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**Third progress report on the migration  
towards SEPA in Belgium**

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**Steering Committee on the Future of Means of  
Payment**

**SEPA Working Group**

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## 1 INTRODUCTION

**Key messages are highlighted in grey.**

**European credit transfers on which the accounts concerned are indicated in the IBAN (International Bank Account Number) format<sup>1</sup> have applied since the beginning of 2008. This third progress report describes the progress that has been made and thus follows on from the second progress report published in March 2009 under the auspices of the Steering Committee on the future of means of payment.**

**2 November 2009 saw the operational launch of the second European payment instrument, the European direct debit. To some extent, these two payment instruments lay the foundations for the creation of SEPA, the “Single Euro Payments Area”. Since November 2009, it has been possible to use European direct debits to effect automatic collections throughout the SEPA zone.<sup>2</sup>**

The aims of SEPA have been described in detail in the previous progress reports.<sup>3</sup> The purpose of SEPA is to enable all economic players (businesses, consumers and public administrations) to effect payments throughout the SEPA area as easily, securely and efficiently as domestic payments.

**The SEPA migration is a process whereby the current national payment instruments are gradually replaced by standardised European instruments.**

**European payment instruments now exist for credit transfers and direct debits, but no European payment card variant is available as yet.**

In Belgium, the public body organising the SEPA migration is the Steering Committee on the Future of Means of Payment, in which all economic players are represented (the banking sector, businesses, consumers' associations and public services). Chaired by the Governor of the National Bank of Belgium, this Steering Committee has the task of organising the SEPA transition in Belgium in the optimum way. This progress report forms part of that task.

Chapter 2 describes the launch and roll-out of the migration to European standards in Belgium for the various European payment instruments. Chapter 3 deals with the legal framework of SEPA, which has changed considerably since the previous report. Chapter 4 describes the progress made on the major infrastructures which handle retail payments in Belgium: the Centre for Exchange and Clearing (CEC) and ATOS Worldline. The final chapter assesses the opinion of the main payment service user groups, namely consumers and self-employed persons.

<sup>1</sup> In Belgium, the International Bank Account Number (IBAN) comprises the code BE (country code) followed by a two-number check digit plus the traditional bank account number. The IBAN account number is therefore four digits longer and appears on all bank account or post office account statements. It is structured in the form of 4 x 4 digits. The public can refer any questions about the IBAN account number to their bank or post office.

<sup>2</sup> The SEPA zone consists of the European Union (EU) countries plus Iceland, Liechtenstein, Monaco, Norway and Switzerland. A number of territories are deemed to form part of the EU (under Article 299 of the Treaty of Rome). They are the French overseas departments (Martinique, Guadeloupe, Guyana and Réunion), Gibraltar (United Kingdom), the Azores and Madeira (Portugal), the Canary Islands (Spain) and the Åland Islands (Finland). Five of these territories have their own ISO country code. Altogether, 37 ISO country codes are therefore possible in SEPA. A transaction is not regarded as a SEPA transaction unless it is effected between two banks whose Bank Identifier Code (BIC) contains one of these 37 ISO country codes.

<sup>3</sup> First progress report on the SEPA migration in Belgium, December 2007, [http://www.nbb.be/DOC/ts/Products/PaymentSystems/SEPA/FR\\_MoB\\_rapport\\_2007\\_12\\_12.pdf](http://www.nbb.be/DOC/ts/Products/PaymentSystems/SEPA/FR_MoB_rapport_2007_12_12.pdf)  
Second progress report on the SEPA migration in Belgium, March 2009, [http://www.nbb.be/doc/ts/Products/PaymentSystems/SEPA/FR\\_MoBmaart2009.pdf](http://www.nbb.be/doc/ts/Products/PaymentSystems/SEPA/FR_MoBmaart2009.pdf)

## 2 PROGRESS OF SEPA IN BELGIUM

### 2.1 The European Credit Transfer (SEPA Credit Transfer or SCT)

#### 2.1.1 INTRODUCTION OF THE EUROPEAN CREDIT TRANSFER IN BELGIUM

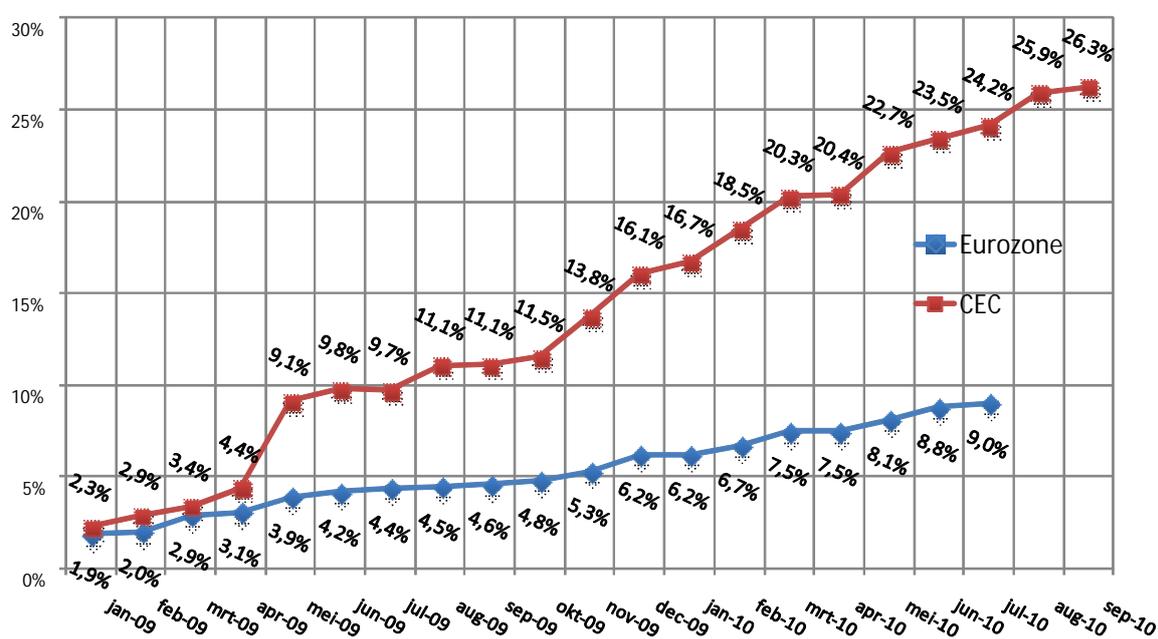
**The European credit transfer is increasingly common, and has a significantly larger share of the market in Belgium than in most other countries.**

Over 26 p.c. of all Belgian credit transfers are effected via European credit transfers, which carry an account number in the IBAN format and a Bank Identifier Code (BIC) as the code identifying the bank providing the payment services. The rapid progress of the European credit transfer in Belgium may be attributable to its early adoption by public services and, shortly afterwards, by large undertakings issuing invoices. The chart below compares the volume of European credit transfers handled by the Belgian retail payment system, the CEC, and the aggregate volumes handled by the main retail payment systems in the euro area.

In Belgium, the relatively substantial progress achieved in a few months – between May and November 2009 – is attributable to adoption of the European credit transfer by two particular public services.

Chart 1: Transactions effected in the SEPA format (2009-2010)

(% of total number of interbank credit transfers)



Sources: European Central Bank (ECB) and Centre for Exchange and Clearing (CEC)

***Under the original migration plan, a critical mass of European credit transfers was to be reached by the end of 2010. Today, that estimate looks over-ambitious. In any case, the banking sector ceased issuing domestic credit transfers in paper form at the beginning of 2010. Other entities issuing paper credit transfers (large firms, printers, etc.) were asked to suspend the circulation of Belgian credit transfer forms. The banking sector will stop handling the old Belgian credit transfer paper forms on 31 December 2010.***

European credit transfers are handled alongside the old Belgian standards applied to credit transfers, cheques, card payments and direct debits. The aim of replacing almost all Belgian credit transfers with European credit transfers by the end of 2010 will probably not be achieved.

The migration from the domestic credit transfer to the single European standards was particularly slow to get started. During 2008, the volume of European credit transfers was very small, but increased significantly in 2009. Between September 2009 and September 2010, the volume of European credit transfers in Belgium increased from 11.1 p.c. to 26.3 p.c. of the total number of credit transfers.

In that regard, the move by the European Parliament and the Council aimed at passing legislation to impose a deadline for European credit transfers (and direct debits) is especially important. The European legislature will set a date beyond which only a "SEPA compliant" variant of the credit transfer may be used. From that date onwards, banks will no longer be able to offer their customers domestic credit transfers. The main reason for this regulatory initiative is the particularly slow growth of the volume of SEPA transactions in many countries: it seems that the self-regulating character of the payments market is not sufficient incentive to limit the migration period. It is undoubtedly in the interests of all players to minimise the period in which two payment circuits co-exist (SEPA and domestic non-SEPA circuits).

#### 2.1.2 INTRABANK PROCESSING OF EUROPEAN CREDIT TRANSFERS (WITHIN THE SAME BANK)

***The migration of payments ("on-us") between two customers of the same bank is progressing faster than that of interbank payments.***

While the SEPA format represents around 26 p.c. of interbank payments (cf. chart 1), in the case of intrabank payments that proportion already exceeded 37 p.c. at the end of June 2010. That is probably due to the rapid migration of large firms issuing invoices and maintaining accounts with several banks, as it is mainly those firms that send out invoices accompanied by European credit transfer forms. Individuals are requested to make the payment to the account which the firm concerned holds with the same bank.

Table 1: Migration of intrabank (on-us) credit transfers to the SEPA format

(percentages)

|              | SEPA | non SEPA | Total |
|--------------|------|----------|-------|
| 2009 January | 1.6  | 98.4     | 100   |
| February     | 2.0  | 98.0     | 100   |
| March        | 3.4  | 96.6     | 100   |
| April        | 7.0  | 93.0     | 100   |
| May          | 12.6 | 87.4     | 100   |
| June         | 13.5 | 86.5     | 100   |
| July         | 11.8 | 88.2     | 100   |
| August       | 13.0 | 87.0     | 100   |
| September    | 13.9 | 86.1     | 100   |
| October      | 14.4 | 85.6     | 100   |
| November     | 16.9 | 83.1     | 100   |
| December     | 22.5 | 77.5     | 100   |

|      |          |      |      |     |
|------|----------|------|------|-----|
| 2010 | January  | 28.0 | 72.0 | 100 |
|      | February | 30.3 | 69.7 | 100 |
|      | March    | 33.9 | 66.1 | 100 |
|      | April    | 34.1 | 65.9 | 100 |
|      | May      | 34.6 | 65.4 | 100 |
|      | June     | 37.2 | 62.8 | 100 |

Source: Febelfin

### 2.1.3 PROCESSING OF CROSS-BORDER EUROPEAN CREDIT TRANSFERS

**The migration from the existing formats to the SEPA standards has progressed very rapidly in the case of cross-border credit transfers.**

In contrast to the slow growth of “domestic” European credit transfers, the migration from cross-border credit transfers to the SEPA format has been particularly rapid. Of course, the fact that persons initiating cross-border payments were already used to using the IBAN and BIC numbers eased the migration to the SEPA standards. The table below shows the cross-border credit transfers that Belgian banks handle using EBA/STEP2; it clearly illustrates the speed of the migration. By the second half of 2008, 50 p.c. of cross-border payments were effected in the SEPA format, and that proportion continued to increase steadily, reaching 83 p.c. in the first half of 2010.

Table 2: Migration of European cross-border credit transfers to the SEPA format

(Credit transfers by banks in Belgium processed by EBA/STEP2)

|                      | Number of transactions |           |           | Percentages |          |       |
|----------------------|------------------------|-----------|-----------|-------------|----------|-------|
|                      | SEPA                   | non SEPA  | Total     | SEPA        | non SEPA | Total |
| <b>2008</b>          |                        |           |           |             |          |       |
| 1 <sup>st</sup> half | 2,266,126              | 2,805,799 | 5,071,925 | 45          | 55       | 100   |
| 2 <sup>nd</sup> half | 3,166,370              | 3,186,992 | 6,353,362 | 50          | 50       | 100   |
| <b>2009</b>          |                        |           |           |             |          |       |
| 1 <sup>st</sup> half | 4,316,993              | 2,278,125 | 6,595,118 | 65          | 35       | 100   |
| 2 <sup>nd</sup> half | 5,821,205              | 1,678,794 | 7,499,999 | 78          | 22       | 100   |
| <b>2010</b>          |                        |           |           |             |          |       |
| 1 <sup>st</sup> half | 7,986,119              | 1,670,772 | 9,656,891 | 83          | 17       | 100   |

Source: EBA

### 2.1.4 INTRODUCTION OF THE EUROPEAN CREDIT TRANSFER BY FIRMS

**Most large firms issuing invoices send their requests for payment accompanied by a European credit transfer form. Following the public sector’s example, they in turn initiated the introduction of the European credit transfer. The last of the large invoicing firms will complete the migration of electronic credit transfers during 2011.**

Many small and medium-sized firms have not yet begun or are only in the process of migrating to the European credit transfer. As a result, a large proportion of credit transfers, especially those sent electronically in bulk to the issuing bank, are still in the domestic format. For many firms, the Isabel platform<sup>4</sup> – very widely used in the market – is vital since that is the channel through which credit transfers (and other information) can be transmitted to a number of banks. Isabel is a key player in the payment services market for firms and public authorities, and is currently undertaking the large-

<sup>4</sup> Isabel is a supplier of services concerning bank data communication and electronic invoicing. In particular, it offers a multibank platform for payment service users.

scale launch phase of the new SEPA platform, Isabel 6. The migration of Isabel users is proceeding relatively slowly since the end-date for using the non-SEPA platform (Isabel IBS 5.0) has been postponed to the end of 2012, giving Isabel users a larger migration window. At present, around 150 firms a month make the switch to the SEPA version of Isabel.

According to a survey of firms active in the Enterprise Resource Planning (ERP) market, the great majority are ready to introduce the new XML standards for European credit transfers in their software. Those who have not yet adapted their software are generally in the final stages of doing so. Thus, most small and medium-sized firms have payment applications suitable for generating European credit transfers. That development is expected to speed up the rate of migration considerably in the near future.

## **2.2 European direct debit (SEPA direct debit or SDD)**

### 2.2.1 LAUNCH OF THE EUROPEAN DIRECT DEBIT IN BELGIUM

***The European direct debit became a reality on 1 November 2009. It was launched in two versions: the Core scheme and the Business-to-Business (B2B) scheme.***

The Core scheme is the European variant of the domestic direct debit scheme used for the collection of invoices issued by firms to individuals. Almost all banks active in the payments industry in Belgium take part in this scheme. Most banks also take part in the B2B scheme which is intended for the automated collection of invoices between firms. At present, all bank accounts in Belgium are reachable for the Core scheme and that applies to almost 99 p.c. in the case of the B2B scheme, the aim being to achieve 100 p.c. between now and November. In Belgium, almost all firms are therefore able to arrange B2B direct debits with their trading partners.

***The European direct debit is a new payment instrument for the automatic collection of invoices on a cross-border basis.***

The main differences between Belgian and European direct debits are set out in table 3. Apart from its international character, the European direct debit comes in a number of variants, geared to different uses and users. The B2B scheme was designed for use between businesses, enabling them to collect or pay their invoices efficiently. Banks offer the B2B scheme on an optional basis.

Another difference concerns direct debit mandates. A direct debit mandate is an authorisation which the payer issues to his bank for the purpose of debiting his account on the basis of a payment instruction presented by the payee through the latter's bank. In the case of the European direct debit, the mandate has to be forwarded to the payee and not to the payer's bank. In the case of the B2B direct debit, the payer has to notify his bank that he has signed a new mandate. In the Core scheme, the payer's bank is not informed until the first collection is carried out. The Belgian banking sector is currently examining the development of a supplementary service which would enable mandate data to be forwarded to the payer's bank before the first collection by the payee (cf. 2.2.3).

Finally, the execution time which banks require on an interbank basis has been cut to two days, and a B2B collection will be processed in one day.

Table 3: Principal differences between the Belgian and European direct debit schemes

| <b>Belgian direct debit scheme (DOM80)</b>                             | <b>European direct debit scheme</b>   |
|--|---|
| <i>Valid in Belgium.</i>   | <i>Valid in the 32 SEPA countries</i>   |
| <i>A specific payment scheme (with entitlement to reimbursement).</i>  | <i>Three different schemes:</i> <ul style="list-style-type: none"> <li>➤ <i>core scheme (allowing a single direct debit and giving entitlement to reimbursement);</i></li> <li>➤ <i>Business-to-Business scheme (with no entitlement to reimbursement)</i></li> <li>➤ <i>new “fixed amount” scheme (with no entitlement to reimbursement) (cf. 2.2.2).</i></li> </ul> |
| <i>The mandate is administered by the payer’s bank (and the payee)</i> | <i>The mandate is administered by the payee. In the future: option of attaching electronic signature to the mandate via the internet.</i>   |
| <i>The interbank execution cycle takes three days.</i>                 | <i>The interbank execution cycle takes two days for the core scheme and one day for the B2B scheme.</i>   |

**The number of transactions is still very small at present, since the transition has to be gradual and risk-free.**

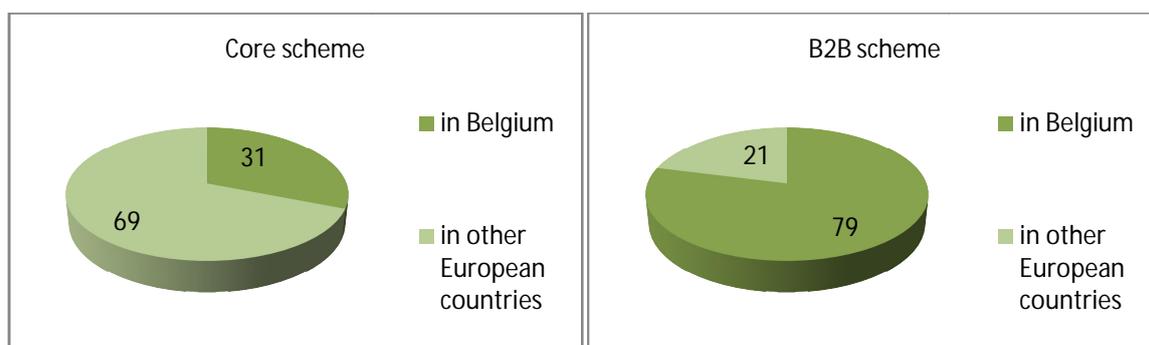
After one year, the European direct debit represents only 0.05 p.c. of all direct debits in the euro area. In Belgium, several tens of thousands of European direct debits are effected each month, the great majority being B2B transactions. This scheme, reserved for business users, did not previously exist and is clearly meeting a market demand. Several large firms (particularly in the oil sector) have migrated to the B2B scheme and now collect payment for their daily deliveries using the European direct debit format.

**Belgium is well in the lead in the use of European direct debits.**

Belgium accounts for a substantial share of the use of the new collection schemes in Europe (data as at August 2010): in the basic scheme, practically one in three European direct debits is initiated by a payee through a Belgian bank, while in the case of the B2B scheme Belgium accounts for a share of almost 80 p.c. (cf. chart 2).

Chart 2: Percentage of European direct debits used by Belgians

(from January to August 2010)



Source: EBA

The migration is taking place on the initiative of the creditor firms: they decide which type of mandate to present to their debtors and thus arrange the gradual transition from the old Belgian DOM80 system to the new European direct debit. At present, there has been no active publicity on the subject since the European Commission has the intention to regulate the migration to the European payment instruments.

***A survey of payment software suppliers has revealed that upgrading to the new direct debit schemes is in progress.***

The survey of firms active on the Enterprise Resource Planning (ERP) market (cf. also "2.1.4 Introduction of the European credit transfer by firms" above) also covered the European direct debit. Most firms offering payment software intend to adapt their products so that they can handle the core European direct debit scheme. However, most of them are not ready yet. Not all suppliers will offer the B2B payment scheme. Only a minority of software packages will be adapted for the administration of direct debit mandate data by the creditor firms. Software solutions for mandate administration are also offered by other firms in the market.

### 2.2.2 THE SEPA "FIXED AMOUNT" DIRECT DEBIT SCHEME

The banking sector is currently developing a supplementary direct debit scheme. The current schemes do not meet all users' requirements: the Core European scheme (and the European legislation relating to it, which offers the payer a right to reimbursement) creates uncertainty regarding the finality of the amount collected, and could complicate the cash management of suppliers of certain services, such as tickets for travel or ticketing, insurance and public utility services. Under the basic scheme, consumers are in fact given a period of eight weeks in which they can reclaim the amount collected if two conditions are fulfilled, namely if the amount collected is not a fixed amount and if it is higher than could reasonably have been expected. The banks are not required to take account of these two conditions and give the payer in Belgium an unconditional right to reimbursement under the Core scheme. Under the new "fixed amount" scheme, the payer will have no right to reimbursement since a fixed amount has been pre-agreed in the mandate signed as the basis for the automatic collection.

At the time of publication of this report, the very first set of technical rules (*RuleBook*) for banks providing services has yet to be published. A number of arrangements concerning the instructions necessary for implementing this scheme (*Implementation guidelines*) still need to be specified. In addition, a code of conduct will need to describe the rules, conditions and different participants of this variant of the basic scheme. It is generally accepted that this "fixed amount" scheme could be offered from November 2011 in the Belgian payments industry.

### 2.2.3 THE "ADVANCED MANDATE INFORMATION" OPTION

***In Belgium, the banking sector and creditors are examining methods of exchanging mandate information before sending the first collection of a direct debit. All parties consider that such an exchange of data, as soon as possible after the signing of the mandate, will make processing easier once the new European direct debit is launched.***

Under the European direct debit scheme the payer sends his direct debit mandate direct to the payee. The direct debit mandate is the agreement which the payer gives to the payee, consenting to the presentation of the direct debits and authorising the payer's bank to debit the account. Under the traditional Belgian direct debit system, the mandate was (and still is) sent to the payer's bank. The latter can thus verify at the time of each collection whether the collection data correspond to the mandate given to the bank by the payer. Since that will no longer be possible under the European scheme, the banking sector and major creditors issuing invoices are considering the possibility of forwarding the mandate data to the payer's bank immediately after the signing of the mandate and the subsequent recording of the mandate data by the payee. Before the first collection under the new direct debit, the payer's bank can verify whether the payer's account is

correct and available for automatic collection. Other SEPA zone countries are also interested in this system, especially in connection with B2B mandates.

The European Payments Council<sup>5</sup> (EPC) organised a public consultation in this connection and decided not to include already now the necessary adjustments in the general standard. That is why banks in Belgium are working in consultation with businesses to examine methods for the advance exchange of mandate information so that the first collection under a new European direct debit is effected smoothly and quickly.

#### 2.2.4 ELECTRONIC MANDATES (E-MANDATES)

***As well as providing for traditional paper mandates, the European direct debit (SDD) offers the option of setting up “e-mandates” through electronic channels. Belgian businesses are very interested in this additional option.***

This solution is based on on-line banking services for which the payer uses his electronic banking identifiers. Electronic mandates were intended mainly for creditors issuing large volumes of direct debits and traders operating on the internet. In 2010, the EPC worked out all the preliminary conditions for the development of this solution by the banks. A pilot project is to be set up shortly by the Portuguese banks. On the basis of that experience, the Belgian banks are prepared to examine this option in order to facilitate and expand the use of the European direct debit, by both creditors and customers. Belgian businesses have in fact expressed keen interest in this additional facility, which could be offered on an optional basis by the Belgian banking community in the future. The development of this solution should also expand the scope of electronic payment services.

### 2.3 The European payment card (SEPA CARD)

***Regarding the discussions on multilateral interchange fees, MasterCard and Visa have modified their positions following the European Commission’s comments.***

Considering that the multilateral interchange fees were disproportionate and could restrict competition between banks for the acceptance of payment cards without creating any benefits for consumers, the Commission had sent a notice of its objections to Visa in April 2009, shortly after already having criticised MasterCard for the same reasons. As with MasterCard, the fees in question are those payable by the trader’s bank to the purchaser’s bank on each Visa card payment, not only on cross-border transactions but also on domestic transactions in 9 countries, including Belgium, Luxembourg and Italy. Visa Europe has now offered to reduce to 0.2 p.c. (of the nominal value) the fee charged between banks for each debit card payment (note that this applies only to immediate payments, i.e. not deferred debits or credit card payments). That reduction is in line with the unilateral undertakings already given by MasterCard in April 2009. It is the first step towards standardisation and cost transparency in the various card schemes.

***PayFair, a Belgian initiative independent of the banks, aims to create a third European card scheme, now with the full technical capacity to permit large-scale operation.***

Some years ago the Eurosystem suggested that a European card scheme should emerge from the SEPA process in Europe, as the European card market is large enough to allow greater competition while enjoying economies of scale. A third card scheme operating in competition with the international schemes already active in Europe - VISA Europe and MasterCard – seems essential to create a competitive SEPA market in card payments.

PayFair has now reached the roll-out stage after setting up a pilot with a major Belgian distribution company in October 2009. At present the scheme processes card payments made by that company’s staff to pay for their purchases in its chain of stores. The technical infrastructure is in

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<sup>5</sup> The EPC is the decision-making and coordinating body of the banking sector at European level in regard to everything concerning payments.

place and is open to other participants such as banks, terminal manufacturers and retailers. While the roll-out phase currently concerns terminal vendors and retailers, it remains necessary to attract the interest of the banks, which are a major driving force and therefore a decisive factor in the project's success.

At the same time, PayFair is developing its activities by offering the first electronic meal vouchers using its own network for their acceptance.

### **3 LEGAL ASPECTS**

A common legal framework is one of the cornerstones of the single euro payment area. Huge strides have been made here since the last progress report. Three initiatives have a considerable impact: transposition of the European Directive 2007/64/EC on payment services, replacement of Regulation 2560/2001 by Regulation 924/2009 on cross-border payments, and the European Commission's public consultations on the SEPA migration end-dates.

#### **3.1 The Directive of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market**

***The transposition into Belgian law of the directive on payment services in the internal market has been effected by two laws. The directive's rules have applied in full in Belgium since 1 April 2010.***

The law of 21 December 2009 on the status of payment institutions, access to the activity of payment service provider and access to payment systems transposes Title II of the directive dealing with access to the activity and prudential supervision of payment institutions. It came into force on 1 November 2009. Since that date, this law has allowed a new type of payment service provider – payment institutions (such as telephony operators and money remitters) – to provide payment services. In Belgium, these payment institutions are approved and supervised by the Banking, Finance and Insurance Commission (CBFA). On 21 September 2010, Atos Worldline, which effects card transactions (Bancontact/Mister Cash, Maestro, Visa, Mastercard) in Belgium, obtained approval as a payment institution and thus becomes a European passport holder. EPS, a newcomer to the European card sector which aims to process the card transactions of the future PayFair scheme, has also applied for approval. Companies established in Belgium which were already pursuing the activities of payment service provider before that law came into force qualify for a transitional measure enabling them to continue their activities without that approval until 1 April 2011.

The law of 10 December 2009 on payment services transposes Titles I, III and IV of the directive and came into force on 1 April 2010. Under this law, the Belgian rules on electronic payments are the same as those in the European Union, Iceland, Norway and Liechtenstein. All the operational and security rules relating to electronic payments were adapted, and the Belgian banks modified their general conditions to bring them into conformity with this new law. The main changes can be grouped under three headings. The first concerns information. The law clarifies and standardises the information on payments (scale of charges, rights and obligations, execution of transactions, etc.). The second concerns execution times and value dates. For example, payment service providers are obliged to process payments within clearly predetermined periods. In practice, from 1 January 2012, an interbank payment will have to be executed by the end of the day following the date of receipt of the payment order. In the meantime, that can take up to three days. In Belgium, the execution time for national credit transfers (SEPA and others) has already been reduced till one day. The payee must have immediate access to the money. Finally, the third change concerns something new in Belgium, the right to reimbursement in certain cases for payments initiated by or via the payee (direct debits or card transactions). For consumers, the law provides that in the case of an unauthorised direct debit or if the payment service provider makes a mistake in processing an authorised direct debit, the reimbursement or correction of the transaction must be immediate if the

error is notified within 13 months following the debit date. Also, even in the case of an authorised direct debit, if the amount collected by the direct debit operation was not known in advance and does not correspond to the amount which was reasonably expected, the law allows a period of eight weeks for challenging it. Payment service providers will then have to effect reimbursement within 10 days. The same rules on reimbursement apply to card payments.

***The last of the legal uncertainties concerning the migration to the European direct debit have been removed with the transposition into Belgian law of the European payment services directive.***

The law on payment services applies to both domestic credit transfers and direct debits and to SEPA credit transfers and direct debits.

The concept of a consumer, relevant for the right to reimbursement, as opposed to the concept of a business, was defined in Article 2, 23°: a consumer is *a natural person who, in regard to the payment services contracts governed by this law, acts for a purpose other than his commercial or professional activity*. Businesses can therefore set up Business-to-Business mandates or Core mandates, depending on their clientele and their type of operation, and thus determine the limit of potential reimbursements.

The question of the continuity of the legal validity of Belgian direct debit mandates (DOM80) under the SEPA Direct Debit (SDD) scheme was unequivocally resolved by Article 79 of the law [...] *current mandates issued in relation to a direct debit shall remain valid until they are cancelled or revised*. This article has avoided the need for some 30 million existing Belgian direct debit mandates to be replaced by SDD mandates, and made it possible to incorporate them in the SDD scheme.

### **3.2 Regulation (EC) n° 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community**

***This new regulation obliges payment service providers to charge the same for cross-border payments in euros as they do for similar domestic transactions and to be accessible ("reachable") for European direct debits.***

Having entered into force on 1 November 2009, this Regulation 924/2009 repeals Regulation 2560/2001 dealing with cross-border payments in euro. It applies in all European Union Member States to payments not exceeding 50,000 euros. It establishes the basic principle that the fees charged by payment service providers must be the same for domestic and cross-border payments. This regulation concerns all electronic payment transactions, including credit transfers, direct debits and card payments.

In regard to direct debits, the discussion over multilateral interchange fees was settled in Article 6 of the regulation: [...] *a multilateral interchange fee of EUR 0,088, payable by the payment service provider of the payee to the payment service provider of the payer, shall apply for each cross-border direct debit transaction executed before 1 November 2012 [...]*.

In addition, in a desire to ensure that the new European direct debits function perfectly, the European Commission states in Article 8 that *a payment service provider of a payer reachable for a national direct debit transaction denominated in euro on the payment account of that payer shall be reachable, in accordance with the direct debit scheme, for direct debit transactions denominated in euro initiated by a payee through a payment service provider located in any Member State [...]* Payment service providers shall comply with the requirements of paragraphs 1 and 2 by 1 November 2010. This means that all payment service providers situated in the euro area must be reachable and must be able to receive debit instructions relating to a direct debit mandate by no later than 1 November in that year. At present, all bank accounts in Belgium are reachable for the Core scheme and that applies to almost 99 p.c. in the case of the B2B scheme, the aim being to achieve 100 p.c. between now and November.

### **3.3 The European Commission's public consultation on possible end-date(s) for SEPA migration)**

***In 2009, the European Commission launched a public consultation, asking the players concerned whether end-dates should be introduced for the migration of the existing payment instruments to the European payment instruments (SCT and SDD) and if so, how.***

The great majority of countries considered that strict legislation (regulation) would have to be imposed, with different dates for credit transfers and direct debits. The end-dates are necessary to prevent an unnecessarily long migration period in which parallel systems co-exist. Most countries suggested a period of between 3 and 5 years for the gradual abolition of the domestic payment schemes.

In Belgium, the abolition of the Belgian paper credit transfer form is still set for the end of 2010. By that date, the electronic credit transfers processed in the SEPA format should have reached a critical mass. A three-year migration period is planned for direct debits, namely until the end of 2012.

### **3.4 European Commission's Working Paper on SEPA Migration End-dates**

In June 2010, following the public consultation, the Commission published a Working Paper on SEPA Migration End-dates,<sup>6</sup> giving everyone concerned the opportunity to comment.

This Working Paper, which incidentally does not constitute the Commission's final opinion, presents a number of concrete proposals. For example, an end-date one year after entry into force of the new regulations is proposed for domestic credit transfers, and two years after entry into force for domestic direct debits. Payers would be obliged to use the international bank account number (IBAN) for both the payer's account and that of the payee. Finally, niche payment instruments should fall outside the scope of the regulations, and are to be defined as representing less than 10 p.c. of domestic payment transactions.

## **4 PAYMENT SYSTEMS INFRASTRUCTURE**

### **4.1 Centre for Exchange and Clearing (CEC)**

***The Belgian banks are currently preparing a call for tenders (Request for Proposal) to be passed on to a number of pan-European retail payment systems concerning a possible transfer of the processing of payment transactions from the CEC.***

According to the Belgian banks, the CEC – the Belgian retail payments system – is not large enough for conversion to a pan-European system. That point was established some years ago. A Request For Information was sent to a number of foreign systems asking whether they were interested in taking over the processing of the Belgian payment transactions. On the basis of the responses, several retail payment system operators were selected. They will be contacted via a Request For Proposal which is currently being prepared. By the end of the first quarter of 2011 and following detailed analysis of the bids, a recommendation will be made with a view to a decision on the CEC's migration to another platform.

<sup>6</sup> [http://ec.europa.eu/internal\\_market/payments/docs/sepa/end-date\\_migration\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/end-date_migration_en.pdf)

## 4.2 ATOS Worldline

***ATOS Worldline is currently adapting its central infrastructure to the new SEPA environment.***

ATOS Worldline will have the technical capacity to cater for all types of payment scheme, both those corresponding to the SEPA standards and other schemes. The payment terminals will be adapted to accept several types of cards and acquirers on the ATOS network.

## 5 CONSUMERS

### 5.1 Consumers in Belgium

***Generally consumers' associations are satisfied with the process of migration to the European credit transfer. They are still keeping a watchful eye on the establishment of systematic communication between banks and their customers in connection with the new European direct debits. Finally, they are wondering about the future of the systems for card payments and electronic money.***

Concerning the use of the European credit transfers, associations representing consumers – including self-employed persons as private or business users of means of payment – are generally satisfied with the migration process seen in Belgium, and record only a small number of complaints. They find that use of the European credit transfers is expanding; the reason is that enterprises issuing large numbers of invoices have made changes to encourage their customers to become familiar with the new credit transfer form and with the use of the new IBAN and BIC reference numbers. Most consumers are now familiarized with the new credit transfer form and IBAN and BIC, but, on that subject they remark that some consumers continue to use the Belgian account number (BBAN), which can be readily identified from the IBAN code. The associations also note that some internet banking applications are still not sufficiently explicit and may sometimes cause confusion between cross-border and domestic payments.

Regarding the European direct debit, the consumers' associations want to see some form of communication retained between the payer's bank and its customer. Under the new direct debit scheme, the mandate is no longer kept by the payer's bank since the payee is responsible for administering the mandates. Whereas previously all information preceding the debit was checked by the payer's bank, that is no longer automatic and the consumers' associations are wondering about the efficiency of communication between payees and customers relating to payments. They are therefore clearly in favour of a procedure which systemises the information given by the bank to its customer prior to the debit operation. On that subject, they consider that the "Advanced Mandate Information" option (see also 2.2.3) could fill that need while being financially neutral for the consumer. Conversely, they consider that the solution which could be set up pending the development of the AMI, consisting in a 1 eurocent debit before the "real" debits are launched, is not desirable since it would most likely generate a substantial number of questions from consumers.

In regard to cards, the consumers' associations are wondering about the development of current and future schemes. They deplore the paucity of information received on the strategies envisaged by existing national schemes and on the implementation of the initiatives on a European scale.

Finally, the consumers' associations note that the original timetable for the SEPA migration in Belgium is no longer realistic in view of the delay. With the arrival of a European regulation setting an end-date for domestic payment instruments, it will be possible to make specific revisions to the migration timetable and consequently to adapt the methods of communication. A national publicity

campaign on SEPA and on the changes made for consumers would, consequently, be highly welcomed.

## 5.2 The SEPA Council

***The SEPA Council is the new European body intended to guide the SEPA project and comprises representatives from all sectors***

On the joint initiative of the European Central Bank (ECB) and the European Commission, a new body has been set up: the SEPA Council, which will monitor the SEPA migration at European level. One of the aims of this new body is to ensure that all players in Europe are involved. Five representatives were selected from both the supply side (banks and payment institutions) and the demand side (payment service users). The five users' representatives come from coordinating bodies representing consumers, retailers, the business sector, small and medium-sized firms and national authorities. The secretariat is provided jointly by the ECB and the European Commission.

For the Belgian migration it is important that the Belgian coordinating bodies should express their concerns at European level.