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## PRESS RELEASE

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### **Belgium's progress towards SEPA - the Single Euro Payments Area**

(Article for the December 2012 Economic Review)

The self-regulatory nature of the SEPA has not in itself been sufficient to achieve a swift transition to the European credit transfers and direct debits. It is for this reason that the European authorities have taken the initiative to pass legislation governing the migration to the Single Euro Payments Area. The European Parliament and the Council of Ministers have adopted a Regulation establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) N° 924/2009. This Regulation, which entered into force on 31 March 2012, sets a common end-date, 1 February 2014, after which credit transfers and direct debits must be executed in the European (SEPA) format, as defined by the technical requirements set out in the Regulation.

As for progress with the migration to SEPA in Belgium, the share of European credit transfers had reached 60 % of the total number of credit transfers made in the month of October 2012, a much higher proportion than in most other European countries. The public authorities and the majority of big-billing companies have completed their migration; it is now up to small and medium-sized enterprises to make the changeover to SEPA.

The migration to the European direct debit has been more laborious. This instrument was initially offered only in its B2B version, thus meeting existing demand in the market from businesses wanting to use direct debits for their payments to one another. Consequently, the volumes remained at a very low level. However, at the end of last year, one of Belgium's biggest billers started using the European direct debit Core Scheme, thus boosting the proportion of European direct debits in the total of Belgian banker's direct debits to between 12 and 15 %. The conversion was thus successfully completed and all customers have migrated to the European format without any problems.

In Belgium 13 728 creditors use direct debits as a payment instrument. Together, they manage 31 million mandates (direct debits). Out of these 13 728 creditors, only a very small number control the vast majority of the direct debits. The ten biggest users thus account for 34 % of the total number of direct debits, and the twenty biggest creditors represent 44 %. If this analysis is extended to the largest 200 creditors, that share actually comes to almost 90 % of all direct debits. A swift and efficient migration to the European direct debit therefore lies in the hands of a relatively small number of firms.

The advantage is that the business group which must be the focus in order to achieve an almost total migration is confined to a small and more easily manageable group of creditors, and this has made it possible to pursue a precisely targeted communication strategy. Up until now, active communication on SEPA has been fairly limited, pending publication of the European Parliament and Council Regulation designed to speed up migration to the European payment instruments.

This Regulation has effectively cleared up the uncertainty: all transfers and direct debits must be executed in the European format by February 2014. Many small and medium-sized enterprises have yet to embark on their migration. However, a speedy and smooth transition is only possible if they are given all the information they need. Every stakeholder with a wide base of payment service users must make sufficient effort to pass on information about SEPA to them in good time.

Slowly but surely, the Belgian payment systems landscape is adapting to the reality of the Single Euro Payments Area. On the one hand, the process of unbundling is under way in the processing of card transactions. In this context, the BancontactMister Cash (BCMC) domestic debit card system has been rolled over and will be adapted to the SEPA standards. And, on the other hand, the clearing system for retail payments has been outsourced to a major foreign supplier of payment services. Belgium is thus one of the first countries to have achieved the planned consolidation of clearing arrangements.