



## ADDENDUM

### To the Cyprus SEPA Migration Plan

2006 - 2008

**February 2008**

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Introduction

The Cyprus SEPA Migration Plan was approved by the SEPA National Steering Committee and was published in October 2006. Although most of its contents are still valid, several events took place since its release, which made it advisable to publish an Addendum focusing on both the developments of the said events, as well as the 12 Implementation Provisions recommended by the European Central Bank.

The February 2008 Cypriot Addendum to the Migration Plan was approved by the SEPA National Steering Committee during its meeting on 19 February 2008.

### **1. SEPA services offered by the vast majority of banks**

Although SEPA services are not offered by the majority of credit institutions, the share of Banks that are SEPA-compliant and offer SCT is 67% by volume and 77% by value of the total credit transfers processed by all credit institutions<sup>1</sup>. This is due to the fact that all of the large and medium-sized banks offering retail banking services in Cyprus have already adhered to SCT. It is worth noting that not all credit institutions are active in retail payments in euro.

As far as SEPA Direct Debits are concerned (SDD), the Cyprus banking industry is working towards offering SDD once the Payments Services Directive is transposed into Cypriot legislation, by November 2009.

### **2. Commitment of main public administrations and corporates and indication of starting dated**

The public administration and the Central Bank of Cyprus (as banker of the government) have intensified their efforts to implement the SEPA credit transfers in 2008 in accordance with the high level commitment of the Ministry of Finance and the Central Bank of Cyprus. The migration of retail electronic government payments to SEPA credit transfers is expected to start in 2008, if the new products prove to be more efficient and cost-effective compared to existing domestic products. As a concrete first step, the government is already using IBAN account numbers for retail electronic government payments.

At the same time, further effort is effected towards increasing the awareness of the corporate sector about the benefits of SEPA, so as to ensure that it will successfully and efficiently adopt the SEPA products by the end of 2010.

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<sup>1</sup> Statistics based on ECB Blue Book Addendum incorporating 2006 data. Credit transfers include standing orders, and credit institutions include Co-operative Credit Institutions and Enterprises offering Money Transfer Services.

### **3. Ability of the ACH to send and receive SCT payments**

The national ACH has not committed to become SEPA compliant for the time being. As a result, all banks that adhered to the scheme have reached an agreement for participation through other European CSMs.

### **4. Critical mass of payments and expected migration end date**

Critical mass of payments for credit transfers will be achieved when:

- the domestic payments cleared via the national ACH become SEPA compliant and
- the public administration successfully completes the migration.

Once the critical mass of SEPA credit transfers is reached, an end date will be set for full migration.

Likewise, the progress of Direct Debits implementation will be defined at a later stage prior to their launch. As far as cards migration is concerned, EMV standards have already been applied by a significant number of merchants / users and full implementation is expected to be achieved by the end of 2010 when the said standard is adopted at an international level.

At present, the complete Cyprus Migration end date is considered to be the end of 2010 as set by the EPC.

### **5. BBAN-IBAN conversion facility for databases**

Although, IBAN and BIC are used in the new SEPA instruments as identifiers of bank accounts and financial credit institutions, they are not used by national payment systems with the exception of IBAN in retail electronic government payments. Both identifiers are provided to customers electronically and / or in paper form. Nevertheless, the banking industry is in the process of establishing a mechanism for the exchange of a cross-reference table of Bank account numbers into IBANs.

### **6. DD mandate migration**

The Cyprus SEPA Steering Committee is concerned that the conversion of existing mandates into SEPA-compliant ones is a time-consuming and costly process and may become an obstacle to the timely SDD transition. This matter is also expected to be considered during the transposition of the PSD into Cypriot legislation, which has already started. By achieving the continuation of the

existing mandates, customers and credit institutions will save the burden of replacing their existing mandates.

## **7. Structured remittance**

Currently, no structured remittance of information exists in Cyprus. It would hence be favorable to the industry if the EPC proposes the use of a common standard solution, so that files will be exchanged among institutions in different countries in a single format and structure.

## **8. EMV Implementation**

The Cypriot banking community and the national card clearing house expressed their commitment to successfully implement the standardization procedure concerning EMV cards in due time. In particular, the adoption of the EMV standard is expected to be fully achieved earlier than 2010, when the said standard will be adopted at an international level. At present, 55% of the Debit Cards, 43% of the Credit Cards, 41% of the POSs and 65% of the ATMs in Cyprus have converted to EMV standards. It should be noted that by the end of 2008 the national card clearing house will provide all merchants with EMV compliant POSs so as to enhance their use.

No national Card Scheme exists in Cyprus.

## **9. Customer Information**

SEPA information is promoted by the Central Bank of Cyprus, the Association of Cyprus Commercial Banks (ACCB) and the credit institutions via different channels, e.g. websites, leaflets etc. Moreover, presentations are held to various stakeholders such as the Consumers Association, the national Chamber of Commerce and Industry and the Employers' Federation so as to increase their awareness. Press releases and interviews are also provided by ACCB's staff and Banking officials to the media.

A "SEPA day" was successfully held in Cyprus during 2007 where high-ranking officials (EPC Chair and representatives from the European Central Bank) were invited as guest speakers. The audience comprised of representatives from all SEPA-involved stakeholders such as the banking sector, the Central Bank of Cyprus, the Public Administration etc.

Apart from the collective effort mentioned above, each Bank will follow an additional communication policy specifically aimed at its own customers.

#### **10. Guidance on standards in C2B/B2B domain**

Each Bank has its own format standards, however, the Cypriot banking community positively supports the development of an international standard within the EPC, which will initiate payments in XML format and will be valid within all SEPA-participating countries.

#### **11. Additional Optional Services (AOS) published in English**

No AOSs are currently promoted by the Cypriot Banking Community.

#### **12. Announcement of Communication events in 2008**

Further communication events are expected to be held during 2008 such as press releases, interviews, presentations etc. Following the success of last year's "SEPA day" an additional, similar day is expected to take place in 2008, focusing on stakeholders that will operate the critical mass of transactions, such as the Corporations and the Public Administrations. The agenda of the SEPA day will include presentations on the following: the progress made so far on SCT adoption in Cyprus, value-added services (such as m-banking or e-invoicing). A session on SECA may also be held.