The Belgian SEPA Migration Plan
Belgium as part of the Single Euro Payments Area

Version 3.1
July 2007
The purpose of this document is to describe the Belgian banking community’s migration path towards the Single Euro Payments Area (SEPA). Compared to the previous version, some basic decisions have been fine-tuned and adjusted. The main topics are highlighted in red and are related to:

- the decision of the EPC Plenary to fix the launch date of the SEPA Credit Transfer on January 28th, 2008
- the date by which the Payment Services Directive must be transposed into Belgian Law
- update of the former decision to migrate the Belgian Bancontact/MisterCash scheme to an international scheme

The Belgian financial community is represented by FEBELFIN and supported by the National Bank of Belgium (NBB).

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

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

\(^1\) in the meantime, the number of EU member states has increased to 27.
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ORGANISATIONAL STRUCTURE

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

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

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

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

Although the Belgian SEPA organizational structure was set up as a copy of the EPC structure, not all EPC bodies were copied in the Belgian context, either for efficiency reasons or because other procedures are being put in place. For example, the Belgian structure does not hold a Legal Supporting Group. Instead, the chairs of Working Groups rely on their own legal experts following the discussions as members of the specific Working Groups. On each issue considered by a legal expert, a second opinion is offered by a legal expert from another Belgian bank, and one from the NBB, when required.
Another difference with the European set-up is the addition of other Working Groups and Task Forces for specific issues, such as the preparation of a communication plan, the delivery of website information and the organization of the migration of the existing Belgian C2B and B2C standards to European ones.

As the SEPA design phase has come to an end (publication by EPC of a final versions of the Rule Books and the Implementation Guidelines version 2.3) the end-to-end implementation phase is the current step in the migration process. This implementation phase also includes actors outside the banking sector, and has therefore to be conducted in a broadly-based societal platform. The "Steering Committee on the Future of Payment Means"\(^2\) was considered to be the most convenient platform to plan the implementation and monitor the SEPA process in Belgium. Installed in 2003, this Steering Committee, chaired by the Governor of the National bank of Belgium, was mandated to promote the discussions between banks and all other stakeholders on the efficiency of payment means and instruments. A new Working Group was set up under this governance for the conduct and monitoring of the implementation of SEPA in Belgium. The work is currently being prepared by three separate subgroups composed on the basis of the type of stakeholder, corporates, public administrations and consumers. They are investigating all possible practical implementation actions and follow up on progress within their specific sectors. The deliverables and decisions presented in this interbank migration plan are communicated through the National Bank of Belgium, as SEPA Program Manager, to this broadly-based societal platform.

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

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\(^2\) The "Steering Committee on the Future of Payment Means" was established in 2003 by the Minister for Economic Affairs and Consumer Protection and is chaired, at the request of the Minister of Finance, by the Governor of the Central Bank.
1. INTRODUCTION

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

Following the EPC Plenary decision on June 19th, 2007 the Belgian banking community should be able, from January 28th, 2008 onwards, to process incoming SEPA Credit Transfers (receiving side) and is committed to offer payment service users access to SEPA Credit Transfer (sending side) to be used both locally\(^3\) and within the SEPA area\(^4\) (“SEPA for the citizen”).

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

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

Furthermore the Belgian banking community is planning to process and settle a vast majority of the payment messages resulting from the use of these SEPA payment instruments in a European infrastructure, by end 2010 (“SEPA for Infrastructure”).

2. SCOPE

2.1. POSITIVE SCOPE

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

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

These three pan European payment instruments will replace the existing Belgian instruments, taking into account a certain transitional period in which non-SEPA payment instruments will exist next to the newly introduced SEPA payment instruments. By the end of 2010 the majority of the Belgian instruments will be replaced by SEPA instruments, based on standards that have been developed by the EPC.

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\(^3\) “Local payments” meaning national payments between two Belgian accounts.

\(^4\) “Domestic payments” meaning payments between two accounts inside the SEPA area.
While the EPC defines rules on the inter-bank level in its Rule Books and Implementation Guidelines, the scope of this Belgian migration plan is intended to be end-to-end, from ordering customer to receiving customer (for more details, please refer to chapter 7).

For Credit Transfers, the Belgian banks will implement the SEPA standards on the basis of the EPC Rule Books and Implementation Guidelines version 2.3. Please refer to chapter 8 for more information on Credit Transfers.

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

2.2. NEGATIVE SCOPE

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

Cheques and bills of exchange are legal instruments regulated by international conventions and therefore cannot be abolished by a Belgian decision. None of these instruments are planned to be physically modified in order to make them SEPA-compliant (the IBAN for example will not be implemented).

Concerning cheques, the Belgian banking community decided:
- as a main objective, to investigate measures to discourage the use of cheques and explore alternatives to cheques;
- as a secondary goal, to investigate alternatives for exchanging and settling the remaining volume of cheques;
- to abolish the local payment instrument “invoice cheque” one year after the launch of the SDD payment instrument\(^5\);
- up till the end of the use of the cheque, the residual, marginal volume of high value cheques will no longer be exchanged physically within the Clearing House: full truncation is being studied.

Concerning bills of exchange, the Paysys committee decided to:
- investigate measures to discourage the use of bills of exchange;
- dismantle the local Centre for Bills of Exchange by the end of 2010;
- investigate an alternative settlement mechanism for bills of exchange with a due date later than 2010.
- investigate alternatives for a central registration system for protests.

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\(^5\) This period has been set because a transitional period is necessary during which this local payment instrument will be turned into/migrated towards the one-off SEPA direct debit instrument.
2.3. SCOPE: SUMMARY

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

<table>
<thead>
<tr>
<th>Belgian payment instrument</th>
<th>SEPA payment instruments</th>
<th>Implementation Comments</th>
</tr>
</thead>
</table>
| Belgian CT                 | SEPA CT                  | - Belgian structured remittance information reference  
|                            |                          | - CT paper form         |
| Belgian standing order     | SEPA CT                  | identical to a basic CT |
| Belgian money order        | out of scope             |                         |
| Belgian DD DOM70/80        | SEPA DD                  | re-use of existing DOM80 mandates |
| Belgian Bancontact/MisterCash scheme for Cards | SEPA Cards Framework | Belgian scheme will be replaced by an international or any SEPA-compliant scheme |
| Cheques                    | out of scope of SEPA    | use will be discouraged |
| Invoice Cheques            | out of scope of SEPA    | will be abolished one year after launch of SEPA Direct Debit Scheme |
| Circular Cheques           | out of scope of SEPA    | use will be discouraged |
| Bills of Exchange          | out of scope of SEPA    | use will be discouraged |
3. INHIBITORS

Examination of the road to SEPA reveals a number of uncertainties and inhibitors, both at the European level and at the Belgian level. These uncertainties and inhibitors concern mainly the SEPA payment infrastructure and the uncertainty about the timing of the transposition into national law of the European legal framework. They currently hinder the full implementation of the Belgian SEPA migration plan.

An important inhibitor at present is the lack of a full service PE-ACH infrastructure that offers SEPA solutions for all SEPA payment instruments, which would also satisfy existing local functional needs, and which would offer these functionalities at a more favourable pricing level as the current Belgian ACH and at a comparable service and security level.

The Payment Services Directive must be transposed into national law by November 1st, 2009, at the latest.

Still some uncertainty exists concerning the timelines supported by both the EPC and the Eurosystem and about the status of design and implementation, which do not seem to be interpreted in exactly the same way by all stakeholders. The EPC has not yet had the chance to prove its self-regulating power. If the EPC’s ability to regulate itself is inadequate, this would endanger the efficient and swift implementation of SEPA. For example, if EPC would not succeed in convincing all Belgian banks to adhere to the EPC schemes, national Belgian payments could only be partially converted into SEPA payments. Even more, all European banks should subscribe to the adherence agreements of the EPC schemes in order to have a fully reachable, interconnected banking system for SEPA payments.

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

The support of all stakeholders is of utmost importance.

Despite these inhibitors, the Belgian banking community has successfully and unanimously reached a number of formal decisions on the scope, the timelines, the non-SEPA payment instruments, infrastructure and communication. These decisions are listed in the following chapters.
4. MIGRATION WINDOWS

Different migration windows exist:

**Credit Transfers** will need the full migration period of three years, from the official launch date for SEPA Credit Transfers on January 28th, 2008 onwards. Chapter 8 contains a detailed description of the migration processes.

Concerning **SEPA Direct Debits**, the Belgian banking community decided to postpone the launch date of the SDD product until November 1st, 2009.

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

(\textit{*} The Belgian banking community is planning to migrate a vast majority of the Credit Transfers, without a full commitment to have achieved a 100 % migration by December 31st 2010.)
5. ACH INFRASTRUCTURE

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

One of the basic decisions of the Belgian banking community is not to invest in the current Belgian ACH in order to become PE-ACH-compliant.6 Belgian banks want to avoid parallel investments in retail payment systems in several SEPA countries. The processing of payment messages to or from a Belgian bank will consequently have to be transferred to a PE-ACH.

Potential PE-ACH-providers have therefore been contacted and assessment is still ongoing. These contacts are based upon an inter-bank agreed scheme of functional needs and specific requests for prices, access rights and governance rules. The Co-ordination Committee collects and evaluates all information received through this PE-ACH Assessment Scheme, thus comparing the functional, financial and other needs of the Belgian banking community with the offerings of the various potential PE-ACH providers.

5.2. CEC TEMPORARILY SEPA COMPLIANT FOR LOCAL PAYMENTS

The implementation of a fall-back scenario was decided upon at the end of June 2006.

The fall-back scenario will cover the SEPA payment instruments on the condition that both customer accounts are located in Belgium. The CEC will process the SEPA domestic formats of the payment messages as described in the EPC Rule Books and Implementation Guidelines version 2.3, in the UNIFI ISO 20022 XML format. SEPA formatted payments will be processed in parallel with the CEC domestic non-XML formats. By implementing this fall-back scenario, Belgian banks are ensured of the technical ability to exchange local Belgian Credit Transfer payments in SEPA format, as from the beginning of 2008.

6 PE-ACH-compliance would mean: SEPA-compliance + accessibility/reachability throughout the SEPA.

SEPA-compliance would mean: being able to process pan-European payment instruments.

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

As a general principle, SEPA compliance will mean the ability of the ACH to process, separately and in parallel with the existing local payments traffic, SEPA payment instruments. This new parallel circuit has to be designed in such a way to anticipate as much as possible to the expected technical and business requirements of future PE-ACH providers. Any change should be made in accordance with the following principles:

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

The fall back scenario within the local CEC has been developed and delivered by the end of May 2007, and the testing environment has been opened to CEC members for SEPA testing by mid June 2007.

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

5.3. THE BELGIAN BANKING COMMUNITY WILL NOT BE THE FIRST MOVER IN THE MIGRATION PROCESS TO A PE-ACH

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

However, the ECB "SEPA Meetings for Infrastructures", and multiple other occasions learned that a number of national banking communities inside the SEPA area are reluctant to migrate all or part of their local payment traffic to a PE-ACH.

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

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

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

The Belgian banking community agrees on the principle of having an exit agreement in a scenario whereby the CEC will gradually be dismantled. A gentlemen's agreement must compensate the higher costs for remaining CEC members in case other CEC members would leave the system. The study, which is currently being conducted by the Infrastructure Working Group, will include various scenarios (e.g. an exit from one or two major CEC members), the impact on CEC costs and the impact on CEC operational activity for the remaining CEC members.

5.6. OTHER FUTURE INVESTMENTS

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

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

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

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

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

In the meantime, Europay has allowed Belgian banks to offer Belgian cardholders with the Maestro application on their cards, the use of the Maestro payment scheme for national Belgian card payments as of January 1st, 2008. Any issuing bank will become SEPA compliant by offering this scheme, while being free to offer other schemes to the cardholders among its customers. The acceptance of international schemes on Belgian payment terminals is a concern for the various acquirers and merchants.

As mentioned, the critical success factor still is the acceptance by all different stakeholders. The National Bank of Belgium will be asked to foster the debate between the main stakeholders.

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7 BCC: Bank Card Company
7. STANDARDS AND INTERFACES

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

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

Banks will offer at least one C2B channel for SEPA payment instruments and they are free to choose which customer interface(s) will be adapted: the popular C2B-channel for professionals called ISABEL, the proprietary professional e-banking tools, the amongst non professional customers, widely used web-banking channel, the self-banking channel, the SEPA paper credit transfer form, etc.

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

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

The Belgian banking community has decided to limit the set of XML elements in the B2B space to the "yellow shaded" data elements as published in the EPC Implementation Guidelines, version 2.3. In the case banks want to develop specific Additional Optional Services (AOS) or want to define specific usage rules, this will be organised by making agreements on the usage of these "yellow shaded" elements, without conflicting the rules of the Implementation Guidelines. Use of optional elements (shaded white in the IG) could hinder a smooth migration to a PE-ACH and could lead to specific, national interpretation of a SEPA payment creating a "lock-in" effect, endangering an easy switch to a PE-ACH.

The Belgian banking community supports the mandatory use of IBAN+BIC in the interbank space, as required in the EPC Rule Books. Banks are however not obliged to request the BIC from the ordering customer, and many banks are willing to offer the service of adding the BIC to the payment initiation in case the ordering customer would not provide the BIC in the payment initiation data set, on the condition that the IBAN of the counterparty starts with "BE".

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8 Isabel is an integrated solution enabling banks’ business customers to carry out all of their banking transactions in a secure way via a single interface. It also allows them to sign contracts, send and receive invoices and submit documents to government administrations.
7.2. CUSTOMER-TO-BANK & BANK-TO-CUSTOMER E-STANDARDS

7.2.1. C2B

The C2B standard will be based on the B2B ISO20022 XML standard and SEPA Implementation Guidelines. Belgian standard Implementation Guidelines have been published in June 2007 for SEPA and non-SEPA Credit Transfers and become operational as from January 28th, 2008.

A public working draft of the Belgian standard Implementation Guidelines for SEPA Direct Debits has been published in July 2007 (updated version will be available by the end of 2007) and become operational as from November 1st, 2009.

The Belgian CIRI e-standards for national and cross-border Credit Transfers and DOM80 transactions will no longer be the official standard beyond January 1st, 2011.

7.2.2. B2C

The Belgian bank account statement standard (CODA) has been turned SEPA compliant (the SEPA version is called version 2.1). Customers can start replacing the current CODA since March 23rd, 2007 onwards. CODA v1.0 will no longer be the official standard beyond January 1st, 2008.

Belgian standard Implementation Guidelines will be published for the ISO20022 XML standard for Statements in the second quarter of 2008 and become operational as from November 1st, 2009. CODA v2.1 will no longer be the official standard beyond January 1st, 2012.
8. CREDIT TRANSFERS

The implementation of the SEPA Credit Transfer system entails the migration of a massive amount of payment instructions. Any significant payment failure creates the risk that the users’ confidence in the Belgian payment system would be impaired. This must be avoided at all cost.

8.1. REACHABILITY AND INITIATION

In line with the EPC’s recommendations, all Belgian banks will, from January 28th, 2008 onwards, be reachable for Belgian SEPA Credit Transfer transactions via the CEC or by connecting to a PE-ACH and other SEPA transactions via a PE-ACH. Pending resolution of a number of challenges, it can not be guaranteed that all Belgian banks subscribe to the currently proposed versions of the EPC Adherence Agreements.

Furthermore, each customer will have access to the initiation of SEPA CT through at least one customer-to-bank channel.

8.2. BBAN - IBAN CONVERSION

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

FEBELFIN has published, on its website, a full set of recommendations which will assist other stakeholders (like corporates) to come to a swift and faultless conversion of a BBAN into an IBAN. ISABEL, the Belgian banking services platform for an important number of multi-bank corporates, will offer a comparable service. It is to be expected that each bank will offer a comparable service in its proprietary e-banking tools.

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9 [www.sepabelgium.be/](http://www.sepabelgium.be/)
8.3. SEPA CREDIT TRANSFER PAPER FORM

On top of the general idea of offering to the customer at least one channel for the initiation of SEPA payments at the beginning of 2008, the Belgian banks will support the launch of a SEPA Credit Transfer paper form.

Belgian banks have developed a Belgian SEPA Credit Transfer form due to a lack of an EPC initiative. The Belgian payment market recognises the need for a SEPA Credit Transfer form as corporates and public sector entities have the habit of sending a Credit Transfer form attached to their bills or invoices to their customers, as an “advice to pay”.

The project has been finalised and SEPA Credit Transfer paper forms in several combinations of languages are published on the websites of FEBELFIN and the National Bank of Belgium. Belgian customers will be able to use Credit Transfer paper forms in Dutch, French, German and English.

The lay-out and personalisation-printing guidelines of the Credit Transfer paper form have been published in January 2007. Forms for testing purposes are circulated within the banking sector since November 2006.

The banking community is recommended to adapt the web-banking and self-banking screens in line with the new SEPA Credit Transfer paper form.

In practice, a SEPA Credit Transfer paper form is initiated on the initiative of a creditor who will send the paper form, often attached to an invoice, to its customers. This initiative will have a tangible impact on all Belgian banks, as the payers/customers are de facto invited by the presence of the SEPA credit transfer form (with IBAN and BIC) to initiate a SEPA Credit Transfer. The payer/customer may remit the paper form over the counter to his bank, or may initiate an electronic payment instruction through a self-banking or PC-banking channel. The bank servicing the payer/customer will therefore be confronted and impacted soon after the first use of the paper credit transfer form by one or more creditors.
For the specific reason that creditors, be it corporates or government administrations, are in the driving seat, the Belgian banking sector decided to ask the Steering Committee on the Future of Payment Means to chart the expected payment flows (which in large part are driven by a limited number of “big billers”). It should carefully consider all operational issues inherent in the intended migration of credit transfers, and subsequently it should propose an appropriate plan for a successful and gradual migration of these flows.

It is of utmost importance that the Credit Transfer Form is rolled out in a manageable way. The overall idea to be communicated in the Steering Committee on the future of payments means will be to stabilize normal payment activities during the first months after the start of the SEPA Credit Transfer, by monitoring all migration initiatives in the Steering Committee.

8.4. STRUCTURED REMITTANCE INFORMATION: BELGIAN STANDARD

A European standard for structured remittance information is still missing. It will however be possible to continue the use of the current Belgian structured remittance information.

The CAST initiative of the European Association of Corporate Treasurers (EACT) in co-operation with EPC should be leading, in a later stage, to the creation of a European equivalent of the Belgian structured remittance information.
9. DIRECT DEBITS

9.1. LAUNCH DATE OF SEPA DD PAYMENT INSTRUMENT

The successful introduction of the SEPA Direct Debit payment instrument requires further review of a number of operational challenges as well as market acceptance. These points should be timely considered, in particular by the Steering Committee on the Future of Payment Means.

By mid-2007, the assessment of the Belgian banking community concerning the launch of the Direct Debit payment instrument put in evidence the following issues:

1. the adoption period of the Payment Service Directive (PSD) by EU Parliament/Council has been set by means of a specific deadline: November 1st, 2009;
2. Belgian banks want to avoid to make the legacy direct debit product (DOM 80) PSD compliant because of the costs that would be related to a disappearing payment instrument;
3. the transition period from the national direct debit product to the SDD should be as short as possible;
4. uncertainty about the readiness of the market (both for the corporates in Belgium as for banks abroad).

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

On the sending side, each creditor will dispose of a migration period ending at the end of 2010 to replace the existing DOM80 Collections by SEPA DD Collections. At the end of the migration period, Belgian banks will process exclusively Collections in SEPA format.

Even though the SDD payment instrument might not be adopted and used before November 1st, 2009, Belgian banks are allowed to use other international non-SEPA Direct Debit schemes.

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10 The Belgian scheme for Direct Debits Collections is called DOM80, and is comparable to a DMF scheme in which the debtor bank stores the mandates.
9.2. MIGRATION OF EXISTING MANDATE INFORMATION

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

Therefore the National Bank of Belgium will provide technical support for the set up of the centralised database and will provide the Belgian banking sector with a fully operational database by September 2008 for the migration of mandate related information from the debtors’ banks to the creditors’ banks. After the testing period, the centralised database will be available for downloading and uploading the data of the existing mandates (estimated at 30 million) by the debtor and creditor banks. All Belgian creditors should be able to access all necessary data so that current Belgian Direct Debits will be ready to be migrated, on the initiative of the creditor, to the SEPA standard. As sending and receiving of the mandate information will take place through the current CEC Gateway, all direct participants of the CEC will be requested to send and receive the necessary information of their indirect participants.

The legal impact of the migration of the Belgian DOM80 mandates to the SEPA DD scheme, as described in the Direct Debit migration plan, has been confirmed and supported by legal experts.

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11 The volume of current Belgian mandates is estimated at about 30 million paper forms.
12 A front computer of the CEC central IT-platform.
9.3. USAGE RULE TO ENABLE FULL MIGRATION OF EXISTING MANDATES

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

9.4. OUTPHASING OF BELGIAN DD SCHEME

Local Belgian direct debit (DOM80) Collections will not be IBAN compliant. Moreover, the Belgian banking community decided to limit the transition period, in which there will be coexistence of both instruments (Belgian DOM80 next to SEPA DD), until the end of 2010 (see graph in chapter 9.1.). By the end of the migration period, the Belgian Direct Debit instrument DOM80 should have disappeared.

9.5. BUSINESS-TO-BUSINESS

The B2B-scheme is an optional variant of the existing DD scheme and can be used by corporates. These corporates and other interested stakeholders will define the scope and timeframe for usage of the B2B scheme. The main features are:

- shorter timeframe
- no Refund
- explicit mandate checking by debtor bank

9.6. EXISTING CENTRALISED DATABASE ON CREDITOR IDENTIFIERS

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

13 The database on creditor information contains data on 15,000 creditors.
10. COMMUNICATION

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

A second workstream is the general communication organised by Febelfin and targeted to the public at large, meaning all the banks’ clients. To this end Febelfin created and maintains the general SEPA information site (http://www.sepabelgium.be). This site explains SEPA, its benefits for all stakeholders, and explains the new European payment instruments. It also addresses the non-SEPA payment instruments and contains some of the new, general standards and a FAQ. Next to that, a leaflet was published to be distributed at the banks’ customers. More detailed and technical documentation on both Credit Transfers and Direct Debits will soon be released, and a high level leaflet for the public is being prepared.

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

<table>
<thead>
<tr>
<th>EPC</th>
<th>Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEPA Credit Transfer</td>
<td>le virement européen</td>
</tr>
<tr>
<td></td>
<td>de Europese overschrijving</td>
</tr>
<tr>
<td></td>
<td>die europäische Überweisung</td>
</tr>
<tr>
<td>SEPA Direct Debit</td>
<td>la domiciliation européenne</td>
</tr>
<tr>
<td></td>
<td>de Europese domiciliëring</td>
</tr>
<tr>
<td></td>
<td>die europäische Lastschrift</td>
</tr>
</tbody>
</table>

In parallel with the shared communication on the inter-bank level, banks, individually, are communicating about SEPA with their main clients.

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

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