

## Interview with Françoise Masai

SEPA International interviewed Françoise Masai, Head of National Bank of Belgium, on the current developments of SEPA and the Payment Services Directive.

**SEPA International:** What are the recent developments regarding the implementation of the Payment Services Directive (PSD) in Belgium?

**Françoise Masai:** In Belgium, the implementation of the PSD is entrusted to CBFA<sup>1</sup> in regards to regulation applicable to financial institutions and to the Federal Public Service (SPF) Finance for the rest, namely the aspects of consumer protection. The two institutions will produce the text that will result in a law, after approval from the Government. The Banque Nationale and SPF Finance are equally involved in this work.

This implementation is exclusively federal, none of the points raised by the Directive touches upon the competences of the Regions. We are not foreseeing any major political difficulties, however, one should note that the SEPA Direct Debit is very different from the current Belgian system. At the same time, a lot of attention will be given to the implications of the new consumer protection law.

**SEPA-I:** What are the obstacles relating to SEPA Direct Debit?

**F.M.:** To touch upon the migration towards the SEPA Direct Debit specifically, it was necessary to know its exact juridical framework.

The Banque Nationale will create a data base to support banks in the period of transition towards the SEPA Direct Debit. Mandates that currently are stored in Belgium by the debtor banks, under SEPA, will have to be stored by the creditor. The

data base will allow us to avoid the physical transfer of a large number of documents regarding some 30 million existing mandates.

**SEPA-I:** When it comes to cards, what is the position of Belgium regarding the EAPS and the creation of a pan-European card scheme?

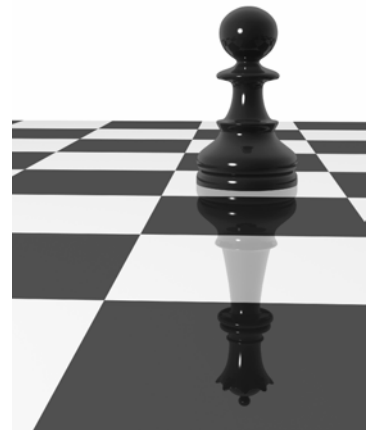
**F.M.:** The Belgian banks consider themselves SEPA compliant, since they utilise Maestro for debit cards. Moreover, the Belgian market will be open for SEPA compliant schemes starting from 2008.

The EAPS has the goal of interconnecting national systems, an option for certain big state members who do not wish to abandon their national systems. Belgian banks prefer a pan-European system (or even an international one), rather than interconnection between national systems.

**SEPA-I:** What is the impact of SEPA for corporates?

**F.M.:** SEPA should have an impact on corporates comparable to the introduction of the euro, for all corporates willing to modernise themselves. There is also an opportunity to adopt e-invoicing. The sooner they begin, the sooner they will be ready to benefit from it.

Belgium has an efficient and low-cost national payment system. The benefits should show first of all in the States where the national systems are less effective. More broadly, an important impact should be expected



in payments relating to tax, social services and pensions.

Other sectors will be directly impacted by SEPA, such as the insurance sector, which sends and receives high payment volumes and the retail sector, especially relating to cards.

**SEPA-I:** What is your personal view of SEPA?

**F.M.:** SEPA is certainly a necessary addition to the Euro transition and an important element of European integration. However, it will be fundamental to ensure that all the potential benefits will be reaped, especially for those who have cross border relationships, be it enterprises or private persons.

Lastly, it is probable that an orderly migration towards SEPA, in Belgium, will require an involvement of public authorities, even surpassing the role of Banque Nationale, which is engaged to play a catalyst role in the process.

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<sup>1</sup> CBFA is the supervisory authority for the Belgian financial sector.

# European E-Invoicing Final Report

The European Commission's Informal Task Force on e-Invoicing published, on July 2007, a Final Report on European Electronic Invoicing (EEI). The report outlines the creation of a common European Framework for e-Invoicing, identifying main barriers to commercial adoption of EEI services, and recommendations to address them.

The first initiative of the European Commission to help harmonise the current fragmentation of e-Invoicing across Europe is the formation of a EEI Steering Committee. The Committee will establish the umbrella EEI Framework, whose scope is to provide a conceptual structure to achieve interoperable e-Invoicing services across Europe.

Three key barriers to the EEI have been identified:

- Legal;
- Trust and operational issues; and
- Standardisation.

Legal barriers derive from legal uncertainty, non-compliance requirements and lack of confidence in the implementation of e-Business solutions. An example is the different national transpositions of the Directive 2201/115/EC, whose aim is 'to simplify, modernise and harmonise' the invoicing conditions applicable to VAT across Europe. It leaves each Member State to determine the means for accepting e-invoices (eg Advanced Electronic Signature, EDI or other) and the time periods for storage.

Different national legislations and the lack of certification of e-invoicing solutions create more complexity and uncertainty. Identification of Best Practices represents a key objective of the EEI Framework, and a number of projects, supported by the CEN/ISSS and the National Taxation Administrations, are under way.

Differences in operational controls and in managing commercial and tax law implications create barriers to a wider adoption of e-invoicing. Clarification on legal obligations is needed, considering that legal requirements represent the highest cost in the implementation of e-invoicing projects. It is recommended that good practices should be documented, including initiation of operational processes, and technical

solutions that guarantee authenticity and integrity of the e-invoice, in transmission as well as in storage.

The presence of different specifications in use globally creates obstacles to standardisation and inhibits interoperability. The current specifications do not integrate well with the SEPA standards and none of them represents a perfect solution for the mass market.

The creation of an international standard will help consolidation of the current e-invoicing environment, avoiding the creation of a European standard which will have to be eventually replaced by a global one.

**“The current barriers to e-Invoicing should be addressed within a period of 18 months. The EEI Framework should be established rapidly and adopt a harmonised cross-industry approach to facilitate wider adoption”**

Work in this direction should start with a collaboration between the international standardisation bodies, UN/CEFACT and ISO. The Task Force also recommends the creation of a collaborative environment between the EEI Steering Committee, TBG5 and TBG1.

Other recommendations include:

- The EEI Steering Committee take responsibility for the EEI Framework.
- Requirements linking the invoice and the payment elements (SEPA) should be disseminated. These requirements are particularly important and should be communicated to CEN/ISSS to ensure that the e-Procurement standards align fully with the existing SEPA standards, in order to ensure interoperability.
- The Steering Committee should engage with other private and public sector bodies to secure enterprise representation.
- The EEI Steering Committee should encourage both UN/CEFACT and ISO20022 to adopt the EEI business models and to develop technical solutions in their respective standards. The creation of the international standard should happen rapidly, within 18 months. This will maximise interoperability with SEPA standards and allow the EEI Framework to be supported by compatible ISO20022 and UN/CEFACT standards.

The current barriers to e-Invoicing should be addressed within a period of 18 months. The EEI Framework should be established rapidly and adopt a harmonised cross-industry approach to facilitate wider adoption.

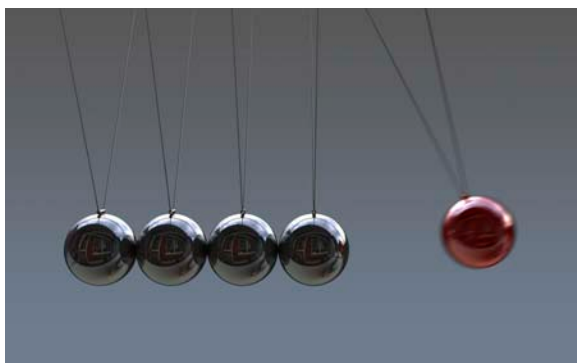
The EEI Steering Committee will be the focal point for consolidating European business practices concerning e-Invoicing.

## European E-Invoicing Final Report

Produced by the EC Informal Task Force on e-Invoicing

## CEN/ISSS e-Business Interoperability Forum

'Accelerating process improvement and innovation via e-Business standards', 15/16 November 2007 in Utrecht, the Netherlands.



# SEPA, the corporate business case

By Mark Abouzeid

In recent weeks, numerous articles, press releases and government reports have been released providing, at best, a confusing picture of the future for SEPA during and after transition.

**“Many companies are not just ill-prepared for SEPA but often unaware of it and how it will change their relationships with customers and suppliers..... But what is certain is that it will change how every corporate does business.”**

Laurence Neville, ABN-Amro

Regulators wax lyrically about an integrated Europe where payments flow smoothly in a uniform and cost effective manner.

Forward thinking banks and solution providers understand the long-term strategic value of SEPA and make almost daily announcements about new electronic payment services, SEPA products and integration of “OAS”.

The European payments landscape is populated by hundreds of small and medium financial institutions, however, who continue to voice their concerns about the need for and realities of SEPA post 2008. These bank officers have a laundry list of concerns: transition costs, disruption, mini-SEPA, lack of adoption, introduction of inefficiencies, legacy system incompatibility and, even, the potential failure of SEPA overall.

## Where are you getting your information?

Regulators have an admirable political agenda in SEPA: to further reduce economic barriers to EU integration. The realities of any ‘standards definition’ process dictate, however, that their efforts must focus primarily on regulation and compromises with banks who are the fulcrum for realizing this goal. While corporates are recognised as the ultimate beneficiary, without bank adherence, SEPA will never reach the light of day.

Banks will bear the bulk of infrastructure investment costs, see reduced transaction income and increased competition. While SEPA will provide some banks the opportunity to offer value added services, it may mean the demise of payment revenues for many.

Corporations need objective information on the importance of SEPA to all aspects of their activities. SEPA can and will impact the entire business process from strategic, treasury, IT, logistics, staffing, premises and, even, public relations decisions.

While transition inefficiencies will exist in the new SEPA payments arena, informed corporations should be able to benefit by establishing ‘payment domicile arbitrage’ methodologies...but only if they are well informed.

“Many companies are not just ill-prepared for SEPA but often unaware of it and how it will change their relationships with customers and suppliers. How SEPA will affect companies depends on their size, the number of markets in which they operate and the number of counter-parties they have. But what is certain is that it will change how every corporate does business.” - Laurence Neville, ABN-Amro.

## SEPA for corporates – a compelling case

The public case for SEPA revolves around five key issues: consolidation of accounts, cost transparency, cross border only, market expansion, and common standards. Not surprising that few corporates consider these compelling reasons for early adoption and the investment required.

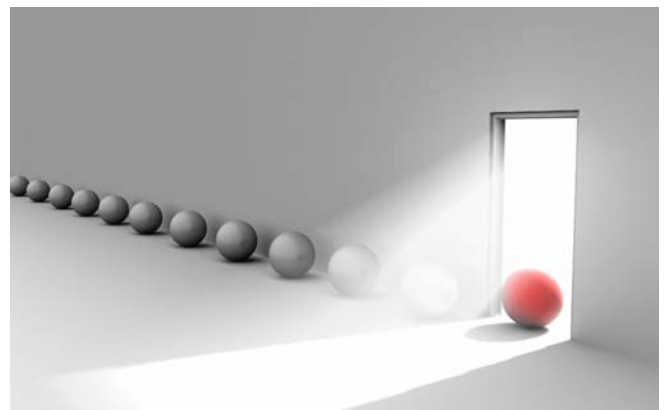
A more in depth analysis, reveals significant improvements to the entire financial supply chain as well as fundamental change in strategic decision making, process visibility, premises and staffing, trade finance, client relations, direct debit and more.

For companies operating in countries with inefficient or costly payment infrastructure, the immediate transition benefits can add directly to the bottom line. Changing domestic payments to a “SEPA domicile” in another country, can improve the process, timing and costs even if domestic banks do not immediately adopt SEPA for domestic transactions.

While corporates need to study and understand the impact of SEPA across the entire organization, this is not enough.

Certain aspects of SEPA which are still under discussion, will directly affect SEPA's value as an initial step towards fully automating the financial supply chain and as a catalyst for e-invoicing initiatives. The end to end content and structure requirements of additional fields will determine whether data re-use and automation can readily be realized.

SEPA is a compelling case for corporates and should be studied by both large and small companies. By understanding its impact across the organisation and voicing additional requirements at the regulatory level, European businesses will be able to realise immediate gains and long-term benefits.



## SEPA Newsbytes

### **SEPA – three months to go and full steam ahead? - Speech by Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB. European Finance Forum - Frankfurt am Main.**

8 October 2007 - Efforts need to be stepped up to overcome problems that could hamper the timely launch of a Single Euro Payments Area (SEPA). Specific attention should be paid to the finalisation of SEPA Direct Debit and that all its features need to be clarified by December 2007. An e-mandate solution has to be developed, making it possible to create a process for the mandate via the internet. A business-to-business direct debit scheme should be developed that is capable of gaining wide acceptance from corporate users, she added.

### **Microsoft Helps Banca Monte dei Paschi di Siena Reduce Operating Costs by 50 Percent With New Bank-to-Bank Payments Solution**

4 October 2007 - Microsoft Corp. announced that Italy's Banca Monte dei Paschi di Siena (MPS), renowned as the world's oldest bank, and all the other banks in the group, have developed and implemented a Microsoft-based solution to process corporate customers' payment orders faster by facilitating direct communication with its Italian customers' banks. Since implementation, MPS Group has reduced payment execution from a few days to near-real time and has saved more than 50 percent on operating costs. MPS Group's corporate customers have been able to optimize cash management processes and gain greater visibility of cash flows and credit levels.

### **CB.Net wins European Payments Council Sepa data mandate**

27 September 2007 - UK reference data firm CB.Net has been chosen by the European Payments Council (EPC) to provide and manage the centralised repository for the EPC Sepa Credit Transfer and Sepa Direct Debit schemes. The twin schemes will provide a list of financial institutions that have signed and agreed to adhere to the Sepa Credit Transfer and Direct Debit rules.

### **LogicaCMG and Swift team up for Sepa testing service**

2 October 2007 - Swift and LogicaCMG have decided to join forces in their testing programmes for the Single Euro Payments Area (Sepa) rather than run two competing initiatives. LogicaCMG had set up a payments version of its TestFrame methodology it launched at the 2006 Sibos event, while Swift subsequently launched its own Sepa Testing Programme.

## Events

### **7th Annual Conference on SEPA and 3rd Annual Electronic Invoicing**

London, 4-6 December 2007

### **International Payments Summit 2008**

London, 22-25 April 2008

SEPA International



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