims between participants under the principle of multilateral netting. Within the frame of the processes within a particular business day of Bankart d.o.o. as the settlement agent performs settlement at five cut-off times (at 8:00, 10:00, 12:00, 14:00 and 16:30 CET). The settlement of net liabilities and net claims of the participants in the SEPA IKP is carried out in the so-called central bank money through the participants' settlement accounts opened with the Bank of Slovenia (settlements made in the TARGET2 payment system).

place as well. As a result, the Slovenian payment service providers included in the SIMP have kept abreast of the modifications and amendments to the SEPA schemes.

Card infrastructure. Processing card services is separated from operating card schemes. The following centres for card processing operated in Slovenia:

- Bankart d.o.o. caters for processing Karanta cards and the international card schemes Maestro, MasterCard and Visa and for processing ATM transactions in Slovenia for 18 national payment service providers,
- IntesaSanPaoloCard d.o.o. processes the Activa-branded cards and the cards of the international card schemes MasterCard and Visa for eight national payment service providers,
- e-Funds d.o.o. processes Mastercard and Visa cards for one national provider of payment services.

3.2.7 Dialogue with stakeholders

Communication Plan for the SEPA project. A communication plan for promoting the implementation of the SEPA project was prepared in the Communication Support Group as a time plan specifying activities separately for every year. The Communication Plan for the SEPA project specifies the communication framework for the implementation of SEPA by the payment service providers, payment systems and payment service users, as well as for engaging in a dialogue with both professional audience and the general public in Slovenia.

The centre stage objective of communication is to keep the target groups informed in accordance with the Communication Plan for promoting the implementation of the SEPA project both during the phase before making the first move toward SEPA and during its implementation.

The message on the benefits of SEPA for European citizens and enterprises has been sent to the following segments of target audience:

- professional public (interest groups and trade associations),
- the users of payment services at payment service providers – legal entities (groups created on the basis of economic activity, legal status, etc.),
- the users of payment services – consumers (residents, non-residents, pensioners, students, young people, etc.),
- the budgetary recipients (the users of the payment services Public Payments Administration of the Republic of Slovenia - UJP),
- the media,
- the employees of the payment service providers and the employees of the Public Payments Administration - UJP.

The activities carried out on the basis of the Communication Plan of the SEPA project:²⁴

- **Publication of promotional materials (brochures etc.) and releases of notifications and announcements for the public:**
 - The brochures (leaflets): SEPA in Slovenia published in January 2008, UPN Form in October 2010
 - Communications for the public released at all milestones of the implementation of the SEPA project since January 2008:
 - The celebration staged at the launch of the SEPA Credit Transfer (January 2008)
 - Information about the novelties in relation to direct debit transactions at the same time with a new agreement on performing direct debit transactions

²⁴ For more information please visit: www.sepa.si

- Discontinuation of transactions performed using payment instruments within the frame of the NPI Bankart Collection Centre (ZC)
 - Communication on the changes made by the adoption of the Payment Services and Systems Act
 - Communications on discontinuing the use of the old (legacy) forms for payment transactions and the introduction of the UPN form
 - Communications on the preparedness of the Slovenian payment service providers to embark on the following steps in the SEPA project
 - Communications on discontinuing the use of the TKDIS standard and the implementation of the new standards for electronic data exchange (ISO 20022 Message Standards), publication of the manuals for the use of these standards and appropriate converters for the conversion of data in accordance with the new standards
 - Communication on the publication of the manual for e-invoice
 - Communications on a new method for receiving salaries and other income after sufficient funding has been ensured on the account of the respective provider of payment services
- **The implementation of the national website of SEPA Slovenia.** The website of SEPA Slovenia (www.sepa.si), set up in 2008 and overhauled in 2010, offers to the general public a host of information on the objectives of SEPA and on the progress of the SEPA project in Slovenia.
 - **Organising thematic conferences that fall within the domain of the banking sector.** Two-day thematic conferences organised within the frame of the Training Centre (IC) of the Bank Association of Slovenia to address the topics related to SEPA started already in 2007 and have remained a significant channel for disseminating information and exchanging opinions on the progress of the SEPA project between payment service providers. Since 2007, the circle of attendees of these conferences has been expanding as other stakeholder groups joined in (the public administration, enterprises, providers of software solutions, etc.).
 - **Organising round tables for companies.** Since 2009, several round tables for large and medium-sized enterprises were organised under the umbrella of the SEPA Project Office, with the aim to address the current issues (phasing out of old payment forms, the introduction of the UPN form, the introduction of direct debits and credits under the new terms and conditions, continuity of the validity of mandates, winding up the Bankart Collection Centre, etc.).
 - **Organising training seminars.** Within the frame of the Training Centre of the Bank Association of Slovenia, seminars for different target groups were routinely organised. The issues related to SEPA were already addressed in the traditional seminar on payment transactions, tailored to meet the needs of payment service providers and other stakeholder groups for in-depth knowledge and skills in the field. The seminar was held twice a year.
 - **The establishment of a national forum of SEPA stakeholders.** The initiative to set up a national forum for the promotion and implementation of SEPA dates back to 2006, when before kick-starting the SEPA project, it was restricted to the representatives of payment service providers, members of the Bank Association of Slovenia, and was led by the director of the Bank Association of Slovenia. In January 2009, backing the initiative made by the members of the Bank Association of Slovenia, also the representatives of other stakeholder groups, the public administration, chambers and associations were invited for the first time to join the SEPA Forum with the aim to engage in a dialogue and exchange of information with non-bank stakeholders during the initial phase of implementation of new payment services. The stakeholder groups have been kept informed about the activities and novelties at the SEPA project (credit transfers, direct debits, payment cards, standards electronic data interchange, PSD, etc.). In January 2010, the document on the National SEPA Stakeholders Forum²⁵ specifying the scope and content, as well as the operation method and the terms of membership

²⁵ http://www.sepa.si/SloPrenova/Gradiva_Publikacije/Sepa_Zbs/GradivaSepaZBS.htm

of the Forum was approved. Since then, five successful meetings of the SEPA stakeholder groups have been organised within the frame of the National SEPA Stakeholders Forum.

- **The activities carried out at individual payment service providers.** The strategy communication with employees, users and the media at the level of an individual provider of payment services or of the Public Payments Administration - UJP is in the domain of each individual provider of payment services or of the Public Payments Administration and it is designed in accordance with the Communication Plan for the SEPA project by taking into consideration their business and market strategies, as well as by deploying standard communication tools. The individual payment service providers disseminated information to their users using the already wide-spread communication channels such as the website, monthly statements, e-notifications, education/training sessions, etc. The information obtained both at the national (Bank of Slovenia, Ministry of Finance, Bank Association of Slovenia) and at the European level (ECB, ECP, EC, etc.) have been highly useful.

Preparation of glossaries for specific areas of SEPA. Within the frame of the SEPA project, were in individual working and support groups prepared and published the glossaries containing technical terms complete with their description in English and in Slovenian for the following areas: direct debits, card transactions, cash and mobile payments.

Information for payment service users. Payment services users can obtain information regarding SEPA on the public web pages of the following institutions:

- ZBS: www.zbs-giz.si
- SEPA Slovenia: www.sepa.si
- Banka Slovenije: www.bsi.si
- Banks and savings banks - payment service providers
- Public Payments Administration - UJP: <http://www.ujp.gov.si>
- EPC: <http://www.europeanpaymentscouncil.eu/>

3.3 PLAN FOR FOLLOW-UP ACTIVITIES

3.3.1 Credit transfers

The transition of credit transfers from the national schemes has been almost completed (migration of credit transfers from the Bankart Collection Centre (ZC) to the SEPA IKP payment system). Nevertheless, there is a special segment of credit transfers in Slovenia also pencilled in for migration to the SEPA IKP payment system in 2012. These payments are pension benefits currently carried out on a bilateral basis between the payment service providers and the competent bodies of public administration. Since it would be reasonable to provide a common platform for processing low-value (retail) credit transfers, the Slovenian banking community has made a proposal to implement in the SEPA IKP payment system an *additional cut-off time for payment settlement* primarily for the processing of pension benefits and the banking community has endorsed the proposal. The concept envisaging migration of pension benefits based on the assumption that an additional morning cut-off time at 5:00 CET will be carried out on every business day in the SEPA IKP payment system, was approved at the end of 2011. Paying pension benefits using the format of the SEPA Credit Transfer is scheduled to kick-start in November 2012.

3.3.2 Direct debits

The completion of migration of the existing direct debit payments carried out under the NPI scheme to direct debit payments made in compliance with the SEPA rules in Slovenia is planned to be completed

by the end of 2012. At that time, the national NPI scheme for direct debit payments will be closed down.

In 2011, payees (creditors) were notified of the action plan and of the timeframe for carrying out of migration within the frame of the SEPA project running within the frame of the Bank Association of Slovenia. In 2012, the information circulation procedure consists of direct communication between the payment service providers and payees (creditors).

Payees (creditors) can obtain all the information and the guidelines necessary for performing SEPA direct debit and carrying out the transition process.

Given the tight time schedule for the completion of migration in Slovenia, the payment service providers and payees (creditors) in particular will have to step up the activities and be constantly monitored.

3.3.3 Card services

The main tasks that lie ahead in the SEPA card services environment are the following:

- continuing the implementation of the EMV technology,
- thorough alignment of the card processing centres and other participants of the card schemes to the new standards for card services, once they have been finalised at the EPC,
- examining the possibility for adapting the national SCF card schemes, and
- monitoring legislation and the documents in the area of card services.

The Slovenian payment service providers will keep adapting card offering to the needs and requirements of their card holders, and notably by adding services with value added (VAS) with the aim to promote the use of cards in comparison with cash. The scope and content of the services with value added in the area of card service will be decided by each individual provider of payment services by taking into account the needs and wishes of his users and business strategy.

3.3.4 Cash payments

As regards SEPA for cash, a few initiatives have been launched with the aim to reduce expenditures related to cash payments across the cash cycle. These SEPA-initiated activities have been running on several tracks but there is no scenario for migration in this area.

Currently, the activities for the standardisation of ATM cash dispensers (ATM cash cassettes) and for the creation of interoperability among Intelligent banknote Neutralisation Systems (IBNSs) – an area that calls for co-operation of all the participants (suppliers/vendors of ATMs, cash-in-transit or CIT companies, payment service providers, etc.).

In addition, an analysis of the cash cycle will be performed, since it is common knowledge that there is too much cash in circulation and its volume keeps increasing.

3.3.5 Standards

The standard for SEPA Credit Transfer. In accordance with the Regulation 260/2012, the financial services messaging standard 'ISO 20022 XML' has been recommended to be used as a long-term orientation since it provides comprehensive information in the course of electronic data exchange between payment service providers and users.

With the aim to give a boost to the use of the ISO 20022 XML standard at the level of user – provider of payment services, in the course of 2012 the following activities will be carried out:

- publication of a manual for the use of the ISO 20022 XML standard for electronic data exchange referring to credit transfers between payment service users and payment service providers,
- the preparation of a free-of-charge software tool for the conversion of data referring to credit payments from the TKDIS standard to the ISO 20022 XML message standards,
- education/training for the users of the ISO 20022 XML standards for credit transfers will be organised.

In order to be fully-compliant with the Regulation 260/2012, it will be necessary to ensure the use of the standard stipulated in the Regulation 260/2012 in the relationship between a user and a provider of payment services. This means that the users, which are not consumers or micro enterprises, will have to comply with the deadline set on 1 February 2014 to complete the changeover to the use of a standard mandated by SEPA.

The standard for SEPA Direct Debits. Electronic data exchange for SEPA Direct Debit, both at the inter-bank level and at the level of user–provider of payment services, will be carried out in the ISO 20022 XML standard, in accordance with the provisions laid down in the Regulation 260/2012. The existing standard used by the Bankart Collection Centre for national direct debits will be discontinued since it does not enable all SEPA functionalities and requirements.

The Training Centre that operates within the frame of the Bank Association of Slovenia will organise education/training sessions for the users of the ISO 20022 XML standard for direct debits.

3.3.6 Payment infrastructure

The SIMP infrastructure has been set up at the company Bankart d.o.o. in such a form that makes it possible to implement in it also other systems necessary for the rationalisation and harmonisation of the procedures followed when providing banking services, either new emerging SEPA products or business opportunities of the Slovenian payment service providers.

In the area of card and terminal infrastructure, the card processing centres and the card issuers will keep abreast of the European orientations, particularly those referring to the so-called *third card scheme*, specified in the document recently authorised by the EPC referring to the SEPA card standardisation programme (SEPA Cards Standardisation Volume – Book of Requirements, Version 6.0), and examine the possibilities for making the changes necessary to embrace this updated scheme.

3.3.7 Dialogue with stakeholders

Communication plan. The support group responsible for communication will update the Communication Plan – the document laying down the communication framework for the continuation of the implementation of SEPA at payment service providers, payment systems and payment services users and for communicating with professional and general public in Slovenia. The principal objective of communication will be to disseminate information, provide education/training, draw attention to changes and create a positive image of the SEPA project in the eyes of the selected target groups. The focus of communication should be on the positive effects and benefits brought along to payment service users by the the implementation of the SEPA schemes.

On the basis of the Communication Plan for SEPA, PR blueprints will be prepared tabling the topics for communication and specifying the objectives, target groups, its architects, communication channels, time frame and bodies for implementing particular tasks. The Support Group for Communication will review and bring up-to-date the existing national website dedicated to SEPA. A smaller working group with a team for communication will be formed with a mandate to participate in

reactive communication with the media. A speaker will be designated for the SEPA area, that is, for particular area of SEPA as the need may be.

Subject matter and scope of communication. Operational PR plans will be prepared for the following SEPA areas:

- **area of credit transfers** – the implementation of the migration of pension benefits,
- **area of direct debits** – the completion of the migration of the existing direct debit payments to payments effected under the SEPA rule by the end of 2012 and discontinuing the use of national new payment instrument scheme (NPI) for direct debits,
- **area of SEPA standards** – publication of the manual for the use of the ISO 20022 XML standard for electronic data interchange referring to credit transfers between a user and payment service providers, the preparation of free-of-charge software tool for conversion of data referring to credit transfers from the TKDIS standard to the ISO 20022 XML message standards.

Glossaries for the specific SEPA areas. The preparation and publication glossaries for the areas of credit transfers and for e-payments is in the pipeline. In 2012, a glossary to encompass all areas of the SEPA payment transactions is expected to be published.

4 ELECTRONIC AND MOBILE PAYMENTS

In 2011, activities were carried out in Slovenia in connection with the adaptation to abrupt changes in payment habits experienced during the last decade; the focus of attention was directed to the so-called electronic payments (*e-payments*) and payments through mobile phones (*m-payments*).

Electronic (*SEPA e-payments*) and mobile (*SEPA m-payments*) payments are the areas of innovations through which modern communication channels are deployed (the internet and mobile networks) in combination with the SEPA payment instruments and, in turn, payment services users can enjoy better functionality, easier access and more attractive user experience.

As a result of the harmonisation of core payment instruments (SEPA Credit Transfer, SEPA Direct Debit and SEPA for cards), the SEPA environment provides a starting point for the introduction of innovative services with value added.

Electronic payments have been defined in SEPA as the manner of payment where the payer triggers a demand to a website merchant of the payee for confirmation of the use of his/her electronic bank, while the payment is usually effected as a SEPA credit transfer from the payer's transaction account to the payee's account. There is already a host of such solutions and systems today in Europe and some of them are used also in Slovenia.

Mobile payments in SEPA are all SEPA payments, performed using a mobile phone as a device serving to trigger a payment transaction. In that framework we deal today mostly with mobile contactless payments and mobile remote payments. Also in that are, in Slovenia there are already pilot projects, technological solutions and fully operational services.

The Bank Association of Slovenia within the frame of this National Programme has been providing adequate environment for the creation and promotion of business and technically justified initiatives since the working group for e-payments and m-payments was established in 2010. By constant monitoring of the developments, spreading of information, liaising and networking, analysing opportunities and expressing opinions, it discharges the advisory role and thus assists their members in trying to identify suitable business models and creating a new, broader offering of state-of-the-art and innovative services for the users. In 2011, comparative analyses were made within the frame of

the supervisory examination of the providers of mobile payments in Slovenia and the work continues also in 2012.

5 CONCLUSION

Since the kick-start of the SEPA project within the frame of the Bank Association of Slovenia to date, numerous objectives set have been achieved, and this success can be attributed to excellent collaboration of all actors, payment service providers, the Bank of Slovenia and of the non-bank stakeholders despite some “teething problems”, the set objectives have been achieved despite the fact that in many cases these objectives were set much higher than asked by the EU.

Enviably progress has been achieved practically in all areas. The best example is the provision of **SEPA Credit Transfer** where Slovenia ranks high among the EU Member States, which have achieved the highest rate of migration in this area. The migration to SEPA has not affected a high level of services for users as they continue to reap benefits of rapid, cheap and secure payment services on the one hand and on the other enjoy the benefits of simplified making of payments within the SEPA area. The introduction of the UPN paper form for payment orders replacing a spate of forms previously used for payments and remittances has been a significant step forward since the benefits of SEPA payments are now at a user’s fingertips turning all SEPA benefits into tangible achievements. This is the area in which the greater part of the requirements laid down in the Regulation 260/2012 has been fulfilled .

In the area of **direct debits**, the first step was to ensure reachability of payment service providers for cross-border direct debits under the Core Scheme. To put in place the national payment systems serving for processing of direct debits has been of key importance for launching the service provided under the Core and B2B schemes. The main task for all payment service providers and payees is migration of direct debits to the environment where payments are made under the SEPA rules by the end of 2012 or more than a year ahead of the end-date stipulated in the Regulation 260/2012.

In the area of **card services**, Slovenian payment service providers have been pro-active in embracing the rules and standards of the EU in line with the commitment made within the frame of the EPC. The EMV technology has been implemented at almost 100 per cent and the task envisaging the issuance and acceptance of SCF-compliant cards has been carried out.

As regards the harmonisation of **cash transactions** denominated in euro, significant shifts have been achieved primarily in the area of cross-border transportations of cash, despite the fact that further co-operation will be necessary since cash is still very important means of payment in the European Union and its volume keeps increasing on average. The upcoming issuance of the second generation of euro banknotes will demand additional adjustments and changes in the area of technology for cash handling, while the activities in the direction of reducing costs of the use of cash will continue.

In the area of **mobile payments**, the situation in the Slovenian environment is being analysed with the aim to make a comparison with other trends around the world and to draw a conclusion as to the level of the progress achieved in Slovenia in this field.

On the basis of the work done so far and by maintaining the brisk pace of alignments with the SEPA rules in all areas of payment services, we should expect that migration of credit transfers, which is already now considerably above the average for the euro area, and migration of direct debits, will be completed before the year 2012 comes to its end.

As regards the current status of the project for migration to SEPA in Slovenia, it will be completed once credit transfers are fully aligned with the provisions laid down in the Regulation 260/2012 by the

end-date set on 1 February 2014 and consisting largely of the implementation of the ISO 20022 standard, waiving to the requirement to provide BIC and restrictions and additional validations of payments made as direct debit collections as instructed by the payer. At that point, SEPA will be fully included in everyday life, even though it will still be the subject of continuous development. The banking sector in particular will have to be in a position to provide adequate technical and logistic support to the scope and content of payment services so that the Slovenian market of payment services will be able to keep its place in SEPA and possibly expand knowledge also across a broader area of the European Union.