



Brussels, 4 February 2011

**COMMISSION SERVICES’
4TH SURVEY
ON PUBLIC ADMINISTRATIONS’
PREPAREDNESS AND MIGRATION TO SEPA**

- Public administrations’ (PA) migration to SEPA Credit Transfers (SCT) has accelerated at an impressive pace over the last eight months. In October 2010, the SCT migration rate for the replying public administrations (PA) in the euro area was 14.5 % versus 2.7 % in the last survey. For the first time, SCT migration by PA exceeds the corresponding rate for the overall market (i.e. 14.5 % vs. 9.6 %).
- In particular PA in Finland, Belgium, Austria, Spain, France and Germany have made significant progress over the last eight months.
- Migration to SEPA Direct Debits (SDD) remains marginal also due to the fact that, in the case of many PA, direct debits are generally not used. In October 2010, the SDD migration rate for the replying PA in the euro area was only 0.24 %.

1. RESULTS OF THE 4TH SURVEY

The 4th survey on PA migration was launched in November 2010, with a reporting period of October 2010. The survey is based on both SEPA migration related data received from individual PA and on data coordinated at Member State level and also covers information on migration to the SCT and SDD schemes.

This survey is limited to euro area Member States. Generally, PA outside the euro area do not seem to deploy any dedicated SEPA migration plan or, in the cases where this is applicable, postpone their SEPA migration activities until their potential accession to the euro area. Estonia has not been covered in the survey as its accession to the euro only took place after the reference period of October 2010.

Data provided by PA only refer to credit transfers and direct debits at central government or federal level. The methodology of the fourth survey is based on transaction volumes undertaken by each replying PA. In total, replies were received from 64 individual PA across 15 euro area Member States. Portugal did not provide any reply. The PA which participated in the survey, represent 86.2 % of the estimated total credit transfers transaction volume of PA (an increase from 78.4 % in the previous survey).

For the purposes of the analysis below, the replies by individual PA have been used in Tables 1 and 2 and in Graphs 1, 2 and 4 while the coordinated replies by Member States in the euro area for all PA have been used in Tables 3 and 4 and in Graphs 3 and 5.

Tables 1 and 2 below set out the number of responses received from individual PA in euro area Member States as well as the estimated relative importance of the total number of both credit transfers (CT) and direct debits (DD) undertaken by all PA.

Table 1: Contributions received from individual PA in euro area Member States for CT

Member State	Number of replies by individual PA	Estimated total number of CT made by all PA at central government level* in Member States in 2009 (millions)	Number of CT in 2009 by individual PA responding to survey (millions)	Estimated share of replying individual PA as percentage of total number of CT by all PA	SCT share out of all CT undertaken by replying PA (October 2010)
Austria	1	30.0	23.0	76.7 %	48.00 %
Belgium	25	125.0**	43.2	34.5 %	60.02 %
Cyprus	3	3.1	3.1	100.0 %	0.92 %
Finland	5	146.0	146.0	100.0 %	74.83 %
France	2	848.6	848.6	100.0 %	9.61 %
Germany	5	804.0	648.2	80.6 %	8.43 %
Greece	3	28.27	28.27	100.0 %	0.16 %
Ireland	5	2.6	2.6	100.0 %	0.95 %
Italy	1	45.0	24.0	53.3 %	2.00 %
Luxembourg	1	0.94	0.94	100.0 %	100.00 %
Malta	3	6.49	6.49	100.0 %	0.25 %
Netherlands	3	300.0	213.0	71.0 %	0.66 %
Slovenia	2	8.60	8.60	100.0 %	72.00 %
Slovakia	1	24.2	24.2	100.0 %	0.29 %
Spain	4	176.6	176.6	100.0 %	15.42 %
Euro area	64	2 549	2 197	86.2 %	14.51 %

* In the case of France, payments at regional and municipal level are also included.

** In the case of Belgium an estimate was made for the total CT volume by PA at an aggregate level using the ECB Blue Book statistics 2008. The assumption is that 15 % of all CT indicated in the ECB Blue Book statistics for the respective Member State are undertaken by PA.

Table 2: Contributions received from individual PA in euro area Member States on DD

Member State	Number of replies by individual PA	Estimated total number of DD made by all PA at central government level* in MS in 2009 (millions)	Number of DD in 2009 by individual PA responding to survey (millions)	Estimated share of replying individual PA as percentage of total number of DD by all PA	SDD share out of all DD undertaken by replying PA (October 2010)
Austria	1	8.5	2.6	30.6 %	0.00 %
Belgium	25	18.57*	13.80	74.3 %	12.08 %
Cyprus	no DD used				
Finland	5	6.6	6.6	100.0 %	0.00 %
France	2	338.5	338.50	100.0 %	0.00 %
Germany	5	804.00	89.61	11.1 %	0.00 %
Greece	3	0.5	0.5	100.0 %	0.00 %
Ireland	5	1.50	1.50	100.0 %	0.00 %
Italy	no DD used				
Luxembourg	no DD used				
Malta	no DD used				
Netherlands	5	76.00	76.00	100.0 %	0.00 %
Portugal	no DD used				
Slovenia	2	2.66	2.66	100.0 %	0.00 %
Slovakia	no DD used				
Spain	4	71.62	71.60	100.0 %	0.00 %
Euro area	57	1 329	590	44.41 %	0.24 %

* In the case of France, payments at regional and municipal level are also included.

** In the case of Belgium an estimate was made for the total DD volume by PA at an aggregate level, assuming that the share of replying PA for DD is the same as for CT and that PA only use CT and DD as payment instruments.

1.1. SCT migration

The following section assesses actual migration by PA to the SCT.

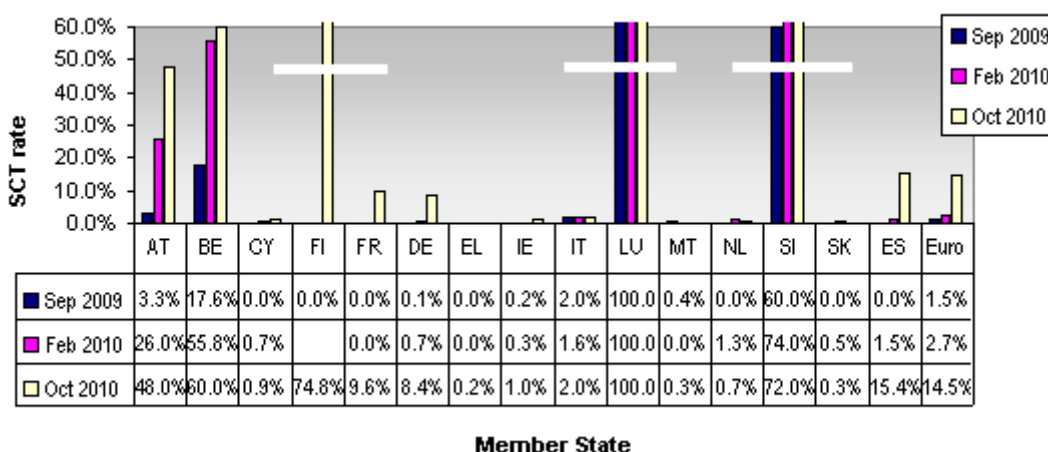
For the reporting period of October 2010, the SCT rate for the replying PA in the euro area was 14.51 % which – for the first time since the launch of the PA surveys – surpasses the overall SCT rate in the euro area (9.6 % in October 2010). PA SCT migration now appears to be leading the wider market. Moreover, compared to the last survey, the SCT migration rate by PA has increased significantly (from 2.7 % in February 2010) and is expected to rise further, as the target date for broad-scale migration of French PA to SCT is coming closer (end-2011).

Comparing current results to the previous survey at Member State level, the SCT rate has increased in the majority of replying Member States, namely in Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Italy, Malta and Spain. For six Member States, the SCT migration rate for replying PA exceeds the general average SCT migration rate at euro area level, namely in Austria, Belgium, Finland, Luxembourg, Slovenia and Spain, with SCT rates of 48 %, 60 %, 74.8 %, 100 %, 72 % and 15.4 % respectively. The most significant progress versus the last survey was reported in Finland, Austria and Spain, where respectively the Finance Ministry, Treasury and Social security bodies were the key drivers. Additional positive examples are France where the SCT rate has jumped from zero to almost 10 % and Germany from 0.7 % to 8.4 %.

SCT migration in October 2010 nevertheless remained at worryingly low levels in a number of Member States: Cyprus, Greece, Ireland, Malta, Netherlands and Slovakia. The SCT rates in the Netherlands, Slovenia and Slovakia decreased due to statistical effects¹.

The graph below shows the evolution of the SCT rates for PA in September 2009, February 2010 and October 2010 by Member State.

Graph 1: Average SCT rate in individual PA in euro area



* Finland did not provide any survey reply for February 2010.

1.2. SDD migration

The reported SDD migration rates are mostly still at zero or only marginal (Germany with 0.002 %), with the exception of Belgium where the SDD migration rate is at 12.1 %. However, only a small number of PA in Belgium use direct debits to a very limited extent.

As a result, the reported SDD rate for the replying PA in the euro area was only 0.24 %. Although low this is still slightly above the overall SDD rate in the euro area (0.05 % in October 2010).

For future surveys, the SDD rate of PA is expected to progressively increase on account of the reachability obligation under Regulation (EC) No 924/2009 on cross-border payments in the Community² which came into force for euro area banks on 1 November 2010. As of that date, banks have to be reachable for SDD transactions, provided they are reachable for national direct debit transactions denominated in euro.

¹ In the Netherlands, the central tax administration was newly added in the current survey. However, as this PA only marginally uses SCT, the SCT rate in the Netherlands decreased. In Slovenia, an increase in the number of large value transactions (above EUR 50 000) which are not considered SCT, was observed in October 2010. In Slovakia, the SCT rate has decreased due to a lower number of cross-border credit transfers in October 2010.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32009R0924:EN:NOT>

On the other hand, the relative importance of direct debits in total payment volume as compared with other payment instruments used by PA is generally very low (only a limited number of PA in Belgium, Germany, Ireland, Spain, France, Netherlands, Austria and Slovenia use direct debits) or nil (Greece, Italy, Cyprus, Luxembourg, Malta, Portugal, Finland and Slovakia).

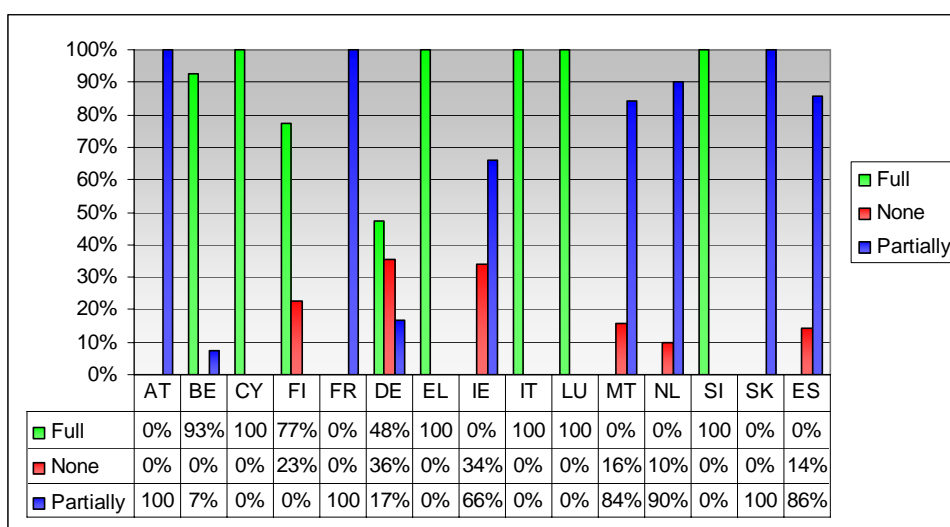
1.3. Technical preparedness for SEPA

1.3.1. IBAN/BIC usage

In the following analysis, the percentages of IBAN/BIC usage are weighted on the basis of the total number of credit transfers made by replying PA within each Member State. Importantly, more and more PA across several Member States are progressively using IBAN/BIC. This is a positive development and a pre-requisite for migration to SEPA. Calculated across the euro area, 24 % of replying PA have fully completed migration to IBAN/BIC (an important increase of 20 % points as compared to February 2010); 62 % are partially initiating domestic payments with IBAN/BIC (a decrease of 15 % points as compared to February 2010, primarily driven by PA moving to fully using IBAN) and 14 % have not started to use IBAN/BIC at all (a decrease of 5 % points compared to the previous survey).

The graph below illustrates the degree of use of IBAN/BIC (full, partial or none) by PA of euro area Member States.

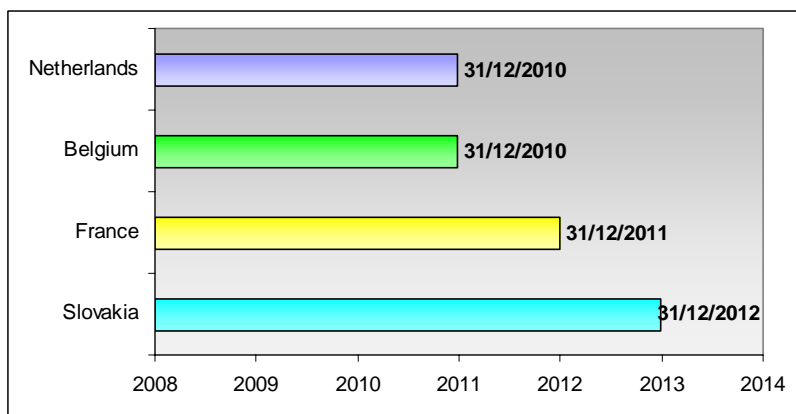
Graph 2: Use of IBAN/BIC weighted by volume of replying individual PA in euro area Member States



IBAN/BIC migration has been completed by PA in Cyprus, Greece, Italy, Luxembourg and Slovenia. In Malta, all new accounts are identified by IBAN/BIC and conversion facilities are provided by banks for existing bank accounts.

The graph below indicates which PA in euro area Member States have set a common target date for all PA to convert from BBAN (national bank account identifier) to IBAN/BIC.

Graph 3: Member States with an end-date for IBAN/BIC conversion for all PA



Note: In the case of France, the above deadline is a technical consequence of the SCT migration target date and therefore it is also de facto the target date for IBAN/BIC conversion. In the case of the Netherlands, the deadline is established for central government departments, excluding the tax authority.

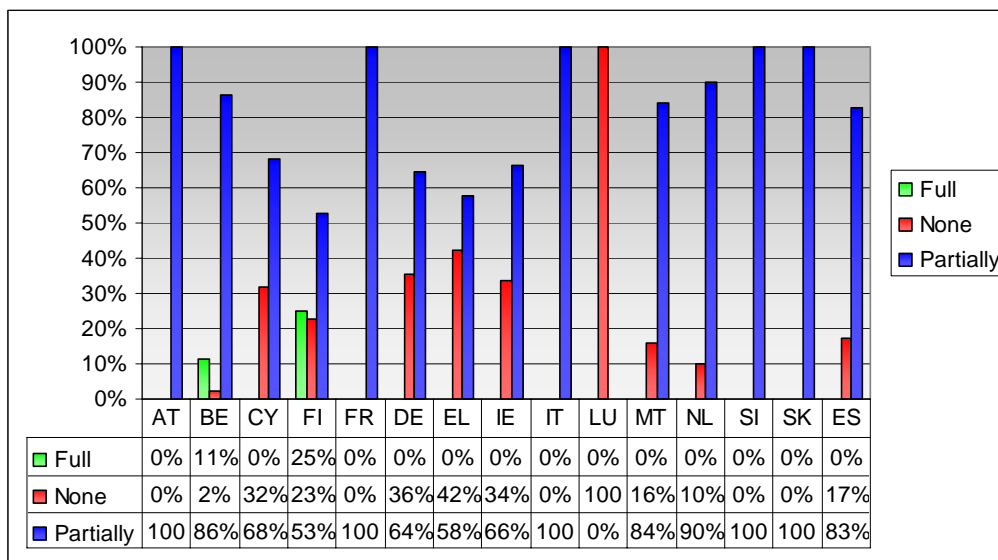
No common conversion deadline has been fixed in seven euro area Member States, namely Austria, Finland, Germany, Ireland, Portugal, Spain and Malta. However, several PA in these Member States have defined individual end-dates for migration to IBAN/BIC, specifically Austria, Germany and Spain.

Compared to the previous survey, notable improvements in the usage of IBAN/BIC can be observed in Belgium and Finland where now almost all large-volume PA are fully using IBAN and in Germany where one high-volume PA (which is responsible for pension payments) has completely migrated to IBAN.

1.3.2. ISO 20022 XML usage

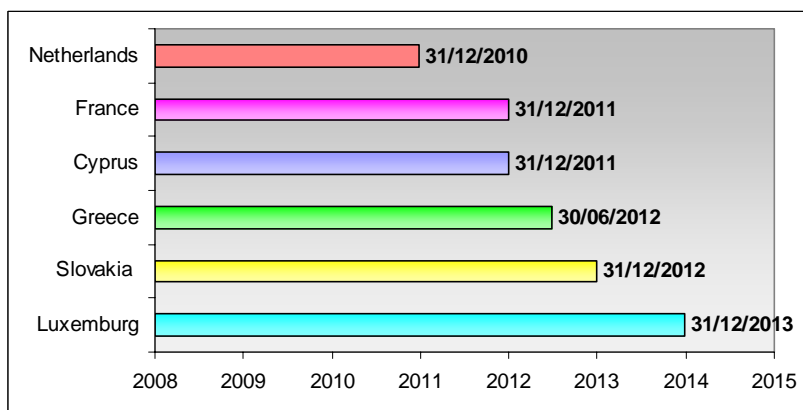
Similarly to the IBAN/BIC analysis above, ISO 20022 XML usage is weighted on the basis of the total number of CT made by replying PA within each Member State. As for the usage of IBAN, an accelerated trend in the usage of ISO 20022 XML can be observed. Calculated across the euro area, only 16 % of replying PA still submit all payment instructions to their bank using a national file format (a significant decrease of 22 % points as compared to February 2010); 84 % partially use the ISO 20022 format (an increase of 22 % points as compared to February 2010). Only a few PA in Finland and Belgium fully use the new ISO 20022 XML format. PA in Cyprus and Luxembourg rely on the conversion facilities provided by banks.

Graph 4: Use of ISO 20022 XML weighted by volume of replying individual PA in euro area Member States



The graph below indicates which Member States have set a common target date for all PA in terms of migration to ISO 20022 XML format.

Graph 5: Member States with an end-date for migration to ISO 20022 XML format in all PA



Note: In the case of France, the above deadline is a technical consequence of the SCT target date and therefore it is de facto also the target date for ISO 20022 XML conversion. Regarding Cyprus, the deadline is only tentative. Concerning the Netherlands, the deadline is fixed for central government departments, excluding the tax authority.

PA in the vast majority of euro area Member States (namely Austria, Belgium, Finland, Germany, Ireland, Spain, Italy, Malta, Portugal and Slovenia) have not yet drawn up a common transition plan to fully switch from the national to the ISO 20022 XML format. However, some PA in Austria, Belgium and Germany have defined individual end-dates for switching from the national format to ISO 20022 XML. In the case of Malta, a target date is currently being discussed.

1.4. End-date for SCT and SDD migration

Seven Member States in the euro area have established a common end-date for all PA to phase out legacy credit transfers (CT). Greece has recently introduced a target end-date and Slovakia has postponed its target end-date as compared to the results from February 2010. The results are presented in Table 3.

Table 3: SCT migration end-dates established by PA in euro area Member States

Member State	SCT migration end-date for all PA		
	September 2009 status	February 2010 status	October 2010 status
Belgium*	end-2010	end-2010	end-2010
France**	end-2011	end-2011	end-2011
Greece	no end-date	no end-date	mid-2012
Cyprus***	end-2011	end-2011	end-2011
Netherlands****	mid-2010	end-2010	end-2010
Austria****	end-2010	end-2011	end-2011
Slovakia**	mid-2012	mid-2012	end-2012

* Belgium will stop processing legacy paper forms; target date for critical mass of electronic CT

** France, Slovakia: target date for all PA

*** target date for CY central bank which serves as payment service provider for Treasury and Social Insurance

**** Netherlands, Austria: target date for PA at federal level only (with exception of NL tax authority)

On the other hand, positive examples can be observed in Germany, where a common national target end-date does not exist, but where two very large individual PA have set their own specific target date: the Federal Labour Agency (with 231 million CT annually) with a target date of the first half of 2011 and the pension payment administration (with 308 million CT annually) with the end of 2011.

As regards the establishment of a common end-date for all PA for phasing out legacy direct debits (DD), only Greece has set a target date for migration to SDD.

Table 4 presents a summary of the end-dates established by PA in different Member States for migration to IBAN/BIC, ISO 20022, SCT and SDD.

Table 4: End-dates established by PA in euro area Member States

Member State	Common end-dates			
	IBAN/BIC	ISO 20022 XML	SCT	SDD
Austria	none	none	end 2011	none
Belgium	end 2010	none	end 2010	none
Cyprus	done	end 2011	end 2011	N/A
France	end 2011	end 2011	end 2011	none
Germany	none	none	none	none
Greece	done	mid 2012	mid 2012	mid 2012
Ireland	none	none	none	none
Italy	done	none	none	N/A
Luxembourg	done	after 2012	done	N/A
Malta	none	none	none	N/A
Netherlands	end 2010	end 2010	end 2010	none
Portugal	none	none	none	N/A
Slovenia	done	none	none	none
Slovakia	end 2012	end 2012	end 2012	N/A
Spain	none	none	none	none