

THE ISLE OF MAN JOINS THE SINGLE EUROPEAN PAYMENTS AREA

by Katherine Johnson

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The European Payments Council (**EPC**) has announced that the Isle of Man, Jersey and Guernsey will become part of the geographical scope of the Single Euro Payments Area (**SEPA**) schemes from 1 May 2016.

What is SEPA?

The European Union (**EU**) established SEPA with the intention of developing EU-wide payment services with open, common payment standards, rules and practices and integrated payment processing. The aim is to provide citizens and businesses with secure, competitively priced, user-friendly and reliable payment services in euros, applying within and across national boundaries.

Rulebooks set out rules and technical standards for the execution of SEPA payment transactions, so that there should be a common understanding on how to move funds from account A to account B within SEPA.

Implementation

To become part of SEPA, banks will need to individually apply to the EPC and complete their own formalities. For the purposes of the legislation:

- a "SEPA participant" is a body corporate that is recognised by the EPC as satisfying the eligibility criteria in the SEPA Credit Transfer Scheme Rulebook and adheres to the Rulebook;
- a "SEPA applicant" is not a SEPA participant but has made an application to the EPC to become a SEPA participant; and

- a “SEPA payment transaction” is a payment transaction using the SEPA Credit Transfer Scheme or the SEPA Direct Debit Scheme.

The Isle of Man introduced secondary legislation in the second half of 2015 to provide for the implementation of SEPA:

- The European Union (Credit Transfers and Direct Debits in Euro) Order 2015 applies provisions of the EU regulations establishing SEPA to apply technical and business requirements for credit transfers and direct debits in Euro to the Island. These provisions will only have effect in respect of any payment transaction using the SEPA Credit Transfer Scheme or the SEPA Direct Debit Scheme.
- The Payment Services Act 2015 allows the Isle of Man Financial Services Authority to make regulations applying the Electronic Money Directive and the Payment Services Directive with such additions, modification or omissions as it thinks appropriate in relation to SEPA applicants, SEPA participants and SEPA payment transactions, and allows the Isle of Man Offices of Fair Trading to make regulations applying relevant competition provisions.
- The Payment Services Regulations 2015 (as amended) apply to SEPA applicants, SEPA participants and SEPA payment transactions. These regulations give effect to parts of the Payment Services Directive and, amongst other things, specify information to be given at stages of a transaction; when customers may be charged; and the timescales within which payment transaction must be carried out.

“Extremely positive news”

Economic Development Minister Laurence Skelly MHK called the EPC announcement “extremely positive news”, saying that it “gives banks in the Isle of Man the opportunity to join the SEPA direct debit and credit transfer schemes and offer customers the benefits these secure and efficient schemes provide for payments in euros.”

It is to be hoped that the Island’s banks welcome the announcement with such enthusiasm and that customers soon enjoy consistent standards when making payments across Europe.

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