Progress report on the migration towards SEPA in Belgium

Steering Committee on the future of means of payment

SEPA Working Group

September 2007
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0 INTRODUCTION

This report has been compiled on the basis of input from the various socio-economic actors in Belgium affected by the migration towards SEPA, the Single Euro Payments Area.

These various interests are represented on the "Steering Committee on the future of means of payment", chaired by the Governor of the National Bank of Belgium (NBB). This Steering Committee was set up in spring 2004 in reaction to the announcement, at the end of 2003, that fees would be charged for withdrawals of banknotes from automatic cash dispensers. At the time, a gentleman's agreement was concluded between the Belgian finance federation (Febelfin) and the federal Ministers for Economic Affairs and Consumer Protection. In the context of this agreement and in close consultation with the Minister of Finance, they asked the Governor of the NBB to take charge of the public consultation on the future of means of payment with all parties concerned by this issue. By December 2005, this consultation had already led to two reports.

- "Costs, advantages and drawbacks of the various means of payment"
- "Modernisation of payment circuits at government level"

This report is the third report of the Steering Committee on the future of means of payment. It has been drawn up by the SEPA Working Group that reports back to the Steering Committee. This report provides an initial overview of the state of play with the migration towards SEPA in Belgium. The Single Euro Payments Area will not be introduced at any one precise moment, nor according to a strict plan. Rather, SEPA will be gradually phased in, notably on the basis of self-regulation by the banking sector. The migration towards SEPA will therefore be largely governed by the actions of the banking sector, but also by other important players such as public authorities, enterprises, merchants and consumers. In order to assess the progress made in this market-driven process, it is useful to frequently compile a progress report.

The first chapter gives a general overview of SEPA and specifies who are the main actors at the European level. It describes the scheduled timetable as well as the features of the SEPA payment instruments, namely the SEPA Credit Transfer, the SEPA Direct Debit and the SEPA Card.

Chapter 2 deals with the migration towards SEPA in Belgium and highlights the broad lines of the plan drawn up by the Belgian banks for the practical changeover to SEPA. Two separate working structures – one banking and the other social - for preparations and support for migration towards SEPA in Belgium are also described in this chapter.

Chapters 3 to 6 focus on the state of play in the migration towards SEPA at the level of the main actors.

Chapter 7 takes a look at the communication work done so far on the migration towards SEPA.

The eighth and final chapter rounds up with some conclusions and proposals for follow-up work.

This first progress report is restricted to the technical and operational migration towards SEPA. In no way does it deal with the strategic upheavals that SEPA might possibly bring with it, like, for example, the decline in the number of bank accounts and the reorganisation of financial administration within international companies. Nor does this report consider any further modernisation that could result from SEPA, for instance, on the subject of electronic billing. In view of the importance of such strategic upheavals and modernisation, subsequent reports will deal with these issues as soon as these changes become evident.

1 Febelfin is the Belgian federation of the financial industry and in this capacity regroups approximately all credit institutions operating in Belgium.
1 SEPA: THE SINGLE EURO PAYMENTS AREA

1.1 Définition

SEPA is the Single Euro Payments Area in which consumers, companies and any other economic
actor will be able to send and receive cashless payments in euro, whether domestic or cross-
border, with the same ease, security and efficiency and with the same conditions, rights and
obligations as in their own country. It is the next logical step on from the introduction of the euro, as
it is also aimed at breaking down national borders where European payments are concerned.

Geographically speaking, the SEPA area comprises the 30 countries of the European Economic
Area (EEA) and Switzerland which has signed up as a participating country on a voluntary basis.
The EEA is made up of the member states of the European Union (EU), Iceland, Liechtenstein and
Norway.

1.2 The European actors

The European Commission (EC) has for years invested its efforts into creating a single European
payments area. All legal and practical obstacles must be removed in order to achieve a genuine
European market for payment services, so that consumers can turn to the best payment service
providers throughout the SEPA area. SEPA is also in keeping with the Lisbon Agenda which aims
to make Europe a dynamic and more competitive knowledge-based economy. Indeed, the
introduction of SEPA paves the way to a more efficient functioning of the European internal market.

A unique legal framework forms the basic condition for SEPA. Under the European Commission’s
impetus, a working framework was set up enabling the abolition of the legal barriers between
different countries and the harmonisation of regulations on payment services within the EU (and
the EEA). This is being done on the basis of the Directive of the European Parliament and of the
Council on payment services in the internal market and amending Directives 97/7/EC, 2000/12/EC
and 2002/65/EC, referred to elsewhere in this report as the Payment Services Directive. The EU
Directive was approved on 24 April 2007 by the European Parliament (EP) and has to be
transposed into each member state’s national legislation by 1 November 2009 at the latest.

The Eurosystem, i.e. the European Central Bank (ECB) and the national central banks of the
Eurozone countries, have an important role to play in the migration towards SEPA. One of the
statutory tasks of the Eurosystem is effectively to make sure that payment systems operate
smoothly and securely. Moreover, harmonisation of cashless payment instruments constitutes the
final point in the changeover to the euro as a single currency. The Eurosystem supports the
banking sector at various levels and follows the migration towards SEPA very closely.

In 2002, the European banking sector unequivocally declared SEPA as a common goal to be
attained by the year 2010. Since then, this deadline is being considered throughout the SEPA area
as well as in the Belgian SEPA migration plan to be more of a target to reach critical mass in SEPA
payments rather than reaching full SEPA. The sector is hoping to achieve this objective primarily by
a process of self-regulation, i.e. by interbank agreements concluded at European level. To this end,
in June 2002 it set up the European Payments Council (EPC), which has drawn up European
standards for credit transfers and direct debits and outlined a European framework for card
payments. Alongside the legal framework by the Directive, the European standards for the three
main payment instruments form the second basic condition for the introduction of SEPA.
1.3 The European payment instruments

The EPC has established new European standards for the three most widely used payment instruments in Europe, namely credit transfers, direct debits and card payment. At the highest level, these standards are just interbank agreements on rules and practices, which each bank is expected to respect.

1.3.1 SEPA Credit Transfer

The European transfer - entitled SEPA Credit Transfer in the European standard – is a payment instrument through which funds are transferred between two bank accounts in SEPA, no matter where they are domiciled. The sums will be transferred in full, with no commission being taken on the amount of the payment. The originating bank and the beneficiary bank will jointly bear the handling fees, each assuming the cost of their part in the payment processing chain (costs for sending or receiving). The maximum execution time for a payment will be three days, two of which for the originating bank and one day for the beneficiary bank. From 2012 onwards, the execution time will be one day. Banks will already be able to apply stricter time limits among themselves before 2010. Moreover, some states (including Belgium) are already applying a shorter processing period. A minimum of attributes, derived from existing international ISO standards, should be used. Thus, for instance, the European transfer must use an international identification for the bank account number (International Bank Account Number - IBAN) and for the payee’s bank (Bank Identifier Code - BIC). Standards have also been defined for rejected and returned payments.

1.3.2 SEPA Direct Debit

So far, neither the creditor nor the client have had a cross-border direct debit system. Moreover, each country has its own specific model for automatic collection of invoices. The SEPA Direct Debit will replace the existing systems of direct debits and will enable invoices to be collected throughout the SEPA area. Before the automatic collections can start, certain procedures must be followed. The debtor signs (in paper form or electronically) an authorisation – the direct debit mandate – through which he authorises the creditor to send the order to his bank to debit his account. In this way, the debtor also gives his own bank a mandate to debit his account at the request of the creditor. Administration of the mandates (creating, managing and filing signed authorisations) is the responsibility of the creditor. Unless otherwise agreed, creditors send payment details to the debtor 14 calendar days before collection. Up to 8 weeks after collection through debiting the debtor’s account, the debtor will have the right to ask his banker for a refund of the amount collected, on condition that it is not a fixed amount periodically and the sum debited is different from the normal amount. In the absence of a valid mandate, the debtor will be able to demand the refund within 13 months of the debit.

In addition, there will be two new types of direct debit. It will be possible for customers to authorise one single (one-off) direct debit per creditor, where the debtor signs a mandate for his account to be debited only once. Moreover, a direct debit scheme between businesses (Business-to-Business) will be introduced, specifically intended for enterprises. This type of direct debit will not allow for any refund and will therefore mainly be used by companies with close commercial ties. Agreements have also been concluded for SEPA Direct Debits, on the use and timing of unpaid direct debits and corrections.
1.3.3 The SEPA Card

With his European payment card – called the SEPA Card in the European standard - the consumer will have access to all bank terminals for banknote withdrawals (ATM\(^2\)) and to retailers’ terminals for payments (POS\(^3\)), provided that these banks and merchants have indeed opted to offer these payment services.

The retailer will be free to choose his relevant terminal and financial contract supplier, referred to as “acquirer”\(^4\). Each terminal must effectively be able to process each type of European payment card. This freedom of choice should trigger competition between the various card payment system providers, and bring favourable consequences in terms of price and service.

Currently, most national card schemes operate as the sole system in their country. Some examples are Bancontact/Mister Cash in Belgium, Cartes Bancaires in France, EC-karte in Germany. SEPA requires card systems to be European.

The SEPA Card Framework describes three options for card schemes or banks that issue card schemes on payment cards to be compliant with the principles for SEPA Cards.:

- **option 1:**
  Replace the national scheme by an international scheme which complies with the new European rules.

- **option 2:**
  Move towards a European-wide system, either alone or through an alliance with other national-based card schemes.

- **option 3:**
  Keep on the national card scheme and add an international card scheme to the card, so-called "co-branding". Both card schemes need to be SEPA compliant.

1.4 The European-level timetable

The run-up to SEPA is phased into several stages, generally set by the EPC. In 2002, the EPC presented a timetable to guide the migration towards SEPA. The development of the SEPA project can be summarised as follows at the moment:

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\(^2\) ATM: Automated Teller Machine, i.e. withdrawal of money from a cash dispenser.

\(^3\) POS: Point-Of-Sale, i.e. payment at the location where a transaction occurs.

\(^4\) Acquirer: the party concluding a contract with a retailer to authorise POS card payments on his terminal and pick them up.
During an initial design phase (2004-2006), the EPC defined the general standards laying down the rules and the main characteristics of the new payment instruments. Between mid-2006 and the end of 2007, more detailed standards were derived from these general standards, with concrete data formats set out into precise instructions for implementation, on both the operational and technical levels.

At the same time, the European Commission, the European Parliament and the Council were working on a new Directive for payment services in the internal market.

The next stage in the transition to SEPA will begin in September 2007. From then on, all banks are expected to officially undertake to use the new European operating and technical standards in their customers’ payment transactions. In order to put these intentions into a firm setting, each bank is expected to sign the so-called adherence agreements with the EPC. These agreements are part of the self-regulatory nature of the EPC, and not binding from a strictly legal viewpoint. The EPC expects that most banks will sign the adherence agreements, so that the first step - the introduction of SEPA Credit Transfer - can start on time, namely from 28 January 2008. On 19 June 2007, the EPC decided that this later date would replace the originally planned start-up date of 1 January 2008, since 1 January is a difficult date for banks, governments and businesses to put new IT applications into production. On 28 January 2008, banks must be in a position to offer their customers the European credit transfer as a new payment instrument. The old national credit transfers will still be able to be presented alongside the European scheme during the transitional stage scheduled to run until the end of 2010. It should be noted that most countries have not yet fixed any specific plan for abandoning them, which suggests that the final phase-out stage will be extended beyond 2010.
In principle, the scenario for stopping national direct debits should be much shorter, since the launch of the SEPA Direct Debit is not likely to be before 1 November 2009, the date on which the EU Directive on payment services in the internal market should be transposed into national law, while the transitional period is set to run until 31 December 2010. Here too, today there are no plans yet in place for abandoning national direct debits. It is therefore even more likely than in the case of European credit transfers that they will not actually disappear in the majority of countries before the end of 2010.

In the case of card payments, there are still no specific and uniform standards. However, concrete rules have been laid down in an operational framework. The Eurosystem insists that the EPC sets these standards during the course of 2008 for SEPA payment cards. Each country has its own card payment infrastructure, along with technical aspects and specific solutions which, for SEPA Credit Transfers and SEPA Direct Debits alike, will mean a lengthy and difficult harmonisation process at European level. Banks that issue payment cards must be able to issue SEPA Cards from 2008 onwards. From 1 January 2011 onwards, only SEPA payment cards will be allowed in circulation and they will be able to be used indiscriminately in all the different countries of the SEPA area.

2 ORGANISATION OF THE MIGRATION TOWARDS SEPA IN BELGIUM

2.1 General remarks

The migration towards SEPA is largely based on self-regulation by the banking sector. This principle applies not only at the European level, but also at the national level. It is in this spirit that the Belgian banking sector has organised itself in the SEPA Forum (cf. 2.2). It had been agreed within the Eurosystem that the national central banks would actively support the migration towards SEPA. The NBB has taken this task very much to heart. It thus participates in the various sub-structures and different working groups of the SEPA Forum. The main task of the SEPA Forum is to draw up a banking-sector plan for migration towards SEPA.

Given the many socio-economic interests involved and the complexity of the changes, the migration towards SEPA needs to be coordinated at a broad community level as well. A SEPA Working Group, reporting to the Steering Committee on the future of means of payment, has been set up in the framework of this social dialogue. This working group brings together all interested parties with a view to introducing SEPA in Belgium under the best possible conditions.

The interbank consultation and the social dialogue are closely connected, thanks to the following factors:

- the Governor of the NBB chairs both the SEPA Forum and the Steering Committee on the future of means of payment;
- the NBB, which takes the lead in the community consultation, also has a presence in most of the sub-structures of the SEPA Forum;
- the banking sector and Belgian Post Office leaders, who manage the sub-structures of the SEPA Forum, are closely involved in the community consultation too;
- the activities of the social dialogue take the Belgian banking sector’s migration plan as a starting point.
2.2 Interbank consultation: the SEPA Forum

2.2.1 The structure

The SEPA Forum is the consultative body that approves decisions concerning the SEPA at the interbank level. Decisions are taken by the Board of Febelfin on the basis of the preparatory work carried out within a structure of committees and working groups (cf. Illustration 2 p. 11). All decisions made within this structure are prepared by the highest body, the Payment Systems Committee (Paysys), on the basis of input from the different working groups, coordinated by the Coordination Committee (COCOM). This organisational structure largely reflects that of the EPC. To tighten the link with the European level, the chairmen of the Belgian working groups are also Belgium’s representatives in the EPC working groups.

For each new European payment instrument, a working group puts the European payment schemes into a Belgian context and attempts to overcome any likely differences. Other working groups are concentrating on the payment infrastructure aspects, notably compensation and the issue of clearing and settlement, as well as on standards between banks and clients. In addition, two working groups are making preparations for the decline in the use and/or abolition of payment instruments that are not defined in SEPA, namely cheques and bills of exchange.

There is a functional link between this banking-sector working structure and the organisational structure of the Steering Committee on the future of means of payment within which there has been a broad community consultation. In the meantime, a Program Management Office has been set up - under the responsibility of Febelfin and the NBB – and carries out specific tasks to gauge the progress made with the programme and to ensure coherence in the migration towards SEPA. While the programme follow-up at the level of community interests remains in the hands of the Steering Committee on the future of means of payment, banking-sector follow-up lies with the SEPA Forum structure, at least from an organisational point of view.
2.2.2 The Belgian banking community migration plan towards SEPA

The SEPA Forum has drawn up the Belgian migration plan towards SEPA (cf. Annex 4), in which the banking sector outlines the project, based on the development of the European standards. This migration plan is likely to be amended and more detailed.

In its migration plan, the Belgian banking sector points out that it would like to complete the migration towards SEPA rapidly and proactively, as long as certain conditions are respected, such as maintaining operational stability and the current high degree of efficiency.

As far as the three new European payment instruments are concerned, specific migration timetables have been drawn up. Illustration 3 shows the SEPA Credit Transfer and SEPA Direct Debit; the migration towards SEPA for payment cards is described in detail in paragraph 2.2.3.
From 28 January 2008 onwards, clients will be able to make a European credit transfer through various channels. The exact start date for the European credit transfer paper form still has to be discussed within the community consultation with the different parties concerned.

This means that there will no longer be any difference between a national transfer (say, from a resident of Antwerp to a resident of Liège) and a cross-border transfer (from a Belgian resident to someone living in one of the 30 other countries in the SEPA area). This also implies that, from 2008 onwards, an "international" transfer will be a transfer from a Belgian resident to an "extra-SEPA" resident (outside the 31 countries of the SEPA area). The banking sector expects that all clients will have adopted the European variant of payment instruments within three years from the start-up of SEPA, that is, before 31 December 2010.

The transitional phase will be shorter for direct debits as the SEPA Direct Debit will not be unveiled until 1 November 2009 at the earliest, the date by which the EU Payment Services Directive has to be transposed into Belgian law.

The Belgian standard for bank account identification will be replaced by an International Bank Account Number (IBAN) with a structure of 4 x 4 groups of characters, i.e. "BExx yyyy yyyy yyyy", in which "yyyy yyyy yyyy" is the existing account number (12 digits) and xx two numeric check digits for verifying the existing account number. Moreover, a Bank Identifier Code (BIC) will be added, allowing one-to-one identification of the payee's banker at international level. For national payments in Belgium, the majority of banks will be finalising procedures for giving the BIC on the payment advice themselves, so that the BIC is available even in case the client has failed to provide the BIC himself.

Furthermore, the Belgian banking sector’s migration plan towards SEPA describes how Belgian banks have aligned existing agreements, not envisaged at European level, with the SEPA format. In this context, the Belgian "structured communication" (for automatic reconciliation of invoices with entries in company accounts) has been able to be kept on and integrated into the SEPA standards. Another example is the new credit transfer paper form that Belgian banks have developed in the absence of any standard European paper form.

### 2.2.3 Payment cards in Belgium

Belgium has always played a pioneering role in the field of payment cards. There is currently only one system in Belgium, namely Bancontact/Mister Cash, that was run by Banksys. Banksys actually operates the whole card payment processing chain: from relations with the card-issuing bank, with the merchant (“acquiring”), the actual transaction processing, sales and maintenance of
payment terminals, etc. Banksys always held a monopoly in several parts of this processing chain and at several occasions in the past was accused of abusing its position.

This situation is not regarded as being optimal and is no longer allowed by SEPA, given that this structure does not permit any competition in the various links in the payment chain. SEPA imposes the so-called unbundling, the separation between the scheme management and its operational functions.

The three major functions are the scheme itself (especially the intellectual property of Bancontact/Mister Cash), the processing and the acquiring (contracts and maintenance towards merchants).

In view of this SEPA requirement, the Belgian banks split up Banksys NV/SA. The functions of processing and acquiring were sold to ATOS Origin. Since 1 June 2007, Banksys has been called ATOS Worldline. The Belgian banks have nevertheless remained the owners of the Bancontact/Mister Cash system which has been incorporated into a new firm, Brand and Licence Company.

The Belgian banks did not want to take up the acquiring as this had always been done by Banksys. Nor did the processing of Belgian or SEPA operations fit into the banks' strategies. Finally, the banks felt that the Bancontact/Mister Cash scheme could not survive in an open SEPA market. The scheme is only a very small player in an European landscape.

Unbundling will lead to more competition in the various links of the card payment chain. Some argue that competition at the level of the scheme will rather be limited. It is not inconceivable that current national card schemes will be replaced by only one or two international card schemes, operated by Mastercard and Visa. Some argue that both schemes will be more costly to users and regret that their ownership is not or not clearly European. Lately there have been some initiatives from European banks and European card schemes that may lead to genuine European schemes - also in ownership - that could be able to enter into competition with both international schemes. It can neither be excluded that some current national schemes may develop into SEPA-wide card schemes.

In view of the above, the banks had already chosen (in May 2006) to replace the Bancontact/Mister Cash system by Maestro on 1 January 2008 in a big bang scenario. The Maestro function, already activated on 95% of all Belgian payment cards for payments made by Belgian residents abroad, would therefore then also be used for card payments by Belgian residents in Belgium. However, this original decision did not have the support of various market players in Belgium, especially among merchants, big retailers and consumer organisations. Moreover, there is no European reference framework since, with the exception of Finland, Belgium was the only country to take this step so quickly.

In practice, for merchants, big retailers and consumer organisations, Maestro migration means that Belgium must give up its position as a leader in the field of card payments, to join a European common denominator. The Bancontact/Mister Cash scheme is considered by most stakeholders to be efficient, secure, relatively cheap and user-friendly. Merchants and big retailers fear that a new system would not attain the same high level of quality. Lastly, all the terminals have to be upgraded and some older terminals will even have to be replaced.

The main criticism from merchants and the big retail chains, however, concerns the new pricing system brought about by the changeover to Maestro, as announced by Mastercard. The cost for the retailer (known in technical terms as the "merchant service fee", of which the "interchange fee" is a major part) in the Maestro system effectively depends on the amount due and will therefore no longer be set per transaction as under the Bancontact/Mister Cash system. Merchants and the big retailers see no logic in this because the payment is immediately debited from the cardholder's account – and there is thus no advance funding by the debit card scheme as is the case for credit
cards – and because the cost for obtaining authorisation and for the debit are one and the same thing, whatever the amount of the purchase.

In March 2007, the Belgian market put off its earlier decision and opted for an even different scenario from the three options (vide sub 1.3.3). In practice, the Bancontact/Mister Cash system will be kept on temporarily in "co-branding" with Maestro, but, in parallel, international systems will be able to be marketed individually on the Belgian market without the payment card having to be equipped with the Bancontact/Mister Cash card scheme at all costs. In the short term, it seems to be mainly Maestro that intends to gear up and move into the market for payments made in Belgium by Belgian residents.

ILLUSTRATION 4

2.3 Social dialogue: Steering Committee on the future of means of payment

In the broad social dialogue, the NBB is taking on the chairmanship and playing a coordinating role. Alongside the banking sector, the Post Office and ATOS Worldline (ex-Banksys), this dialogue also concerns businesses, the various public authorities and consumer representatives.

Illustration 5 summarises the organisational structure.

The SEPA Working Group was set up within the Steering Committee on the future of means of payment. The SEPA Working Group’s mandate consists of organising consultation of all the parties concerned in order to make the migration towards SEPA a success for society as a whole.

Since the migration towards SEPA concerns society in general, the SEPA Working Group decided to split up the specific follow-up work according to the different economic actors. This is why sub-working groups have been set up, each one being tasked with supporting, guiding and assessing the progress with migration towards SEPA within its own sector.

The following chapters set out the working methods, structure and objectives of the various sub-groups of the SEPA Working Group, as well as the state of play in the banking sector, as stipulated by the SEPA Forum.
3 SUB-WORKING GROUP PUBLIC AUTHORITIES

3.1 Mandate and organisation

The mandate of the Sub-Working Group Public Authorities consists of supporting and guiding the migration towards SEPA among the various authorities and following the progress made.

The role of the public authorities is crucial for the credibility of the SEPA project. First of all, it is indispensable for a change for society on this scale to be able to count on the explicit support of the highest public authorities. Furthermore, as major end-users of payment services, the authorities can set an example for the rest of society. If the authorities’ own transactions are rapidly converted into the European format, a significant volume of payments could be attained, making SEPA irreversible. This general community process can only succeed if SEPA is regarded as an attractive project for everyone. A commitment by public bodies is therefore an indispensable pre-condition for a successful migration towards SEPA.

The Belgian federal authorities are clearly in line with the expectations of the European Commission and the Eurosystem of them assuming a pioneering role in the SEPA project.

The same commitment to SEPA can be found at other levels of governance, too. Progress is not necessarily similar at the different levels of administration, given their political and management autonomy. There is clearly a need for greater concordance between their efforts.

The first meeting of the Sub-Working Group Public Authorities, which was attended by all government branches, was held on 22 September 2006:
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- The Federal Authorities (Federal Public Service e.g. FPS Finance, FPS Economy) and their affiliated institutions (e.g. the Buildings Agency), and the Public Programming Services (SPP, e.g. Federal Science Policy Office, SPP Sustainable Development);
- the Autonomous Agencies (e.g. Safety of the Food Chain, Federal Medicines Agency);
- the Public Social Security Institutions (IPSS, such as National Pensions Office, National Social Security Office);
- the Regional Authorities:
  - the Flemish Community and the Flemish Region: In Flanders, the powers of the Region and the Community are exercised by a single parliament and a single government: the Flemish Parliament and the Flemish Government;
  - the French Community and the Walloon Region: In Wallonia, unlike Flanders, the French Community and the Walloon Region have kept their own institutions;
  - the Brussels-Capital Region;
  - the German-speaking Community
- the local authorities (Vereniging van Vlaamse Steden en Gemeenten and Union des Villes et Communes de Wallonie).

Following this kick-off meeting, the work has been carried out at each individual level of administration. All levels of administration are represented at the higher societal level in the Steering Committee on the future of means of payment.

The sub-WG Public Authorities will only discuss in plenary session subjects that are centralised and coordinated above the various levels of administration, but which are not likely to be dealt with by the Steering Committee on the future of means of payment.

Below is a brief overview of the way in which the different authorities have structured the migration towards SEPA so far:

- At the federal level, the sub-WG Public Authorities’ kick-off meeting led to the creation of a SEPA Steering Committee made up of the FPS concerned the most by payment traffic. This SEPA Steering Committee, chaired by the FPS Budget and Controlling, assumes centralised management of SEPA implementation for the federal authorities (including the Autonomous Agencies and the IPSS). Each Federal Public Service, Autonomous Agency and Public Social Security Institution has its own SEPA project team, whose SEPA coordinator reports back to the SEPA Steering Committee through the “Working Group SEPA Coordinators”, chaired by the FPS Budget and Controlling. An interdepartmental "Working Group Communication", which defines the joint communication needs of all the Federal Public Services, has also been established.
  
  The NBB and the Post Office assume a technical and support role in this SEPA Steering Committee (and its working groups). Every other month, the SEPA Steering Committee assesses the progress made.

- The regional authorities have full autonomy to take initiatives concerning the migration towards SEPA. The number of parties concerned is much smaller than at federal level. This is why they have chosen to follow the progress towards SEPA made by these levels of administration bilaterally from within the NBB. Work can be coordinated in the plenary of the sub-WG Public Authorities.
  
  - Within the Flemish Community and the Flemish Region, the ground is being prepared for migration towards SEPA through a structure of SEPA coordinators in each Flemish administration. The Finance and Budget Department preside over it. The Flemish Community receives technical assistance from its two banks.
  - The French Community and the Walloon Region are currently primarily analysing IT-changes that have to be made. When this initial analysis will be concluded, the SEPA co-ordinator can start to implement. This SEPA co-ordinator will be appointed in the last quarter of 2007.
Work done by the Brussels-Capital Region and the German-speaking Community remains to be assessed.

At the local level, two coordination bodies are also followed up bilaterally by the NBB and present at the community level of the Steering Committee on the future of means of payment and in the plenary sub-WG Public Authorities.

- Vereniging van Vlaamse Steden en Gemeenten (VVSG, Flemish association of municipalities).
  The VVSG considers SEPA not as an opportunity but more as a matter of compliance. The not-for-profit VVSG is strongly and positively involved and committed to activating the project at all administrations of the Flemish provinces, municipalities and the OCMWs (public welfare centres). The VVSG will provide support and monitoring but the actual implementation of SEPA is the responsibility of the local authorities themselves, in cooperation with their banker and/or their software supplier.
- Union des Villes et Communes de Wallonie (Walloon association of municipalities).
  The progress made at this local level is yet to be monitored.

3.2 Introduction of European payment instruments

3.2.1 General remarks

For the authorities, the migration towards SEPA relates first and foremost to the SEPA Credit Transfer since payments to or from the different authorities are made principally by bank transfer. Moreover, it is very often the case that they are transfers made by or addressed to Belgian residents.

On the other hand, use of card payments is very limited, for instance, at museum ticket offices. In this context, SEPA mainly involves a technical adaptation of payment terminals, which can be done either by an automatic download or through an intervention by a terminal supplier. This stage will not therefore pose any major problem.

At certain levels of government, use of the SEPA Direct Debit is envisaged, for example, for collecting taxes by a single direct debit.

Use of these two payment instruments - the SEPA Direct Debit and the SEPA Card – by the public authorities is only very marginal, even non-existent. Consequently, the changeover to the SEPA Direct Debit and payment card is not regarded as a priority by the authorities and will not be discussed further in this version of the progress report. Nevertheless, SEPA clearly offers an exquisite opportunity for public authorities to modernise their payment traffic and to consider the use of all SEPA payment instruments.

In line with the introduction of European payment instruments, the authorities are also keen to discourage local payment instruments, namely ordinary postal giro transfers, postal transfers payable at domicile, circular cheques and bank cheques. As mentioned in point 2.2.2., this step is perfectly in keeping with the Belgian banking community’s plan for migration towards SEPA.

3.2.2 Migration towards the SEPA Credit Transfer

At all levels of administration, migration towards the SEPA Credit Transfer involves:

- Using the IBAN and BIC;
- Use of documents:
  - adapting the existing credit transfer paper form to the new SEPA credit transfer form;
3.2.3 Adoption of new identification codes (IBAN and BIC)

Most public authorities are asking their banks to convert the Belgian account numbers in their records to the IBAN format and to add the BIC of each bank concerned. Many banks offer a conversion programme that calculates the correct IBAN from the existing Belgian bank account number (BBAN) structure and identifies the BIC. Other banks ask government bodies to provide an electronic file which they send back after adding the IBANs. In short, public authorities do not therefore have to apply to Belgian citizens, customers and suppliers to obtain the exact IBAN.

In the SEPA environment, the BIC of the payee’s bank must also be given. Many banks will add the BIC in domestic Belgian traffic themselves when they issue a payment instruction to a Belgian IBAN.

The ISABEL multi-bank platform also offers a conversion programme to produce the IBAN and BIC via the Isabel 6.0 version starting from the BBAN account number.

Foreign IBANs and BICs can be found on the SWIFT Internet site. Belgian BICs can be consulted on the websites of some Belgian banks and the NBB: www.nbb.be < Products and Services < Protocol Secretariat < bank identification codes.

3.2.4 Codified bank account statement standard (CODA)

Currently, the CODA 1 is used as an interface for credit transfer orders in the bank-to-customer (B2C) relationship. Since CODA 1 is not compatible with the European SEPA standards, each administration will have to switch over from CODA 1 to the SEPA compliant CODA v.2.1.c. One of the reasons for non-compatibility is the length of the structured communication for a credit transfer. The length provided for in the Belgian format is 106 characters, compared with 140 characters for SEPA. Conversion has been possible since 23 March 2007 and must be completed by 31 December 2007. Some government bodies have already made the conversion, while others are in the test or preparatory phase. The few federal authorities that still use CODA cassettes are taking advantage of this technological leap to replace the CODA cassettes by CODA via telecommunication using the IsaGate gateway.

3.2.5 Use of documents

The migration towards SEPA will have visible repercussions in various documents used by public authorities, the changeover will consequently have to be communicated. This will of course also be reflected in the public authorities’ own document management.

On the one hand, it will be necessary to prepare and order new documents in good time; while on the other hand, there may well be a budgetary need to use up stocks of old documents. This applies just as much to forms with credit transfer instruction slips attached as to specific documents bearing a BBAN, for example. The likely impact of the use of new documents on processes and procedures is also being studied and taken into account.

The SEPA coordinators from the various authorities and levels of administration are taking this closely into consideration in their plans for the migration towards SEPA and are busy making inventories of adapting the documents in question.
3.2.6 Communication

In this preparatory phase of the migration towards SEPA, communication has been exclusively internal, both at inter- and intra-departmental level, but it was still restricted to the level of administration, whether federal or regional, at the time of writing this progress report. However, the different levels feel a need to coordinated and harmonise preparations for external communication to citizens. This need goes beyond the Sub-group Federal Authorities in view of the fact that other parties will be communicating about SEPA, notably banks, businesses and consumer organisations. The authorities fear that they will be bombarded with questions about SEPA because of their pioneering role in the process, while the more technical information is really the banks’ responsibility instead.

Various levels of administration want the question of external communication to be dealt with at the higher community level of the Steering Committee on the future of means of payment. It will be discussed in September 2007.

3.2.7 The timetable for migration towards SEPA

There is currently no agreement between the different levels of administration on the timetable for migration towards SEPA. It seems appropriate for the broader community level of the Steering Committee on the future of means of payment to put the question of the timetable on its upcoming agenda.

At the federal level, the Steering Committee of the College of Presidents of the Federal Public Services’ Steering Committees has set an objective of introducing the European credit transfer on the target date of 1 January 2009. That naturally implies prior communication on SEPA given that the public administrations often have to respect an operational timetable. In practice, the federal authorities will therefore not be able to use a "big bang" approach on 1 January 2009. The FPS Finance, for instance, will already be sending out nearly 6 million letters for the income tax form in April 2008. In this letter, FPS Finance will already be giving the IBAN (and the BIC) of the debit account for any possible future refunds. It will therefore be necessary to mention SEPA as soon as that. An order for this huge printing job is to be launched as early as September 2007. FPS Finance will be calling on the NBB, the Post Office and Febelfin for the technical content of this communication on SEPA.

For the Flemish Community, the launch date has been set for January 2008, as long as no major problems hold up the introduction of the SEPA Credit Transfer as of January 2008, of course. Presently, there is nothing to suggest any such hitch. Most of the Flemish public administrations, including the Flemish Ministries and their legal agencies like, for instance, the VDAB, VRT, etc., believe they will be able to respect the timetable. On the other hand, the Flemish Community sees the advantage of having a migration towards SEPA that coincides with that of the federal authorities, on 1 January 2009. Since the analysis of their migration towards SEPA still has to be carried out in almost half of the Flemish public administrations, cost is still an unknown quantity. Consequently, the Flemish Community is waiting a bit longer before taking a final decision on the launch date, on the one hand in order to specify how much time will be needed to get all the technical information via its banks, and on the other hand, because it would like to bring its own timetable and communication strategy into line with other parties.

At the level of the Walloon Region the necessary IT-developments are being listed whereafter they will take priority in budgeting and implementation. The migration towards SEPA is expected to take place during 2009.

At the local level of Flemisch provincies, municipalities and OCMWs (public welfare centres) the VVSG (Vereniging van Vlaamse Steden en Gemeenten) is actively promoting SEPA, by means of its two-weekly magazine "Lokaal", through its website www.vvsg.be, in their budget guidelines, etc.
The VVSG provides support and monitoring. The members are asked to work together with their bank and/or software provider to implement SEPA. They also need to tackle all issues of the impact of SEPA on documents, procedures, etc.

The other levels of administration - the French Community, the Brussels-Capital Region, the German-speaking Community and the Union des Villes et Communes de Wallonie – are currently being consulted about the state of play in their migration towards SEPA and, in particular, on communication policy and the timetable.

4 SUB-WORKING GROUP CORPORATES

4.1 Mandate and working structure

In the context of the mandate of the Steering Committee on the future of means of payment, the Sub-Working Group Corporates’ remit is to provide support and coordination for enterprises in their migration towards SEPA, as well as following its progress.

Just like the public authorities, the EU authorities (EC and ECB) expect enterprises to play a precursor role. In fact, businesses stand to gain the most from SEPA, especially those with an international client base or those that have an international back-office administration for payment traffic. Currently, a company operating on an international scale is more or less obliged to have a bank in each country where it is present, since technical standards and regulation vary from one country to another. Following the arrival of the open and common SEPA standards and the uniform legal framework, the banks and other payment service providers will be able to work on a European scale. Enterprises will be able to benefit from a more competitive market, and shop around for the best service provider who will, in principle, be able to make all their payments in the euro area through one single account.

The Sub-Working Group Corporates met for the first time on 8 September 2006 and is made up of several large companies and representatives of the ATEB, FEDIS, UNIZO, NSZ and UCM. Isabel, Test-Achats and Febelfin are following its work as observers.

In January 2007, two sub-groups were set up within the Sub-Working Group Corporates:

- The Sub-Working Group SEPA Credit Transfer has studied the interpretation of the SEPA standards which are at the heart of the technical standards used in the bank-to-customer relationship. Although the standards SEPA are inter-bank standards, they can also be used – subject to adaptation – in the bank-to-customer relationship. This sub-group has invited several federal public services too, as they also have a bank-to-customer relationship with their financial service provider.

- The Sub-Working Group SEPA Direct Debit brings together the 10 biggest issuers of direct debits, which together account for 50% of the total volume in Belgium. This sub-group is reinforced by Assuralia and the Union des Secrétariats Sociaux/Unie van Sociale

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5 ATEB: Association of Corporate Treasurers in Belgium
6 FEDIS: Belgian Federation of the Distribution industry
7 UNIZO: Organisation for the Self-Employed and SMEs
8 NSZ: het Neutraal Syndicaat voor Zelfstandigen (independent profession)
9 UCM: Union des Classes Moyennes (self-employed, SMEs)
10 Isabel: banking automation and electronic invoicing service provider
11 Test-Achats/Test-Aankoop: consumer organisation
12 Assuralia: Insurance companies’ professional association

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Secretariaten. Its goal is to work out the best way of carrying out the migration towards the SEPA Direct Debit.

As for the third European payment instrument - the SEPA Card -, it was not felt to be the right time to set up a Sub-Working Group Cards: the whole issue of European payment cards revolves around fees and is therefore important not only for businesses, but also for other parties. This is why the question of payment cards will be dealt with at the broader community level in the Steering Committee on the future of means of payment.

4.2 Introduction of the European payment instruments

4.2.1 Migration towards the SEPA Credit Transfer

The Sub-Working Group SEPA Credit Transfer met for the first time on 28 February 2007. Its objective was to make a list of the main changes brought about by the European credit transfer for enterprises:

- The replacement of the Belgian bank account number (BBAN) by the structured European account number (IBAN), supplemented by the Bank Identifier Code (BIC): Febelfin explained the arrangements for the conversion from BBAN to IBAN in its document entitled “SEPA – BBAN-IBAN-BIC-practical guidelines”;
- The replacement of the current credit transfer instruction form to the SEPA Credit Transfer paper form: keeping on the structured communication is primordial for businesses, as it enables automatic reconciliation with companies’ accounting systems;
- The EPC’s document entitled “Implementation Guidelines - XML messages for Credit Transfer initiation” describes the electronic implementation of the SEPA Credit Transfer. Febelfin has published Belgian implementation guidelines;
- The technical features of the codified bank account statement standard (the Belgian CODA standard) will be adapted to the European technical standard by switching from CODA 1 to CODA version 2.1.c. This new CODA release has been available since 23 March 2007. From 2 January 2008 onwards, CODA 1 will no longer be the official standard.

In the second half of 2007, the Sub-Working Group SEPA Credit Transfer will be organising a survey among businesses to find out what progress they have made in the switchover to the SEPA Credit Transfer. It will be targeted at:

- the main issuers and beneficiaries of credit transfers in Belgium on the one hand;
- the main issuers and beneficiaries of cross-border credit transfers on the other hand.

4.2.2 Migration towards the SEPA Direct Debit

The Sub-Working Group SEPA Direct Debit has already met on two occasions, on 6 March 2007 and 23 April 2007.

A survey it has carried out shows that the 10 biggest issuers of direct debits in Belgium together account for 50% of the total volume. This percentage rises to 60% if the 20 biggest users are taken into account. This explains why the Sub-WG SEPA Direct Debit is made up of the 10 biggest users (“big billers”), primarily telephone companies and public utility companies.

In addition, its composition includes two federations of other major users of direct debits, namely Assuralia and the Union des Secrétariats Sociaux/Unie van Sociale Secretariaten.

The first meeting of the Sub-WG SEPA Direct Debit was largely of an informative nature, so as to raise awareness among enterprises of the SEPA Direct Debit and the various possible scenarios for migration towards SEPA.
The scenarios range from an individual migration towards SEPA at each company’s own rhythm to a big-bang at national level in Belgium for all enterprises concerned, via phased migration per banking relationship, sector or geographical region.

The chosen scenario should in any case take account of the following aspects:

- minimum impact for the client;
- minimum impact on companies’ internal procedures;
- possible migration of a critical mass of direct debits;
- operational risk;
- timetable;
- internal and external communication.

Another important factor in the choice of scenario and its timetable is the co-existence of two systems of direct debit between the launch of the SEPA Direct Debit and the abolition of the current national direct debit system, known as DOM80. The Payment Services Directive also applies to DOM80 which will certainly have some influence on the scenario. Furthermore, the Belgian market is characterised by a low to average use of direct debits compared with neighbouring countries. The limited right of cancellation for the client (only during four days) has probably got something to do with this phenomenon. However, this right is much more extensively written into the Payment Services Directive. This factor and the basic characteristics of the SEPA Direct Debit could lead to a wider use of direct debits. However, users should try not to erode the Belgian consumer’s level of confidence in direct debits. This calls for an as effective as possible migration scheme.

Enterprises are being asked to carry out internal inquiries into the impact of SEPA, using a checklist to measure their SEPA readiness. During the course of the third quarter of 2007, the Sub-WG SEPA Direct Debit will be inviting technical and commercial experts from the companies concerned to decide on one or several scenarios, on the basis of surveys already carried out.

Initial remarks seem to point towards a scenario where each company will migrate towards SEPA at its own speed. Companies point out that they often work with several banks whose migration plans differ from one another, and that that could cause problems.

Furthermore, the Sub-WG SEPA Direct Debit will be carrying out a survey during the second half of 2007 among enterprises to find out what progress they are making in the changeover to the SEPA Direct Debit.
5 SUB-WORKING GROUP CONSUMERS

5.1 Mandate and working structure
Consumers make up the third sub-group of the Steering Committee on the future of means of payment. On 27 September 2006, representatives of various consumer associations discussed the likely repercussions of SEPA for the final consumer. The members of the Sub-Working Group Consumers are FPS Economy, CRIOC\textsuperscript{13}, GOC\textsuperscript{14} and Test-Achats.

The Sub-Working Group Consumers has appointed Test-Achats as observer at meetings of the Public Authorities and Corporates sub-groups. It is thus hoping to see that efficiency standards and the high degree of consumer protection are maintained in Belgium.

The Sub-WG Consumers acknowledges that it is crucial to get the consumer involved sufficiently early in the migration towards SEPA. That is why they urged for a specific subgroup.

There is clear demand for coherence as regards communication on SEPA, as far as both content and the timetable are concerned. The banking industry needs to deliver a consistent, clear, understandable and unique message explaining the changes SEPA brings about. Conflicting messages from the various banks in the Belgian market would seriously damage the clarity of the message and, consequently, the consumers’ understanding of SEPA and its stakes.

The changeover to the European payment instruments must pass off smoothly and - if possible – be clear and straightforward for the consumer. Consumer representatives have already reiterated on several occasions their concern about a possible drop in the quality of service provided to the Belgian consumer, who is used to a high degree of efficiency and security where payments are concerned, and at a just price/quality ratio. In general, the consumer organisations do not see immediate advantages for the consumers at the start of the SEPA project.

5.2 The consumers’ opinion
Up until now, work on the migration towards SEPA has been largely concentrated on banks, public authorities, enterprises and consumer organisations. From the end of 2007 or the beginning of 2008, consumers and citizens themselves will be involved in the communication and migration towards SEPA. This timing is in line with the Eurosystem’s expectations.

5.2.1 The SEPA Credit Transfer
The consumer organisations are insisting on two changes for the Belgian consumer:

- the new credit transfer paper form: in the absence of a European initiative, the Belgian banking sector has developed its own paper transfer paper form. This form is quite different from the existing euro credit transfer form given it no longer exists of two parts but just one;
- use of the IBAN and BIC instead of the Belgian bank account number (BBAN), which is also mandatory for cross-border payments. The user will have to submit both IBAN and BIC. The IBAN in particular, which has a different and longer structure (i.e. 2 letters

\textsuperscript{13} CRIOC: Centre de Recherche et d'Information des Organisations de Consommateurs (the consumer organisations’ research and information centre)

\textsuperscript{14} GOC: Groupement des Organisations de Consommateurs (an informal coordination and concertation structure embracing all organisations at the Consumer Council)
followed by 14 numbers) than the BBAN (12 numbers), will require an open and above board information campaign. The additional BIC - 8 or 11 characters - leads to a total of minimum 24 digits where it is only 12 digits today.

Both versions will co-exist during the transitional period from 2008 to 2010. Most of the channels that the consumer uses for payments will be adapted. But adaptation of phone banking to the SEPA credit transfer is still uncertain.

5.2.2 The SEPA Direct Debit

Consumer organisations are insisting on two changes for the Belgian consumer:

- In the DOM80 environment, the debtor’s bank administers the mandate. In the case of the SEPA Direct Debit, administration of the mandate will be retained by the creditor;
- use of the IBAN and BIC instead of the Belgian bank account number (BBAN). The IBAN in particular, which has a different and longer structure than the BBAN, will require an open and above board information campaign.

The data of the existing direct debit mandates will therefore have to be transferred from the debtor’s bank to the creditor, via the latter’s bank. To this end, the NBB has developed a temporary migration file to allow a smooth and efficient electronic transfer of the data of the 30 million existing mandates. However, each customer using direct debits will have to be informed of his/her new rights and obligations, as stipulated in the Payment Services Directive. It is above all the right to a refund in some very specific cases that constitutes a major change. Moreover, the new rights and obligations will apply to outstanding DOM80 mandates as well. This will become clear when the Payment Services Directive will be transposed into Belgian legislation.

In the migration towards the SEPA Direct Debit, it will also be necessary to take into account the period of coexistence of the two direct debit systems, during which a customer will be able to have a DOM80 direct debit with one creditor and a SEPA Direct Debit with another creditor.

It should also be noted that the SEPA Direct Debit provides for the possibility of a so-called one-off direct debit\(^{15}\), something which does not exist under the current DOM80 direct debit system.

5.2.3 The SEPA Card

Consumer organisations reacted very strongly to the banks’ plans to replace the Bancontact/Mister Cash system by the Maestro international system. They fear that the increase in fees brought about by this migration will be passed onto the customers, triggering a rise in inflation. The banks have meanwhile delayed this migration (cf. 2.2.3). The consumer organisations welcome the decision not to replace Bancontact/Mister Cash at the date which was initially foreseen, i.e. 1 January 2008. However, they note that a new date and new conditions for the migration is not known at this point in time.

\(^{15}\) One-off direct debit: a mandate is given to the creditor for a one-time debiting.
6 THE BANKS

6.1 Mandate and organisation

As explained in point 2.2., preparations at interbank level are being made within the interbank SEPA Forum. For SEPA to be able to start up, payment instrument suppliers, i.e. the banks, must have completed their preparations. This concern has led Paysys to give the Program Management Office a mandate to carry out a survey on the Belgian banking sector’s preparations, to find out whether all the banks will be in a position to start up SEPA as of 28 January 2008. For the banks, starting SEPA means that they must be able to handle SEPA transactions on the basis of the new European standards from the set dates. The Belgian banks’ capacity to exchange SEPA Credit Transfers and SEPA Direct Debits for their domestic clients has been examined. The possibility of executing cross-border payments in SEPA format has not (yet) been studied.

Belgium has 104 banks authorised as credit institutions, 83 of which are active in the field of payments. 20 of these banks and the ATOS Worldline (ex-Banksys) card system participate directly in the Belgian automated interbank retail payments exchange system (Belgian Centre for Exchange and Clearing, CEC) while the 62 other institutions are involved in it indirectly through one of the direct members. The majority of payments in Belgium are processed by the 20 direct members. The rest of the payments – those of indirect participants – are also ultimately transferred through them. This is why the survey focused on the situation among direct participants. On the basis of interviews and a detailed inquiry, an overview of the state of play among Belgian banks was established. The following elements were examined in particular: the information available, the stage of preparation for the different European payment instruments, the SEPA participation strategy and the bank’s communication strategy.

6.2 Current state of preparations

The results of the survey, carried out from the end of January until mid-March 2007, show that the Belgian financial sector is sticking to its timetable and that the vast majority of banks claim to be ready for the start-up of SEPA. In terms of market share of the volume handled, that means the banks which have said they are ready for SEPA currently handle 95% of domestic credit transfers and 93% of direct debits.

Both vision and strategy differ substantially within the Belgian banking sector depending on the type and the size of the institution.

With a market share of around 80%, the four big Belgian banks are playing a crucial role in the organisation of SEPA within the Belgian banking sector. In their view, SEPA can mean technical consolidation for them and they will be able to offer all their clients the SEPA Credit Transfer from 28 January 2008, and the SEPA Direct Debit as of 1 November 2009 in principle, via (almost) all possible channels. The four big banks are well advanced in their IT developments for SEPA, and are sure to be ready by the deadlines, from a technical point of view. For the SEPA Credit Transfer, two channels will be used for interbank payments: the CEC will be used as operator for Belgian domestic credit transfers, while an international retail payment system will be chosen for cross-border payments. The banks have effectively decided not to position the CEC as international retail payment system, which ultimately means the end of the CEC.

Foreign banks established in Belgium are following their head office’s strategy. In most cases, this means that SEPA payments traffic processes are largely centralised. This is why these banks no longer want to use the CEC except for domestic payments in the old Belgian format. They would like to send all SEPA transfers (national and cross-border) to a European retail payment system via
their centralised platforms. These banks’ SEPA developments are therefore mainly put into effect by their headquarters abroad, which prevents a clear picture of the situation from being obtained.

As far as the rest of the Belgian banks (other than the 4 biggest banks) are concerned, SEPA does not seem to be a priority either for their internal working mode or for their clients. They have nevertheless decided to follow the migration towards SEPA along with the big banks, and will be offering the SEPA payment instruments, although it is not certain whether the set dates will be respected. Generally speaking, preparations are still at the initial stage. The new deadline for introducing the SEPA Direct Debit leaves them time to concentrate on the SEPA Credit Transfer.

All the banks questioned, which are directly affiliated with the Belgian CEC payment system, say they are taking the necessary measures for all banks participating indirectly, via them, to be able to have access to SEPA payment messages. These banks, with smaller transaction volumes, will probably not be in a position to offer their clients the SEPA Credit Transfer as of 28 January 2008, which, in view of the low volumes in question, will not pose any problem either for the start-up of SEPA, nor for obtaining a critical mass.

7 COMMUNICATION

So far, communication on SEPA has been largely run by the banking sector.

First and foremost, Febelfin and the NBB have organised regular interbank information sessions to which all banks were invited. These sessions were mainly focused on detailed information on the technical aspects of the migration towards SEPA, as well as the timetable and the deadlines which are the same for all banks in Belgium. Febelfin’s extranet site is the communication channel on this subject par excellence. This extranet site contains full information on the migration towards SEPA and on the implementation of the SEPA payment instruments, both on the European scale and at the level of Belgian standards and agreements, and as much on the interbank front as on the level of the bank-to-customer relationship.

A second central communication channel is the website www.sepabelgium.be, also run by Febelfin and designed for public authorities, businesses and consumers. This Internet site offers clarifications on the SEPA payment instruments and the advantages of SEPA. The future abolition of non-SEPA payment instruments, such as cheques and bills of exchange, is also addressed.

On its website www.bnb.be, the NBB also has a SEPA section containing general information on the Single Euro Payments Area and links to other important Internet sites like the ECB’s website, for instance: NBB < Products and services < payment systems < SEPA.

Moreover, most banks present detailed information on SEPA on their own websites, and are launching information campaigns targeted at their customers.

In addition, the financial sector organises regular information sessions for other parties concerned, some of which also have SEPA extranet sites intended for their own members’ or working groups’ migration towards SEPA, like the federal authorities and the Flemish Community, for instance.

From 2008 onwards, efforts to communicate information on the migration towards SEPA will be better coordinated between the various parties, among which also the public authorities and corporates, and communication will be more closely geared to the citizen and the consumer.
8 CONCLUSIONS

Belgium’s migration towards SEPA is generally going well. All the stakeholders at least know about SEPA as well as the changes it will usher in, and are either in a preparatory or execution phase.

In their capacity as suppliers of new payment instruments, the banks are by far the furthest advanced with their preparations and say they will be in a position to introduce their customers to the SEPA Credit Transfer by 28 January 2008. The authorities are taking their pioneer role very seriously, taking strategic decisions and generally getting ready for SEPA at the various levels. Enterprises are already involved in the process and will be more closely involved in the next phase of preparations for the launch of the SEPA Credit Transfer. It is mainly the big suppliers of direct debits that are aware of the major changes they have to make. Lastly, consumer organisations have been informed and the communication with the general public on the specific changes in store must be prepared in the next few months.

We suggest the following as target areas for follow-up work, for each payment instrument:

8.1 Targets in the framework of the SEPA Credit Transfer

From 28 January 2008 onwards, users of payment services will be able to choose the SEPA Credit Transfer to make their payments and, in the case of enterprises and authorities, choose together with their bank to receive SEPA Credit Transfers. The objective is to follow very closely the speed of the migration from the old transfer format to the new European format, and to make sure that the transition is completed by the end of 2010. From this perspective, follow-up exercises will be staged with a representative cross-selection of credit transfer users.

8.2 Targets in the framework of the SEPA Direct Debit

In the case of the SEPA Direct Debit, the Payment Services Directive is even more important in view of the existing differences from one country to another as regards the time-limits for presentation, acceptance and refund. Since the switchover period will last until 1 November 2009, the Belgian banks (as well as some other European banking communities) have decided not to start marketing the SEPA Direct Debit until 1 November 2009. It is therefore of utmost importance that the competent Belgian authorities complete the transposition into Belgian legislation within the fixed transcription period.

As of 1 November 2009, enterprises will be able to opt for the SEPA Direct Debit for automatic invoicing. In Belgium, the number of companies receiving a large volume of payments in this way is quite small. For this reason, it would be useful to see whether it might be appropriate and even feasible to draw up a joint plan with these companies for a coordinated introduction of the SEPA Direct Debit for all consumers. A follow-up will also be organised for these companies, more specifically to sound out their current plans.

8.3 Targets in the framework of the SEPA Card

As in the case of the other payment instruments, the stable and proper functioning of card payments is in everybody’s interest. With cards, any potential disruption (however short it may be) is noticed much more than other payment instruments because, with it being POS payments in
question, trade is disrupted, too, and the consumer is left in an awkward situation. So, it is of utmost importance that the banks' decisions on the subject are followed very closely in order to be able to gauge the possible impact on other stakeholders.

This impact will then be studied together with other stakeholders, particularly traders and the retail sector as well as consumers and public authorities. These stakeholders ask a sufficient level of competition in the market for SEPA cards and a just price/quality ratio. The goal of SEPA is to reach an integrated market for electronic payment services that needs competition. The acceptance and usage of SEPA products can be obtained only if those products are launched at the right price/quality ratio.

Another point to be looked into is how to organise this general debate so that the voices of all interested parties are heard.

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## ANNEXES

### Annex 1

#### Composition of the SEPA Working Group of the Steering Committee on the future of means of payment (*)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Name</th>
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<tbody>
<tr>
<td>ATOS Worldline (ex-Banksys)</td>
<td>Philippe Kempeners</td>
</tr>
<tr>
<td>ATOS Worldline (ex-Banksys)</td>
<td>Vincent Roland</td>
</tr>
<tr>
<td>BEKAERT / VBO</td>
<td>Ronny Dewulf</td>
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<tr>
<td>BNB - CSF</td>
<td>Dominique Gressens</td>
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<td>BNB - CSF</td>
<td>Jean-Marc Van Espen</td>
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<td>BNB - Oversight</td>
<td>Johan Pissens</td>
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<tr>
<td>BNB - Oversight</td>
<td>Kristiaan Roefs</td>
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<tr>
<td>BNB - Retail Payments</td>
<td>Jan Vermeulen</td>
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<td>BNB (chair)</td>
<td>Alfons Vaes</td>
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<td>Budget &amp; Rights (Test-Achats)</td>
<td>Anne-Lise Evrard</td>
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<td>CRIOC - OIVO</td>
<td>Aline van den Broeck</td>
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<td>CRIOC - OIVO</td>
<td>Tineke Kyndt</td>
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<td>DEXIA Bank Belgium</td>
<td>Erwin Ruymaekers</td>
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<td>Febelfin</td>
<td>Jozef Van den Nieuwenhof</td>
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<td>Fedis</td>
<td>Peter Haegeman</td>
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<tr>
<td>FORTIS Bank</td>
<td>Marc Parys</td>
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<td>GOC</td>
<td>Jean-Philippe Ducart</td>
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<td>ING Belgium</td>
<td>Koen Hermans</td>
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<tr>
<td>KBC Bank</td>
<td>Kristine De Lepeleire</td>
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<td>Antoon Termote</td>
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<td>La Poste</td>
<td>Nico Cools</td>
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<tr>
<td>NSZ</td>
<td>Filip Roland</td>
</tr>
<tr>
<td>SPF Budget et Protection de la Consommation</td>
<td>Pierre Dejemeppe</td>
</tr>
<tr>
<td>SPF Classes moyennes et de l'Agriculture</td>
<td>Olivier Remacle</td>
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<td>SPF Economie</td>
<td>Veronique Broekaert</td>
</tr>
<tr>
<td>SPF Economie</td>
<td>Mathias Cys</td>
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<tr>
<td>SPF Emploi</td>
<td>Remi De Brandt</td>
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<tr>
<td>SPF Finances</td>
<td>Emmanuel Colla</td>
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<tr>
<td>UCM</td>
<td>Pierre-François Rizzo</td>
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<td>UNIZO</td>
<td>Gijs Kooken</td>
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<tr>
<td>VBO</td>
<td>Geert Vancronenburg</td>
</tr>
</tbody>
</table>

(*) This list recapitulates the names of participants in the first meeting of the SEPA Working Group on 12 May 2006. It may be adapted or enlarged in order to include other economic actors concerned by the social consultation and to take account of the internal structures set up by these stakeholders.
9.1.2 Parties concerned by the consultation on the progress report on the migration towards SEPA in Belgium

Acerta
ACV-CSC
AGC Europe
Association of the City and Municipalities of Brussels Capital
Assuralia
ATOS Worldline (ex-Banksys)
AXA Bank
Bank J. Van Breda
Base NV
Bekaert
Belgacom
Belgacom Group International Services NV
Belgacom Mobile NV
CRIOC - OIVO
La Poste
Delhaize Group
DEXIA Banque
Electrabel
Febelfin
Fedis
FOD-SPF Affaires étrangères, Commerce extérieur et Coopération au développement
FOD-SPF Begroting en Beheerscontrole
FOD-SPF Budget et Contrôle de la Gestion
FOD-SPF Defensie
FOD-SPF Economie
FOD-SPF Economie, KMO, Middenstand en Energie
FOD-SPF Economie, PME, Classes moyennes et Energie
FOD-SPF Emploi, Travail et Concertation sociale
FOD-SPF Finances
FOD-SPF Finances - Contributions Directes
FOD-SPF Finances - Trésorerie
FOD-SPF Financiën
FOD-SPF Informatie- en Communicatietechnologie - FEDICT
FOD-SPF Intérieur
FOD-SPF Justice
FOD-SPF Kanselarij van de Eerste Minister
FOD-SPF Mobiliteit en Vervoer
FOD-SPF Personeel en Organisatie
FOD-SPF Sociale zekerheid
FOD-SPF Volksgezondheid, veiligheid van de voedselketen en leefmilieu
FORTIS Bank
GOC
ING Belgium
Ingram Micro
Isabel
KBC Bank
Ministère de la Communauté française
Ministère de la Région wallonne
Ministerie van de Vlaamse Gemeenschap
Ministerium der Deutschsprachige Gemeinschaft
Mobistar
National Bank of Belgium
Nestlé SA
NSZ
National Pensions Office
RBS (RD Europe) B.V.
SPE nv
Telenet NV
Test-Achats
UCM
Union des villes et communes de Wallonie
UNIZO
VBO
Vereniging van Vlaamse Steden en Gemeenten
Volkswagen Group Services
9.2 **Annex 2: The SEPA Credit Transfer form**

This form and its technical features given in the differentes national languages on the website of the Protocol Secretariat run by the NBB. The electronic files intended for printing works can be ordered via [www.nbb.be](http://www.nbb.be) (NBB < Products and Services < Protocol Secretariat < Transfers).
9.3 Annex 3: The Steering Committee Federal Authorities

9.4 Annex 4: The Belgian migration plan towards SEPA