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Policy Brief

UKRAINE'S PATH TOWARD JOINING SEPA PAYMENT SCHEMES

May 2025

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This publication was prepared with the support of the European Union and the International Renaissance Foundation within the framework of the joint initiative "European Renaissance of Ukraine". The views expressed in the material are those of the author and do not necessarily reflect the position of the European Union or the International Renaissance Foundation.

Introduction

As part of the Association Agreement with the EU and in preparation for full EU membership, Ukraine aims to join the SEPA payment schemes. This would simplify euro-denominated transactions with EU countries and reduce their cost.

What is SEPA?

SEPA (Single Euro Payments Area) is a European Union initiative designed to create a single market for euro payments. It enables non-cash payments in euros between EU member states to be made as easily and securely as domestic payments. SEPA reduces transaction costs, speeds up payments, and increases transparency.

> **It is important to note that SEPA is not a payment system. Rather, it is a set of payment schemes — that is, rules and standards for conducting payment transactions agreed upon by payment service providers. SEPA includes schemes for regular and instant credit transfers (payments initiated by the payer) as well as direct debit transfers (payments initiated by the payee with the prior consent of the payer).**

SEPA is a joint initiative of regulators and market participants. On the EU side, it is implemented by the European Central Bank (ECB), the Eurosystem (central banks of eurozone countries) and the European Commission. Market participants are represented by the European Payments Council (EPC), which defines the SEPA payment schemes and their geographical scope in line with EU legislation and in cooperation with regulators.

EU legislation requires all payment service providers in EU countries to support SEPA credit and debit transfers. Starting in 2025, this requirement will also apply to instant payments with a duration of up to 10 seconds. Fees for transfers must be identical for domestic and cross-border payments within the EU, and the use of an IBAN-format account number must be sufficient to execute a payment.

Ukraine's accession to SEPA

Eligibility criteria

Until 2024, SEPA was only available in EU countries, European Economic Area (EEA) countries, outermost regions of EU member states, and a few microstates (Andorra, Monaco, Liechtenstein). After Brexit, the United Kingdom remained a SEPA participant.

In 2020, the EPC — in cooperation with regulators — established criteria for participation by non-EU countries' in SEPA. These criteria include:

- **close political and economic ties with the EU (e.g. an Association Agreement and EU candidate status)**
- **significant volumes of euro-denominated payments**
- **a level playing field with EU market participants – i.e. competition rules that are either equivalent to or harmonized with those in the EU, and absence of unfair competitive advantages**
- **no technical or regulatory barriers – i.e. harmonized payment services regulations aligned with EU rules, and no other obstacles to cross-border transactions**
- **compliance with anti-money laundering requirements, particularly those under EU directives and FATF standards**

The rules also require that a country's participation be coordinated with the European Commission. After the EPC approves the inclusion of a third country in SEPA, individual financial service providers in that country must meet SEPA's technical requirements and join the payment schemes.

Following the adoption of these criteria, and with EU support, Albania, Montenegro, North Macedonia and Moldova joined SEPA in late 2024 and early 2025. Banks and other payment institutions in these countries are expected to begin executing SEPA transactions later this year. Serbia and Kosovo have also submitted applications.

Ukraine's progress toward SEPA membership

In 2020, the EU decided to support SEPA accession for the Eastern Partnership and the Western Balkan countries. This was reflected in the adoption of the abovementioned criteria for expanding SEPA beyond the EU and EEA.

In 2021, the Ukrainian Parliament adopted a new Law on Payment Services that incorporated key provisions of the EU Payment Services Directive into national law.

In October 2022, Ukraine and the EU identified SEPA accession as a shared priority. This was formalized in the jointly agreed Association Agreement Implementation Plan for 2023-2024. To deliver on this priority, the National Bank of Ukraine (NBU) began implementing the new law, which entered into force in 2022. Over twenty new regulatory acts were adopted to support this effort. Work to align Ukrainian payment system regulations with EU law continues.

In parallel, the NBU modernized its interbank payment infrastructure. In 2023, the updated Electronic Payment System (EPS) began operations, enabling transfers between bank accounts in hryvnia. The upgraded system is technically compatible with SEPA. In December 2024, instant credit transfers were launched, further enhancing EPS alignment with SEPA standards.

Meanwhile, the government and parliament worked to strengthen anti-money laundering compliance. The European Commission's 2024 Enlargement Report for Ukraine noted progress in this area but also highlighted outstanding requirements – such as establishing a register of trust beneficiaries and a register of bank account and safe deposit box holders.

On April 30, the Ukrainian government submitted Draft Law No. 13233 to parliament, which aims to align national legislation with SEPA requirements. The draft law reflects comments from the relevant directorate of the European Commission, which reviewed Ukraine's SEPA application. Among other things, it addresses the need to create registers that will facilitate the identification of payment beneficiaries within the country.

There is reason to hope that, upon adoption of this law, Ukraine will be able to join SEPA, just as neighboring Moldova has done.

Benefits for Ukraine

Joining SEPA would reduce the cost of international euro-denominated payments for Ukrainian citizens and businesses. This would be achieved by eliminating the additional fees and charges that are typically applied to cross-border transactions outside SEPA.

> **According to data from the National Bank of Ukraine, euro payments with EU countries in external trade amounted to as much as EUR 46 bn in 2024 (over EUR 16 bn in exports of goods and services, and more than EUR 29 bn in imports). Additionally, over EUR 1.8 bn in remittances from EU countries were sent to Ukraine in 2024 via banks and international payment systems.**

According to the State Statistics Service, more than 45% of imports in 2023 were conducted by companies with up to 50 employees. While some of these firms may belong to larger business groups or serve as specialized importers handling substantial

volumes, others are likely to engage in smaller-scale transactions and therefore incur relatively high per-transaction fees. A World Bank study on Western Balkan countries found that in 2023, the average cost of a EUR 20,000 transfer between the EU[1] and these countries was around 0.3%, compared to just 0.02% for equivalent transfers within the EU.

Table 1. Average cost of regular EUR 5,000 transfers in WB6 and the EU

	EUR 5,000		EUR 20,000	
	To EU	To WB6	To EU	To WB6
From EU	0.05%	0.59%	0.02%	0.30%
From WB6	0.50%	0.34%	0.34%	0.34%

Infographic from the World Bank report illustrating the average cost of international transfers for small and medium-sized enterprises in the EU and the Western Balkans. WB6 = six Western Balkan countries.

An analysis of the tariffs of four Ukrainian banks[2] with the largest foreign currency corporal deposits volumes shows that the cost of a EUR 20,000 payment is generally below EUR 60 (i.e., under 0.3%), but still far above the EUR 4 typical of SEPA-area transfers (0.02%). Even the minimum bank fees for international transfers outside promotional offers are usually USD 20-30.

World Bank monitoring of transfer fees from Poland, Germany, Czechia, and Italy to Ukraine (as of November 2024) showed that the cost of sending small amounts (e.g., EUR 140, PLN 860, CZK 3,800) ranged from 1 to over 10%, depending on the method. The highest costs were associated with fixed bank charges, making small transfers via bank wires inefficient. Still, in each country there were options with total costs below 2%. Transfers of higher amounts (e.g., EUR 345, PLN 2,150, CZK 9,550) had lower relative costs, with the most favorable options approaching 1%.

> **These estimates are indicative only. However, assuming current payment volumes remain stable, the potential savings for individuals and businesses from joining SEPA could range between EUR 70 mn and EUR 100 mn.**

For comparison: Moldova estimated its short-term savings from SEPA accession at EUR 12 mn. While Ukraine's external trade volumes are over nine times higher than Moldova's and remittance volumes six times greater, actual savings will depend on the

[1] Under the terms of OUR, i.e. including the commission of the sender's bank and the correspondent bank https://fastpayments.worldbank.org/sites/default/files/2024-08/WB6%20B2B%20Cost%20Report_Final_0.pdf

[2] As of March 1, these banks had about 50% of the total amount of such deposits.

structure of transactions, tariff levels, and the speed of implementation of SEPA standards. Additionally, lower transaction costs could reduce informal remittance channels between Ukraine and the EU (though the scale of this effect is difficult to assess) and encourage broader use of the euro in Ukraine-EU trade.

SEPA also has the potential to accelerate capital flows between Ukraine and EU countries. This may improve financial liquidity and enhance business efficiency, especially for companies actively working with European partners.

SEPA standards ensure high levels of transparency and security for financial transactions. This can reduce the risk of fraud and strengthen the reliability of payment operations.

Conclusion

Ukraine's progress toward joining the EU's Single Euro Payment Area (SEPA) has already driven significant alignment with EU standards in payment services and anti-money laundering. Full SEPA membership would unlock access to faster, cheaper, and more transparent financial transactions between Ukraine and the EU.

Preliminary estimates suggest that potential annual savings could reach up to EUR 100 mn. However, this figure remains approximate and depends on actual transaction volumes and applicable fees following accession. Even so, joining SEPA would represent an important step toward the full integration of Ukraine's financial sector into the European economic space.

SEPA membership could also pave the way for Ukraine to gain access to the EU’s internal market for financial services, potentially even before full EU membership is achieved.

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