

SAP® ERP FINANCIALS

PREPARING FOR THE SINGLE EURO PAYMENTS AREA

The Single Euro Payments Area (SEPA) initiative affects European companies doing business with European partners. SEPA requires firms to use new payment standards, change master data, and examine business processes. The SAP® ERP Financials solution and SAP Consulting services can help with these challenges.



Getting Ready for the SEPA Initiative

In January 2008, the Single Euro Payments Area, or SEPA, became effective. SEPA is the result of actions taken by the banking industry in 2002, when the industry created the European Payments Council (EPC) to define the standards, frameworks, and rules for euro payments.

SEPA enables citizens, companies, and other stakeholders to make and receive payments in euros within Europe, whether between or within national boundaries, under the same basic conditions, rights, and obligations, regardless of their location. The political driver behind SEPA is the European Commission, along with the European Central Bank. The EPC, acting as the banking industry's coordination and decision-making body of this self-regulatory initiative, refers to SEPA as Europe's largest payments initiative.

SEPA will apply to all national and cross-border euro payments within and between the 27 member states of the European Union (EU), the three European Economic Area countries, and Switzerland. All of these countries will gradually harmonize their payment systems and procedures. This will mean establishing European standards for processing payments, reducing barriers to market entry, increasing efficiency, and lowering transfer costs. Your company can make a smooth transition to the new SEPA requirements and environment with the SAP® ERP Financials solution and SAP Consulting services.

Managing SEPA Instruments and Formats

SEPA introduces two new payment instruments provided by banks for their customers: SEPA credit transfers and SEPA direct debits. These new payment instruments will be identical across SEPA and will provide significant payment efficiencies for the daily business of corporations. For example, exporters will no longer require expensive, difficult-to-manage incoming payment accounts at foreign correspondence banks. Companies will be able to set up payment processing centers and shared service centers for financial operations, enabling them to centralize their financial accounting, cash, and treasury management functions. SEPA will affect card payments as well – holders of debit cards and credit cards will be able to use them within SEPA to make payments at their usual national rates.

Additional Compliance Support from SAP

Companies can quickly adapt to SEPA with applications that are a part of the SAP ERP Financials solution, including the SAP Bank Communication Management application, SAP Integration Package for SWIFT, and the SAP In-House Cash application.

You can use SAP Bank Communication Management to optimize the interface to the bank and to monitor status to increase the transparency of the

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payment flows. With the flexible release procedure and digital signatures, you can ensure that outgoing payments meet auditing requirements. With the multibank function in SAP Integration Package for SWIFT, you can exchange data between the SAP software system and any relevant banks using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) infrastructure.

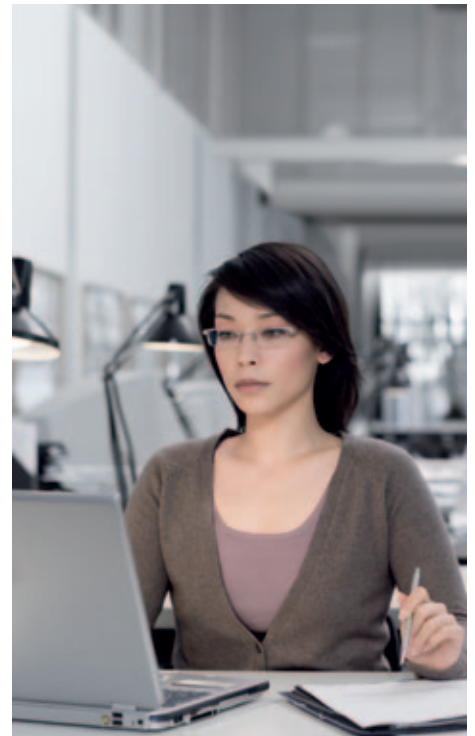
Finally, if your company has several subsidiaries, you can use SAP In-House Cash to set up a payment-processing center and centralize incoming and outgoing payments. ISO 20022 payment-processing standards and the XML format stipulated by the EPC regulate both the SEPA credit transfer and SEPA direct debit payments. The SEPA credit transfer will not be significantly different from the existing standard EU

credit transfer, but it will eliminate the current €50,000 value limit. The SEPA direct debit is a more complex payment instrument, requiring the creditor to receive a mandate from the creditor's debtors. The mandate is the authorization and expression of consent given by the debtor to the creditor, allowing the collection of outstanding receivables from a specified debtor account. Creditors must store mandate information in their systems as proof of legitimate collections, as well as transfer mandate-related data to their financial institutions.

A gradual market introduction of the SEPA direct debit is expected, because the implementation of the European directive on payment services is not required by law until November 2009.

Preparing for SEPA with SAP Solutions

Both the SEPA credit transfer and the SEPA direct debit payment instruments require the international bank account number (IBAN) and bank identifier code (BIC). Companies will need to update their systems to support both IBAN and BIC. The SAP ERP Financials solution includes functionality that enables corporations to start collecting the IBAN and BIC from their business partners immediately. Companies using SAP ERP Financials can communicate their IBANs and BICs to their



business partners – for example, printed on their invoices. SAP ERP Financials provides improved IBAN functionality that includes new options. One option is that you no longer need to specify a national account number before an IBAN. In addition, you will have an IBAN that is more visible and has the value presented next to other bank details from the master record.

Managing SEPA Mandates and Payments

With a support package for SAP ERP Financials, you will have complete mandate management functionality. You will be able to:

- Create mandate correspondence and attach external documents to the mandate
- Track the status of and manage your mandates, including the display of changes – for instance, the address of a creditor – and extensive reporting to provide transparency and complete control
- Integrate the mandates and operational processes, such as periodic payment runs – for example, each payment run will ensure that SEPA direct debits are processed only when a valid mandate exists
- Apply mandate management to



SAP Consulting offers a dedicated consulting package designed to help customers transition smoothly to SEPA specifically for credit transfers.

accounts receivable, and contract accounts receivable and payable, so that mandate management is useful in many industries, including insurance, telecommunications, media, and utilities

- Enable the XML generation of the new standard European SEPA direct debits and SEPA credit transfers

Migrating to SEPA with SAP Consulting

SAP Consulting can also help companies successfully manage the migration to SEPA. SAP Consulting has established a SEPA center of excellence to provide you with a variety of specialized consulting services. SAP Consulting also offers a dedicated consulting package designed to help customers transition smoothly to SEPA specific-

ly for credit transfers. The package provides you with detailed insights into SEPA changes. It includes a preparation, implementation, testing and go-live support phase. A key benefit of the packages is access to the SEPA knowledge area, where you will have the opportunity to become involved in a moderated, closed user community where you can share detailed information and exchange views with other customers.

Requirements for package implementation

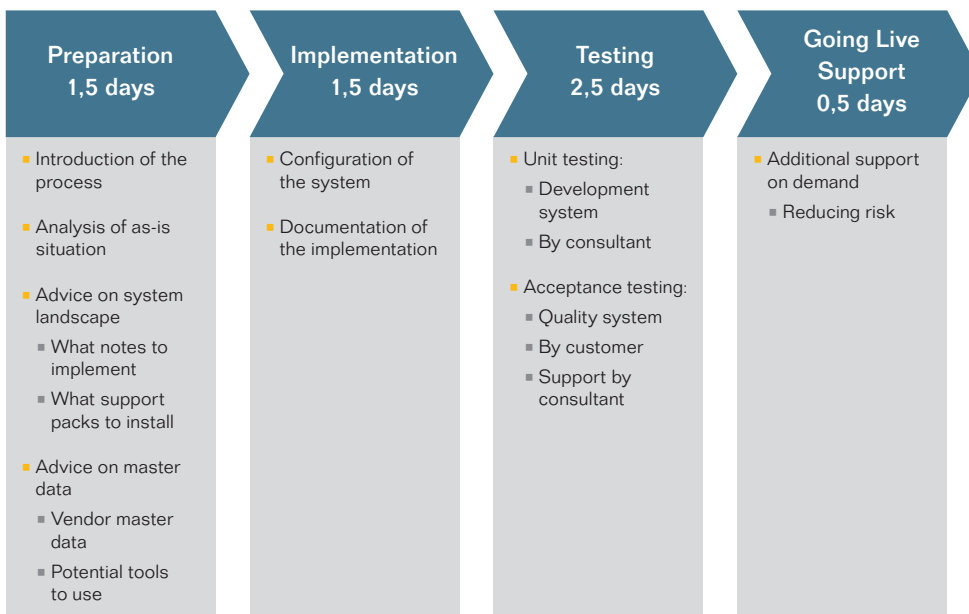
- If Isabel is used as bank communication software, the version Isabel 6.0 is mandatory. If another solution is used, you should check with the provider if your solution is compatible to send SEPA

credit transfer XML files.

- SEPA is supported from system version 4.6C onwards. The minimum support pack is 47.
- All relevant OSS-notes related to SEPA, which were given by the SAP consultant, should be implemented before the project starts.

Assumptions for package implementation

- If the customer has a 4.6C system, it could be possible that extra consultancy is required (Walldorf service).
- FI-CA (if used) will be treated in a second phase.
- SEPA Direct debits are not in scope. This can be treated in a second phase.
- Master data consultancy includes guidance on the procedure to improve your master data quality for SEPA. It does not include the conversion/migration (e.g. via CATT, LSMW) itself.
- The SAP consultant will guide on the necessary OSS-notes to be implemented. Though, we assume that the notes are implemented before the project starts.
- The unit testing will be done by the consultant while more extensive and integrated testing will be done by the customer. The SAP consultant will support during the acceptance and/or integration tests.
- The SAP consultant will provide with Key User training during the testing phase which can be used as a basis for internal end-user training.



SEPA Implementation Package Total 6 days

QUICK FACTS

Summary

The Single Euro Payments Area (SEPA) initiative affects European companies doing business with European partners. SEPA requires firms to use new payment standards, change master data, and examine business processes. The SAP® ERP Financials solution and SAP Consulting services can help with these challenges, by providing a SEPA implementation package for a total of 6 days.

Challenges

- Comply with European Payments Council requirements for euro payments
- Take advantage of payment efficiencies
- Centralize financial accounting, cash, and treasury management functions
- Ensure that outgoing payments meet auditing requirements

Supported Business Processes and Software Functions

- Foreign financial management – Set up payment-processing centers and shared service centers for financial operations
- Credit transfer management – Eliminate the current €50,000 value limit
- Direct debit management – Store and transfer mandate-related data
- Account number and code management – Collect required numbers from business partners
- Bank communication management – Optimize the interface to the bank to increase the transparency of the payment flows
- Subsidiary management – Centralize incoming and outgoing payments

Business Benefits

- **Widen your customer base** by reducing barriers to market entry
- **Reduce costs** by improving efficiency and lowering transfer expenses
- **Meet auditing requirements** with the flexible release procedure and digital signatures
- **Lower subsidiary overhead** through setting up a payment-processing center

For More Information

Call your SAP representative at 0800 50 550 550 or contact us at operations.belgium@sap.com.

SAP Belgium SA NV
Chaussée de la Hulpe 166
1170 Brussels, Belgium

Tel.: +32 (0)2 674 65 11
Fax: +32 (0)2 674 69 98

VAT number: BE 0441.797.980

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