



SEPA MIGRATION PLAN FOR THE NETHERLANDS

STATUS AND PLANNING

June 2009



(Dutch version leading in case of inconsistencies)

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SEPA took visible shape in 2008

Concerns nearly resolved

Time to update the SEPA Migration Plan

1 Background to the SEPA Migration Plan for the Netherlands

1.1 Context and history

On 28 January 2008 a major milestone was passed on the road to the Single Euro Payments Area or SEPA. On that day, the introduction of the European credit transfer marked the next phase, after the advent of the euro, in the development towards a Europe where differences between domestic and cross-border payments have disappeared. Ultimately, SEPA will enable us to reach the entire euro area from a single euro payment account. Replacement of the existing national payment products by European payment instruments will achieve this goal.

The European Parliament (EP) and the Council of Ministers, together with the European Payments Council (EPC), have constructed the legal and technical frameworks for SEPA. The details of the actual migration are to be worked out on a national level. In order to inform all parties concerned about the scope and timing of the introduction of and migration to SEPA in the Netherlands, the SEPA Migration Steering Group (Stuurgroep SEPA), representing the Netherlands Bankers' Association (NVB), Currence and the Dutch Central Bank (DNB) drew up a preliminary Migration Plan in 2007. The National Forum on the Payment System expressed its appreciation of the plan on 23 May 2007, although it also identified a number of concerns. In consultation with the National Forum's Consultative Platform SEPA Netherlands (*Afstemgroep SEPA Nederland or ASN*), an overview was compiled containing a distribution of tasks and timeframes for prospective follow-up actions.

1.2 Current follow-up status market parties' concerns

Since the release of the 2007 Migration Plan, work has continued towards the resolution of market parties' concerns. The points within the remit of the SEPA Migration Steering Group have been resolved and discussed within the ASN, while good progress has been made with respect to concerns that will need to be resolved by the interplay of market forces in the shape of the Further Agreement signed on 27 May 2009 to the Covenant on the Payment System 2005. See Table 1 for an overview of the current follow-up status. A more detailed discussion is presented in the appropriate chapters below.

1.3 Objective and target group

Many things have changed since the release of the initial SEPA Migration Plan. The European credit transfer was launched into the market, banks have begun to roll out European payment cards, and much work has been done on both the national and the European scale to create the preconditions for the migration to SEPA. Since May 2007, two amended versions have been released. Now, with the European direct debit about to be introduced, is the time for a fundamental update in the form of the present revised SEPA Migration Plan.

This document aims to provide an insight into¹:

- The current status of the migration to SEPA in the Netherlands.
- The elaboration of the concerns as they were formulated in May 2007.
- The status of the issues that are under consultation at the European and the national levels.
- The view of the SEPA Migration Steering Group on the remainder of the SEPA migration process, in terms of actions to be taken, timeframes and implications for individual stakeholders.

¹ **Disclaimer:** This document intends only to present the views of the Netherlands Bankers' Association, the Dutch Central Bank and Currence regarding the implementation of and migration to SEPA, as they were at the time of writing (May 2009). This document was compiled with the utmost care. No rights are conferred by either the text of this plan or the timeframes presented in it.

Chapters 2 and 3 General outline
Chapters 4, 5 and 6 Migration Plan in detail

The Netherlands Competition Authority (Nederlandse Mededingingsautoriteit or NMa), in its May 2008 SEPA Vision Document, identified a number of attention areas. These were taken on board in the compilation of this Migration Plan.

This SEPA Migration Plan was compiled by the SEPA Migration Steering Group and discussed with the National Forum. It intends to inform and to serve as a point of departure for the stakeholders in the Dutch payment system. If and when changes occur, this Migration Plan will be adjusted after discussion in the National Forum and the ASN. Current developments with regard to SEPA will be communicated on www.sepanl.nl.

1.4 Structure of the present document

Chapter 2 of this Migration Plan provides a bird's-eye view of SEPA and its implications for the Dutch payment market. After a resume of the reasons and backgrounds that led to the creation of SEPA, Chapter 2 outlines the areas where the Dutch payment landscape will change as a result of the migration to SEPA, distinguishing three separate regions:

- The change from Dutch to international account numbers.
- Changes with respect to giro payments (money transfers).
- The change from Dutch to European payment cards.

Chapter 3 discusses the principles underlying the SEPA migration in the Netherlands.

Chapters 4, 5 and 6 present each of these changes in greater detail, including timeframes and implications for the several parties concerned. A compilation of all timeframes is found in Chapter 7.

The abbreviations and definitions used in this document are listed in Annex A. For relevant websites on SEPA, see Annex B.

Table 1. Follow-up status market parties' concerns, May 2009

Concern	Explanation	Problem owner	Current status
Payment product pricing	Need for more clarity and guarantees	Market	<ul style="list-style-type: none"> • Further Agreement to the Covenant on the Payment System 2005 • Price monitoring by National Forum and NMa
Range of options regarding payment card brands	Need for PIN on the EMV chip	Market	<ul style="list-style-type: none"> • Further Agreement to the Covenant on the Payment System 2005 • Price monitoring by National Forum and NMa
User-friendliness of IBAN and BIC	Concerns over user-friendliness of IBAN and BIC	SEPA Migration Steering Group	<ul style="list-style-type: none"> • Banks will offer IBANBIC Service as of mid-2009
Safety of European direct debit	Concerns over safety of European direct debit	SEPA Migration Steering Group	<ul style="list-style-type: none"> • (Selective) direct debit block introduced from the start • Notification services for consumer in place within two years maximum from introduction, with at least 1 charge free variant per bank. Possibilities for medium & small-sized businesses under discussion.
Migration of direct debit mandates	Lack of clarity on mandate renewal	SEPA Migration Steering Group	<ul style="list-style-type: none"> • In most cases, current mandates can be continued. Business-to-business mandates will probably need to be renewed.
Standardisation in the bank-to-customer domain	Concerns over insufficient standardisation in the bank-to-customer domain	SEPA Migration Steering Group	<ul style="list-style-type: none"> • Implementation guidelines of European credit transfer and direct debit adopted.
Interbank Switch Support Service (Overstapservice)	Need for continuation of the Interbank Switch Support Service for European payment products	SEPA Migration Steering Group	<ul style="list-style-type: none"> • Suitable solutions have been found for both the European credit transfer and the European direct debit.
Dispute handling	Lack of clarity regarding future of dispute handling under SEPA.	SEPA Migration Steering Group	<ul style="list-style-type: none"> • The current Financial Services Complaints Board (<i>Klachteninstituut Financiële Dienstverlening</i> or KiFid) will continue to handle any (SEPA-related) disputes.
Accessibility	Concerns over accessibility of European payment products for vulnerable social groups.	SEPA Migration Steering Group	<ul style="list-style-type: none"> • European payment products will be assessed against accessibility guidelines published by the National Forum's Working Group on Accessibility and availability (<i>Werkgroep Toegankelijkheid en Bereikbaarheid</i>).
Consultation process	Concerns as to whether all relevant parties are involved in consultations	National Forum Secretariat	<ul style="list-style-type: none"> • Consultation of all relevant parties will take place through various national and international consultative bodies.

2 Context of SEPA and implications for the Netherlands

2.1 Background and objective

Under SEPA, it will no longer make any difference as regards ease of use, speed, safety and costs whether a euro payment is domestic or international. From a single bank account, European payment instruments will range across the whole of Europe. Gradually, they will replace the existing national payment products. The uniform payment market will result in scale benefits through increased transaction volumes and standardisation, stronger competition and, ultimately, lower costs for all concerned: businesses, retailers and consumers.

A single uniform payment area is a logical consequence of having a single currency and promotes the free movement of persons, services and goods within Europe, reinforcing the competitiveness of the European economy. For this reason, the European Commission (EC) and the European Central Bank (ECB) have urged the banks to bring about the technical preconditions for the creation of a uniform European payment market.

2.2 History

The European banking community shares the view that the service level of a cross-border euro payment should be the same as that of a similar domestic payment. In 2002, in order to achieve this, the European banks united in the EPC to develop common regulations and standards for payment products to be used in every country for both domestic and cross-border euro payments. Thus the EPC defined processing standards for the European credit transfer (the SEPA Credit Transfer or SCT standard) and the European direct debit (the SEPA Direct Debit or SDD standard) and adopted a framework which payment card brands, banks and payment processors must adhere to (the SEPA Cards Framework or SCF). Rather than prescribing finished user products, these standards provide rules regarding, for instance, the delivery and processing of payment orders. What the products will ultimately look like is to be determined by the banking community and individual banks. At the national level, the migration to European payment products has been initiated.

As the banks are working to introduce European payment products, the relevant legislative framework is also being largely harmonised. The foundation for this harmonisation was laid in 2001 in the EU Regulation 2560/2001, better known to many as the Bolkestein Regulation. In order to promote cross-border payments within the European Union, the Regulation requires that the fees charged for cross-border payments in euro must be equal to those charged for similar domestic payments. Also, the Regulation imposes the requirement to use standardised international account numbers and bank codes, the IBAN and the BIC, for every cross-border euro payment. Furthermore, the Regulation required all European banks to state the IBAN and BIC on account statements, and businesses to state them on cross-border invoices.

Despite Regulation 2650/2001, however, every EU country retains its own national payment system regulations. This has hampered the formation of a single European payment market. For this reason, the EC and the EP have adopted the Payment Services Directive (PSD) which provides the legal basis for SEPA (see Box 1). From 1 November 2009, this Directive will be in force, via national legislation, in almost all EU countries. In 2008, moreover, the EC concluded in 2008 that the advent of SEPA necessitated several amendments to Regulation 2560/2001. The amended Regulation was adopted by the EP on 24 April 2009. The main modifications concerned the extension of the Regulation's scope to include direct debits. By 1 November 2010, all banks now able to process national incoming direct debits must also be able to handle the European direct debit - subject to the same equal pricing requirement that applies to credit transfers.

SEPA: paying without borders in Europe

European banks create European payment products

Legislation harmonised ...

... through Regulation 2560/2001 ...

... and Payment Services Directive

Box 1. The Payment Services Directive - the legal basis underlying SEPA

What is the Payment Services Directive?

Until now, every European has regulated its own payment system. This situation stands in the way of a single European payment market and impedes the competition between banks. Therefore the European Commission and the European Parliament have adopted a Payment Services Directive (PSD). This Directive will remove the legal barriers currently impeding the creation of a single European payment market and thereby forms the legal basis for SEPA. The PSD applies in all countries of the European Union.

What does the PSD regulate?

Transparency and user information

The PSD aims to provide better consumer protection by requiring more transparency regarding costs and terms & conditions.

Rights and obligations of suppliers and users

Furthermore, the PSD lays down the rights and obligations of suppliers and users of payment services, such as rules relating to price setting for payment services, transaction processing times, reversal of transactions and the liability of payment service providers.

Licences for non-bank players

In addition to banks, the PSD also enables non-bank parties to offer payment products. This is in order to promote competition

and innovation in Europe. So as to safeguard the current safety, reliability and service levels, the PSD includes requirements which this new category of payment service providers, the so-called payment institutions, must meet.

Implementation of the PSD in the Netherlands

By 1 November 2009, the national governments in Europe must have transposed the provisions of the Directive in their national legislation. In the Netherlands, this is the responsibility of the Finance and Justice Ministries. The PSD will be mainly implemented in the *Wet financieel toezicht* [Financial Supervision Act] and the *Burgerlijk Wetboek* [Civil Code]. This means that DNB will be exercising prudential supervision of the new payment institutions, while the AFM assesses them for compliance with the rules on the rights and obligations of payment service providers and users. The NMA is to supervise market access opportunities for new players.

What does the PSD mean for users?

From 1 November 2009, all parties in the market must follow the rules set out in the PSD. Not only the new European payment products, but also the current national payment instruments will need to be modified to meet the requirements of the PSD. The current Dutch direct debit instrument, in particular, will have to change. All users of the payment system, consumers as well as businesses, will face new terms and conditions regarding the use of current accounts and payment products.

2.3 Scope

Since SEPA includes both giro payments (money transfers) and card payments in its scope, it has effects for both private and business parties. As a result of the migration to SEPA, the current payment system is to change in the following respects:

1. National account numbers will be replaced by international numbers;
2. For making giro payments, national credit transfers and direct debits will give way to European counterparts, while banks may choose among several processors;
3. The national card payment products and systems may be adapted to meet European requirements and/or be replaced by European products and systems. Again, banks will be able to choose among several processors.

Re 1. Use of international account numbers

Standardised bank account numbers and bank codes are indispensable in a single European payment market. In the age of SEPA, banks will therefore be using the IBAN (International Bank Account Number) as the standard account identifier, and the BIC (Bank Identifier Code) to identify the banks involved. Whereas until recently, the IBAN and BIC were used only for cross-border payments, in future, they must also be used for domestic payments, since SEPA is one large single payment area, without any distinction between domestic and international euro payment transactions. This implies that current Dutch account numbers will be extended to full-fledged IBANs, and that every payment order will have to include the BICs of both the sending and the receiving bank. Banks are to carry out the transition gradually and with the least possible inconvenience to their customers.

Re 2: Changes with respect to giro payments (money transfers)

From Dutch to European credit transfers

The European credit transfer, based on the EPCs SCT standard, was introduced on 28 January 2008 by more than 4,000 European banks. From that date, nearly all accountholders in Europe are able to receive euro payments from each other via a single type of credit transfer order, regardless of whether the payment is domestic or international. Increasing numbers of banks have also offered their customers the possibility to pay by a European credit transfer. Ultimately, the SCT standard will be used for all euro credit transfers within Europe. The introduction by Dutch banks has been

SEPA has effects in several areas

Standard use of IBAN and BIC

Introduction of European credit transfer

European direct debit launched between Nov. 2009 and Nov. 2010

Uniform transaction processing standards

New European debit cards for wider acceptance and enhanced safety

Other payment instruments continued under SEPA

gradual. How, when and with what level of support the migration is accomplished, may vary from bank to bank.

From Dutch to European direct debits

The European direct debit will be based on the EPCs SDD standard. From 1 November 2009, banks may use this standard to offer and/or process European direct debits. In order to encourage banks to migrate to the European standard, the amended Regulation 2560/2001 gives banks until 1 November 2010 to enable themselves to handle, as a minimum, incoming European direct debit transactions. Between November 2009 and November 2010, Dutch banks will proceed to comply with these standards; in 2009, they will reveal more detailed migration plans. In addition, individual banks that currently offer domestic direct debits to Dutch parties will decide for themselves when they will start offering the European direct debit.

One major change that comes with the European direct debit is that debtors may henceforth issue mandates to collectors holding foreign current accounts. Moreover, timelines are also likely to undergo changes for all users. Dutch banks are to offer various facilities in order to guarantee the safety of the European direct debit. One is the continuation of the current selective debit blocking facility, while banks will in future be offering a service notifying consumers in advance of incoming direct debit transactions. Notifications will be sent anyhow for the first in a series of direct debits, and for one-off transactions. Similar facilities for small and medium-sized businesses are currently under discussion. The changes for collectors relate mainly to the way they deliver their direct debit orders to their bank or the payment processor, as regards both timing and the format and content of messages.

Transaction processing

The migration from national payment markets to SEPA has implications for the parties that process payments for banks and wholesale clients. To date, in the Netherlands domestic transactions have been processed on a centralised platform. This situation is the result of a historical development which has led to relatively fast and efficient interbank payment processing. Yet the use of uniform processing standards will soon take away the need for banks to use domestic processor firms. Recent years we already saw several consolidation rounds, such as the merger of Dutch Interpay and its German peer TAI to form Equens, and the coalescence of Voca and LINK into VocaLINK. Such developments have implications for existing national systems, processes and other shared agreements between the processors and their clients. The Dutch banks aim to maintain at least the current service level. Inevitably, however, new standards for the file exchange between banks and business clients are certain to be introduced.

Re 3. From Dutch to European payment cards

Since January 2008, Dutch banks have been issuing payment cards that adhere to the agreements made to encourage wide acceptance of payment cards in Europe and to improve the safety of card payments. Most existing cards may already be used abroad because they incorporate both the domestic PIN brand and the international Maestro brand. A new feature is the EMV chip on the cards, which is safer to use than the traditional magnetic strip. To ensure continued safety of use throughout Europe and uncomplicated acquisition by retailers of both Dutch and foreign customers, Dutch banks will offer cards equipped with one or more widely used brands (such as Maestro or V Pay) and encourage retailers to accept those brands. Already, the number of machines able to read EMV payment cards is gradually increasing, until in 2011 all EFTPOS terminals in the Netherlands have been adapted. All ATM cash dispensers in the Netherlands have already been made EMV compliant.

Other payment instruments

The other Dutch payment instruments, such as the digital invoice (viamijnbank.nl) standard, the urgent payment and iDEAL will not disappear as a result of SEPA. The Dutch banks are to take these products on board when migrating to SEPA. The current paper Acceptgiro (pre-filled standardised payment order) will be replaced so that it can be used under SEPA. Finally, banks will continue to offer the Chipknip electronic purse until the advent of alternative electronic small payment products based on a European or international standard.

SEPA extends beyond euro area

SEPA lays the foundation for new payment products in Europe

2.4 Which countries participate in SEPA?

SEPA covers at least the 16 countries that have adopted the euro. In principle, SEPA is joined by all banks that offer payment services in euro countries. Banks from the other European countries may join SEPA as far as euro payments are concerned, by introducing SEPA standards and products. However, this choice is up to individual banks and not a national matter. The same applies to banks outside the EU: they may join by applying the EPC common regulations on a voluntary basis. In March 2009 nearly all banks in the 16 euro countries were able to process European credit transfers. At least one bank in another European country had joined SEPA as well.

2.5 Effect of SEPA on new developments

Current SEPA-related activities are mainly concerned with the adjustment of basic elements such as account numbers and how to use them for European credit transfers, direct debits and card payments. However, these changes will engender new developments. Several initiatives have been launched within Europe (both by the ECP and by others) towards the development of contactless payment (via mobile telephones or with payment cards), all of them based on the SEPA infrastructure. Implementation of the SEPA infrastructure thus serves as the basis for an efficient and effective further development towards new channels and payment modes. In the near future banks, European debit card brand owners and other market parties will be exploring the possibilities. SEPA also offers opportunities for new payment modes. The basic infrastructure may be extended further to, for instance, online payments (cf. iDEAL in the Netherlands) or European forms of electronic invoicing. Expectations are that various local initiatives will grow into Europe-wide cooperative alliances.

Box 2. SEPA membership

In March 2009 nearly all banks in the 16 euro countries were able to process European credit transfers. In each of the other European countries, at least one bank had joined:

The 16 euro countries:

Austria
Belgium
Cyprus
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Malta
Netherlands
Portugal
Slovakia
Slovenia
Spain

The other 11 EU Member States:

Bulgaria
Czech Republic
Denmark
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Sweden
UK
Bulgaria
Czech Republic
Denmark
Estonia

The other 3 EEA Member States:

Iceland
Liechtenstein
Norway

Plus:

Switzerland
Guadeloupe
Martinique
French Guyana
Réunion
Monaco (under consideration)

De EPC maintains an updated list of SEPA members on its website (www.europeanpaymentscouncil.eu)

3 Principles underlying the SEPA migration in the Netherlands

3.1 SEPA migration is a national process

The transition of current national payment markets to SEPA is organised at the national level. In early 2007, the Dutch banks, together with DNB and Currence, created the SEPA Migration Steering Group. The Steering Group is there to prepare and guide the introduction of and migration to the new European payment products. The Netherlands currently has an efficient payment system characterised by relatively low costs and tariffs. The Steering Group actively promotes a smooth migration process with maximum preservation of the existing levels of efficiency, safety and accessibility. It does so in close consultation with suppliers and users of the payment system as represented in the National Forum.

3.2 Market-driven process

The migration to SEPA in the Netherlands is a market-driven process, implying that the public adoption of European payment instruments will have to be driven by market forces. This means that the new products will start to be used if their quality and price as offered by the banks are perceived to match by users, and that current investment cycles of private and public entities need to be taken into account. The SEPA Migration Steering Group finds that the migration to European payment instruments is showing up most visibly in cross-border payments. The migration of national payments will be next, driven primarily by large (international) corporate clients and by public bodies. These parties, with their large payment volumes, fulfil a prominent pioneering role and will thus largely determine the speed of migration.

3.3 End date for the current giro payment products

During the transition period, national and SEPA payment instruments will exist side by side, resulting in extra costs. Moreover, the intended effects of SEPA will not be achieved until the national systems and products can be discontinued. The SEPA Migration Steering Group therefore shares the opinion of, among others, the EU central banks that an end date for the use of national products is needed in order to prevent an unnecessarily long and costly migration. The end date should take into account the regular investment cycles of enterprises and government bodies. After all, all parties concerned must be given reasonable time to adjust to the new European standards.

A realistic end date may be determined in different ways:

1. At the national level, in a dialogue between suppliers and users;
2. Through national legislation;
3. At the European level, in a dialogue between suppliers and users;
4. Through European legislation.

Both the ECB and the EC intend to explore the possibilities for European legislation.

In the Netherlands, a dialogue has been initiated between suppliers, users and other stakeholders in the National Forum with the aim to discuss about the procedure for setting an end date.

3.4 Communication

If communication about SEPA to - private and business - end users is to be effective, it is important that it should coincide with visible activities and changes in the market. Until such time as real and major changes become evident in the market, the actual migration to SEPA will be mainly prepared by banks, (wholesale) corporate users, payment processors, software suppliers et cetera. Joint communications on the changes brought about by SEPA will be implemented via the National Forum and the ASN. The Communications Working Group of the ASN is to draw up a proposal on the subject, based on this SEPA Migration Plan. For the time being, no generic publicity campaigns or other forms of communication on SEPA have been initiated on the part of the Government.

Until mid-2010 users will notice relatively little of the migration to SEPA. The European credit transfer introduced in January 2008 is fairly similar to the pre-existing cross-border

National level organisation of SEPA migration

Market-driven process with key roles for private and public sectors

Call for end date

National Forum as platform for discussion

Communication on SEPA to the market when changes become noticeable...

... such as the launch of the European direct debit...

... or the entry into force of the Payment Services Directive

SEPA is major topic in the National Forum

Consultative Platform SEPA Netherlands advises the National Forum

SEPA Migration Steering Group prepares for migration

euro credit transfer. For this reason no need was felt to launch a broadly based communication effort. The full-fledged migration to SEPA by enterprises and public bodies is expected to start with the introduction of and migration to the European direct debit. From then on, as changes become more noticeable to market parties, they will also feel a stronger need for information and communication.

The joint communication efforts will support the direct communication by suppliers and banks to their clients. The communication by banks to their corporate clients began some years ago with explanations on possible changes and opportunities SEPA may have in store for them, as through informative meetings in cooperation with umbrella organisations. As time goes on, the emphasis will gradually shift away from the explanatory towards more concrete information on the ongoing implementation. The direct communication to consumers will be intensified as the introduction date of the European direct debit approaches. The entry into force of the Payment Services Directive will also engender communications on the changes in the European payment system. Banks will decide individually whether to synchronise changes in the services they provide with such joint communications. One item that is certain to be widely communicated is the change in the direct debit refund period.

3.5 Organisation structure

National Forum on the Payment System and Consultative Platform SEPA Netherlands

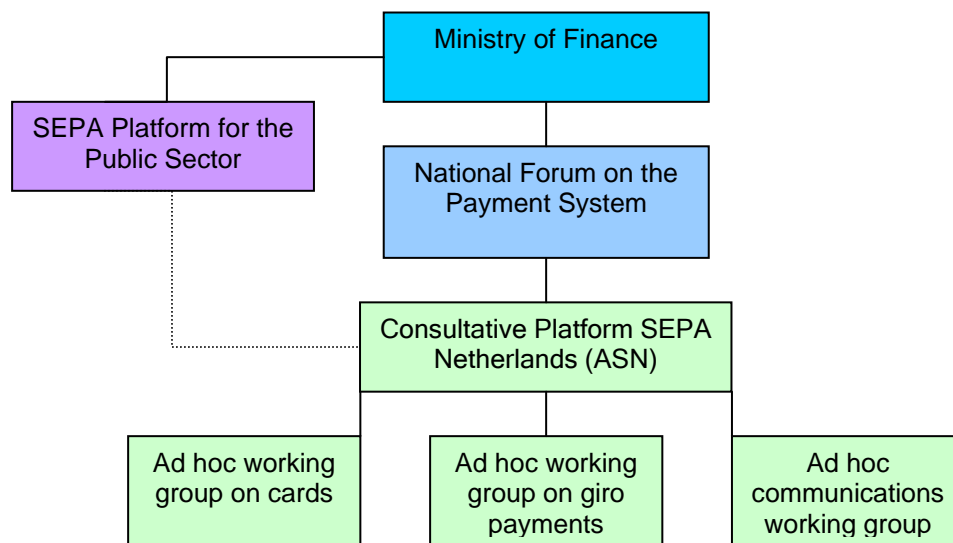
The implications of SEPA for the Netherlands are a major discussion topic in the National Forum. Composed of representatives of payment system suppliers and users and chaired by DNB, the National Forum discusses general developments and problems with respect to the efficiency and safety of the payment system and reports, via the Minister of Finance, to the Dutch Parliament. The responsibility of the National Forum is to discuss relevant issues and to achieve consensus on the way forward.

In 2006, the Consultative Platform SEPA Netherlands (ASN) was created by the National Forum with the specific aim to facilitate the introduction of SEPA in the Netherlands. This Platform consists of representatives of all stakeholders in SEPA and is chaired by DNB. It advises the National Forum with regard to SEPA and discusses bottlenecks and concerns identified by the parties involved in the introduction of SEPA in the Netherlands.

SEPA Migration Steering Group

In 2007, the Netherlands Bankers' Association (NVB), the Dutch Central Bank (DNB) and Currence together founded the SEPA Migration Steering Group, where plans for the introduction of and migration to SEPA in the Netherlands are being prepared. The plans are elaborated in a banking context by the NVB SEPA Programme Bureau (*SEPA-programmabureau*) and within the existing NVB working groups.

Figure 1. Social embedment of SEPA Migration in the Netherlands



NVB SEPA programme bureau acts as liaison

SPPS for involvement of the public sector

NASO supports EPC registration

NVB SEPA Programme Bureau

The NVB SEPA Programme Bureau acts as liaison between the Steering Group, the Dutch banking community and the EPC. It monitors the progress of the SEPA migration in the Netherlands and facilitates interbank consultative processes and the NVBs external information and communication on SEPA.

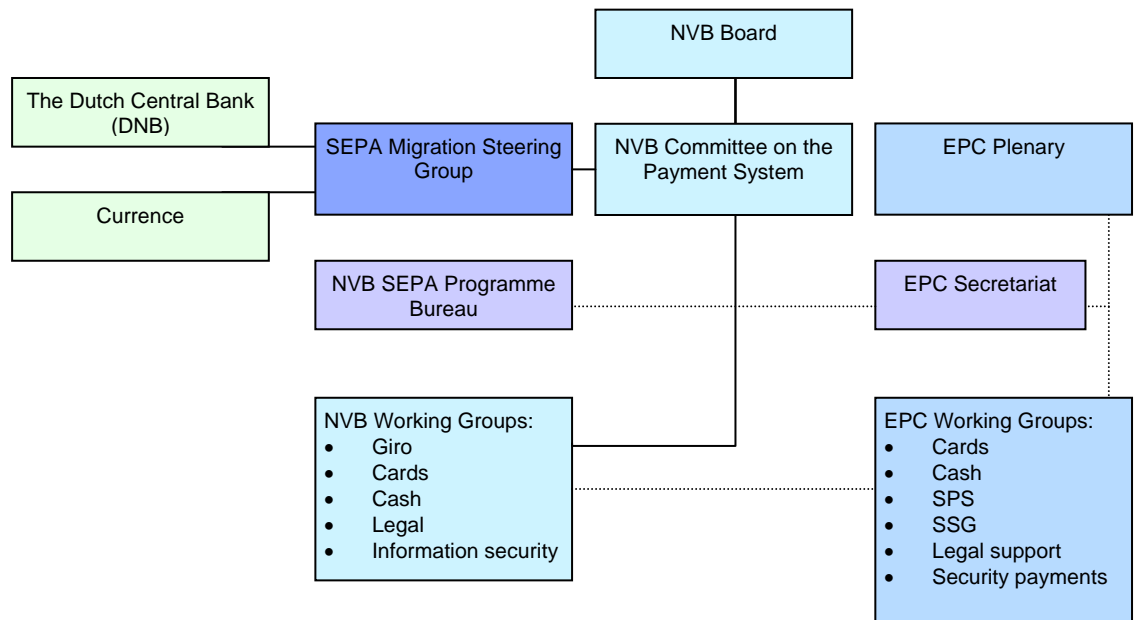
SEPA Platform for the Public Sector (SPPS)

In order to facilitate a smooth transition to SEPA of the Dutch Central Government, local government bodies and independent public bodies, the Ministry of Finance has created the SEPA Platform for the Public Sector. The purpose of the SPPS is to exchange information on the implications of SEPA for the public sector as a wholesale user of payment services, and to promote the sector's SEPA compliance. The SPPS coordinator also sits on the ASN.

National Adherence Support Organisation (NASO)

In order to introduce European credit transfer or direct debit services, banks may register directly with the EPC. In addition, they may on a voluntary basis enlist the support offered by the Dutch NASO, the administrative window of the EPC. Payment service providers permitted to operate under the Payment Services Directive may also register with the EPC and the NASO. The Dutch NASO may be reached at email address naso@nvb.nl.

Figure 2. Interbank organisation of SEPA migration in the Netherlands



4 From national to international account numbers

4.1 IBAN and BIC for both cross-border and domestic payments

Every account holder in the EU has for years an International Bank Account Number (IBAN) based on their traditional account number. Banks have used the Bank Identifier Code (BIC) to identify account holders' banks. Until recently, the IBAN and BIC were used only for cross-border payments in euro. Under SEPA, they will be used in processing European credit transfers and European direct debits, whether domestic or international. The IBAN and BIC for both the payer and the payee will therefore have to be stated on every credit transfer or direct debit. Banks may opt to offer facilitating services to their customers.

4.2 IBANBIC Service facilitates SEPA migration

Although the IBAN and BIC are logically structured, end users will have to get used to them. The new numbers are longer than traditional account numbers (see Box 3). In 2007 several market parties expressed concerns over the migration to IBAN and BIC. To address these concerns, the IBANBIC Service was developed at the request of the banks. This service will be available from June 2009. It will enable anyone, from consumers to multinational companies, to retrieve the IBAN and BIC belonging to any Dutch account number. Wholesale users may use the service to convert their (large) relation files. The service will be offered via several channels: the Internet, voice response and SMS. Special conditions apply for users whose files comprise over 1 million account numbers. In addition to a targeted information campaign for business clients, banks will refer their corporate and private clients to the IBANBIC Service. The service will be available in the Netherlands throughout the entire migration period.

4.3 The road ahead

As the use of the European credit transfer and direct debit increases, people will encounter the IBAN and BIC more often and will gradually get accustomed to the new standards. To begin with, the Central Government and corporate wholesale users, in particular, will convert their systems to SEPA standards. Next, smaller enterprises and consumers will follow suit. At the end of the transition period, Dutch banks will stop using current account numbers entirely.

4.4 Implications for market parties

Consumers

The migration to IBAN and BIC will be among the most visible changes brought about by SEPA for consumers, who will find themselves having to supply the IBAN and BIC on transfer forms instead of the old account number. The IBANBIC Service will be there to support them in this. Also, consumers' Internet banking environment will be adapted, as by making room for the IBAN and BIC in the address books. In the longer run, consumers will be able to check their IBAN on their debit cards.

Enterprises

Corporate clients will face the need to switch to different data elements and file formats for the delivery of payment orders to their bank. This means they will have to adapt their internal payment and administrative systems. One change, of course, will be the introduction of the IBAN and BIC, for which they may enlist the support of the IBANBIC Service. Enterprises may also make a valuable contribution to a smooth migration process for consumers. It is highly important for enterprises to state their own IBAN and BIC on all invoices as of late 2009 - as they have been required to on all cross-border invoices since the entry into force of EU Regulation 2560/2001.

From current account numbers to IBAN and BIC

Banks offer IBANBIC Service

Use of IBAN and BIC

Adaptation of systems and promotion of awareness

Additional support of IBAN and BIC

Government

Central and local government will equally face a change in file formats and the need to adapt their systems. Preparations to implement the adaptations were launched in 2008, when the Central Government announced the intention to support the ISO 20022/XML-based file format as of end-2009. Intentions are to process all outgoing government payments in SEPA-compliant format. The Central Government will be stating the IBAN and BIC on its correspondence and invoices, so as to invite payers to use the European credit transfer.

Banks

Apart from having developed the IBANBIC Service, the banks are already supporting their clients by stating the IBAN and BIC on account statements. Clients will also be able to view their own IBAN and BIC in their Internet banking environment. Furthermore, banks intend to add the IBAN and BIC of counterparties in the address book of the Internet banking environment and to realise broad availability of IBAN on debit cards by 2013.

Box 3. What do my IBAN and the BIC of my bank actually look like?

The International Bank Account Number (IBAN) is based on the current national account number, the 'Basic Bank Account Number' (BBAN). The IBAN of every Dutch bank account consists of 18 positions broken down into four sections:

country code	checksum	bank identification	account number
xx	xx	xxxx	xxxxxxxxxxxxxx
NL	45	ABNA	0123456789

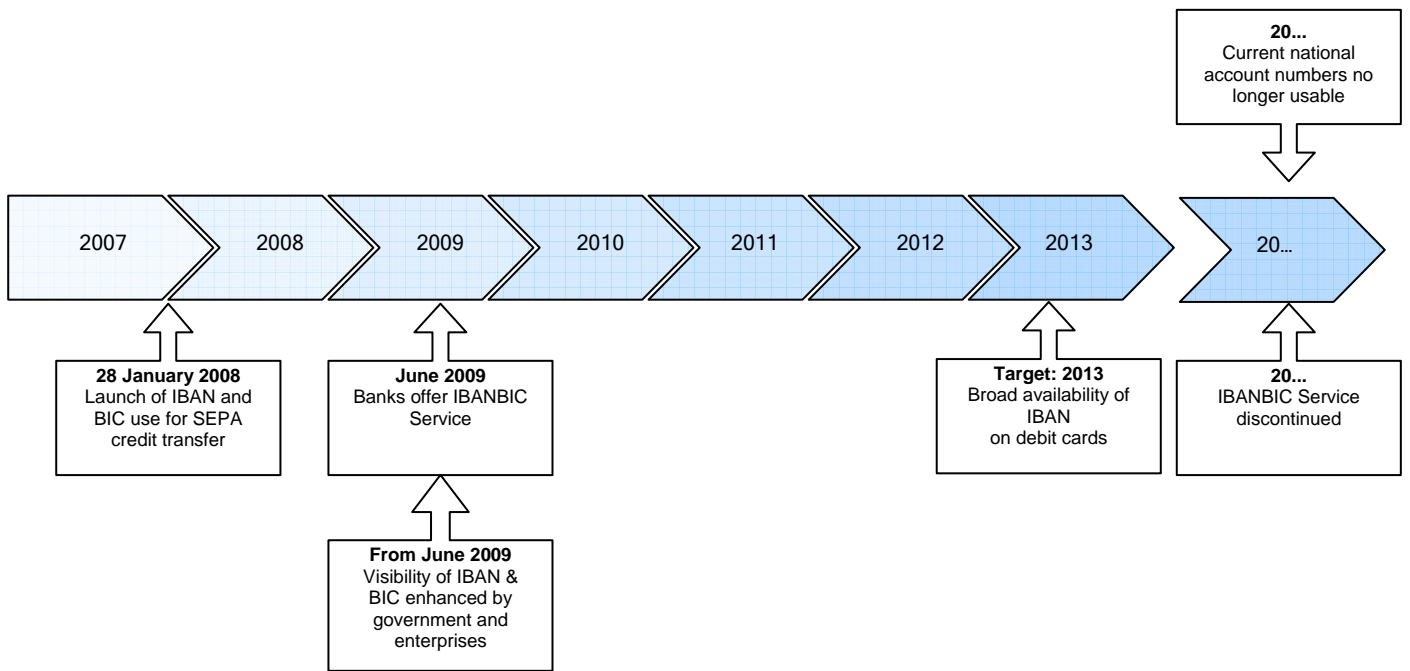
- 1. Country code**
Every country has an internationally agreed, unique code. For the Netherlands, it is NL.
- 2. Checksum**
This number is added to check whether the account number has been filled in correctly.
- 3. Bank identifier**
Every bank has a unique identifier per country. Examples of bank IDs found in the Netherlands are ABNA and RABO. All account numbers of a particular bank carry the same bank ID.
- 4. Account number**
The core of the IBAN is and will continue to be the 'Basic Bank Account Number' or BBAN: the current account number issued by the bank to the accountholder. It takes up 10 positions in the IBAN, with extra leading zeroes if the BBAN is less than 10 figures long.

The Bank Identifier Code of BIC is based on the Bank Identifier. The BIC of banks in the Netherlands is 8 positions long and is made up of three parts.

bank ID	country code	city code
xxxx	xx	xx
ABNA	NL	2A

- 1. Bank identifier**
Every bank has a unique identifier per country. Examples of bank IDs found in the Netherlands are ABNA and RABO. All account numbers of a particular bank carry the same bank ID.
- 2. Country code**
Every country has an internationally agreed, unique code. For the Netherlands, it is NL.
- 3. City code**
Every city has its own, internationally agreed and unique code number.

4.5 Timeframe



5 Changes with respect to giro payments

5.1 European credit transfer

5.1.1 European credit transfer launched

On 28 January 2008 SEPA was launched with the introduction of the European credit transfer. From that date, European bank account holders have been able to receive payments in euro from each other via European credit transfers, which do not distinguish between domestic and foreign payments. More and more countries have offered their customers the option to pay by European credit transfer.

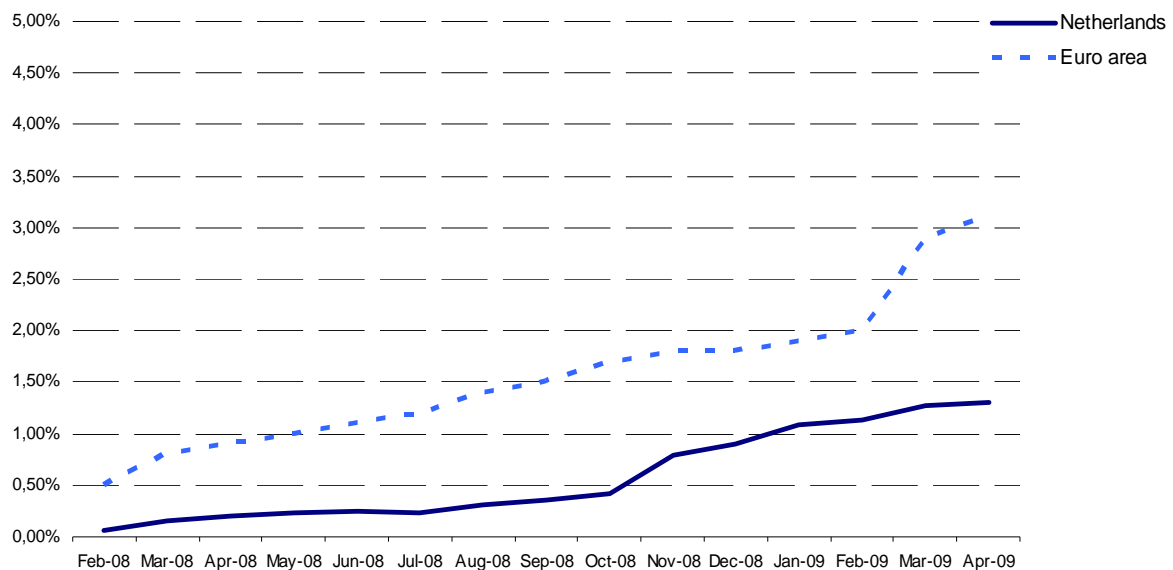
Ultimately, the European credit transfer should replace the existing domestic and cross-border one-off credit transfer, standing transfer order and multi-transfer order. The Acceptgiro, digital invoice, iDEAL and the urgent payment will be adapted for use under SEPA. For now, the European credit transfer has been available only in electronic form. A paper European credit transfer form will be made available for specific target groups.

5.1.2 SEPA migration gaining speed

The migration to the European credit transfer is going according to plan. In the beginning of 2009, the European credit transfer was used for over 1% of all credit transfers in the Netherlands (see Figure 3). This may not seem very much, but especially for cross-border payments, the European credit transfer is used abundantly. As regards domestic payments, many enterprises have put the migration on hold until the next regular round of replacement investments. Others wait until the European direct debit and the IBANBIC Service appear on the market, so that they may migrate all of their payment transactions at once from domestic to European products and standards.

Figure 3. European credit transfer: migration rate

Per cent of total outward transfers



Source: ECB and Equens

In 2008 much work has been done to remove obstacles to the domestic use of European credit transfers. One result of this is the IBANBIC Service, which will serve to speed the migration up further. The public sector has also been instrumental. Given the large number of payments made by the Central Government, its intention to use the European credit transfer for all outward payments from late 2009 will cause a breakthrough in the SEPA migration.

The earlier concerns over high tariff levels will be solved in the interplay of market forces.

Start of SEPA with launch of European credit transfer

Migration to European credit transfer for cross-border payments...

... and obstacles to domestic migration cleared away

End date seen as important
One European credit transfer for all payments in Europe
Pioneering role for large companies
Adaptation of standards and systems
Public sector goes for European credit transfer
Active supply of European credit transfer

5.1.3 The road ahead

Now that the European credit transfer has come into general use for cross-border payments, the SEPA migration for domestic payments should follow on. In order to ensure a smooth migration, the SEPA Migration Steering Group supports the view of the European central banks that an end date should be fixed for the use of national products. Moreover, it is only natural that government bodies and big companies should take the lead. They have therefore been encouraged to use the launch of the European direct debit and the IBANBIC Service as an opportunity to move their entire payment system to European standards and products in one go.

5.1.4 Implications for market parties

Consumers

Since the launch of the European credit transfer, consumers have been able to receive credit transfers from all over Europe using one account only. Also, banks are increasingly offering the European credit transfer in their customer Internet banking environments. These customers may choose a European credit transfer to remit money to another Dutch or foreign bank account. The use of the IBAN and BIC give the on-screen European credit transfer a slightly different appearance.

Enterprises

Enterprises too will notice that the order form for a European credit transfer looks different from the current one, because the IBAN and BIC need to be supplied. Since the European credit transfer can be used for both domestic and cross-border payments, enterprises also need no longer distinguish between domestic and cross-border payments. A smooth transition to SEPA will strongly depend on the migration of large enterprises. As wholesale users of the payment system they will have considerable influence on the speed and the scope of the SEPA migration. By adapting their systems, including the introduction of the standardised client-to-bank interface based on the ISO 20022/XML standards, they may give the migration a major push forward.

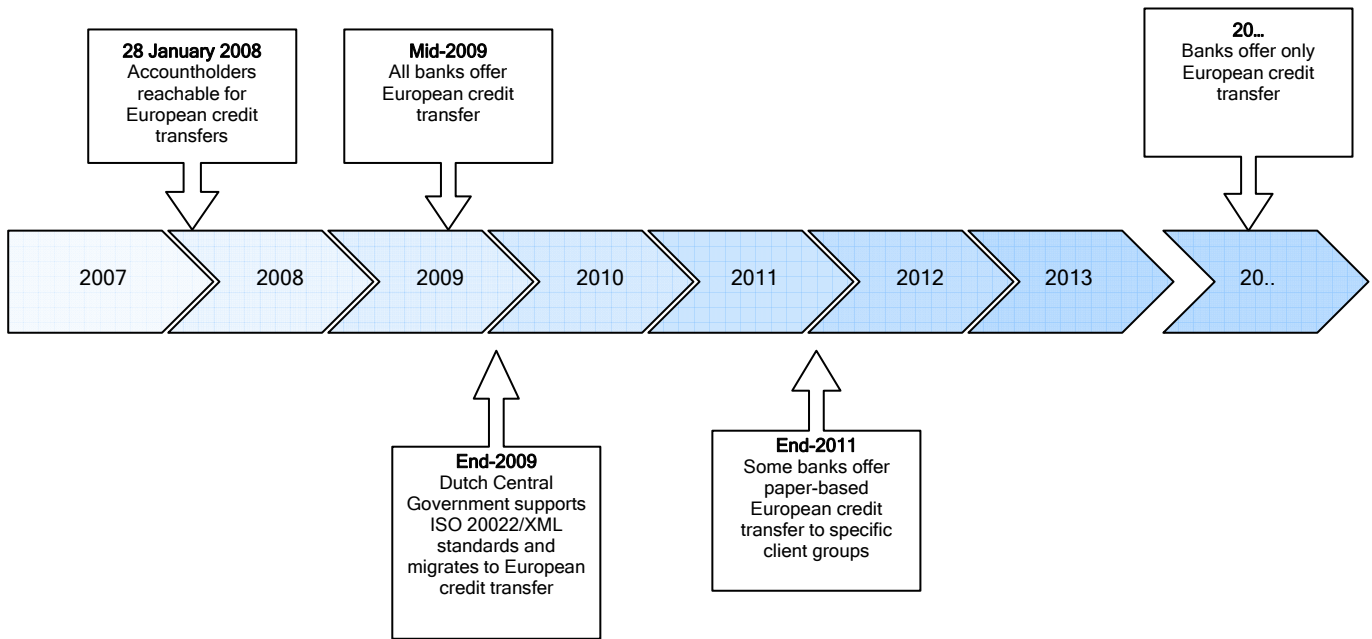
Government

With the announcement of the Dutch Central Government that it will support the ISO 20022/XML standards as of end-2009 and intends to use the European credit transfer for all its outward payments from that date, the migration in the Netherlands was assured a firm impulse. All government bodies in the Netherlands are advised to follow the example of the Central Government and to finalise their migration plans shortly, in consultation with their bank. Here, too, the introduction of the standardised SEPA client-to-bank interface will mark the migration to SEPA.

Banks

Although all banks are able to process incoming European credit transfers, not every bank has so far offered the use of European credit transfers to its customers. It is therefore recommended that banks do so as soon as possible, as they have agreed to in the context of the EPC. Here, too, the use of European credit transfers may be encouraged further by removing the unfamiliarity among clients. An important element in achieving this is direct communication between a bank and its clients.

5.1.5 Timeframe



European direct debit: authorising domestic and foreign collectors

Two variants: standard & business

8-week refund period under Payment Services Directive

Existing mandates retain validity for standard European direct debit

5.2 European direct debit

5.2.1 European direct debit for both domestic and cross-border direct debit transactions

Companies may use the European direct debit to collect payments from customers in nearly all of Europe having a single bank account only. In essence, the European direct debit is identical to the current domestic direct debit where a customer issues a mandate to a business party for having their account debited. While one-off mandates do occur, most mandates are issued for recurrent payments. The difference between the current direct debit and the European direct debit is mainly related to timing. The main characteristics of the European direct debit are presented in Box 4. Technical implementation manuals for the European direct debit will be made available, as they were for the European credit transfer.

The European direct debit will come in two basic variants:

1. The standard European direct debit, based on the EPC SDD Core Rulebook, which can be used for payments by private persons but also for direct debit payments between businesses, provided all product terms (including refund periods) are agreed to;
2. The business-to-business (B2B) European direct debit, based on the EPC DSS B2B Rulebook, which can be used only for direct debits between enterprises.

Both variants are identical in essence as well as in their technical implementation. Differences relate to a number of product terms and timing details, which are discussed in Box 4.

Both the existing and the forthcoming European direct debit are affected by the entry into force of the Payment Services Directive. Under the Directive, the period in which consumers are able to have a direct debit payment refunded will be 8 weeks for both the European and the current Dutch direct debit - with the exception, under certain conditions, of the current direct debit without refund rights.

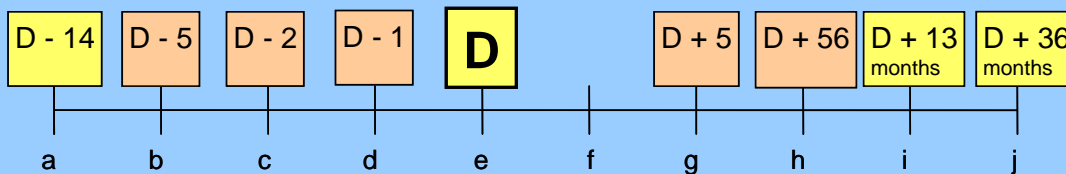
Currently, the Dutch market recognises a number of standard and B2B variants, each with its own refund characteristics. Most of the current variants will be superseded by a European replacement. Box 5 provides an overview of the features of the current and the European direct debit variants. With respect to some specifically Dutch applications (such as the direct debit with no refund rights) the banks have made proposals to supplement the specifications of the EPC Rulebooks. Decisions will be taken before end-2009. Should the proposals not be adopted, then a specific solution for the Dutch market will be sought, which would not be available throughout the SEPA area.

It has been decided, since it does not involve a deterioration for the payer in terms of refund conditions, that existing Dutch direct debit mandates will be rolled over to the standard European direct debit - on the condition that the collector holds a written mandate. The migration of the B2B direct debit, however, will have far-reaching implications in terms of refund conditions and information requirements. In all probability, therefore, new B2B mandates will have to be sent both to the collector and to the payer's bank.

Box 4. Standard and Business-to-Business European direct debit compared

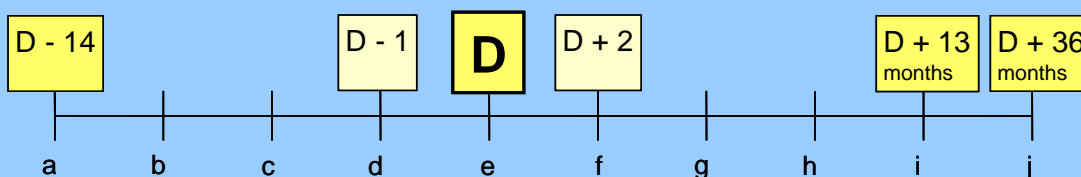
Standard European direct debit	B2B European direct debit
Debtor has right of refund	Debtor does not have right of refund
Debtor issues a mandate to the collector	Debtor issues a mandate to the collector <i>and</i> to its bank
Debtor bank receives transaction orders no later than 2 business days prior to processing (5 business days for one-off and the first instance of recurrent transactions)	Debtor bank receives transaction orders no later than 1 business day prior to processing
Debtor bank is <i>not</i> required to check the mandate	Debtor bank is required to check the mandate
	Debtor bank is required to check the account type
No mandate renewal required	Renewal of mandate required

Timeframe of standard European direct debit (D is the actual transaction date)



- Deadline by which the debtor must be informed by the collector about the upcoming transaction, unless the debtor and the collector have agreed otherwise, and earliest possible date for the creditor bank to present the transaction to the debtor bank
- Deadline for presentation of the transaction by the creditor bank to the debtor bank - in the case of a one-off transaction or the first instance of a recurrent transaction
- Deadline for presentation of the transaction by the creditor bank to the debtor bank - in the case of the second or subsequent instance of a recurrent transaction
- Deadline for reversal of the direct debit order by the debtor
- Day the European direct debit is processed by the debtor bank
- Deadline for the debtor bank to reverse the transaction at its own initiative
- Deadline for the debtor to have the transaction refunded
- Deadline for the debtor bank to request the creditor bank to correct an erroneous transaction (no valid mandate)
- After 36 months, an unused mandate lapses and the collector may no longer use it.

Timeframe of Business-to-Business European direct debit (D is the actual transaction date)



- Deadline by which the debtor must be informed by the collector about the upcoming transaction, unless the debtor and the collector have agreed otherwise, and earliest possible date for the creditor bank to present the transaction to the debtor bank
- Deadline for the creditor bank to present the transaction to the debtor bank
- Deadline for the debtor to block the direct debit order
- Date the European direct debit is processed by the debtor bank
- Deadline for the debtor bank to reverse the transaction
- Deadline for the debtor bank to request the creditor bank to correct an erroneous transaction (no valid mandate)
- After 36 months, an unused mandate lapses and the collector may no longer use it.

Box 5. Overview of current direct debit variants and European direct debits

Direct debit variant	Current Dutch direct debit	Current Dutch direct debit after adjustment to Payment Services Directive	European direct debit
Direct debit for consumers			
General recurrent direct debit (written mandate)	Right of refund 30 calendar days	Right of refund (no reason stated): 8 weeks	Right of refund (no reason stated): 8 weeks
General recurrent direct debit (telephone mandate)	Right of refund 30 calendar days	Right of refund (no reason stated): 8 weeks	European direct debit requires a written mandate; proposed telephone mandate is being considered by EPC
Recurrent direct debit without refund rights (written mandate)	No right of refund	No right of refund	Proposal is being considered by EPC; introduction of a Dutch variant is guaranteed
Recurrent direct debit without refund rights (telephone mandate)	Right of refund 5 calendar days	No right of refund	Proposal for telephone mandate is being considered by EPC
One-off direct debit (written mandate)	No right of refund	No right of refund	Proposal is being considered by EPC
One-off direct debit (telephone mandate)	Right of refund 30 calendar days	No right of refund	Proposal is being considered by EPC; introduction of a Dutch variant is guaranteed
One-off Charity direct debit (written or telephone mandate)	Right of refund 30 calendar days	Discontinued	n/a
Direct debit for business use			
Recurrent business direct debit	Right of refund 5 business days	Right of refund 5 business days (Payment Services Directive, Art. 51(1))	B2B European direct debit without right of refund unless agreed Switch to standard European direct debit possible
Recurrent B2B direct debit without right of refund by debtor	No right of refund	No right of refund (Payment Services Directive, Art. 51(1))	B2B European direct debit without right of refund

5.2.2 Launch of the European direct debit

Risk of spurious collections to be mitigated

An attention area with respect to the European direct debit is safety. Market parties and consumer organisations have expressed concerns about the risk of abuse when consumers' current accounts become reachable for collectors all over Europe. The Dutch banks agreed in March 2009 with the Dutch Consumers' Organisation to take additional measures so as to ensure continuation of the current level of reliability and safety into the future. All banks will offer their private account holders one or more ways to receive a notification when they receive a new European direct debit for processing. Such notifications (called *Alerteringservice*) may take the form of an SMS text or email message or of a notice in the personal Internet banking environment. At least one of these services will be made available free of charge within two years from the launch of the European direct debit. This will enable consumers to block the debit order with their own bank before it is carried out. Dutch banks are currently engaged in consultations with the small and medium-sized business sector about ways to make the notification service available to smaller enterprises as well.

Notification Service introduced

(Selective) Blocking
Launch of standard European direct debit between Nov. 2009 and Nov. 2010
Electronic mandate in the offing
And further developments are afoot
European direct debit offers consumer benefits
Cross-border direct debit collection

Furthermore, accountholders may opt to have their current accounts blocked for certain collectors or even for all direct debit orders. This possibility will be offered from the date the European direct debit is launched. These measures will further enhance the protection of consumers against spurious transactions. At the same time, consumers will always be able, of course, to use the 8-week refund period applying to disputed transactions by the standard European direct debit. Once the Payment Services Directive comes into force, a 13-month period for correction of a spurious direct debit will apply to all European transactions.

Regulation 2560/2001 sets migration pace

In April 2009 the European Parliament reviewed and amended Regulation 2560/2001. This latest version includes a number of specific agreements concerning the European direct debit. In order to promote the migration to European direct debits, the amended Regulation requires, among other things, that banks must, at a minimum, be able to process incoming standard European direct debit transactions as of 1 November 2010. Dutch banks will be introducing this capability during the twelve months leading up to that date. Planning details will be announced in the course of 2009. Meanwhile, banks that currently offer national direct debits to creditors will decide on an individual basis when they will be offering the European direct debit.

Full electronic processing in the future

The advent of the European direct debit will in future include the possibility for debtors to issue electronic mandates to collectors from within their Internet banking environment. In terms of rights and obligations, electronic mandates will be equivalent to paper-based mandates. Of course, just like a paper-based mandate, the electronic mandate will include agreed constraints on transactions regarding amounts, frequency and time window. It is for individual banks to decide whether and when they will offer their clients the possibility to issue and receive electronic European direct debit mandates.

5.2.3 The road ahead

The introduction of the standard European direct debit will take place between November 2009 and November 2010. At the same time, Dutch banks will work on supplementary versions for specific target groups and products. Discussions are going on, for instance, about the possibility of offering a European variant to replace the current direct debit variants with restricting or excluding the right of refund. If these are unsuccessful, the Dutch banks will offer supplementary services to fill this need. Also, it will be made possible to issue mandates by telephone. This is an important feature of the direct debit product, especially in the context of charity campaigns.

In addition to generic applications, individual banks will develop and expand supplementary services for both business clients and consumers. Examples are the possibility for customers to display overviews, and to refund an unwanted transaction, or to instantly (de)block an account for specific collectors via the customer Internet banking environment. Banks and other payment service providers will develop and market such services individually and in competition with each other.

5.2.4 Implications for market parties

Consumers

For consumers, the main change will be the new possibility to issue a mandate to parties having a bank account in another country. Consumers will be able to do without foreign payment accounts held especially for this purpose. Also, the European direct debit will offer consumers enhancements on the current direct debit in the form of, for instance, longer refund periods, the notification service and the (future) possibility to use electronic mandates, which individual banks may decide to offer.

Enterprises

One major change for enterprises will be the possibility to collect payments directly from foreign payment accounts. Foreign current accounts held especially for this purpose, whether or not via a Dutch-based bank, will become a thing of the past. It is especially the larger companies that are expected to take the lead in switching to European products, including the European direct debit.

ISO 20022/XML sets standard for file exchange

New terms and conditions and possible need to renew mandates

Pioneering role for government

Communication of new reversal period

Direct debit collectors will also face changes in payment order delivery standards. Standards for data exchange with banks or payment processors will change as they will be based on ISO 20022/XML standards. For further information on the changes regarding data exchange, see Paragraph 5.4.2.

In addition to new standards, collectors will face new product terms. New timeframes for delivery of direct debit orders, the duty of information vis-à-vis debtors and the content of direct debit files, in particular, will impact companies' internal administrative organisation. Also, mandates must in all probability be renewed when companies migrate from Dutch to European B2B direct debits. This is because the current 5-working day refund period for B2B direct debits will be dropped entirely. The details of product terms will be set down in the B2B direct debit contract with the bank or payment service provider, and may therefore differ from bank to bank. For instance, banks may or may not support electronic mandates and may differ in the number of specific statement variants or supplementary services they offer.

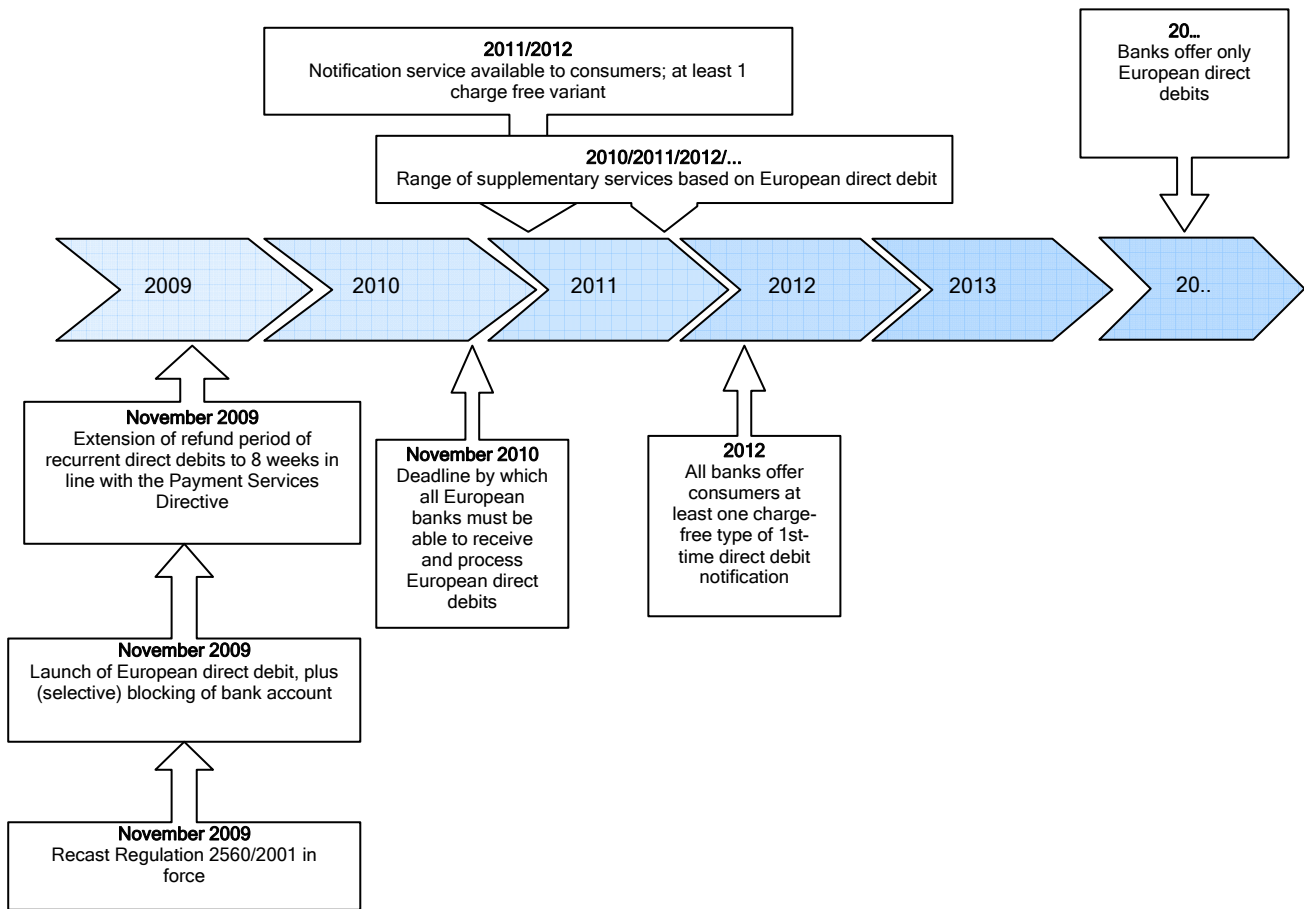
Government

The public sector is a major direct debit user. By changing over to the European direct debit, government bodies may collectively make an important contribution to the speed and success of the SEPA migration. The Dutch Central Government has committed itself to supporting the ISO 20022/XML-based standard by end-2009. This will enable government bodies to include the future move to European direct debits in new tender invitations. The Tax Authority has expressed the intention to align with this. Final SEPA migration plans will be negotiated between individual government bodies and their respective banks.

Banks

When the Payment Services Directive enters into force, the Dutch banks will inform their clients of, among other things, the modified terms and conditions regarding the refund period for Dutch direct debit transactions. Next, the launch of the European direct debit between November 2009 and November 2010 will mean that, in addition to Dutch banks, other European banks will also be able to debit Dutch bank accounts. In due time, banks will inform their clients and introduce the agreed measures to mitigate the risk of spurious transactions. The new Payment Services Directive-compliant payment service agreements will contain a clause rolling over existing Dutch mandates to be used for the standard European direct debit.

5.2.5 Timeframe



<p>SEPA to impact other giro payment products</p>	<p>5.3 Implications of SEPA for other Dutch giro payment products</p> <p>5.3.1 Changes limited to migration to IBAN and BIC</p> <p>The consequences of SEPA are not limited to the basic infrastructure (account numbers) and basic products (credit transfer, direct debit, payment cards) of the Dutch payment system: other Dutch payment instruments are impacted as well to varying degrees. This paragraph describes SEPAs implications for:</p> <ul style="list-style-type: none"> • the Acceptgiro (a pre-filled standardised payment order) • the digital invoice (www.ViaMijnBank.nl) • the urgent payment • iDEAL
<p>Replacement for Acceptgiro</p>	<p><i>Acceptgiro</i></p> <p>After declining for many years, the use of the Acceptgiro has stabilised and more recently shown a tentative rise. This is an indication that there is a hard core of Acceptgiro users. Invoices with Acceptgiro forms attached have become a fixture of the payment system. Also, specific groups in the population have resisted issuing direct debit mandates while others are unable or unwilling to use Internet banking. For such groups, the Acceptgiro has been a useful alternative. Acceptgiro forms are also used frequently as source documents in preparing an Internet banking payment order. Copying the standardised payment reference number establishes an adequate link between the payment and the creditor's records. For these reasons, the current Acceptgiro form is to be replaced by a new version adapted to use under SEPA. The standardised paper form is modified to accommodate the IBAN and BIC. Mid-2009, Currence will make further announcements about the new form's appearance and launch date.</p>
<p><i>Digitale Nota</i> as the standard for digital invoice</p>	<p><i>Digital invoice (ViaMijnBank.nl)</i></p> <p>Together, the Dutch industry and Dutch banks have developed a standard for invoices sent in digital form. The standard allows companies to dispatch invoices in digital form and offer them for payment via the Internet banking environment of, to begin with, private customers. Not only does the digital invoice save money on processing, dispatching and verifying paper invoices, it also enforces a direct, often automated and nearly infallible link between the payment and the outstanding invoice, thus further improving on the administrative processing of payments. The website www.viamijnbank.nl contains more information on the possibilities of and participants in the digital invoice (Dutch: <i>Digitale nota</i>).</p>
<p><i>Digitale Nota</i> adapted to SEPA standards</p>	<p>The "Digitale Nota" technical standard will be adjusted to the use of the IBAN and BIC. Debtors will hardly notice the difference: digital invoices will continue to arrive within their own Internet banking environment. Businesses using the digital invoice to invoice their customers will have to modify their systems to comply with the ISO 20022/XML standard. They will do so in the context of the wider SEPA migration operation. Banks will come to agreement with them on this issue in due time.</p>
<p>Gradual convergence to European standard</p>	<p>The digital invoice is a product intended for the Dutch market. Elsewhere in Europe there are several initiatives in the same direction. Intentions are to interconnect them. Further ahead, a gradual migration to a single European standard is conceivable.</p>
<p>IBAN and BIC also used for urgent payment ...</p>	<p><i>Urgent payment</i></p> <p>The urgent payment is a standard credit transfer that is processed under special time constraints. Dutch private and business clients may use it to transfer funds more quickly to another Dutch account than with other payment instruments. To date, the urgent payment has been available only to Dutch accountholders, whereas its parameters are already based on European infrastructures. However, no plans have been conceived to adapt the urgent payment for transfers to and from foreign bank accounts. In future, the urgent payment will be based on the IBAN and BIC.</p>
<p>... and for iDEAL</p>	<p><i>iDEAL</i></p> <p>iDEAL is a Dutch payment product that enables consumers to pay for Internet purchases within their own Internet banking environment, directly from the retailer's website. Like the urgent payment, iDEAL only has been available to Dutch accountholders. And like other payment instruments, the migration of iDEAL to SEPA will involve the requirement for debtors to use the IBAN and BIC. Banks will include the move in their wider modification of technical operational standards. Finally, web retailers using iDEAL must also adapt</p>

their systems to the use of the IBAN and BIC and accommodate modifications of technical operational standards.

Currence has already prepared for the adaptation of iDEAL to European standards, and thus for the use of iDEAL in other European countries. The EPC is currently working on a European Internet payment framework. Objectives include formulating principles for the interconnection of existing Internet payment systems.

5.3.2 The road ahead

European banks are currently engaged in developing European solutions for the Acceptgiro, Internet-based payments and a standard digital invoice. These developments are still in their start-up phase, and product specifications are still undecided. Whatever these European products will finally look like is not yet known. Dutch banks and market parties will be involved in consultations on these issues. When the European products are made available, their implications for the Dutch market will be reviewed. One major concern will always be that existing Dutch products must be enabled to integrate as smoothly as possible into emerging European counterparts.

5.3.3 Implications for market parties and timeframes

The Acceptgiro, standard for digital invoice, urgent payment and iDEAL are domestic Dutch payment instruments developed in the course of time within the Dutch infrastructure. They will not disappear as a result of SEPA, but will be taken on board by the Dutch banks and modified to the new IBAN and BIC standards. No other changes have so far been foreseen. It follows that the changes will have no other implications than those of the transition to the IBAN and BIC, as discussed in Chapter 4.4 above. Again, the effective dates and speed of the changes will be determined by the timing of the wider migration of banks and business users to the IBAN and BIC.

Yet European solutions under development

Implications and timing follow IBAN and BIC migration

From national to European processing standards

'Overstapservice' to be continued

Dutch Service sets example for other countries

Check on direct debit remains possible

5.4 Clearing & settlement infrastructure

5.4.1 A new infrastructure for interbank transaction processing

So far the interbank processing of payments has been a national phenomenon. In the Netherlands, for instance, there is a single central processor named Equens, which processes all domestic giro payments. This historically grown situation has provided our country with a relatively fast and efficient interbank non-cash payment system. However, this is going to change. As a result of the establishment of uniform processing standards, banks will, under SEPA, no longer be confined to using a, or the, domestic processor. Dutch banks, for instance, may have their transactions processed by any processor that meets the SEPA requirements, irrespective of the country it is located in. This will have consequences for existing procedures and agreements made by Dutch banks with regard to:

- the Interbank Switch Support Service (Dutch: *Overstapservice*)
- verification of direct debit orders
- message exchange and transaction processing
- duration of payment order processing

5.4.2 Implications for specifically Dutch procedures and agreements

Below the implications are discussed in more detail. As a general principle, there will be fewer joint arrangements. Banks will have to make more individual and contractual agreements with their processors. Dutch banks will ensure a smooth transition from the current nationally organised payment processing market to the new situation.

Overstapservice

The Interbank Switch Support Service or *Overstapservice* offers support to private and business accountholders in the Netherlands wishing to move their custom to another bank. The Service implies that for a period of 13 months, all incoming payments and direct debits are relayed automatically to the new account number. The accountholder is informed of every relayed transaction, which allows them to notify the counterparty. The Service is made possible in the Netherlands because there is only one central processor, Equens, handling all non-cash payments. Because Equens knows every bank switcher, every debtor and every collector, it is able to reroute payments to the desired account.

After the SEPA migration, the *Overstapservice* will be continued for accountholders of Dutch banks. All banks that are members of the Netherlands Bankers' Association will continue to offer the Service to their clients and arrange for the rerouting of European credit transfers and European direct debits to the new account of the Service user. Since in the new situation there will not be a single central processor that knows all accountholders, this will require banks to make the necessary changes. Instead of Equens, the client's 'old' bank will reroute European credit transfers to the client's 'new' bank, in the same way they currently reroute incoming cross-border payments. In the case of European direct debits, the creditor bank will be holding the details on bank switchers and reroute to the new account. The procedure for end users will remain unchanged, and end users will notice hardly any change. See Appendix C for a diagram showing the operation of the future *Overstapservice* for European credit transfers and direct debits.

The scope of the rehashed *Overstapservice* includes only payments between accountholders with Dutch-based banks. However, because of the new set-up of the Service, other European banks may participate as well. Meanwhile, it should be added that similar services have been set up in other countries modelled on the Dutch Service.

Verification of direct debit orders

The Dutch banks have jointly introduced a mechanism for checking the delivery of direct debit orders. This verification mechanism is intended to prevent the execution of orders for which no corresponding contract exists or which exceed the agreed constraints. The Dutch banking community has agreed to maintain the verification mechanism for European direct debit orders under SEPA.

ISO 20022/XML
being the new
standard

ISO 20022/XML
optional for order
reporting

From 2012 uniform
processing time: 1
day maximum

Message exchange and transaction processing

The advent of the European credit transfer and European direct debit has entailed the introduction of a new message exchange and transaction processing standard, the ISO 20022/XML standard. The use of this standard is mandatory for SEPA interbank transaction processing and optional for the bank-to-business message exchange. The EPC has drawn up implementation guidelines for the delivery of ISO 20022/XML-compliant SEPA transactions by enterprises. Dutch banks as well as enterprises may use these guidelines in converting their systems and processes.

After receiving transactions, a bank will always report back to the client on whether reception and processing of the transactions was successful. Such reports may take any of several forms, depending on the individual bank. The use of ISO 20022/XML for payment transaction reports under SEPA is optional. The EPC is engaged in drawing up European-level guidelines for this procedure. The SEPA Migration Steering Group monitors these developments.

5.4.3 Duration of payment processing

For the European credit transfer, a maximum processing period of one day has been set, as currently applies to Dutch credit transfers as well. Since not all European countries are as yet able to realise such short timelines, a transition period until 2012 has been agreed. From that date, all European credit transfers must be processed within one business day. Parties are allowed until then to adjust their systems, while a maximum of 3 business days applies. For the handling of paper-based orders, an extra business day is allowed.

Dutch banks intend to maintain current timelines, including same-day processing for early deliveries. However, processing times depend mainly on the capacity of the payment processor. Hence a Dutch bank may decide to have its European payments processed by a processor that does meet European standards but will, until 2012, be slower than the current practice in the Netherlands. After 2012, the current formal norm of crediting on the next business day will without exception be complied with everywhere in SEPA.

For exact changes in the timelines of direct debits, the reader is referred to Chapter 5.2.

6 Changes in the Dutch card payment system

6.1 'SEPA for cards' for card payments

On 1 January 2008, all banks in Europe began to issue debit cards that meet the SCF. Drawn up by the EPC, this framework states principles and rules which the use of payment cards within SEPA must meet. The objective of these principles and rules is to ensure the technical possibility to use all debit and credit cards in every EFTPOS terminal and cash dispenser (ATM) throughout Europe, and that the safety of card payments is enhanced. The SCF also posits that there should be a clear distinction between card brand management and payment processing, so as to promote competition in the transaction processing market.

In order to strengthen the safety of card payments, all debit and credit cards are (to be) equipped with so-called EMV chips which are safer to use than the magnetic strips they (will) replace. By end-2010, all debit cards must be equipped with EMV chips. This implies that all EFTPOS terminals and cash dispensers must be modified as well. Once all card readers are able to handle the new EMV cards, the use of magnetic strips will be discontinued in Europe. In the meantime, the new EMV cards will continue to be equipped with magnetic strips as well. In the Netherlands, parties have agreed that all EFTPOS terminals must be fully EMV compliant as of 2011.

Currently some 25 million debit cards in the Netherlands are equipped with the Dutch magnetic strip based PIN brand. Most of these cards may also be used elsewhere in Europe since the magnetic strip also carries the international Maestro brand. In order to ensure long-term and broad usability of their current payment cards in Europe, banks will include the most current European brand(s) on the EMV chip of their new debit cards. Also, they will encourage Dutch retailers to accept those brands. Currence has modified the regulations for its PIN brand to comply with the SCF. Dutch banks will have to decide individually which payment brand(s) they will carry.

Even before the SCF was created, most credit card issuers in the Netherlands had decided to switch to the safer EMV technology. This migration will be completed before the end of 2009. Since most credit cards are already widely accepted both at home and abroad, they will as of that date be in full compliance with the framework and will have no more adjustments to make.

Payment cards safer and widely accepted in Europe

EMV technology ...

... underlies Europe-wide acceptance of card payments

Credit card migration nearly complete

Box 6. What will happen to the Chipknip e-purse?

The agreements made by the European banks in the scope of the SEPA Cards Framework relate only to broadly accepted payment cards. The Chipknip electronic purse is not among these, being designed specifically for electronic payment of small amounts in the Netherlands. The Chipknip is used mainly to pay parking tickets, in vending machines and in catering.

The Dutch banks will continue to market the Chipknip until new possibilities emerge for the payment of small amounts based on a European or international standard. For the time being, the Chipknip will be included in debit cards and can be used to pay only in the Netherlands.

EMV migration under way

6.2 Where do we stand today?

All debit cards issued by Dutch banks since 2008 have been equipped with both a magnetic strip and an EMV chip. As of April 2009, more than 50% of all debit cards had an EMV chip on board (see Table 2). The modification of EFTPOS terminals and cash dispensers had been launched even earlier. All cash dispensers have now been adapted and it has been agreed that all EFTPOS terminals will be able to accept debit cards carrying an EMV chip by end-2011.

Table 2 Introduction of EMV technology in the Netherlands
Status as of 1 April 2009

	<i>Number</i>	<i>% EMV</i>	<i>Cut-off date</i>
Debit cards	24,500,000	52%	2010
Credit cards	6,000,000	88%	2009
Cash dispensers	8,500	100%	2008
EFTPOS terminals	235,000	35%	2011

Source: EPC

Concerns over freedom of choice and pricing ...

It is for individual banks to decide which brand(s) their new EMV chip equipped cards are to carry. Market parties and the NMa (Dutch Competition Authority) expressed the concern that SEPA would restrict the choices open to consumers and card acceptors and that the PIN brand would have insufficient scope to survive. For this reason, they championed inclusion of the PIN brand on the EMV chip. Chip-based PIN specifications are currently available. In mid-2009, the Dutch banks will reveal on an individual basis whether they will include the Dutch PIN brand on the chip or will (at one point) move entirely to a brand having Europe-wide / international cover.

... resolved by Further Agreement to Covenant 2005

On 24 February 2009, the Dutch banks and the Dutch retailers' organisation reached an Outline Accord on the future of card payments in the Netherlands. The final Agreement, the Further Agreement to the Covenant on the Payment System 2005, was signed on 27 May 2009. The Agreement entails the adaptation of the Covenant concluded in 2005 to European developments. It formalises agreements on the development of tariffs in SEPA and on an accelerated migration to EMV. The Agreement addresses the concerns about both the development of prices and the range of options under SEPA. It lends a major impulse to the migration to debit cards that are both safer and usable throughout Europe.

Acceleration of EMV migration of vital importance

6.3 The road ahead

It is of prime importance that the EMV migration in the Netherlands should be completed as quickly as possible. Of course, debit cards and EFTPOS terminals must be converted to EMV technology in order to achieve wide acceptance and use of the cards in Europe. But at the same time it must not be forgotten that the move to EMV was prompted by the wish to prevent fraud. The magnetic strip technology is no longer safe enough for large-scale use in the payment system and should therefore be replaced by the EMV technology. If the Netherlands lags behind on this point, magnetic stripe fraud in Europe will increasingly concentrate on the Netherlands and measures now taken to prevent, in particular, skimming will in the longer run prove inadequate. In accordance with the Agreement signed on 27 May 2009 plans are drawn up to round off the EMV migration not later than 2011.

On to further card payment standardisation

For the sake of maximum harmonisation and interoperability, the EPC and all stakeholders are now jointly working on a framework intended to standardise *all* card payment domains at once. The ECB supports this initiative and has asked the market to come up with proposals before end-2009, at the same time recommending the use of universal international standards.

6.4 Implications for market parties

Consumers

Consumers can use their debit cards to pay at increasing numbers of counters abroad. Also, the new EMV technology ensures improved debit card security. The new cards are less sensitive to fraud and always P.I.N. protected. The same applies to credit cards. The mere signing of a sales ticket for a debit or credit card payment abroad will become almost entirely obsolete. Henceforth, a P.I.N. code will have to be keyed in for every payment in Europe, but also in Asia. The way consumers present their payment cards will also change: instead of swiping the magnetic strip through a slot, they will have to insert the EMV chip on the card into the terminal - the way we have been used to for the Chipknip.

Retailers

Retailers will have easier access to the contracts and technical connections they need to accept card payments from foreign as well as Dutch customers. In addition, the new EMV chip will reduce the risk of fraud. In order to enjoy these benefits, however, retailers will have to convert their EFTPOS terminals to EMV technology. On 27 May 2009 it has been agreed that all such terminals in the Netherlands will be EMV compliant by 2011.

The use of uniform standards and technology will remove national borders for suppliers, increasing the number of terminal providers in the market. Retailers will be able to choose among Dutch and foreign suppliers and thus enjoy the enhanced competition this entails. In the meantime, banks will offer retailers one or more brands that are widely used in Europe. It is up to the retailer to choose which bank to do business with.

Suppliers of EFTPOS terminals and cash register systems

Suppliers of EFTPOS terminals and cash register systems will have to modify their products and systems to comply with EMV standards. This applies both to new terminals and cash register links and to the adaptation of existing equipment under an EMV guarantee issued in the past. Thus retailers will negotiate the timing and conditions surrounding the migration of their terminals and cash register systems to EMV. Retailers must replace current terminals by no later than the end date of the terminals' security certificates.

For the communication between the EFTPOS terminal and the payment processor, parties in the Netherlands use the C-TAP protocol. This is an open standard enabling the terminals to be connected safely and reliably to several domestic payment processors. Both existing and new suppliers may use the C-TAP standard.

Payment processors

The payment processors will also have to adapt their systems to make them compatible with the EMV standard and several European brands. One important requirement in the SCF is a clear separation between card brand management on the one hand and payment processing on the other. By consequence the payment processors will be operating independently both from each other and from the brand owners - although they will, of course, have to meet the safety and reliability requirements applying to each brand, which are identical for all parties. For the PIN brand, banks currently have a choice between two processors, while several parties in Europe are able to process payments for European brands.

Brand owners

Brand owners will have to decide whether they wish to offer their brands within SEPA. If they do, they must comply with the rules and principles set out in the SCF. Currence has meanwhile made its Dutch PIN brand SCF-compliant. Demand by banks for PIN will determine whether the brand will retain sufficient scale within the market to survive in the longer run.

Banks

Banks must adapt not only their payment cards but also their internal systems. Also, they will have to decide which brand or brands they will offer their business and consumer clients. Banks will inform their clients on the changes the migration will

Safer payments throughout Europe

New EFTPOS terminals

Acceptance of European debit card brands

Adaptation of terminals and systems

Adaptation to SCF requirements

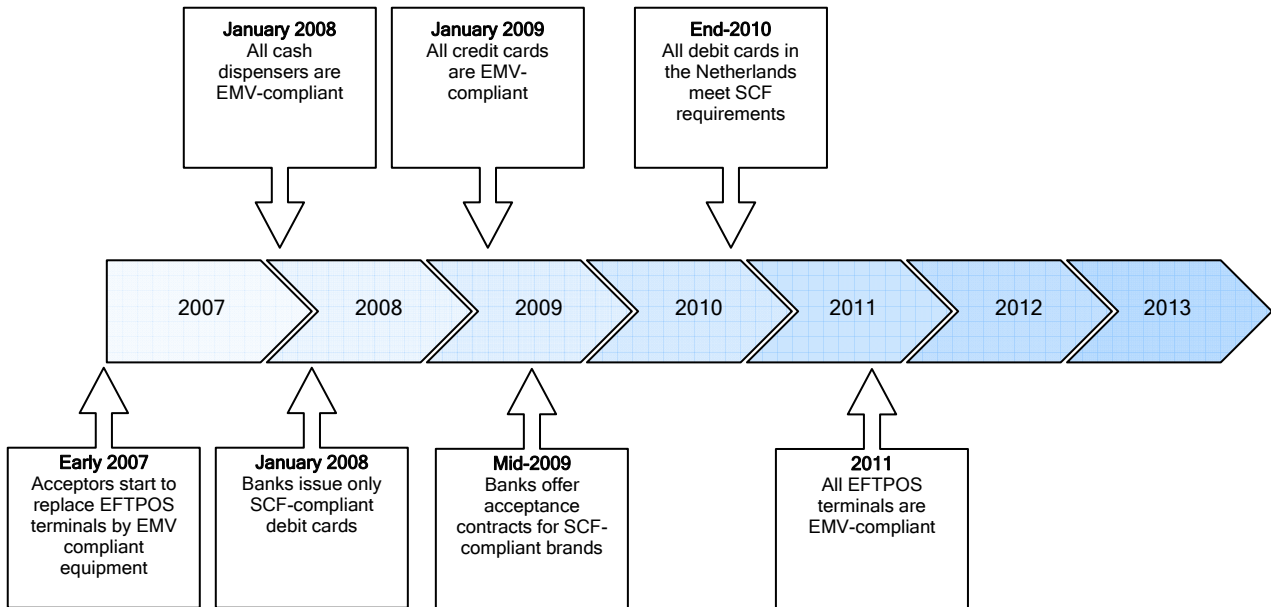
Separation of brand management and processing

PIN adapted to SCF requirements

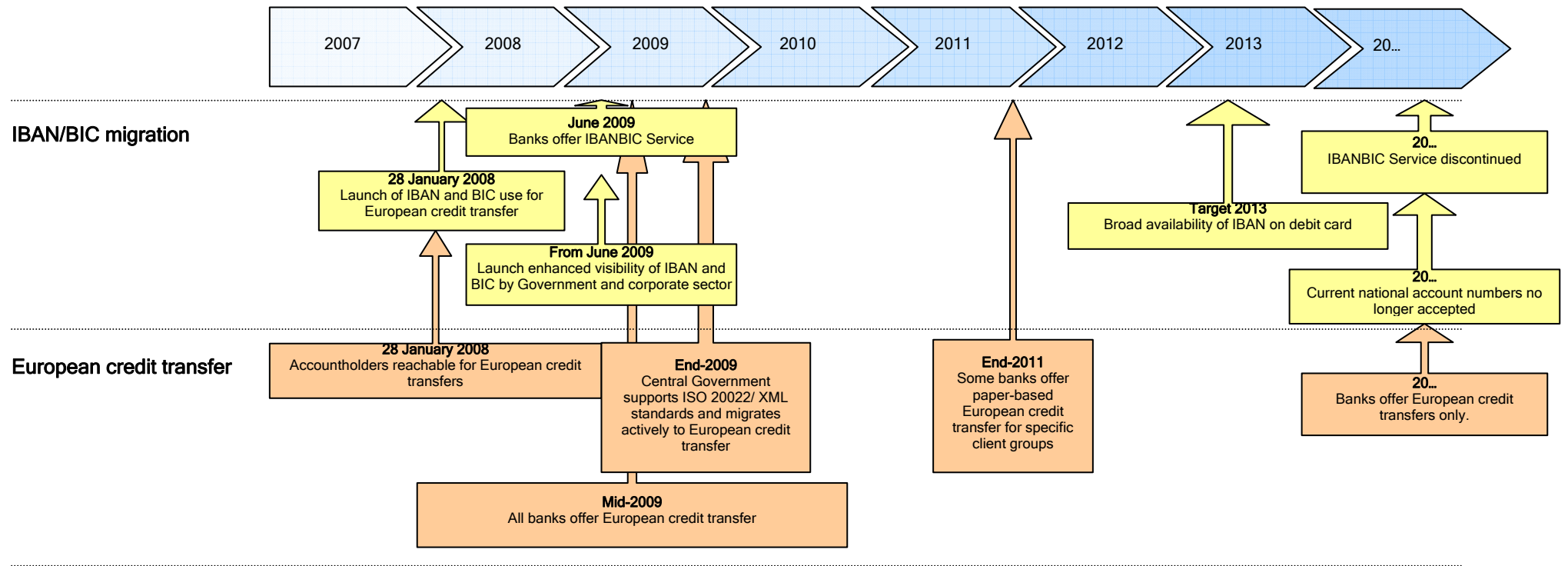
Banks migrate to European payment card use

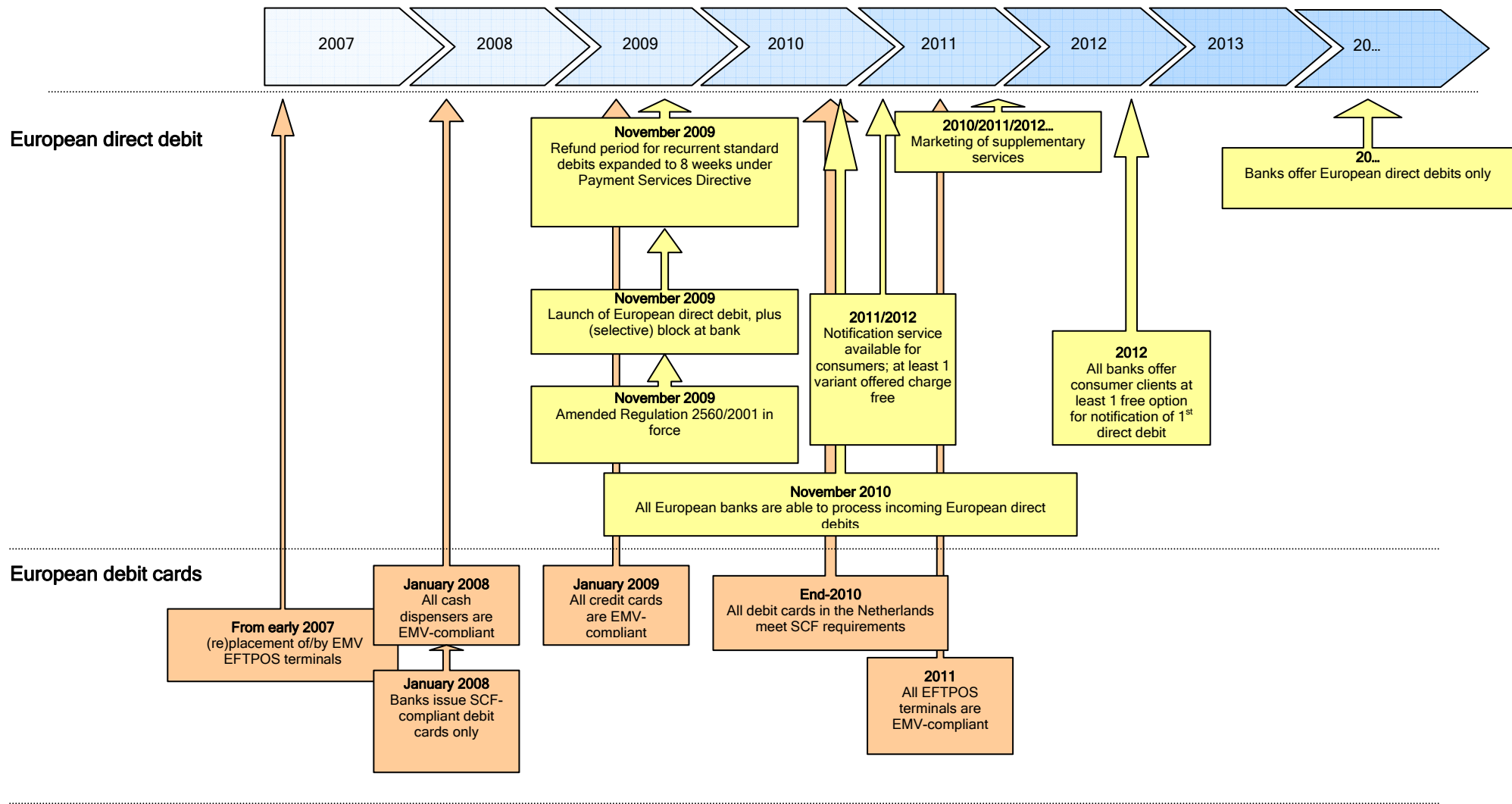
entail. They have agreed to market one or more current European brands to their business clients. In mid-2009 they will announce their individual choices concerning the continuation of the PIN brand within their product range. Also, since banks' choice of processor will no longer be limited to domestic players, thanks to the European standardisation, they may decide to take their payment processing business elsewhere.

6.5 Timeframe



7 Overview of timeframes





Annex A. List of abbreviations and definitions

Acquirer	Bank of the card accepting retailer
AFM	Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten)
ASN	Consultative Platform SEPA Netherlands
B2B	See BtoB
B2C	See BtoC
BBAN	Basic Bank Account Number: the traditional bank account number
BIC	Bank Identifier Code: unique code to identify a bank
BtoB	Bank-to-Bank
BtoC	Bank-to-Customer
CBV	Payment System Committee (Commissie Betalingsverkeer) of the NVB
CSM	Clearing and Settlement Mechanism
CtoB	Customer-to-bank
DNB	De Nederlandsche Bank (Dutch central bank)
EBA	Euro Banking Association
EC	European Commission
ECB	European Central Bank
EER	European Economic Area
EMV	Europay, MasterCard, VISA
EP	European Parliament
EPC	European Payments Council
EU	European Union
National Forum	National Forum on the Payment System (Maatschappelijk Overleg Betalingsverkeer)
IBAN	International Bank Account Number
ISO	International Organisation for Standardisation
Issuer	Debit card holder's bank
Kifid	Financial Services Complaints Board (Klachteninstituut Financiële Dienstverlening)
MIV	Interbank Multilateral Interchange Fee (Multilaterale Interbancaire Vergoeding)
MKB	Small & Medium sized enterprises (Midden- en Klein Bedrijf)
NASO	National Adherence Support Organisation
NMa	Dutch Competition Authority (Nederlandse Mededingingsautoriteit)
NVB	Netherlands Bankers' Association (Nederlandse Vereniging van Banken)
PSD	Payment Services Directive
SCF	SEPA Cards Framework
SCT	SEPA credit transfer or European credit transfer
SDD	SEPA direct debit or European direct debit
SEPA	Single Euro Payments Area
SPPS	SEPA Platform for the Public Sector
STP	Straight-Through Processing
UNIFI	Universal Financial Industry message scheme
XML	eXtended Markup Language
ZBO	Quango (Zelfstandig bestuursorgaan)

Annex B. Relevant websites

NASO@nvb.nl	Email address of NASO Netherlands
SEPA@nvb.nl	Email address for inquiries about SEPA
www.allesoverbetalen.nl	Payment system information
www.currence.nl	Currence website
www.dnb.nl	DNB website
www.dnb.nl/betalingsverkeer/mob/	Website of the National Forum on the Payment System
www.ecb.int	ECB website
www.equens.com	Equens website
www.eu.europa.eu	European Commission website
www.europeanpaymentscouncil.eu	EPC website
www.ibanbicservice.nl	IBANBIC Service website
www.iso.org	ISO website
www.kifid.nl	KiFid website
www.nmanet.nl	NMa website
www.nvb.nl	NVB website
www.overstapservice.nl	'Overstapservice' website of the NVB
www.sepa.eu	Joint opinions on SEPA of EC, ECB & EPC, with links to other national SEPA migration plans
www.sepanl.nl	SEPA website of the NVB
www.viamijnbank.nl	Website about 'Digitale Nota' digital invoicing

Annex C. Operation chart for the 'Overstapservice'

Figure C1. 'Overstapservice' for the European credit transfer (in the Netherlands)

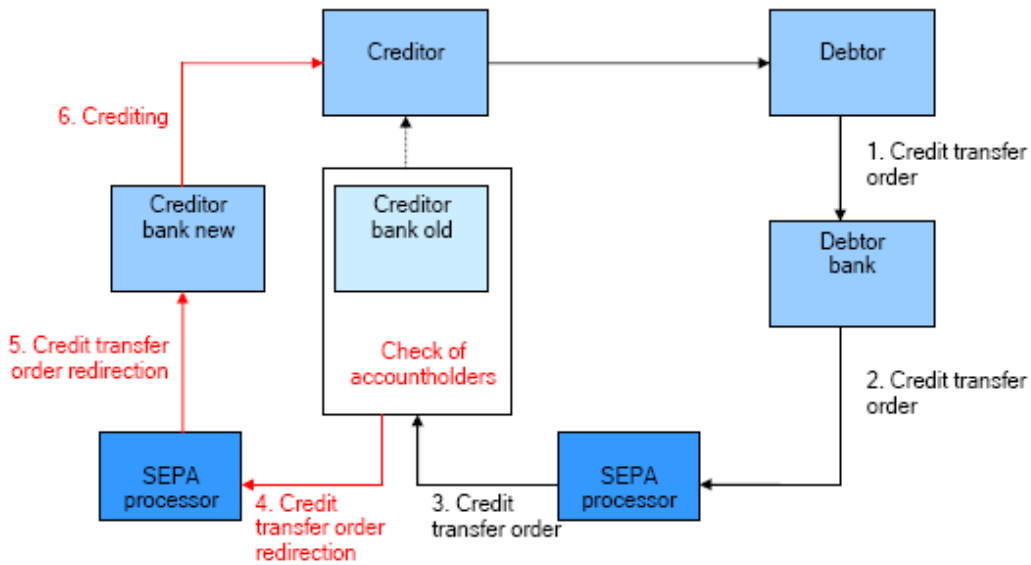


Figure C2. 'Overstapservice' for the Dutch direct debit

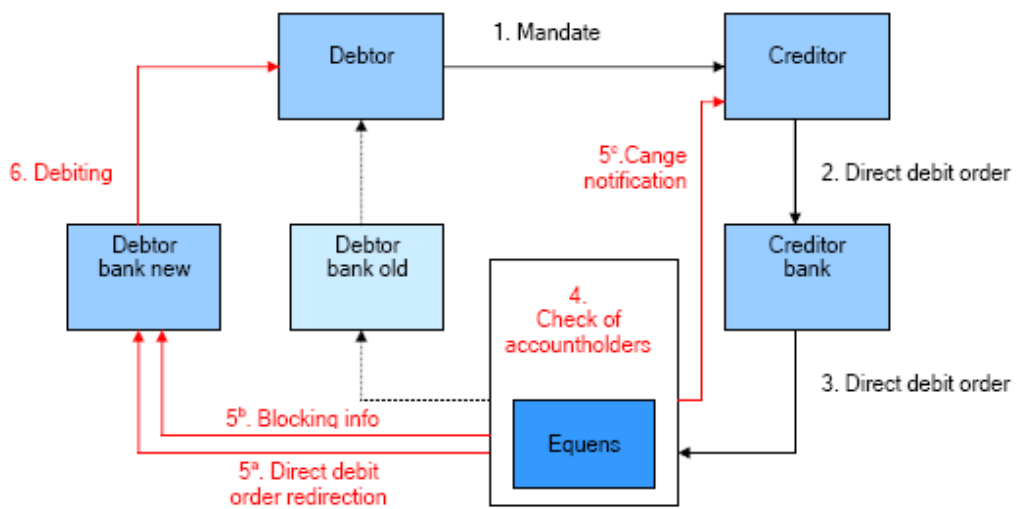
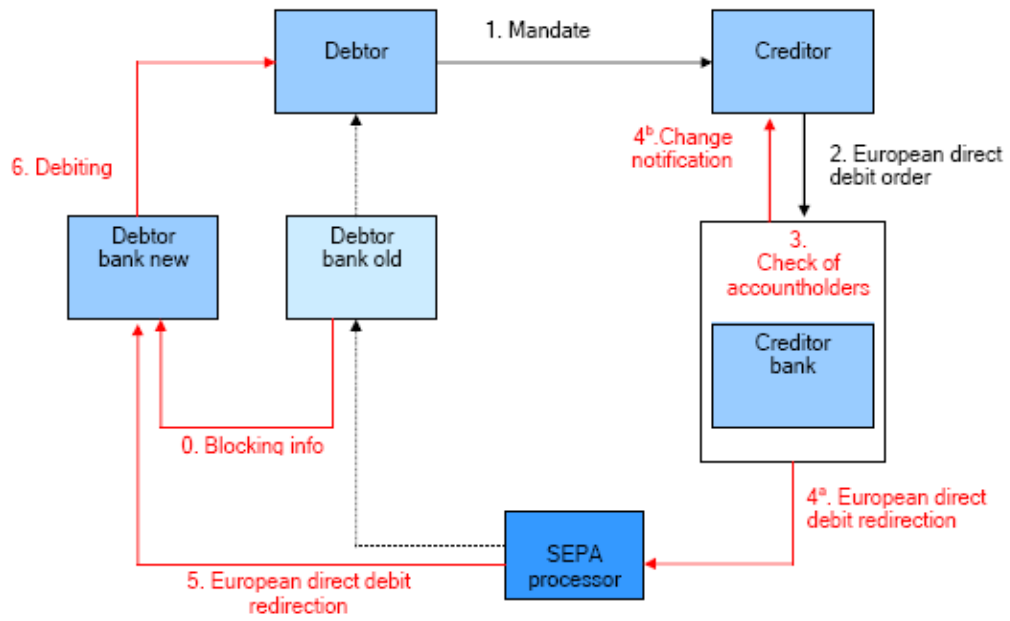


Figure C3. 'Overstapservice' for the European direct debit (in the Netherlands)



Colophon

The SEPA Migration Plan for the Netherlands is a product of the SEPA Migration Steering Group, including the Netherlands Bankers' Association (NVB), the Dutch Central Bank (DNB) and Currence.

www.dnb.nl

www.nvb.nl

www.currence.nl

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Final editing

SEPA Migration Steering Group

Amsterdam, June 2009