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EUROPEAN PAYMENTS COUNCIL DECISION ON BREXIT AND UK PSPS' PARTICIPATION IN SEPA SCHEMES

Summary

In light of the expected withdrawal of the United Kingdom (UK) from the European Union, UK payment service providers (PSPs), represented through UK Finance, submitted an application in December 2018 with the European Payments Council (EPC) to be able to maintain the participation of UK PSPs in the EPC's SEPA schemes for the potential scenario of a no-deal withdrawal from the European Union ("no deal Brexit").

The EPC's Board made a decision in respect of this application at its 7 March 2019 meeting.

Current Situation

The UK is currently part of the geographical scope of the SEPA schemes due to its EU membership. Currently, 84 UK payment service providers (PSPs) participate in the SEPA Credit Transfer (SCT) scheme, 40 in the SEPA Direct Debit (SDD) Core scheme, 27 in the SDD B2B scheme and 5 in the brand-new SCT Instant scheme.

Transition Period

It is currently envisaged that the UK will leave the European Union on 30 March 2019.

The European Commission and UK have, through the draft Withdrawal Agreement, agreed a transition period (otherwise called an implementation period) between the European Union and the United Kingdom. This still needs to be concluded by the Council (Article 50), the European Parliament, and the UK according to its own constitutional requirements.

If the Withdrawal Agreement is concluded the transition period will apply between 30 March 2019 and 31 December 2020 (when the transition period ends) and European Union law will be applicable to and in the United Kingdom during the transition period.

During this period, the UK would automatically remain within the geographic scope of SEPA.

Post-Brexit Scenarios

The EPC has been regularly liaising with UK Finance to assess the situation and is fully aware that Brexit will most probably bring significant changes and will reshape the relationships between the EU and the UK in the financial services domain. However, all will depend on the outcome of the negotiations on the future UK-EU relationships.



There are several scenarios regarding Brexit and the UK PSPs' participation in the SEPA schemes:

- If the UK leaves the EU but remains in the European Economic Area (EEA), the UK laws and regulations should remain aligned with the EU legal framework which would allow the UK scheme participants to continue their participation in the SEPA schemes.
- If the UK leaves the EU and the EEA but puts in place a free trade agreement between the EU and UK which results in 'functional equivalence' of the EU legal framework, in other words, if the UK implements requirements equivalent to the criteria for participation in the SEPA schemes, this would allow the UK scheme participants to continue their participation in the SEPA schemes. It is not excluded in this scenario that the EPC may have to assess and confirm any functional equivalence of the UK's legal framework with European Union law.
- If the UK leaves the EU and does not remain in the EEA ("no deal Brexit"), the eligibility of the UK to be part of the geographical scope of the SEPA schemes needs to be assessed by the EPC on the basis of an application from the UK PSPs' community. As the geographical scope of SEPA already extends beyond the EU and EEA, including several third countries and territories, the option remains that the UK PSPs continue operating within the scope of the SEPA schemes, provided they fulfil the EPC's eligibility criteria. More information about the criteria for participation in the SEPA schemes, can be found [here](#).

The above-mentioned application from UK Finance was intended to address the latter scenario of a no deal Brexit and request the continued participation of the UK PSPs in the SEPA schemes.

The EPC Board, at its 7 March 2019 meeting, has taken the decision to approve the application from UK Finance for the continued participation of UK PSPs in the SEPA schemes after 29 March 2019 in the event of a no-deal Brexit. This decision shall be revisited regularly to ensure the continued compliance of the UK under the EPC's SEPA scheme participation criteria in line with the established practice.