



# The Belgian SEPA Migration Plan

Belgium as part of the Single Euro Payments Area

Version 4.0

October 2008



# Belgian Migration Plan to the Single Euro Payments Area (SEPA)

## VERSION 4.0

### October 2008

The SEPA concept in this document is the SEPA concept as defined by the European Payments Council (EPC) in its Charter. The definition of SEPA is part of the EPC Roadmap as approved by the December 2004 EPC Plenary:

*“SEPA will be the area where citizens, companies and other economic actors will be able to make and receive payments in Euro, within Europe (currently defined as consisting of the 25<sup>1</sup> European Union ("EU") member states plus Iceland, Norway, Liechtenstein and Switzerland), whether between or within national boundaries under the same basic conditions, rights and obligations, regardless of their location.”*

The Belgian financial community is represented by FEBELFIN and supported by the National Bank of Belgium (NBB). The purpose of this document is to describe the Belgian banking community's migration path towards the Single Euro Payments Area (SEPA). Compared to the previous version 3.2 and due to a changing EPC Strategy some objectives and decisions formerly set up by the Belgian banking sector have been revised. After the successful launch of the SEPA Credit Transfer by the Belgian banks on January 28th, 2008, it became clear that **formerly defined milestones, decisions and points of view need to be adapted**. This has led to the publication of the Belgian migration plan version 4.0. The most important updates in the version 4.0 are:

- all formerly defined end dates related to legacy products have been abandoned, except for the end date related to the use of the non-SEPA Credit Transfer paper form. Instead of indicating fixed end dates related to all other legacy products, the banking community expects to have reached the migration of a critical mass of SEPA Credit Transfers as well as SEPA Direct Debits by the end of 2010. The evolution of the migration towards SEPA products will be monitored closely within the Steering Committee on the Future of Payment Means (please refer to page 5 for information about this Committee)
- update of the Belgian Direct Debit scheme (DOM80) to become PSD compliant
- the decision of the banking community not to operate the SEPA Direct Debit product on the local clearing system CEC from the start of the product on November 1st, 2009.

---

<sup>1</sup> in the meantime, the number of EU member states has increased to 27.

## Table of contents

<b>Organisational structure</b> .....	<b>4</b>
<b>1. Introduction</b> .....	<b>7</b>
<b>2. Scope</b> .....	<b>8</b>
2.1. Positive scope.....	8
2.2. Negative scope .....	8
2.3. Scope: summary.....	10
<b>3. External factors</b> .....	<b>11</b>
3.1. On the European level.....	11
3.2. On the Belgian level .....	11
<b>4. Migration windows</b> .....	<b>13</b>
<b>5. ACH infrastructure</b> .....	<b>15</b>
5.1. The Belgian ACH (Centre for Exchange and Clearing - CEC) will not be positioned as a PE-ACH. ....	15
5.2. CEC temporarily SEPA compliant for local payments.....	15
5.3. Move to the same PE-ACH in a first stage.....	16
5.4. Gentlemen's agreement on CEC.....	17
5.5. Other future investments .....	17
5.6. Close down of the CEC .....	17
<b>6. Cards infrastructure</b> .....	<b>18</b>
6.1. Implementation of EMV in Belgium .....	18
6.2. Migration towards international scheme.....	18
<b>7. Standards and interfaces</b> .....	<b>20</b>
7.1. Bank-to-Bank: Use of SEPA subset of ISO20022 standard.....	20
7.2. Customer-to-Bank & Bank-to-Customer e-standards .....	21
<b>8. Credit Transfers</b> .....	<b>22</b>
8.1. Reachability and initiation.....	23
8.2. BBAN - IBAN conversion.....	23
8.3. SEPA Credit Transfer Paper Form .....	24
8.4. Structured remittance information: Belgian standard .....	26
<b>9. Direct debits</b> .....	<b>27</b>
9.1. Launch date of SEPA DD payment instrument .....	27
9.2. Migration of existing mandate information.....	28
9.3. Usage rule to enable full migration of existing mandates.....	29
9.4. Outphasing of Belgian DD scheme .....	29
9.5. Business-to-business .....	30
9.6. Existing centralised database on Creditor Identifiers .....	30
<b>10. Communication</b> .....	<b>31</b>

## ORGANISATIONAL STRUCTURE

*Belgian SEPA  
governance mirrors  
European set-up*

The Belgian banking community decided to set up a specific governance framework for the conduct of the migration towards SEPA, which broadly **mirrors the European set-up** (see graph on page 6). At the highest level the National Bank of Belgium Governor meets board members, responsible for the payments area at the commercial banks in the **SEPA Forum**. This is the highest level in the Belgian SEPA organisational structure and comparable to the Contact Group on Euro Payment Systems (COGEPS) at the European level. It is presided over by the Governor of the NBB. The SEPA Forum is informed on the progress of the Belgian migration plan towards SEPA, and validates decisions as proposed by FEBELFIN's Payment Systems Committee (Paysys) and FEBELFIN's Board. Once these decisions have been approved they are considered to be mandatory for the whole of the Belgian banking community.

*Banks and central  
bank meet in SEPA  
Forum*

*Paysys*

The **Payment Systems Committee (Paysys)** is the highest consultative body, responsible for the definition of the policy and strategy for all issues related to payments for the Belgian banking community. This Committee already existed before the Belgian SEPA organizational structure was established, and deals not only with SEPA issues but with all other matters relating to the banks' payments activities. Before Paysys' proposals are discussed in the SEPA Forum, they are validated by the **Board of FEBELFIN**, the highest decision-making body for Belgian banks.

*Board of FEBELFIN*

*Belgian SEPA Co-  
ordination Committee*

Proposals to be approved by Paysys are prepared by the **Co-ordination Committee**. All proposals made by the **Working Groups** are centralized and issued for approval by the Co-ordination Committee, which ensures their overall logic and conformity. In Belgium this committee has a role comparable to that of the European Payments Council's Co-ordination Committee namely, the co-ordination of the work of the different Working Groups, and it is responsible for the preparation of the Paysys Committee meetings.

The composition of the Co-ordination Committee is based on the chairmanship of the different Working Groups which were established to deliver the input for the elaboration of the migration plan. They are also the representatives of the Belgian banking sector in the different EPC Working Groups. This ensures coherence and direct communication from the European EPC level to the Belgian working structure.

Although the Belgian SEPA organizational structure was set up as a copy of the EPC structure, not all EPC bodies were copied in the Belgian context, either for efficiency reasons or because other procedures are being put in place. For example, the Belgian structure does not hold a Legal Supporting Group. Instead, the chairs of Working Groups rely on their own legal experts following the discussions as members of the specific Working Groups. On each issue considered by a legal expert, a second opinion is offered by a legal expert from another Belgian bank, and one from the NBB, when required.

*central bank opens up implementation discussions to a broadly-based societal platform*

Another difference with the European set-up is the addition of other Working Groups and Task Forces for specific issues, such as communication issues, the delivery of website information and the organization of the migration of the existing Belgian C2B and B2C standards to European ones.

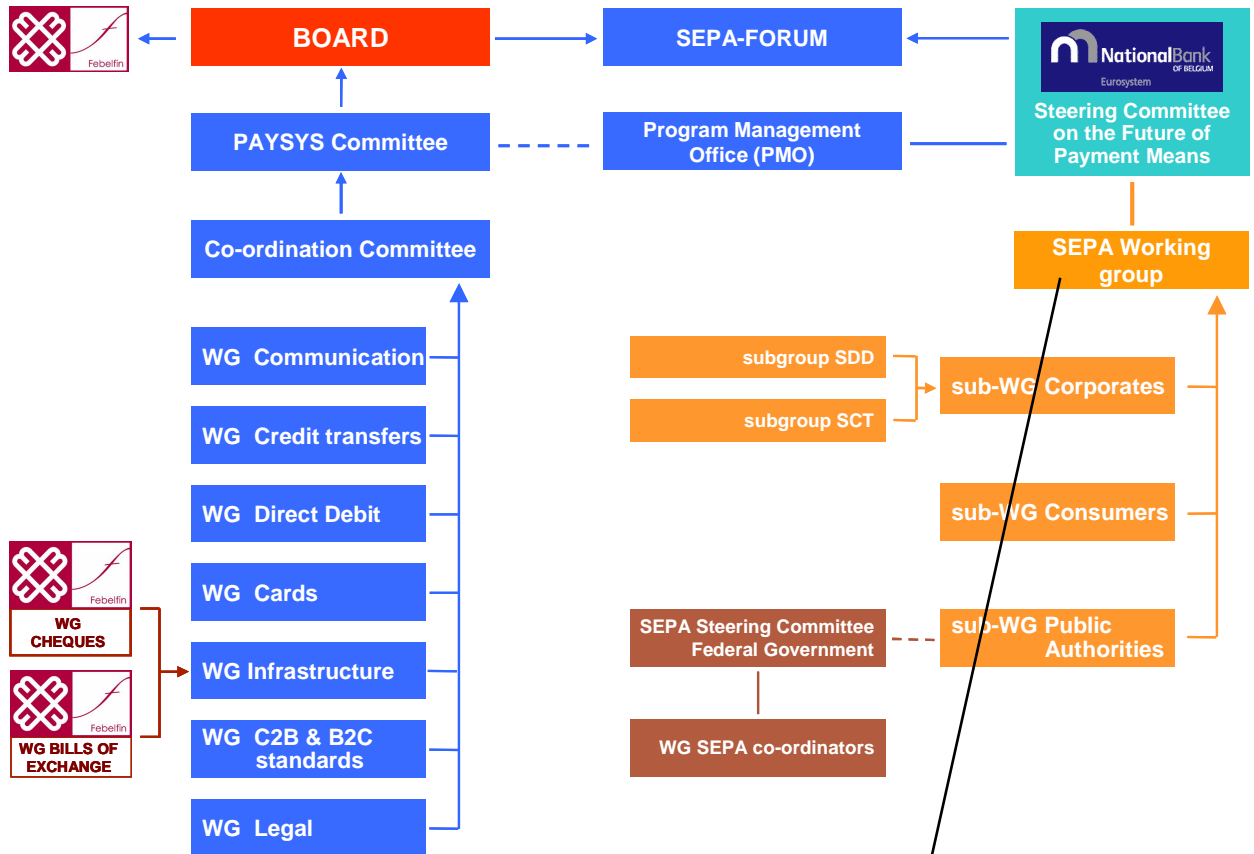
As the SEPA design phase has come to an end by the publication of final versions of the Rule Books and the Implementation Guidelines the end-to-end implementation phase (for SEPA Direct Debit) and the full migration phase (for SEPA Credit Transfers) are the current steps in the process. This phase also includes actors outside the banking sector, and is therefore conducted in a broadly-based societal platform. The "**Steering Committee on the Future of Payment Means**"<sup>2</sup> was considered to be the most convenient platform to plan the implementation and monitor the SEPA process in Belgium. Installed in 2003, this Steering Committee, chaired by the Governor of the National Bank of Belgium, was mandated to promote the discussions between banks and all other stakeholders on the efficiency of payment means and instruments. A new Working Group was set up under this governance for the conduct and monitoring of the implementation of SEPA in Belgium. The work is currently being prepared by three separate subgroups composed on the basis of the type of stakeholder: corporates, public administrations and consumers. They are investigating all possible practical implementation actions and follow up on progress within their specific sectors. The deliverables and decisions presented in this interbank migration plan are communicated through the National Bank of Belgium, as SEPA Program Manager, to this broadly-based societal platform. A first progress report was published in December 2007<sup>3</sup>.

*Program Management Office monitors implementation and progress*

Linked to the above mentioned next step towards implementation and full migration, a **Program Management Office** (PMO) has been set up to safe-guard the process of implementation and migration. Specific tasks have been assigned to the PMO, such as setting up a global plan for all stakeholders, the elaboration of a risk analysis listing all dependencies for the SEPA implementation, definition and follow-up of testing strategies and watch over an efficient link between the interbank SEPA activities and those on the societal level with all stakeholders under the governance of the above mentioned Steering Committee on the Future of Payment Means.

<sup>2</sup> The "Steering Committee on the Future of Payment Means" was established in 2003 by the Minister for Economic Affairs and Consumer Protection and is chaired, at the request of the Minister of Finance, by the Governor of the Central Bank.

<sup>3</sup> available on the SEPA section of [www.nbb.be](http://www.nbb.be)



*Belgian Banks fully endorse SEPA migration*

*SEPA for the citizen*

*definition of critical mass*

*...and SEPA for Infrastructure*

## **1. INTRODUCTION**

**The Belgian banking community fully endorses the migration of Belgian payments processing towards SEPA.**

All Belgian banks have been able to receive and process SEPA Credit Transfers from the launch date on. The large majority is also offering payment service users access to SEPA Credit Transfer on the sending side to be used both locally<sup>4</sup> and within the SEPA area<sup>5</sup> ("SEPA for the citizen"). In terms of volume of payment transactions, the Belgian banks having adhered to the SEPA Credit Transfer Scheme represent a much higher market share than the 80% which was initially fixed as the target critical mass rate. Only a few Belgian banks are still only capable of receiving SEPA transactions and will start sending SEPA transactions by the end of 2008.

The Direct Debit payment instrument will be supported as from November 1<sup>st</sup>, 2009. Both reachability (receiving side) and offering the Direct Debit instruments to creditors (sending side) will be guaranteed as from November 1<sup>st</sup>, 2009 (please refer to chapter 9. for more details on Direct Debits).

For Card payment instruments, the former decision to replace the Belgian Bancontact/MisterCash scheme by an international scheme on January 1<sup>st</sup>, 2008 has been reviewed.

Furthermore the Belgian banking community is planning to process and settle a vast majority of the payment messages resulting from the use of these SEPA payment instruments in a European infrastructure, without commitment of a fixed end date for legacy systems ("SEPA for Infrastructure"). The creation of a full level playing field in the SEPA area is a prerequisite for the Belgian banking sector in order to decide on end dates for legacy systems.

<sup>4</sup> "Local payments" meaning national payments between two Belgian accounts.

<sup>5</sup> "Domestic payments" meaning payments between two accounts inside the SEPA area.

*The whole end-to-end payment chain is covered...*

## **2. SCOPE**

### **2.1. POSITIVE SCOPE**

**This migration plan covers the entire payment chain (end-to-end), including the three pan European payment instruments currently defined in the EPC Rulebooks and Framework:**

- SEPA Credit Transfers,
- SEPA Direct Debits and
- SEPA Cards.

These three pan European payment instruments will gradually replace the existing Belgian instruments, taking into account a certain transitional period in which non-SEPA payment instruments will exist next to the newly introduced SEPA payment instruments. By the end of 2010 the majority of the Belgian Credit Transfers will be replaced by SEPA Credit Transfers.

While the EPC defines rules on the inter-bank level in its Rule Books and Implementation Guidelines, the scope of this Belgian migration plan is intended to be end-to-end, from ordering customer to receiving customer (for more details, please refer to chapter 7.).

All possible efforts are made in order to keep the transition for customers as smoothly and seamlessly as possible.

### **2.2. NEGATIVE SCOPE**

*The use of cheques and bills of exchange will be discouraged as much as possible...*

**Cheques and bills of exchange are not SEPA payment instruments and are therefore considered out of scope of SEPA and of this migration plan. Their use will be discouraged as much as possible.**

Cheques and bills of exchange are legal instruments regulated by international conventions and therefore cannot be abolished by a Belgian decision. None of these instruments are planned to be physically modified in order to make them SEPA-compliant.

*... and alternatives for cheques are looked for*

*full truncation of cheques*

*close down of Centre for Bills of Exchange*

Concerning cheques, the Belgian banking community decided:

- as a main objective, to investigate measures to discourage the use of cheques and explore alternatives to cheques;
- as a secondary goal, to investigate alternatives for exchanging and settling the remaining volume of cheques;
- to abolish the local payment instrument "invoice cheque" one year after the launch of the SDD payment instrument<sup>6</sup>;
- up till the end of the use of the cheque, the residual, marginal volume of high value cheques will no longer be exchanged physically within the Manual Clearing House: all cheques will be settled under the principle of full truncation organised within the Automated Clearing House CEC.

Concerning bills of exchange, the Paysys committee decided to:

- investigate measures to discourage the use of bills of exchange;
- dismantle the local Centre for Bills of Exchange by September 22nd, 2011;
- investigate an alternative settlement mechanism for bills of exchange with a due date later than September 22nd, 2011.
- investigate alternatives for a central registration system for protested bills of exchange.

---

<sup>6</sup> This period has been set because a transitional period is necessary during which this local payment instrument will be turned into/migrated towards the one-off SEPA Direct Debit instrument.

### 2.3. SCOPE: SUMMARY

The following table shows the existing Belgian national payment instruments, their SEPA equivalents and some implementation issues:

<i>Belgian payment instrument</i>	<i>SEPA payment instruments</i>	<i>Implementation Comments</i>
<b>Belgian CT</b>	<b>SEPA CT</b>	- Belgian structured remittance information reference - SCT paper form release
<b>Belgian standing order</b>	<b>SEPA CT</b>	identical to a basic CT
Belgian money order	out of scope	
<b>Belgian DD DOM70/80</b>	<b>SEPA DD</b>	continuity and validity of existing DOM80 mandates has been confirmed by legal experts
<b>Belgian Bancontact/MisterCash scheme for Cards</b>	<b>SEPA Cards Framework</b>	Belgian scheme will be replaced by an international or any SEPA-compliant scheme
Cheques	out of scope of SEPA	use will be discouraged
Invoice Cheques	out of scope of SEPA	will be abolished one year after launch of SEPA Direct Debit Scheme
Circular Cheques	out of scope of SEPA	use will be discouraged
Bills of Exchange	out of scope of SEPA	use will be discouraged - close down of Centre for Bills of Exchange by September 22nd, 2011

### **3. EXTERNAL FACTORS**

Examination of the road to SEPA reveals a number of uncertainties and external factors, both at the European level and at the Belgian level.

#### **3.1. ON THE EUROPEAN LEVEL**

The European legislation on payment services (in full the Directive 2007/64/EC<sup>7</sup> of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC) leaves room for national interpretation ("goldplating"), which can lead to different national laws and disruption of the necessary level playing field. One of the examples risking to hinder the creation of a true level playing field is the uncertainty about a SEPA-wide unique definition of a "micro-enterprise" (an important topic in the Business-to-Business Direct Debit scheme).

The EPC has not yet had the chance to prove its self-regulating power. If the EPC's ability to regulate itself is inadequate, this would endanger the efficient and swift implementation of SEPA. For example, if EPC would not succeed in convincing all Belgian banks to adhere to the schemes, national Belgian payments would only be partially converted into SEPA payments. Even more, all European banks should subscribe to the adherence agreements of the EPC schemes in order to have a fully reachable, interconnected banking system for SEPA payments.

The European Commission pointed out only recently that the set up of an interchange fee agreement within the SEPA products could be acceptable under certain conditions. The point of view of the Commission needs however further clarification and analysis.

#### **3.2. ON THE BELGIAN LEVEL**

One of the most important external factors concerns the timing of the transposition into national law of the PSD. Although the European Commission has stated on several occasions that the transposition in the different countries is well on track, it remains a topic creating uncertainty. Next to the timing of the transposition in all countries, the content of the transposition text set up by the Belgian legislator is of utmost importance for the start and implementation of the SEPA Direct Debit. This transposition text is however not yet available for consultation.

*content of PSD*

*risk of disruption of level playing field*

*EPC's self-regulating power*

*Multilateral Balancing Payment (interchange fee)*

*PSD transposition: timing...*

*... and content of Belgian transposition text*

<sup>7</sup> Commonly known as the Payment Services Directive or PSD

*limited impact on  
EPC decisions*

Belgian banks do not have control over the external factors at European level, as they have only moderate influence on the decision-making process within the EPC. Furthermore, at the Belgian level, individual commercial strategies exist which can be subject to internationally oriented banking group strategies.

*acceptance by all  
stakeholders:*

The support of all stakeholders is of utmost importance. Within the different working groups of the Steering Committee on the Future of Payment Means, the platform for the societal debate on SEPA, it has become clear that most creditor parties have not yet finished the evaluation of the business model for SEPA Direct Debit. By the end of 2008, information on customer-to-bank standards and electronic mandates will be made available to creditors.

*- creditors*

*- debtor banks*

Furthermore, reachability within the SDD Business-to-Business scheme (which would provide the market with an answer to the refund topic) is far from certain, as the scheme is not mandatory for debtor banks. The B2B scheme will be reserved for "non-consumers", but a clear definition of "non-consumer" is still to be defined (and is pending on the Belgian PSD transposition text).

**Despite these external factors, the Belgian banking community has successfully and unanimously reached a number of formal decisions on the scope, the time lines, the non-SEPA payment instruments, infrastructure and communication. These decisions are listed in the following chapters.**

#### 4. MIGRATION WINDOWS

Different migration windows exist:

... for Credit Transfers

the migration of the Belgian **Credit Transfers** started on January 28<sup>th</sup>, 2008 and will be a market-driven process<sup>8</sup> in which it is up to corporates and consumers to progressively make use of the SEPA Credit Transfer in replacement of the current Belgian Credit Transfer.

Chapter 8 contains a detailed description of the SCT migration process.

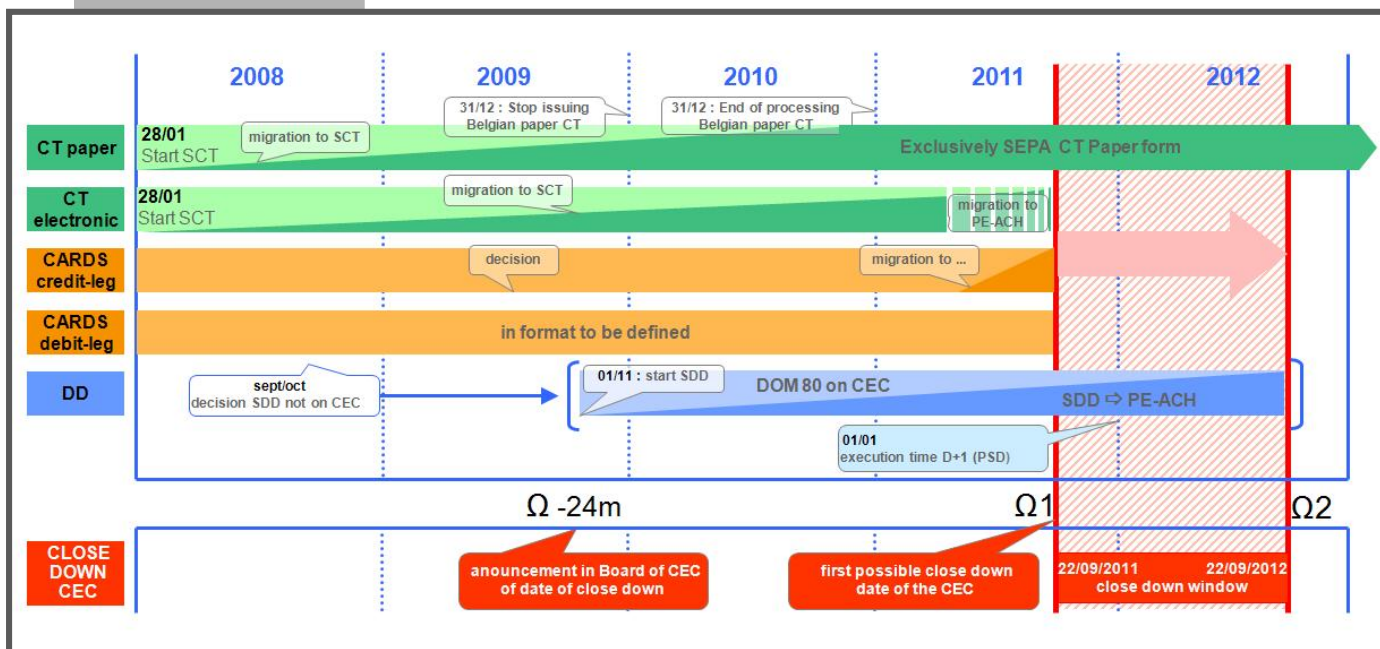
... for Direct Debits

Concerning SEPA **Direct Debits**, the Belgian banking community is planning the launch date of the SDD product on November 1<sup>st</sup>, 2009. The banking community is working on a migration planning in the framework of the Steering Committee on the Future of Payment Means, together with all relevant stakeholders.


Chapter 9 contains more information on SEPA Direct Debit migration.

... for Cards

Concerning **Debit Cards**, the Belgian banks offer a SEPA-compliant product as of January 1<sup>st</sup>, 2008. Acceptance in the market will be a crucial issue and the final fade-out is still uncertain.



<sup>8</sup> The Belgian banking community is planning to migrate a vast majority of the Credit Transfers, without a full commitment to have achieved a 100 % migration by December 31<sup>st</sup> 2010, as the full migration depends on the acceptance of SEPA by the market.



The lower part of the graph above contains a second timeline on which the planned close down window for the Belgian retail payment system CEC is plotted. The exact momentum of close down will be situated within the close down window indicated in red. Please refer to chapter 5 for more details on the Belgian infrastructure.

The migration windows of the different instruments in the upper part of the graph are further detailed in chapters 6, 8 and 9.

## **5. ACH INFRASTRUCTURE**

### **5.1. THE BELGIAN ACH (CENTRE FOR EXCHANGE AND CLEARING - CEC) WILL NOT BE POSITIONED AS A PE-ACH.**

*CEC ≠ PE-ACH*

One of the basic decisions of the Belgian banking community is not to invest in the current Belgian ACH in order to become PE-ACH-compliant<sup>9</sup>. Belgian banks want to avoid parallel investments in retail payment systems in several SEPA countries. The processing of payment messages to or from a Belgian bank will consequently have to be transferred to a PE-ACH.

*PE-ACH connection*

All Belgian banks having adhered to the EPC Credit Transfer Scheme are connected directly or indirectly to a PE-ACH<sup>10</sup>. Other potential PE-ACH-providers have been contacted in order to prepare for the consequences of the future migration of the local payment volume. The assessment is still ongoing. These contacts are based upon an inter-bank agreed scheme of functional needs and specific requests for prices, access rights and governance rules. The Co-ordination Committee collects and evaluates all information received through this PE-ACH Assessment Scheme, thus comparing the functional, financial and other needs of the Belgian banking community with the offerings of the various potential PE-ACH providers.

*other PE-ACHs are being assessed*

### **5.2. CEC TEMPORARILY SEPA COMPLIANT FOR LOCAL PAYMENTS**

*a fall-back scenario is implemented: CEC temporarily SEPA compliant for local credit transfers*

The fall-back scenario covers the SEPA Credit Transfer instrument on the condition that both customer accounts are located in Belgium. The CEC processes the Belgian SEPA Credit Transfers as described in the appropriate EPC Credit Transfers Rule Books and Implementation Guidelines, in the UNIFI ISO 20022 XML format. SEPA formatted payments are processed in parallel with the CEC local non-XML formats. By implementing this fall-back scenario, Belgian banks have been ensured of the technical ability to exchange local Belgian Credit Transfer payments in SEPA format, up till the moment Belgian banks will move the Belgian SEPA payment traffic to a European-wide platform.

As a general principle, SEPA-compliance means the ability of the ACH to process, separately and in parallel with the existing local payments traffic, SEPA payment instruments. The new parallel circuit has been designed in such a way to anticipate as much as possible to the expected technical and business requirements of future PE-ACH providers.

<sup>9</sup> PE-ACH-compliance would mean: SEPA-compliance + accessibility/reachability throughout the SEPA area. SEPA-compliance would mean: being able to process pan-European payment instruments.

A full definition of the PE-ACH concept has been developed in the EPC document "*Framework for the evolution of the Clearing and Settlement of Payments in SEPA*".

<sup>10</sup> EBA STEP2 is de facto the only operational retail payment system which can be considered to be a PE-ACH because of its European wide reach.

Any change on the CEC should be made in accordance with the following principles:

- 1) changes serve the whole Belgian banking community;
- 2) changes facilitate a seamless migration to a PE-ACH;
- 3) investments are made within a market reality, and the payback is situated within the migration window towards a PE-ACH provider.

Participating banks in the CEC are not obliged to process their local SEPA payments through the CEC: Belgian banks are free to exchange local Belgian SEPA transactions amongst each other through a PE-ACH.

### 5.3. MOVE TO THE SAME PE-ACH IN A FIRST STAGE

*criteria to migrate to a PE-ACH*

Certain criteria have to be fulfilled before the Belgian local payments volume can be migrated, e.g. a critical mass at the level of the PE-ACH must have been reached and a favourable pricing structure and service level is needed. Another important issue is the governance structure within the candidate PE-ACH. The detailed PE-ACH Assessment Scheme lists these criteria.

In case the Belgian banking community should not dispose of a favourable PE-ACH offer to cover the above mentioned issues by end 2010, it is preferable to extend the fall-back scenario beyond September 22nd, 2011.

*...move to the same PE-ACH in a first stage*

Although Belgian banks are free to switch to a PE-ACH of their preference, it is recommended that they migrate, at an early stage, to the same PE-ACH unless interoperability between PE-ACHs is guaranteed. One of the main issues which is still unclear is how messaging and liquidity flows will be managed between SEPA compliant interoperable infrastructures in scenarios in which Belgian banks migrate to different infrastructures. In order to stay informed on this crucial topic, the Belgian banking community, through its CEC ACH infrastructure, decided to become member of the European Automated Clearing House Association (EACHA). This European non-for-profit organisation of ACH's has developed a model for interoperability and settlement procedures for SEPA compliant PE-ACHs.

*CEC member of EACHA*

*a gentleman's agreement for members of the Belgian ACH has been defined*

#### 5.4. GENTLEMEN'S AGREEMENT ON CEC

The Belgian banking community agrees on the principle of having an exit agreement in a scenario whereby the CEC will gradually be dismantled. A gentlemen's agreement will compensate the higher costs for remaining CEC members in case other CEC members would leave the system. At the launch of SEPA on January 28th, 2008, the four major banks expressed their support for a Gentlemen's Agreement. The Gentlemen's Agreement document has been approved by the FEBELFIN Board and is applicable up till the end of 2010.

#### 5.5. OTHER FUTURE INVESTMENTS

Any other investment that may be needed for the CEC as a result of specific circumstances (settlement on TARGET2 for example) will be evaluated, on an ad hoc basis, by the Paysys Committee.

#### 5.6. CLOSE DOWN OF THE CEC

Taking note of

- the possibility that not the full 100% of all Credit Transfers and Direct Debits in Belgian format may have migrated by the end of 2010
- and more specifically the close down of the Center for Bills of Exchange on September 22nd, 2011

*CEC can be put out of service as from September 22nd, 2011*

the banking sector has decided to maintain the CEC for local purposes at least until September 22nd, 2011. The banking community remains committed to migrate all SEPA payments to a European platform and continues the analysis of the migration process. The timing of the migration of the legacy systems will define the end date of the CEC.

## 6. CARDS INFRASTRUCTURE

### 6.1. IMPLEMENTATION OF EMV IN BELGIUM

*EMV for debit and credit cards fully implemented in Belgium*

Belgian banks started the migration of the magnetic stripe based credit cards to EMV compliant smart cards in the course of 2001. The migration of debit and credit cards towards chip-based EMV cards was fully achieved in the course of 2004. By midst 2008, 95% of the POS terminals and 68% of all ATM terminals have been upgraded to an EMV-ready status.

### 6.2. MIGRATION TOWARDS INTERNATIONAL SCHEME

*migration towards an international or any SEPA-compliant scheme*

Belgian banks deem it economically not feasible to turn the Belgian Bancontact/MisterCash card scheme into a generally accepted card payment scheme on the European market. Consequently, the Belgian banks have decided to migrate, together, towards an international card scheme, convinced that such a move offers the best solution to all stakeholders. Hence, Belgium has opted to migrate its local Bancontact/MisterCash scheme into an international or any SEPA-compliant scheme, a solution which is already common practice in other European countries.

Within the SEPA area it is likely that only international/high volume brands will be processed. As a result, Banksys/BCC<sup>11</sup> needed to enter into partnership. The take-over of Banksys/BCC by Atos Origin took place at the end of 2006, with the approval of the European Competition Authorities. This move gives Banksys/BCC a sound, strategic starting position in the SEPA environment. On 1<sup>st</sup> of June 2007, Banksys/BCC changed its name into Atos Worldline NV.

*maintaining the Belgian Scheme for an indefinite time*

The initial plan was to let the switch from the Bancontact/MisterCash scheme to an international scheme coincide with the start of SEPA on January 1<sup>st</sup>, 2008. However, the introduction of a new payment scheme requires full acceptance from all stakeholders. In spite of the major efforts made by the Belgian banks, the unstable European context has resulted in a lack of sufficient support for the project. It has been decided to maintain the Bancontact/MisterCash scheme after January 1<sup>st</sup>, 2008 for an indefinite time.

The decision not to convert the Bancontact/MisterCash scheme into a SEPA compliant scheme, and to switch to an international scheme, remains unchanged. The banks welcome any initiative which can lead to enhanced competition, in the interest of all.

---

<sup>11</sup> BCC: Bank Card Company

In the meantime, Europay has allowed Belgian banks to offer Belgian cardholders with the Maestro application on their cards, the use of the Maestro payment scheme for national Belgian card payments as of January 1<sup>st</sup>, 2008.

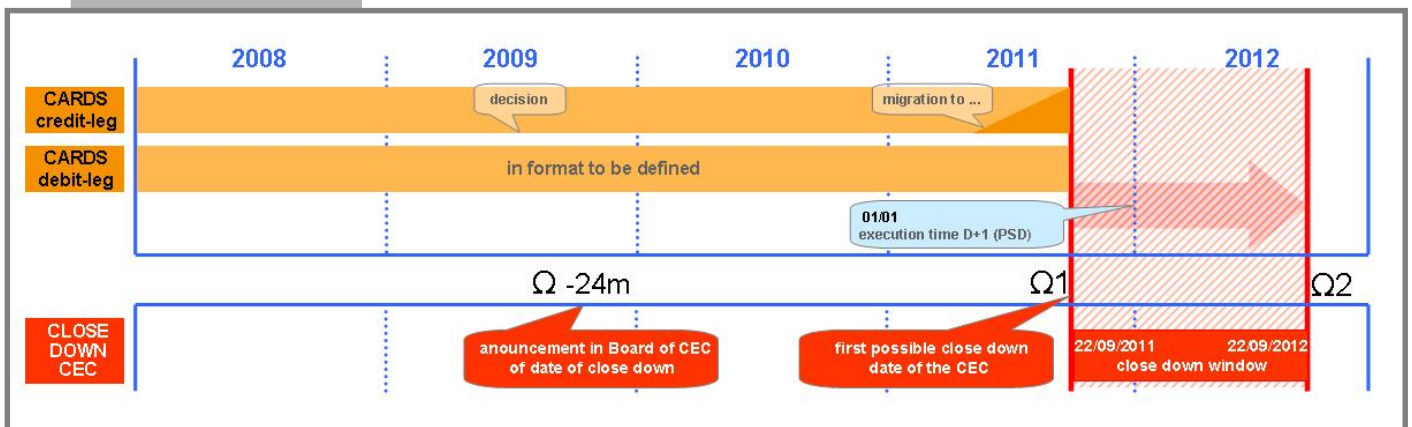
Any issuing bank will become SEPA compliant by offering this scheme, while being free to offer other schemes to the cardholders among its customers. The acceptance of international schemes on Belgian payment terminals is a concern for the various acquirers and merchants.

*acceptance by stakeholders...*

As mentioned before, the critical success factor is the acceptance by all different stakeholders. The Steering Committee on the Future of Payment Means, presided by the Governor of the National Bank of Belgium, has been asked to foster the debate between the main stakeholders.

**6.3. CLEARING CARD TRANSACTIONS**

A study executed by the Belgian banks and Atos in the first half of 2008, revealed that it is impossible at this moment to take a decision on the clearing of the card transactions in the future. Several options are still open. A formal decision can only be expected by midst 2009, after which an implementation period of two years is expected.



In the current way of settling Card payments, the card processor ATOS Worldline credits the beneficiary party and debits the payer by sending two separate payment instructions through the CEC. The crediting is incorporated in a Belgian Credit Transfer message, the debiting is incorporated in a Belgian Debit Transfer message (similar to a virtual cheque). The graph above contains information on both legs of a Card payment.

## **7. STANDARDS AND INTERFACES**

To support the SEPA payment instruments, there is a need for pan-European payment channels within the banks to process both local and SEPA-domestic payments.

*as from the beginning of 2008, customer-to-bank and bank-to-customer interfaces have been adapted*

Not only the interbank part of a payment has been examined, but the whole payment chain starting from the initiation of a payment up to its reception by the customer has been included. All existing standards have been adapted in the three spaces: customer-to-bank (C2B), bank-to-bank (B2B) and bank-to-customer (B2C).

The large majority of banks are offering at least one C2B channel for the initiation of SEPA payment instruments and are free to adapt any following customer interface(s): the popular C2B-channel for professionals called ISABEL<sup>12</sup>, the proprietary professional e-banking tools, the amongst non professional customers widely used web-banking channel, the self-banking channel, the SEPA Credit Transfer paper form, etc.

### **7.1. BANK-TO-BANK: USE OF SEPA SUBSET OF ISO20022 STANDARD**

*SEPA subset of ISO20022 standard*

Belgian banks support the use of the ISO20022 standard and the subset for SEPA as presented in the Implementation Guidelines of the EPC.

*Only "yellow shaded" data elements are to be used*

The Belgian banking community has decided to limit the set of XML elements in the B2B space to the "yellow shaded" data elements as published in the EPC Implementation Guidelines. In the case banks want to develop specific Additional Optional Services (AOS) or want to define specific usage rules, this will be organised by making agreements on the usage of the "yellow shaded" elements, without conflicting the rules of the Implementation Guidelines. Use of optional elements (shaded white in the IG) could hinder a smooth migration to a PE-ACH and could lead to specific national interpretation of a SEPA payment creating a "lock-in" effect, endangering an easy switch to a PE-ACH.

*requesting the BIC from customer*

The Belgian banking community supports the mandatory use of IBAN+BIC in the interbank space, as required in the EPC Rule Books. Banks are however not obliged to request the BIC from the ordering customer, and many banks are offering the service of adding the BIC to the payment initiation in case the ordering customer does not provide the BIC in the payment initiation data set. As a principle this service is set up for payments in which the IBAN of the counterparty starts with "BE", but can also be offered for payments with IBANs starting with other country codes.

*BBAN to IBAN counterparty tool*

As a support tool for entities wanting to convert files of Belgian BBANs into IBANs, FEBELFIN has published a counterparty tool on the website [www.sepabelgium.be](http://www.sepabelgium.be)

<sup>12</sup> ISABEL is an integrated solution enabling banks' business customers to carry out all banking transactions in a secure way via a single interface. It also allows them to sign contracts, send and receive invoices and submit documents to government administrations.

## 7.2. CUSTOMER-TO-BANK & BANK-TO-CUSTOMER E-STANDARDS

### 7.2.1. C2B

*Gradual migration of Belgian C2B and B2C standards to SEPA standards*

The C2B standard is based on the B2B ISO20022 XML standard and SEPA Implementation Guidelines. Belgian standard Implementation Guidelines version 1.2b. have been published<sup>13</sup> for SEPA and non-SEPA Credit Transfers and have become operational as from January 28<sup>th</sup>, 2008.

By the end of 2008 the new version of the Belgian standard Implementation Guidelines for SEPA Direct Debits will be published and will become operational as from the launch of the SEPA Direct Debit instrument in Belgium.

*"Belgian" IGs will converge completely with EPC IGs*

The new version of the "Belgian" Implementation Guidelines for Credit Transfers (version 1.3) will have converged completely with the initiative of the EPC in the C2B space in order to avoid having to deal with a different Belgian standard next to the EPC C2B standard. This version will be effective as from February 1st, 2009.

### 7.2.2. B2C

The Belgian bank account statement standard (CODA) has been turned SEPA compliant (the up-to-date SEPA version is called version 2.2).

*SEPA compliant CODA v2.2 is available*

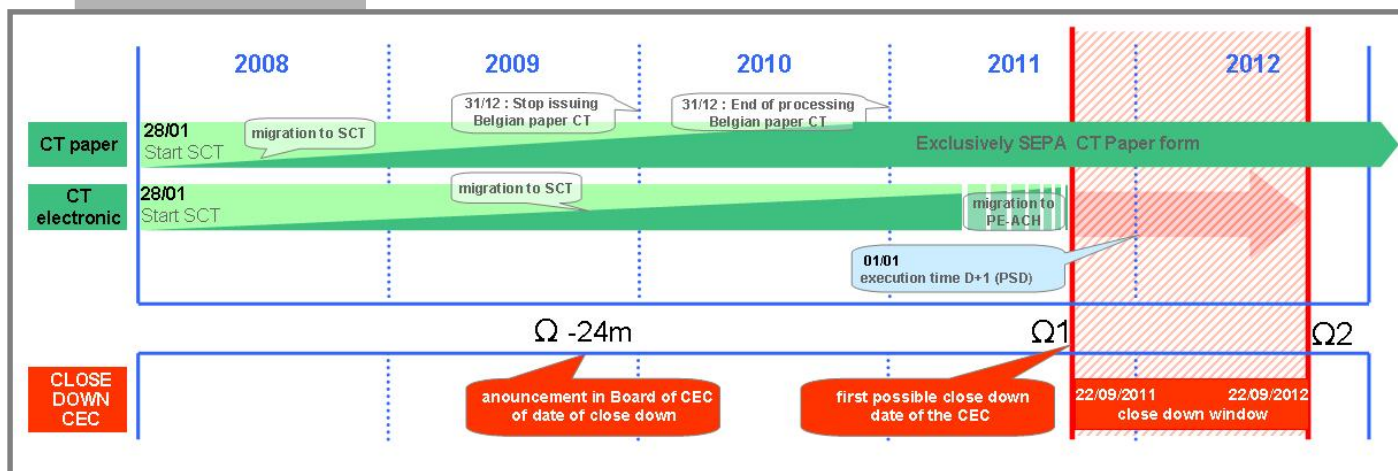
CODA v1.0 is no longer the official standard since January 1<sup>st</sup>, 2008. CODA V 2.2 will be the official standard as from March, 2009.

The Belgian standard Implementation Guidelines will be published for the ISO20022 XML standard for Statements by midst 2009.

---

<sup>13</sup> [www.sepabelgium.be/](http://www.sepabelgium.be/)

## 8. CREDIT TRANSFERS



*end date for Belgian paper form*

*full migration of paper form*

The graph above shows two different C2B Credit Transfer initiation channels. For the Credit Transfer paper form, widely used in Belgium as an "advice to pay" attached to an invoice or a bill (see also 8.3.), two important end dates have been fixed:

- end of 2009 : stop issuing by banks of Belgian non-SEPA paper form
- end of 2010: creditors should stop issuing the Belgian non-SEPA paper form, allowing the banks to stop accepting and processing this legacy product; from January 1st, 2011 only SEPA CT paper forms are to be used.

The electronic C2B Credit Transfer channel, chosen by the ordering customer when transforming the above mentioned paper form into an electronic payment instruction (PC banking, selfbanking, ...), will most likely have reached a near full migration by the end of 2010, but mindful of the first possible end date of the CEC (being September 22nd, 2011) it is to be expected that the migration towards the electronic SEPA Credit Transfer will only be finalised in the course of 2011. After the full migration, it is to be expected that the Belgian traffic will be migrated towards a European platform.

### 8.1. REACHABILITY AND INITIATION

*Being reachable on the receiving side...*

In line with the EPC's recommendations, all Belgian banks having signed the EPC Adherence Agreements are reachable through the connection with a PE-ACH<sup>14</sup> from January 28<sup>th</sup>, 2008 onwards. Next to this PE-ACH connection, most Belgian banks are reachable for Belgian SEPA Credit Transfer transactions via the Belgian retail payment system CEC.

*and offering SEPA CT to ordering clients*

Furthermore, by January 28<sup>th</sup> almost all customers have access to the initiation of SEPA CT through at least one customer-to-bank channel. Only a few Belgian banks do not support the sending capacity from the start on January 28<sup>th</sup>, 2008, but these banks will comply by the end of 2008 at the latest.

### 8.2. BBAN - IBAN CONVERSION

*BBAN to IBAN conversion...*

Belgian banks are granted the ability to convert the internally stored BBAN numbers of accounts not belonging to their own clients into an IBAN format. This mandate leads to a smooth and possibly quick migration of registered standing orders into SEPA format. To keep control over this process, this conversion practice is limited to the migration period and some other conditions are introduced, such as mandatory check on correct BBAN before conversion. Customers are allowed to convert BBAN to IBAN for files or bulks, and banks are not expected to convert BBAN to IBAN on-the-fly for individual payment instructions.

*by banks...*

*...and by non-banks*

FEBELFIN has published on its website<sup>15</sup> a full set of recommendations which assists other stakeholders (like corporates) to come to a swift and faultless conversion of a BBAN into an IBAN. A free-of-charge conversion tool aiming at assisting corporates in transforming files of Belgian BBAN to IBAN-BIC is published on this website. It is to be expected that each bank will offer a comparable service in its proprietary e-banking tools.

*BBAN-IBAN conversion tool*

<sup>14</sup> EBA STEP2 is the only PE-ACH available at the moment of publication.

<sup>15</sup> [www.sepabelgium.be](http://www.sepabelgium.be)



*launch of the paper form is organised*

In practice, a SEPA Credit Transfer paper form is initiated on the initiative of a creditor who sends the paper form, often attached to an invoice, to its customers. This initiative has a tangible impact on all Belgian banks, as the payers/customers are de facto invited by the presence of the SEPA Credit Transfer paper form (with IBAN and BIC) to initiate a SEPA Credit Transfer. The payer/customer may remit the paper form over the counter to his bank, or may initiate an electronic payment instruction through a self-banking or PC-banking channel. The bank servicing the payer/customer is therefore being confronted and impacted soon after the first use of the Credit Transfer paper form by one or more creditors.

*initiative in Steering Committee*

For the specific reason that creditors, be it corporates or government administrations, are in the driving seat, the Belgian banking sector decided to ask the Steering Committee on the Future of Payment Means to chart the expected payment flows (which in large part are driven by a limited number of "big billers"). It has carefully considered all operational issues inherent in the migration of credit transfers, and subsequently it has set up an appropriate plan for a successful and gradual migration of these flows. It is of utmost importance that the SEPA Credit Transfer paper form is rolled out in a manageable way. The overall idea communicated in the Steering Committee on the Future of Payment Means is to stabilize normal payment activities during the first months after the start of the SEPA Credit Transfer, by monitoring all migration initiatives in the Steering Committee. The soft roll-out has turned out to be a success: in September 2008 the Belgian CEC exchanged approximately 1% of all Credit Transfer in SEPA format, a volume allowing each bank to get familiarized with the SEPA CT without being loaded up with an unmanageable volume of SEPA CT payments.

*"soft" roll-out*

*Paper form launch by public authorities...*

The federal authorities plan to start issuing the paper credit transfer form to the public in the last quarter of 2008. Public authorities will in particular issue invoices (advice to pay) with the new European credit transfer form attached. From April 2008 on, public authorities have launched a vast communication effort by providing all income tax payers a flyer explaining IBAN and BIC on the one hand and the use of the SEPA Credit Transfer paper form on the other hand. The flyer was published on 7 million copies. From September 2008 on and gradually, liable tax payers will receive the new SEPA Credit Transfer paper form as an advice to pay.

*all liable tax payers will receive SEPA CT paper form*

During the societal concertation parties agreed that the SEPA momentum would benefit from an approach by public authorities that is consistent at all levels. Hence, all public authorities are being asked to switch to the European Credit Transfer form during the fourth quarter of 2008, or shortly after.

*...corporates plan to connect to the momentum*

The societal concertation also showed it would be advisable for those corporates that issue large quantities of paper credit transfer forms towards the broad public (big billers) to explore migration scenarios that align with the migration plans of the public authorities. This would facilitate a smooth migration in an organised and co-ordinated manner and according to a well-known and published migration calendar. A jointly planned communication strategy would benefit from such a procedure and is under investigation. Consequently, the big billers are asked to start to shift from the Belgian to the SEPA paper Credit Transfer forms together with the public authorities, or shortly after. By end 2009 they should no longer use the old paper credit transfer form at all.

*limited co-existence of both CT paper forms*

In order to limit the co-existence of two Credit Transfer paper forms, the Belgian banking sector has decided to stop issuing the non-SEPA paper form by the end of 2009. Creditors should stop issuing the non-SEPA paper form by the end of 2010.

#### 8.4. STRUCTURED REMITTANCE INFORMATION: BELGIAN STANDARD

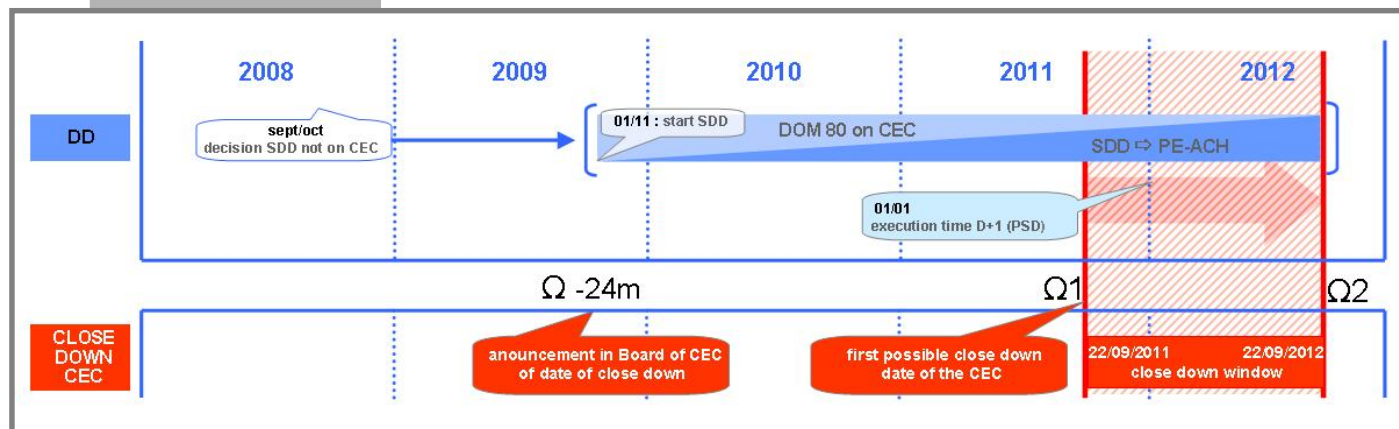
*Current Belgian structured remittance information in SEPA messages*

Belgian creditors already dispose of a Belgian structured remittance information agreement. As there was a strong request from Belgian corporates, it is possible to continue the use of the current Belgian structured remittance information inside the SEPA message format.

An ISO standard for a SEPA-wide structured remittance information will be published by the end of this year. The EPC has published guidelines for migration from a national structured remittance information standard towards the RF standard. The Belgian banking sector is currently analysing how both standards can temporarily co-exist and how the switch to the RF standard will be organised.

## 9. DIRECT DEBITS

### 9.1. LAUNCH DATE OF SEPA DD PAYMENT INSTRUMENT



The successful introduction of the SEPA Direct Debit payment instrument requires further review of a number of operational challenges as well as market acceptance. The challenges and external factors are described under chapter 3, and are also the main agenda points for the Steering Committee on the Future of Payment Means.

By mid-2008, the assessment of the Belgian banking community concerning the launch of the Direct Debit payment instrument put in evidence the following issues:

#### Assessment issues

*DOM80 to become PSD compliant*

*migration period should remain limited*

*Necessary reachability*

*no SDD on CEC*

1. the adoption period of the Payment Service Directive (PSD) by EU Parliament/Council has been set by means of a specific deadline: November 1<sup>st</sup>, 2009; a real level playing field in all euro countries without specific national interpretation should be the consequence;
2. Belgian banks have decided to update the legacy direct debit product (DOM 80<sup>17</sup>) to become PSD compliant;
3. the transition period from the national direct debit product to the SDD is being discussed inside the Steering Committee on the Future of Payment Means, with all relevant stakeholders. It is desirable for all parties to limit the co-existence of a local scheme next to a SEPA scheme, and therefore the migration period towards SDD should be limited to 3 years;
4. uncertainty about the acceptance and the readiness of all stakeholders (corporates and consumers in Belgium, banks abroad);
5. SDD Collections will not be exchanged via the CEC but via a PE-ACH.

<sup>17</sup> The Belgian scheme for Direct Debits Collections is called DOM80, and is comparable to a DMF scheme in which the debtor bank stores the mandates.

*reachability as debtor bank*

Therefore, it has been decided that all Belgian banks will be reachable, from November 1<sup>st</sup>, 2009 onwards, as debtor bank for Core SEPA Direct Debit transactions, meaning that they should be capable of receiving and processing Core SEPA Direct Debit transactions in XML format. Belgian banks are aware of the fact that full SEPA reachability will only be achieved at the moment that all SEPA countries will have adopted and implemented the DD scheme.

*replacing DOM80*

On the sending side within the Core scheme, each creditor will dispose of a migration period (to be fixed in co-operation with all stakeholders) to replace the existing DOM80 Collections by SEPA DD Collections. At the end of the migration period, Belgian banks will process exclusively Collections in SEPA format.

## 9.2. MIGRATION OF EXISTING MANDATE INFORMATION

*continuity of validity of mandates*

The continuity and the validity of the Belgian mandates under the SDD scheme has been confirmed and supported by legal experts.

*Information on existing Belgian direct debit mandates will be sent from debtor bank to creditor through a central databank...*

The data of all currently existing Belgian DOM80-mandates (e.g. mandate reference number, client reference, creditor's identity, debtor's identity, debtor's bank account number) residing at present at the debtor's bank, will be migrated through the creditors' bank to the creditor. This migration is needed as the Belgian mandate handling deviates from the SEPA DD scheme, in which all mandates are to be stored by the creditor. Currently, the Belgian debtor banks manage and archive their clients' direct debit mandates. The migration of these paper form mandates would be very costly and, due to practical and commercial considerations, unfeasible taking into account the number of existing mandates.<sup>18</sup> Therefore, debtor banks will remain responsible for the manual mandate archivation as laid down by Belgian law, and only mandate related data will be transmitted from debtor banks to creditors. Creditors migrating from the existing national direct debit scheme to the SEPA DD will be requested to inform the debtor about the migration.

---

<sup>18</sup> The volume of current Belgian mandates is estimated at about 30 million paper forms.

*... set up by the central bank*

*timing for upload and download*

*Creditors will send the "domiciliëringsnummer - numéro de domiciliation" and creditor ID with first DD Collection*

*The Belgian direct debit scheme disappears by the end of the migration period*

The National Bank of Belgium will provide technical support for the set up of the centralised database and will provide the Belgian banking sector with a fully operational database by November 2009 for the migration of mandate related information from the debtors' banks to the creditors' banks. After a testing period, the centralised database will be available from June 10th, 2009 onwards for uploading the data of the existing mandates (enriched with IBAN and BIC) by the debtor banks. From June 11th or at the latest from November 11th 2009 onwards (it is expected that the building up of the database with all relevant mandate data could take more than one monthly upload), creditor banks can start downloading all mandate data upon request by a creditor. By November 11th, 2009 Belgian creditors will thus be able to access all necessary data so that current Belgian Direct Debits will be ready to be migrated, on the initiative of the creditor, to the SEPA standard.

As sending and receiving of the mandate information will take place through the current CEC Gateway<sup>19</sup>, all direct participants<sup>20</sup> of the CEC will be requested to send and receive the necessary information of the indirect participants.

All existing Belgian mandates will be considered, after migration, as SEPA Core mandates.

### 9.3.USAGE RULE TO ENABLE FULL MIGRATION OF EXISTING MANDATES

When launching the first collection the creditor will be obliged to add the Belgian mandate identification number ("*domiciliëringsnummer-numéro de domiciliation*") and the creditor identification number in the reference of the first DD collection, to allow the debtor bank to use this information to trace the paper mandate by joining this "old" information to the newly created Mandate Related Information (MRI) in the first Collection. This Belgian interbank agreement is the one and only Belgian usage rule to be applied for Direct Debits.

### 9.4.OUTPHASING OF BELGIAN DD SCHEME

Local Belgian direct debit (DOM80) Collections will not be IBAN compliant. For the migration period there will be co-existence of both instruments (Belgian DOM80 next to SEPA DD). By the end of the migration period, the Belgian Direct Debit instrument DOM80 should have disappeared.

<sup>19</sup> A front computer of the CEC central IT-platform.

<sup>20</sup> A full description of the procedure is available on the CEC website [www.paymentsystems.be](http://www.paymentsystems.be)

*B2B is optional*

### 9.5. BUSINESS-TO-BUSINESS

The B2B-scheme is an optional variant of the existing Direct Debit core scheme and can be used between corporates and non-consumers. The main features of the B2B-scheme are:

- shorter timeframe
- no Refund
- explicit mandate checking by the Debtor Bank

*status of banks*

Regarding the launch of the SEPA Business-to-Business DD scheme, which is optional for Debtor banks as for Creditor banks, the four major Belgian banks committed themselves to offer creditors the possibility of sending Collections using the B2B scheme. The other Belgian banks will be invited to become reachable for B2B Collections.

*specific B2B mandate to be signed*

A Business-to-Business Mandate will always be a newly signed specific SEPA mandate. No existing Belgian mandate will be migrated towards the B2B Scheme.

### 9.6. EXISTING CENTRALISED DATABASE ON CREDITOR IDENTIFIERS

*Belgian banks will deactivate the Belgian centralised database on unique creditor information data, by the end of the migration period*

The Belgian banking sector currently uses a centralised database<sup>21</sup> on unique creditor information data, which is serviced by the central bank and serves mainly security measures. This database allows banks to check the authenticity of creditors, client at another bank, which will send Direct Debit Collections to their own clients. As this database contains information mainly on Belgian creditors, the Belgian banking sector decided not to continue the support of the central database on creditor information, meaning that this database will be deactivated at the end of the migration period towards SEPA DD.

After the close down of the Belgian database on creditor information Belgian banks have agreed to licence creditor identifier data on their own initiative, but in respect to specific agreements. These agreements comprise a standardised way of creating new creditor identification data containing the three-digit identification code of the bank.

---

<sup>21</sup> The database on creditor information contains data on 15,000 creditors.

*Communication within the banking community is an ongoing process*

*and general communication to all stakeholders has been organised mainly through [www.sepabelgium.be](http://www.sepabelgium.be) and leaflets.*

*technical documentation*

*translation of key instruments*

*non-bank websites*

## **10. COMMUNICATION**

**A Communication Working Group has been set up to develop the communication strategy. The first communication work stream focused on the communication within the Belgian banking community.** Workshops are organised on a regular basis, to which all Belgian banks are invited. The workshops aim at distributing detailed information on implementation issues, planning and deadlines of the SEPA project to be respected by all Belgian banks. The main permanent tool for distributing information among the banking sector is the extranet organised by FEBELFIN. This site for interbank information collects specific SEPA information for Belgian implementation, such as the C2B and B2C and other specific Belgian standards and agreements, and functions as a distribution channel for all relevant EPC documentation.

A second work stream is the general communication organised by FEBELFIN and targeted to the public at large, meaning all the banks' clients. To this end FEBELFIN created and maintains the general SEPA information site ([www.sepabelgium.be](http://www.sepabelgium.be)). This site explains SEPA, its benefits for all stakeholders, and explains the new European payment instruments. It also addresses the non-SEPA payment instruments and contains some of the new, general standards and a FAQ. So far, both a general brochure on SEPA as well as a very practical leaflet on the new paper credit transfer form are available to end consumers. As far as SEPA Direct Debit is concerned, the banks will also issue a more technical brochure targeted at billers.

The banking community has opted for a specific translation of the SEPA payment instruments:

<b>EPC</b>	<b>Translation</b>		
	<b>French</b>	<b>Dutch</b>	<b>German</b>
SEPA Credit Transfer	le virement européen	de Europese overschrijving	die europäische Überweisung
SEPA Direct Debit	la domiciliation européenne	de Europese domiciliëring	die europäische Lastschrift

In parallel with the shared communication on the inter-bank level, banks, are communicating individually about SEPA. Furthermore, other stakeholders have their own SEPA items posted on their websites, such as the National Bank of Belgium, the Flemish Community, etc. These websites contain SEPA information, each for its own goal and proper governance. Also, the Steering Committee on the Future of Payment Means represents a communication channel by which SEPA-related information will be distributed.

*public authorities take the lead in the launch of the paper form*

An important momentum in the communication set up of the Steering Committee on the Future of Payment Means has been the launch by the tax income authorities of a nation-wide communication on IBAN and BIC on the one hand and on the new SEPA Credit Transfer paper form on the other hand. Gradually, from September 2008 onwards, all liable tax payers will receive the SEPA CT paper form as an advice to pay. The public authorities in general will migrate to the SEPA CT paper form gradually from the beginning of 2009 and will stop using the "old" Belgian paper form by the end of 2009.

Finally, different events organised by the financial sector have been dedicated to SEPA on which occasion SEPA issues were communicated to large audiences.