



The French migration plan

Version 2 – October 11, 2007

This is the English translation of the SEPA Migration Plan (version 2)
adopted by the French National SEPA Committee on October 11, 2007.

The French language text prevails.

This document, approved by the National SEPA Committee on October 11, 2007 is the second version of the French plan for migration to SEPA.

The first version was approved on October 27, 2006 by the National SEPA Committee. It set out the views of the different stakeholder communities on the introduction of European payment instruments to France and the migration to SEPA and laid down the working principles for the project, including:

- the main guidelines for migration*
- the range of payment instruments to be migrated*
- the migration process*

It also warned that the two latter points would need to be updated. The National Committee has been working on these updates since the end of 2006.

This second version of the French plan for migration to SEPA updates some issues already covered by the first version and provides greater clarification regarding:

- some payment instruments on which the National SEPA Committee had postponed its decision in 2006,*
- the migration timetable, which was affected by the adoption of the Payment Services Directive and additional work of the EPC.*

It also describes the communication process for ensuring all groups affected by migration to SEPA are fully informed.

The main points contained in the second version of the migration plan are as follows.

- 1. It confirms that credit transfers and direct debits will be migrated to SEPA credit transfers and SEPA direct debits, and adds further details on the timetable for migration:*
 - Banks will start offering SEPA credit transfers from January 28, 2008,*
 - Banks will start offering SEPA direct debits from the start of 2010, after the Payment Services Directive is transposed into national law. The committee acknowledged the decision of the EPC to adopt the so-called Credit Mandate Flow (CMF) system, whereby the payer sends the mandate authorising the direct debit directly to the creditor who takes the necessary administrative steps.*

- 2. It confirms, unless the European Commission objects, the implementation of the principles in the SEPA Cards Framework (SCF) defined by the EPC:*
 - From 2008, French banks will start to distribute, issue and acquire cards in compliance with EPC principles. From the end of 2010 all*

- general-purpose payment cards in circulation and issued by French banks will comply with this framework.*
- *Compliance of three-party card systems with the EPC principles will be optional.*
3. *It specifies that as there is at present no SEPA instrument offering equivalent functionality to the French electronic payment order (télèrèglement), this instrument will initially be maintained for payments within France. That said, work currently underway at the EPC on adapting the functionalities of SEPA direct debits for B2B transactions could result in a service that matches the current télèrèglement service level, opening the way for its migration. The issue will be re-examined once these rules are in place.*
 4. *It also notes that there is no European equivalent for French interbank payment orders (TIPs) or for certain French trade finance instruments: truncated bills of exchange (LCR) and truncated promissory notes (BOR). These payment instruments will therefore continue to be used in France. Consultations could, however, be initiated with other countries with a view to finding a more European solution.*
 5. *It confirms that cheques, e-money and “specific” credit transfers fall outside the scope of the SEPA project.*
 6. *It confirms that the payment instruments used for basic banking services offered under French banking access-for-all laws could be migrated to European instruments. It also specifies that the use of these instruments could be extended to the whole of the SEPA area, to ensure their beneficiaries enjoy service levels on a par with all other French users.*
 7. *It defines the geographical scope of the French migration process:*
 - *The SEPA project directly affects mainland France and its overseas departments.*
 - *Mayotte and Saint-Pierre and Miquelon, which use the euro, should also fall within the SEPA. This point needs to be ratified by the EPC.*
 - *Finally, further consideration is being given to including the Principality of Monaco, which is in the euro zone but not the European Union.*

8. *It confirms that the National SEPA Committee will monitor the take-up of the new payment instruments and, when they have attained critical mass (i.e. more than 75% of transactions and 50% of originators), the Committee will be able to decide on the discontinuation of the old French instruments:*
 - *French and SEPA credit transfers are expected to co-exist until the end of 2011,*
 - *French and SEPA direct debits are expected to co-exist until the end of 2012,*

9. *It provides additional clarification on the measures to support migration, including issues such as:*
 - *Existing direct debit mandates, which will remain in force,*
 - *The methods for migrating from RIB to IBAN / BIC and updating databases of banking details.*

10. *It describes the communications campaign planned by the National Committee to ensure all stakeholders are kept informed, which will include:*
 - *Creation of a website (www.sepafrance.fr) to provide official information and communications on the implementation of SEPA in France.*
 - *Organisation on November 14, 2007 of a conference to mobilise all the stakeholders and alert decision-makers to the need to plan the necessary investments.*

11. *Finally, it describes what France expects from other European stakeholders and countries, notably regarding:*
 - *Consistent transposition of the Payment Services Directive into national laws within the set timetable*
 - *The need to coordinate technical work, communications and launch.*
 - *The need for the European competition authorities to end the uncertainties hanging over the SEPA Cards Framework and the economic terms of the SEPA project, notably as regards interbank fees.*

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Summary

The objective of the Single Euro Payments Area (SEPA) project is to provide European Union residents with common cashless payment instruments that will enable them to make payments in euros under the same conditions in any country of the European Union.

To achieve this ambitious goal, the European banking community, via the European Payments Council (EPC), has established rules for the future European payment instruments, which will eventually replace most national payment instruments.

The EPC and the Eurosystem have asked each country to prepare a "migration plan" that describes how a national community intends to implement European payment instruments. Consistency between the various national migration plans is an essential factor for the success of the SEPA project.

To prepare the French migration plan, the Banque de France and the French Banking Federation formed the National SEPA Committee, whose members represent the various stakeholders (i.e. government, banks, public administrations that use payment instruments, companies, merchants, consumers, MPs and representatives of the Economic and Social Council, the French mayors association and the media). The National SEPA Committee's work is supported by internal structures created by various stakeholder communities, which include banks and financial companies, public administrations, companies, merchants and the Financial Sector Advisory Committee (CCSF).

In defining the future range of payment instruments the Committee adopted the principle that the new instruments should offer service levels as good as or better than those currently available. Accordingly, it takes the view that the following French payment instruments can ultimately be replaced by their new European equivalents: interbank payment cards, direct debits, "ordinary" credit transfers. The SEPA project does not, however, include cheques, "specific" credit transfers or e-money. These instruments will therefore continue to be used in France.

It will be possible to replace "ordinary" credit transfers and direct debits respectively with the SEPA credit transfer and the SEPA direct debit. General-purpose card payment systems, whether interbank or (on an optional basis) three-party cards, will be compliant with the SEPA Cards Framework.

Finally, TIP, *télé règlement*, truncated bills of exchange and truncated promissory notes offer functionalities that are currently unavailable using SEPA instruments. It is therefore impossible to migrate from these instruments to SEPA instruments at the current time and the old instruments will therefore remain in use in France.

- regarding *télé règlement*, the EPC process to define specifications for SEPA B2B direct debits could result in a satisfactory migration strategy. This issue will therefore be considered once these specifications are adopted, to decide

whether they offer users a level of service at least equal to the current téléchèquement system, particularly as regards interbank execution times, currently one day. If so, the next step will be to define the timetable for the subsequent migration.

- Regarding TIPs and truncated bills of exchange and promissory notes, the current assumption is that these will not be migrated, since there are no SEPA payment instruments offering equivalent functionality. It would be possible to launch a consultation with other countries having similar instruments with a view to ultimately finding a more European solution. Nonetheless, no migration timetable can be set at this stage.

Several requirements must be met before the new European payment instruments can be deployed and brought into use. Firstly, it is essential that they are governed by a legal framework that is harmonised across Europe. This will be achieved by the Payment Services Directive which is due for transposition into national legislation by November 2009. Furthermore, interbank payment infrastructures will have to provide appropriate services to enable financial institutions to exchange and process the new payment instruments.

Regarding the deployment in France of the new European payment instruments, the National Committee confirms in its second version of the migration plan the following principles:

- A deadline for migration completion must be set to ensure that the implementation of the new European payment instruments is irreversible,
- Migration timetables may vary between payment instruments,
- For each instrument, the National Committee will have to confirm the migration deadline in due time, and monitor the take-up of the instrument during the transitional period.

Working from these principles, the National Committee has drawn up the following timetable, taking into account the constraints on all stakeholders.

Banks should start offering the new credit transfers from the start of 2008 and the new direct debits from the start of 2010.

The evolution of the use of European payment instruments is expected to result in a "critical mass" of payments made with these instruments, in 2010 for "ordinary" credit transfers and in 2011 for direct debits. If this is the case, credit transfers could be fully migrated by the end of 2011 and direct debits by the end of 2012.

For card payments, the SEPA project should involve no technical modifications in the short term as the migration to EMV is already nearly complete in France. In accordance with the EPC's schedule, French banks will begin to issue cards compliant with the SEPA Cards Framework from the start of 2008 and all of the cards they issue will be SCF compliant by the end of 2010. Over the medium term, the current work at European level regarding changes in the standards to be used in the various phases of transaction processing could be implemented in merchant acceptance systems.

When the new SEPA payment instruments are first made available and until the current national payment instruments are no longer used, there will be a

"transitional period" during which both will be used. This transitional period must be long enough to enable the various stakeholders to suitably organise their migration and yet should be kept as short as possible to minimise the inefficiencies of maintaining two parallel groups of payment instruments.

This document, as updated in October 2007, is the second version of the migration plan drawn up by the National SEPA Committee on behalf of the French stakeholder community. The National Committee may, as necessary, supplement this document with occasional publications addressing particular issues.

The table below shows the guidelines and timetables for migration of the various payment instruments.

Current payment instruments	SEPA project	Migration timetable *
"Ordinary" transfer	Replaced	2008 to 2011
Direct debit (ordinary and express)	Replaced	2010 to 2012
CB bank cards	Replaced	2008 to 2010
Three-party cards	as decided by issuer	
<i>Télé règlement</i>	Initially maintained ⁽¹⁾	<i>pending results of study</i>
TIP	Maintained ⁽²⁾	
Bill of exchange	Maintained ⁽²⁾	
Promissory note		
"Specific" transfer	Unaffected	
Cheque	Unaffected	
E-money	Unaffected	

* The migration timetable starts when the European payment instruments become available and ends with the discontinuation of the equivalent national payment instruments.

(1) An additional study will be carried out based on the B2B version of SEPA direct debits once the EPC has decided on its final specifications.

(2) Medium term, there is the possibility of consulting with other stakeholder communities to define a strategy that would preserve the functionality offered by these instruments within a more European framework.

SEPA National Committee – October 2007

I – Guidelines

The objective of the Single Euro Payments Area (SEPA) project is to provide European Union residents with common cashless payment instruments that will enable them to make payments in euros under the same conditions in any country of the European Union.

This ambitious objective first of all concerns the payment instruments used to make most cashless transactions in Europe, i.e. credit transfers, direct debits and payment cards. Achieving this objective will require that common rules for initiating, processing and exchanging payment orders be established at the European level. These rules aim to harmonise the conditions of use of these payment instruments and facilitate their automatic processing.

This is why the European Payments Council (EPC), which was formed by the European banking community in 2002, has defined rules to govern the functioning of Europe's future payment instruments. The European Commission and the European Central Bank support the development of this project and seek to make sure that all stakeholder expectations are taken into account and that harmonised conditions of use of these new instruments are achieved with no deterioration of the current levels of service, particularly in terms of quality, security and price. These concerns were echoed by member states of the European Union at the ECOFIN meeting of October 10, 2006.

Meanwhile, the European authorities have drawn up the Payment Services Directive which seeks to harmonise the conditions of pursuit of payment activities across Europe and the relationship between users and payment service providers. The directive was approved by the European parliament on April 24, 2007 and must be incorporated into member states' national law by November 2009. This new harmonised legal framework is a key element in the creation of the single euro payments area.

Provided they comply with the common functional rules defined by the EPC, European banks will of course be free to propose different services and to price them as they wish, as is currently the case for national payment instruments. The only pricing constraint on banks is not to discriminate between European and national payments for transactions of less than 50,000 euros, as required under European Regulation 2560/2001. Payment services users will thus be able to choose freely between various offerings of banking services and select the type of service and price they find most suitable.

European payment instruments are to eventually replace most national payment instruments. Successful migration to these new instruments will require strong coordination between all stakeholders, which include banks, public administrations, companies, merchants and consumers. It is for this reason that the EPC and the Eurosystem have asked the national communities to prepare their migration plan, which must describe how a country intends to implement European payment instruments. Once national plans are published they can be checked for consistency and their implementation monitored, helping to ensure

the success of the SEPA project. The overall consistency of national migration plans is essential at the European level to enable a coordinated implementation and take-up of the new payment instruments and to ensure that the SEPA project gets off to a strong and irreversible start.

To prepare the French migration plan, the Banque de France and the French Banking Federation formed the National SEPA Committee, whose members represent the various stakeholders (i.e. national governments, banks, public administrations that use payment instruments, companies, merchants, consumers, MPs and representatives of the Economic and Social Council, the French mayors association and the media). Monaco banks and authorities were also associated to the work of the National Committee. The National SEPA committee was supported by six working groups¹ and set as its key aim to provide payment service levels as good or better than those currently available in France to encourage take-up of the new instruments by the French public.

This document is the second version of the French migration plan. It describes the future range of payment instruments that will be available post-migration and explains the process by which France will be migrated to SEPA. It also sets out what the French stakeholder community expects from other European stakeholders

¹ See Appendix II for a more detailed description of these six working groups and the legal support group.

II – Payment instruments in France

The National SEPA Committee has looked at all the payment instruments currently available in France which might potentially be replaced by European instruments (see Section 1) and identified those that can be replaced by the new European payment instruments as currently proposed (Section 2), those whose functionalities mean they cannot be replaced in the short term but which could evolve in the medium term (Section 3) and the consequences of these decisions for the payment instruments provided as part of France's current system of basic banking services (Section 4).

1. Most French payment instruments can be replaced by European payment instruments

In 2006, customers of French banking institutions (including consumers, companies and public administrations) made some 14.9 billion cashless payment transactions, representing a total amount of 21,683 billion euros. These transactions involved a wide range of payment instruments:

- payment cards (interbank and three-party cards);
- cheques;
- direct debits;
- "ordinary" and "specific" credit transfers²;
- interbank payment orders (*TIP*);
- electronic payment orders (*télévirement*);
- truncated promissory notes (*LCR*) and truncated bills of exchange (*BOR*);
- E-money.

Payment cards (whether interbank or three-party cards) are the most widely used type of payment instrument, used in 37.6 % of transactions. They are followed by cheques (25.6 % of transactions), direct debits (18.3%), credit transfers (17.5%), bills of exchange and promissory notes (0.8%) and e-money (0.1%)³.

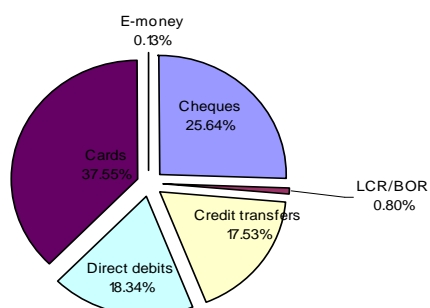
² "Ordinary" credit transfers are transfers of funds by customers. Besides the "basic" ordinary transfer there are other types of ordinary transfer that may require particular information to be exchanged or impose specific obligations on the parties concerned: foreign-initiated transfers, "referenced" transfers, EDI transfers and B2B transfers.

"Specific" transfers are intraday transfers processed on an individual basis for which customers request specific services from their bank. "Specific" transfers are intended to be executed the same day in a large-value payment system, such as TBF and PNS currently and TARGET2 as of February 2008.

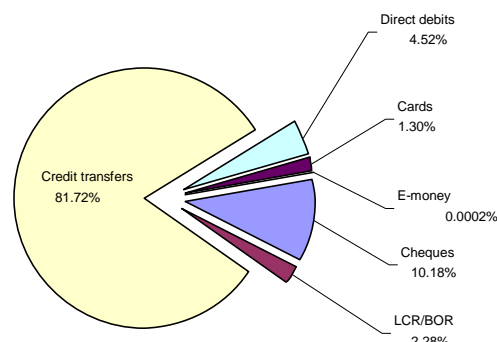
³ The statistics as to the share of total payments made using each instrument in 2005, which appeared in version 1 of the migration plan, have been revised. The corrected 2005 data are as follows:

- card payments: 36.7 % of total transaction numbers (1.5 % of the total amount)
- cheques: 27.4 % by number (12.6% by amount)
- direct debits: 17.6 % by number (5.2 % by amount)

By volume



by amount



Source: Banque de France – 2006 figures

The SEPA project concerns all of these instruments, except for cheques and e-money. Since these instruments are used in only some national communities no European specifications have been established for them. As for “specific” transfers, despite the initiatives of some international stakeholders there is still no body of SEPA rules. They are therefore no longer included in the migration to SEPA. These instruments will remain available to users on the same conditions as previously.

Other payment instruments currently in use in France can potentially be migrated to European instruments:

- “ordinary” transfers
- direct debits;
- general-purpose cards, both interbank and three-party;
- interbank payment orders (*TIP*);
- electronic payment orders (*télé règlement*);
- promissory notes and bills of exchange (for the payment part only⁴).

-
- credit transfers: 16.9 % by number (77.9% by amount)
 - bills of exchange and promissory notes: 1.3% by number (2.7% by amount)
 - e-money: 0.1 % by number (0% by amount)

⁴ These truncated bills of exchange and promissory notes are unique in that they are debt securities in addition to being payment instruments.

2. National payment instruments that will be replaced by European payment instruments

a. “Ordinary” transfers

The SEPA credit transfer offers services comparable to those provided by the "ordinary" transfers currently available in France and extends them to all SEPA countries⁵. It can therefore gradually replace these national transfers beginning from 2008 without requiring any special adaptation.

SEPA credit transfers will entail the three following changes for French users:

- The data used to identify the account of the credit transfer beneficiary will be the IBAN (International Bank Account Number) and the BIC (Bank Identifier Code) of the bank that holds the beneficiary's account. These two codes are international standards used respectively to identify bank accounts and banks, are already frequently used to make cross-border transfers within the European Union and appear on the bank identity statement.
- A maximum execution time of three days is guaranteed, for both national and cross-border transfers throughout the single euro payments area. This time limit starts once the transfer order is accepted by the originator's bank and ends when the beneficiary's account is credited. This execution time is a maximum. Furthermore, the Payment Services Directive makes provision for shortening this time limit to one day from January 1, 2012. Banks will be able to offer their customers shorter execution times: the future French interbank payment system will make it possible to maintain the current execution time of one day for national credit transfers.
- Customers will have more space to indicate the purpose of the transfer in the SEPA credit transfer. Banks have committed to acquire, transmit and deliver remittance data of 140 characters, compared to 30 characters as is currently the case for national credit transfers.

Despite these changes to the transfer service, the representatives of public administrations regret that the services approved by the EPC do not envisage an equivalent to the existing French service for verification and correction of the beneficiary's bank account details.

As part of its support for the migration to SEPA credit transfers, the banking industry has made changes to the formats used in exchanges between banks and their clients. This work has led to the publication of a user guide to the UNIFI ISO 20022 standard for electronic SEPA credit transfer orders. The interbank brochure “Account Statements Using

⁵ The SEPA includes the 27 EU member states plus Norway, Iceland, Lichtenstein and Switzerland (see also Section III.2).

Electronic Media” has also been updated to include the key information relating to SEPA credit transfers.

b. Direct debits

The rules for SEPA direct debits are significantly different from those for French direct debits:

- The mandate process of the SEPA direct debit represents a major change. The current French direct debit requires two mandates: the debit request is the mandate that the debtor gives to the creditor and the debit authorisation is the mandate that the debtor gives to his/her bank. The debtor sends both these documents to the creditor, who forwards the debit authorisation to the debtor's bank. The SEPA direct debit uses a double mandate combined into a single document sent by the debtor to the creditor only⁶. The mandate will now be kept by the creditor and will only be sent to the debtor's bank on request, to enable verification. As is currently the case, creditors will have to inform debtors of the amount and date of the debit prior to any issuance of direct debit. Debtors will also be able to ask their banks to reimburse a debit that has been made or challenge a debit on the grounds that a valid mandate was missing⁷.
- Recurrent SEPA direct debits will be executed more rapidly than most current debits. The time between the interbank payment date and the interbank settlement date (normally the day that the debtor's account is debited) will be two days, compared to four⁸ under the existing French system. This will provide greater management flexibility to direct debit issuers.
- Like the SEPA credit transfer, the SEPA direct debit will include up to 140 characters of remittance data, which the banks undertake to acquire, transmit and deliver.

A second optional mandate process was also mooted, under which the direct debit mandate would be sent by the debtor to his/her bank⁹, but this was ultimately rejected by the EPC as too complex to implement.

User representatives (consumers, companies and public administrations) raised a number of concerns, mainly regarding the processing of the mandate. They notably wanted greater clarity on where the responsibility lay for verifying that the mandate existed and was valid¹⁰. They favoured greater involvement by the debtor's bank in mandate management,

⁶ This type of mandate process is known as "Creditor Mandate Flow" or CMF.

⁷ A guide on how to challenge SEPA direct debits will be made available to users.

⁸ The interbank settlement period is two days for "express direct debits", which is however rarely used at the moment.

⁹ This type of mandate process is known as DMF – "Debtor Mandate Flow".

¹⁰ Note that the EPC is looking into which of the various items of information on the direct debit mandate are necessary to make the mandate valid.

particularly in verification, modification or cancellation (without challenging the proposed process for the creation and transmission of mandates).

Users also demand that SEPA direct debits are at least as secure as French direct debits as a precondition for adoption of the new instruments. Furthermore, some creditors issuing direct debits have underlined the difficulties raised by the time it takes for a SEPA direct debit mandate to lapse set by the EPC (18 months), which they feel is too short given the nature of their activity. In the public sector this could require excessive administrative procedures.

As with transfers, public administrations regretted that the system adopted by the EPC provided no equivalent to the current French verification and correction service for beneficiary accounts.

The EPC has undertaken additional work to look into the possibility of introducing an electronic mandate, which would be incorporated in the basic service but would allow validation of the mandate by the debtor's bank. This work should be completed by December 2007. The National SEPA Committee will look closely at these proposals and consider how far they meet the concerns expressed by the user stakeholders and how far they maintain current French levels of security. Clearly, these solutions could be enhanced by banks in the systems that they offer their customers.

In light of these factors, the National SEPA Committee considers that once the Payment Services Directive has been transposed into national law (November 2009) and given to the legal time limits for informing customers, SEPA direct debits could be made available to users by the start of 2010, and will be capable of replacing French direct debits by guaranteeing the same level of service.

c. Payment cards

The interoperability framework for cards devised by the EPC (the "SEPA Cards Framework") applies to general-purpose cards and proposes three possible scenarios for migration:

1. Having the international schemes process national transactions;
2. Creating one or more European card schemes through the extension, merger or alliance of one or more national schemes;
3. "Co-branding" national schemes with international schemes.

Regardless of which scenario is selected, the cards will have to comply with the EMV chip card standard.

In France, "CB" bank cards are currently 95% "co-branded" with one of the two international schemes (Visa or Mastercard) and all comply with the EMV standard. The SEPA National Committee therefore notes that most of the French CB bank cards should comply with the European Card Framework by 2008. The range of cards on offer will remain large and varied, and this raises the question of the future for purely national interbank cards. French banks have asked the European authorities for

clarification, particularly on the rules concerning interbank fees, to enable them to plan their long-term strategy.

Short term, the implementation of the SCF will mean no significant changes for users. Merchants will not have to make any changes to their acceptance systems, either. Medium term, once the new standards for the various phases of the card payment processing system are in place, it may become necessary to modify acceptance systems to take advantage of the new standards.

Three-party cards may be brought within the scope of the SCF. Three-party card issuers are free to bring their cards into compliance with the SEPA framework if they wish. But they have no obligation to comply with this framework.

3. Payment instruments that could evolve in future

a. TIP

The TIP system cannot be migrated to SEPA direct debits in its current form. Analysis of the scenario for migrating TIPs to SEPA direct debits showed that it would be impossible to maintain the current service levels provided by TIPs under the SEPA direct debit system. Specifically, users have said they are keen to retain the 1 day interbank settlement time offered by TIPs, compared to the 5 days for one-off SEPA direct debits. They also wish to retain the single validation of orders, including the amount.

The TIP will therefore be retained as a national payment instrument. The Committee will nonetheless be consulting with other stakeholder communities to identify a medium-term strategy for migration which will allow for retention of the specific TIP functionality, particularly its current collection time, within a more European context.

b. *Télé règlement*

Télé règlement cannot be migrated to SEPA direct debits in its current form. Analysis of the scenario for migrating *télé règlement* to SEPA direct debits showed that it would be impossible to maintain the current service levels provided by *télé règlement*. Specifically, the interbank settlement time would rise from 1 to 2 days.

Initially, therefore, *télé règlement* will be retained as a national payment instrument. A strategy for migration based on the B2B version of the SEPA direct debit system will be considered as soon as its specifications have been finalised by the EPC. Such a study should show whether it will be possible to keep the features of *télé règlement*, particularly collection times, and to allow for the needs of different users, particularly public administrations which need to be able to use this instrument for transactions with consumers.

c. Promissory notes and bills of exchange

The specific nature of these payment instruments and the specific laws governing them mean that promissory notes and bills of exchange cannot be migrated to SEPA direct debits. They will therefore be retained as national payment instruments. Consultations may nonetheless be envisaged with other national stakeholder communities with a view to putting forward a more European solution.

4. Payment instruments provided as part of "basic banking services"

The content of basic banking services¹¹ has been set forth in Decree No. 2006-384 of March 27, 2006 codified in article D. 312-5 of the French Monetary and Financial Code. These services include especially a payment card requiring systematic authorisation and payments by direct debit, TIP or credit transfer. The above mentioned decree does not specify the geographic area in which the payment instruments provided as part of basic banking services can be used.

The payment instruments used for basic banking services can be replaced by European payment instruments (i.e. an SCF-compliant payment card, SEPA direct debits and SEPA credit transfers) with the transition to SEPA, thus ensuring that beneficiaries of basic banking services continue to enjoy a service comparable to that of other French users. Their use will not be restricted to France and could extend to the whole of the SEPA.

5. Summary

The table below shows how the current range of payment instruments will be affected by the introduction of European payment instruments, which will be phased in for customers from 2008. It was based on the functional rules for European instruments approved by the EPC at end-June 2007.

There will be a period in which SEPA payment instruments co-exist alongside national payment instruments, from 2008 for credit transfers and cards and from 2010 for direct debits, until the national instruments concerned are ultimately replaced by their European equivalents.

¹¹ Basic banking services are a group of banking services which the bank provides at its own expense as part of a scheme to ensure every resident has the right to an account.

Current payment instruments	SEPA project
“Ordinary” transfer	Replaced
Direct debit (ordinary and express)	Replaced
CB bank cards	Replaced
Three-party cards	as decided by issuer
Télérèglement	Initially maintained ⁽¹⁾
TIP	Maintained ⁽²⁾
Bill of exchange	Maintained ⁽²⁾
Promissory note	
“Specific” transfer	Unaffected
Cheque	Unaffected
E-money	Unaffected

(1) A study will be carried out based on the B2B version of SEPA direct debits once the EPC has finalised its specifications.

(2) Medium term, there is the possibility of consulting with other stakeholder communities to define a strategy that would preserve the functionality offered by these instruments within a more European framework.

SEPA National Committee – October 2007

III – The process of France’s transition to SEPA

This part of the migration plan sets out the working structures used by the main stakeholders in preparing the migration to SEPA (Section 1), the geographical scope within which migration will be implemented (Section 2), the timetable (Sections 3, 4 and 5), support measures (Section 6) and communication measures (Section 7) as well as what the French stakeholder community expects from other European stakeholders (Section 8).

1. Stakeholder preparation and working groups

The various French stakeholders have each set up dedicated working groups to help prepare the migration plan, coordinate the preparation work and carry out individual implementation.

For example, the French banking community has set up a steering committee co-chaired by the Banque de France and the FBF (French Banking Federation). This committee's work is based on the technical work conducted by the CFONB (French Banking Organisation and Standardisation Committee). The FBF and the CFONB regularly inform their members of the progress of work made at the European and French levels and take note of their comments and proposals to be put forward at a European level. Each bank has implemented a specific internal preparation and coordination system. The FBF has also set up a dedicated organisation to help banks with the process of implementing the EPC schemes: the National Adherence Support Organisation (NASO).

The ASF (French Association of Financial Companies) has set up a "Payment Instruments" working group. Group members are responsible for preparing the ASF's positions on the Payment Services Directive and on SEPA. The ASF is also a member of the CFONB.

The public administrations¹² and the Banque de France meet within an interministerial technical committee formed in February 2006. Also, at the Prime Minister's request, a cross-government steering committee has been set up (central and local government, social security institutions). This committee includes the project heads from each of the public administrations concerned and is chaired by a General Inspector of Finances. In accordance with the wishes of finance ministers as stated at the October 2006 ECOFIN meeting, in the fourth quarter of 2007 the administrations will complete their report on the impact of SEPA on organisational and IT processes.

On the business side, the French employers organisation MEDEF created a working group in the first quarter of 2007 to analyse the situation and to raise awareness and inform companies over the upcoming implementation of SEPA, the role they would be expected to play and the opportunities and also

¹² The Ministry of the Economy, Finance and Employment (heads of budget and economic policy and Agence France Trésor). The budget, public accounts and public sector Ministry (heads of public accounts, general management for the modernisation of the state, head of tax) and the Ministry of health, youth and sports (heads of social security and ACOSS).

constraints that could result from the SEPA. The working group includes some fifteen members representing different economic sectors (industry, commerce and distribution, banking, finance) and the different corporate functions concerned (treasurers, credit managers, IT managers, etc.). Its first objective is to raise awareness among company leaders of the issues involved in the single European payments area. For this purpose, MEDEF will issue in October 2007 a document setting out for company heads the issues and opportunities arising from the implementation of SEPA in their company.

MEDEF was also actively involved in setting up Business Europe's SEPA Task Force. This task force will coordinate the work of large corporations (on problems arising from implementation) with the work done by Treasurers and SMEs.

Corporate treasurers – via the AFTE, the French Corporate Treasurers Association – have been deeply involved in the SEPA project, which they see as a major challenge for their departments, and a special SEPA committee has been created within this association. This committee has in particular provided responses to the questions posed in the European Commission's document entitled "SEPA Incentives" and expressed the position of "Large Corporations" in response to the changes planned by the banking industry. This has made it possible to arrive at constructive proposals on all subjects. Conferences have been – and continue to be – held in the Association's various regional branches: an initial conference cycle was held in Paris in 2007 and another is scheduled for 2008 to raise members' awareness of SEPA issues and help them organise its implementation in their companies.

For small and medium-sized enterprises, SEPA issues are being dealt with by the Economic Affairs Department of the CGPME (the General Confederation of Small and Medium-sized Enterprises). The Confederation presents the various issues involved using on-line information letters and discusses them with SME managers at meetings with member companies. Providing these managers with reliable information will only be possible once the various technical and other aspects of the transition to SEPA instruments have been firmly decided.

Issues affecting commerce and distribution are structured around the CDCF (Council for French Commerce), an umbrella group for trade associations, and in particular the FCD (Federation of Commerce and Distribution). The CDCF provides information to its members and has delegated technical monitoring to Mercatel. The FCD has also set up a SEPA working group and provides full, regular information to its members. Some major merchant groups have formed SEPA working groups to monitor strategies and work progress and provide some initial impressions of SEPA's impact on their business activities. The FCD is also in regular contact with other national merchant associations in its European federation.

As regards the monitoring of European payment system issues the CCSF (Financial Sector Advisory Committee) participates actively in work on SEPA and on transposition of the Payment Services Directive. Before each National SEPA Committee meeting, the CCSF holds a specific preparatory meeting. Meetings of the CCSF working group are also planned to consider specific payment instruments under the SEPA framework (cards, direct debits, etc.). The CCSF

chairman and some of its members belong to the SEPA National Committee and take part in several SEPA working groups.

Consumers are represented within the National SEPA Committee by five associations appointed among the 18 consumer associations officially recognised in France. These five representatives participate in the various working groups and one is the vice-chairman of one working group. Consumers in general are relatively unaware of the SEPA project and consumer associations themselves have only recently become involved, since they had no involvement in work at the European level.

2. Geographical scope of migration in France

The SEPA project is designed to handle transactions in euros between accounts held by institutions resident in the single European payments area. The EPC defined the SEPA as the 27 member states of the European Union plus Iceland, Lichtenstein, Norway (which together with the EU make up the European Economic Area) and Switzerland. SEPA transactions are therefore made between institutions located in these territories (i.e. those whose BIC codes include the country code for one of these territories).

The “most remote regions” of the European Union are also fully involved in the SEPA project. For France, this means the Overseas Departments (Guadeloupe, Guyana, Martinique, Réunion). Also included are the territories of Gibraltar (UK), Madeira and the Azores (Portugal), Ceuta, Melilla and the Canary Islands (Spain) and the Åland islands (Finland).

For France also, Mayotte and Saint-Pierre and Miquelon, while they are not part of the European Union are part of the euro zone following Council decision 1999/95/EC of December 31, 1998. They therefore ought to fall within the SEPA, something which needs to be ratified in plenary session of the EPC.

The Principality of Monaco is not part of the European Union and community legislation is not automatically applicable there. However, as it belongs to the euro zone (Council decision 1999/96/EC of December 31, 1998), and as Monaco banks use the French banking systems the principality of Monaco wants to join the SEPA. This is agreed in principal within the French stakeholder community. Representatives of the Monaco authorities and banks were invited to take part in the work of the National Committee. Various technical and legal issues are currently being examined.

3. Migration timetables: the transitional period

a. What is the "transitional period"?

For the euro switchover, every country was obliged to be ready by the date specified by the authorities. For SEPA the situation is quite different, since only European banks have made a commitment, according to the principle of self-regulation.

The "transitional period" begins the day that the first SEPA payment instrument is used or received in France and ends the day that the national payment

instruments that were selected for conversion to SEPA instruments are no longer used. During this period the "old" national instruments which are to be phased out will coexist alongside the new SEPA instruments.

All French stakeholders agree that the length of the transitional period must be sufficient to meet their specific requirements but must be no longer than necessary. It is also agreed that a completion deadline for the transitional period must be set to mitigate the following potential problems for different stakeholders:

- Consumers, who might confuse the old and new payment instruments and make mistakes.
- Banks, due to the cost of maintaining two distinct IT systems, of training and maintaining sales staff competent in both, of monitoring risk and of handling errors resulting from confusion between the old and new instruments, etc.
- Companies, who might be tempted to keep postponing launch dates and hence investments if no firm deadline is set.

b. Start and end dates of the transitional period

The start and end dates for the transitional period will be different for each SEPA instrument (credit transfers, direct debits and cards) and will depend on their specific constraints.

The National Committee will decide when to discontinue each national instrument that is to be replaced by a SEPA instrument, based on a reporting tool that measures when use of the equivalent new SEPA instrument has reached critical mass. Critical mass is defined as 75% of transactions and 50% of order originators.

Since non-bank stakeholders would like the transitional period to end relatively rapidly, and approximately one year after critical mass is reached, the Committee would thus be able to confirm the date at which national payment instruments would no longer be valid.

This overall approach must be adjusted to each type of instrument, which means that a different schedule will be required for each one.

c. Work to be carried out by the main stakeholders

Before each SEPA instrument is made available, banks in the area will have completed the IT developments required to send and receive SEPA instruments in compliance with the EPC rulebooks. Banks have defined test procedures for the new instruments and the specific tests to carry out for SEPA credit transfers. They have installed tools allowing each bank to test its own developments before moving on to exchanges with clearing systems and with other banks. They will also have to have completed in advance their training of sales staff and their adaptation of their customer brochures and, if necessary, account agreements.

The EPC has defined the adherence process for SEPA credit transfers for all European banks. To adhere to the scheme, a bank must submit a file indicating it is ready to comply with the EPC rulebook and that it participates either directly or

indirectly in enough SEPA compatible clearing and settlement mechanisms to make it reachable by all banks in the SEPA.

The French banking community will launch SEPA credit transfers on January 28, 2008 provided that European banks representing a critical mass of all SEPA countries are ready and tests carried out by banks are conclusive.

Subsequently, all procedures for tests and implementation will be defined for SEPA direct debits.

Merchants, companies and public administrations using payment instruments will have to modify their IT systems to issue SEPA credit transfers either by adapting their internal software or by using IT services companies that have developed specific software packages. They will have to run tests with their IT services company and then with their bank. They will also need to adapt their procedures and contracts and implement internal and external communications.

All the stakeholders in the payment process are thus coordinating their actions, to prepare and test the IT systems for issuing and receiving the new SEPA instruments.

The investment policies and budget procedures of large corporations and public administrations could lead them to incorporate the developments required for SEPA into other investment programmes that are already scheduled. Users note that they will need visibility on the pricing framework governing the new instruments in order to define their migration strategies.

For cards, the transitional period will simply mean a deployment phase for SCF compliant cards. Merchants will not have to make any changes to their acceptance systems. Further adaptations may however be necessary over the medium term, depending on the results of the standardisation work currently being conducted at European level.

d. Key phases, by type of instrument and stakeholder

The position of each stakeholder (company, merchant, public administration that uses payment instruments, bank, consumer or software vendor) depends on its specific needs and constraints. This section summarises the main conclusions reached by the stakeholders for the work of the National SEPA Committee.

SEPA credit transfers

Under the commitments made by the EPC, banks will be ready to receive SEPA credit transfers from January 28, 2008. However, only the major banks are committed to being able to issue SEPA credit transfers from January 2008. Other banks will have the whole of 2008 to add this new offer to their range.

In the transitional period beginning January 28, 2008 any originator will be able to make either an “ordinary” transfer or, provided the banks of the beneficiary and originator have both implemented the scheme, a SEPA credit transfer.

The National Committee considers that the dates initially announced should be met:

- Development and introduction: 2008 and 2009
- Critical mass attained: end-2010
- Discontinuation of ordinary national credit transfers: end-2011.

Representatives of users (companies, ASF, Commerce, public administrations) nonetheless note that:

- some companies will be phasing in the developments required for SEPA credit transfers so as to introduce them at the same time as SEPA direct debits. This might have the effect of slowing down the up-take of SEPA credit transfers.
- Others have already defined their 2008 budgets without being able to include the changes required for SEPA credit transfers. For these companies developments will be decided in 2008 for implementation in 2009, again slowing the take-up.

SEPA direct debits

Following the decision of the SEPA National Committee meeting of March 27, 2007 banks will start offering SEPA direct debits once the directive has been transposed into national law in all SEPA countries. This is expected to happen by November 2009 at the latest. Allowing time to adapt to the processes that are finally approved, SEPA direct debit will become available at the start of 2010.

The National Committee still has a target of SEPA direct debits achieving critical mass by the end of 2011. This would allow the discontinuation of ordinary direct debits at the end of 2012. As with credit transfers, the National SEPA Committee will monitor take-up and confirm the decision to discontinue national direct debits at the appropriate time.

This timetable, which companies consider too short, is subject to a number of factors:

- Some institutions are awaiting specifications for the electronic mandate to start their development work,
- Take-up will depend on consumers accepting the creditor mandate flow process,
- This is a target timetable based on estimates. It is critical mass that will determine the actual date that direct debits are discontinued.

Other national payment instruments: TIP, *télé règlement*, LCR, BOR

Given the views taken on these payment instruments there are no plans to migrate them for the moment.

Table 1: projected timetable for migration of ordinary credit transfers to SEPA credit transfers

SEPA CREDIT TRANSFERS	2007	2008	2009	End 2010?	End 2011?
BANKS	Preparation - development - testing	28/01/2008: SEPA credit transfers are made available		Critical mass is reached	Ordinary national credit transfers discontinued
COMPANIES	Preparation	Development	Use begins		
PUBLIC ADMINISTRATIONS	Preparation	Development		Decision to discontinue ordinary national transfers	
CONSUMERS	Preparation	Parallel use of French and SEPA credit transfers			
SOFTWARE VENDORS	Preparation - development - testing	Software made available			
INFRASTRUCTURES	Preparation - development - testing	Made available			

Banks will be able to receive SEPA credit transfers from January 28, 2008. The major French banks will also be able to issue SEPA transfers from the same date. This service will be available in all institutions by the end of 2008.

Due to the commitment made by the banks, customers may have SCTs credited into their accounts even though their bank is not ready to issue them themselves.

Table 2: projected timetable for migration of ordinary and express direct debits to SEPA direct debits

SEPA DIRECT DEBITS	2007	2008 - 2009	2010	End 2011?	End 2012?
EUROPEAN AND NATIONAL PUBLIC AUTHORITIES	Adoption of Payment Services Directive	Transposition of the Directive			
BANKS	Preparation - development - testing		Start of 2010: SEPA direct debit made available 2010-2011: take-up	Critical mass is reached Decision to discontinue national direct debits	National direct debits discontinued
COMPANIES	Preparation - development - testing		Development (the last will be made in 2011) Use begins		
PUBLIC ADMINISTRATIONS	Preparation - development - testing		Development		
CONSUMERS	Preparation		Parallel use of French and SEPA direct debits		
SOFTWARE VENDORS	Preparation - development - testing		Software made available		
INFRASTRUCTURES	Preparation - development		Made available (at date set)		

Card payments

As for card payments, French banks are committed to complying with the EPC's timetable and will begin to distribute, issue and acquire payment cards in compliance with the SEPA card framework (SCF) as of January 1, 2008. After end-2010, all general-purpose payment cards in circulation issued by French banks will comply with the SCF.

Section II of this document describes the SCF's impact on current payment cards, and the various issues remaining to be dealt with.

Compliance with the SCF will be relatively transparent to card-holders, who already use EMV-compliant cards with the PIN code.

For merchants, the main technical change resulting from the SCF will be the transition to the EMV standard. In France, the process of converting merchant terminals is nearing completion with the migration to CB5.2. Thereafter the subsequent changes will involve harmonisation at the European level and in particular the standards used for the automated end-to-end straight-through processing of card payments. The EPC is currently working on the standardisation for the various phases of card payment processing and is expected to arrive at a solution by 2008. The timetable and procedure for adapting to these new standards will have to be specified in due time within the framework of the SEPA migration work, in consultation with the stakeholders concerned.

Regarding the card networks:

- GIE CB will have to comply with the principles of the EPC's SEPA card framework, provided the framework is compatible with competition law.
- Issuers of three-party cards will have the option to either comply with the SCF or not.

4. Timetable for adapting payment infrastructure

Proper execution of a payment transaction requires that orders submitted by customers to the sending bank arrive at the receiving bank. The transmission of the payment order between banks, which must be reliable, rapid and cost-effective, requires an exchange mechanism.

The implementation of SEPA should result in a concentration of payment infrastructures. National infrastructures will most likely be gradually replaced by a limited number of competing and interoperable pan-European infrastructures, in accordance with the Eurosystem's objective.

These exchange mechanisms must be efficient enough to enable banks to meet the time requirements set for the SEPA payment instruments.

For example, a credit transfer from Reunion Island (a French department in the Indian Ocean) to Kirkenes (Norway) must be made within three days to meet

SEPA credit transfer rules¹³. This involves more than just the sending of electronic data and includes the transfer of funds, which requires the debiting and crediting of customer bank accounts in compliance with applicable laws (such as those established by EU authorities to prevent money laundering and the financing of terrorist activity) and the various regulations intended to ensure confidence in payment instruments and their security.

Several providers of payment infrastructures are seeking to position themselves competitively in response to the SEPA project, while work to ensure the interoperability of infrastructures is under way at European level.

For example:

- The EBA¹⁴, with its STEP2 system, has been making cross-border credit transfers for several years now and has become a key player in interbank transactions within SEPA.
- STET, which was formed by several French banks, is working to develop a new technical system for interbank transactions, now nearing completion. This system is designed to process the new SEPA instruments as they come in and to be used during the migration period and after for national payment instruments.
- EACHA provides a framework to ensure technical interoperability of interbank payment systems using automated clearing houses (ACH).

All French banks will therefore be able to send and receive SEPA payment instruments using the infrastructures of their choice and in keeping with the overall SEPA timetable.

5. The National SEPA Committee's reporting tool

The secretariat of the National SEPA Committee will publish a quarterly report, monitoring deployment of SEPA in France, starting in mid-2008. The reporting tool will draw on qualitative and quantitative information from the different stakeholder communities, which will organise the collection of the information. Initially, quantitative data will only be provided half-yearly by the different user communities.

A model and interpretation rules have been defined and are available from the secretariat of the National Committee. This reporting tool may be adapted to meet the needs of the National Committee or the reporting requirements of the EPC and Eurosystem.

The reporting tool has 3 parts:

- A summary for the period covered,

¹³ These periods will shorten to one day in 2012 in application of the Payment Services Directive.

¹⁴ The acronyms used for these payment system solution providers are explained in the Glossary at the end of this document.

- Detailed information on the implementation of SEPA instruments: qualitative and quantitative data (number of institutions having introduced developments, switched over to SEPA, etc.)
- Detailed information on the take-up of SEPA instruments: qualitative and quantitative data, including indicators that will show when critical mass has been reached in SEPA credit transfers and direct debits. These data are essential for deciding when to discontinue the equivalent national payment instruments.

6. Transition support measures

The changes involved in introducing SEPA instruments to France raise four specific problems:

- a. How can the continuity of direct debit authorisations be assured when the transition to SEPA direct debits is made?
- b. How can the various stakeholders be assisted in changing over from the national "RIB" bank account identification standard to the international "BIC / IBAN" standard?
- c. What identifier should be used to identify creditors who present SEPA direct debit orders (SDD)?
- d. What information will have to be communicated and how will institutions communicate about possible challenges to SEPA direct debits?

a. Ensuring the continuity of direct debit authorisations

It is estimated that some 500 million direct debit authorisations have been signed in France. When switching over to SEPA direct debits, it is important that customers who have agreed to pay their bills by direct debit do not have to sign a new authorisation form, henceforth known as a "mandate".

In SEPA direct debits, the mandate will be identified by a number assigned by the creditor and this number will be the unique identifier used in monitoring transactions. For example, someone who has two telephone service subscriptions with the same operator will have two mandates and can thus suspend one without stopping the other.

The continuity of mandates raises legal, operational, and customer information issues, all of which must be addressed in light of the National Committee's objective. This consists of three rules:

- Signed direct debit authorisations will be automatically converted into valid mandates;
- Requests to refuse payments submitted by debtors to their bank in the past will remain in force;
- Creditors will only issue SEPA direct debits if they have previously received the corresponding direct debit authorisations (the mandates).

With respect to the legal aspects, if the existing direct debit mandates were formulated in the general terms defined by the CFONB – which authorises the

creditor to initiate the debiting of an account and is similar to the formulation selected for the European direct debit – these authorisations will remain valid, unless cancelled by one of the parties, and are therefore not affected by the new interbank rules resulting from the changeover to SEPA. A statutory or regulatory measure that expressly applies new banking rules to existing contracts with customers would however strengthen this situation. On the basis of its work the Committee concludes that the continuity of current direct debit mandates may be assured.

With respect to operational issues, the conversion of direct debit authorisations into mandates will require the creation of mandate numbers. In some cases, several mandates may need to be created for a single direct debit authorisation. Debtors must also be properly informed on the occasion of the first SEPA direct debit, for example on the invoice or the customer's account statement.

b. Transition from RIB to IBAN / BIC

At the moment national payments use the French standard RIB code, which identifies both the customer's account and their bank. In SEPA, the RIB code will be replaced by the IBAN and BIC codes, to identify respectively the customer's bank account and the bank where the account is held, for both national and international transactions.

What does this mean for consumers?

For several years now, the BIC and IBAN codes – which together constitute the full banking details – have been included on customer account statements under the heading "RIB" bank identification (or "RICE" bank ID for Caisses d'épargne savings banks). These codes are already frequently used to make cross-border credit transfers within the European Union.

This practice will be extended to national payments made using the "SEPA" payment instruments (credit transfer and direct debit), for which users will always have to use these complete banking details.

Banks will communicate and inform their customers of this new rule, while making an effort to use terms that are easier to understand than "IBAN" + "BIC", such as bank identity statement or banking details.

What does this mean for originators (companies and public administrations)?

Originators (companies and public administrations) use files or databases to record the banking details of their suppliers, employees and customers. These files therefore include the French banking details (RIB) that will have to be converted to IBAN / BIC.

To help originators (companies, public administrations that use payment instruments, etc.) with migration, the CFONB will publish rules for obtaining the combination of IBAN / BIC from the RIB. These rules will include general algorithms, an exhaustive list of exceptions and a set of tests.

IBAN

By applying the conversion rules notified by the CFONB, it will be possible to determine the IBAN from the RIB – with zero risk of error provided the rules are strictly adhered to. Originators will be able to apply the rules to convert RIB codes in their databases to IBAN, either themselves or with the help of a service provider. It goes without saying that before making this conversion, originators must make sure that their RIB codes are valid and correct.

BIC

The BIC code cannot be determined directly from the French RIB code without risk of error.

A database managed by SWIFT can be used to determine the account holding institution corresponding to the institution code in the IBAN. Major originators will be able to obtain this database directly from SWIFT by subscribing to BIC Database Plus. Also, as an exception granted by SWIFT the French subset (only) can be provided by banks to originators who so request to migrate their own database before December 2011 – companies and public administrations would like this date to be put back to the end of the transitional period.

Some services may be offered by bank or non-bank service providers in a competitive market to allow originators to derive the IBAN / BIC directly from the RIBs they hold.

The most reliable way to update databases is to have each third party concerned pass on their own banking details as notified to them by their bank. However, this would involve a great deal of work to re-input all the new banking details.

When originators update their databases they will have to convert IT data on third parties. It is thus not a question of managing new data but of converting existing files.

The responsibilities of each of the different participants involved in converting RIB files into IBAN / BIC is currently being studied in cooperation with the French data protection authority (CNIL).

c. What identifier should be used to identify creditors who present SEPA direct debits?

Current French direct debit orders include a "national originator number" (NNE) that serves to identify the creditor. SEPA direct debits will use an identifier that identifies the creditor with certainty, whatever their country of origin. This identifier consists of an outer "capsule" that is the same for all countries but contains an identifier that each country is free to select.

Work is in progress to define the identifier for French creditors.

The National Committee regrets that it was not possible to define a unique identifier for the whole of the SEPA.

d. Information on possible challenges to SEPA direct debits

A guidebook on how debtors may challenge SEPA direct debits is currently being prepared.

7. Communications to support SEPA in France

a. Issues and guidelines for SEPA communications

As the implementation phase for SEPA instruments approaches, communications take on increasing importance. The issue is, first, to inform and mobilise all the stakeholders in the SEPA project and, second, to make sure that information communicated is consistent and coherent.

As a first step, the National Committee has defined several guidelines for communication:

- Show that the various stakeholders responsible for this complex project have its organisation well under control;
- Familiarise users with the SEPA instruments and encourage their adoption;
- Make sure that each phase of the project is clearly presented, notably so that banks and companies understand the work that will be required.
- Support SMEs and consumers through the switchover, even though the migration to SEPA will not significantly disrupt consumer payment practises.

b. The National SEPA Committee's communication plan

At its March 27, 2007 meeting the National Committee defined a three-stage communication plan:

- 2007 will be a preparatory year. Communications will make stakeholders aware of the substantial work they need to undertake to implement the project;
- 2008-2009 will involve wider dissemination of information, to develop the use of the new payment instruments;
- 2010 marks the start of the last stage, which will finish with the end of the transitional period and the discontinuation of national payment instruments.

In 2007, the main actions taking place under the communication plan are:

- launch of the National SEPA Committee website:

www.sepafrance.fr which is dedicated to the National Committee. It is a source of official information and communications on the SEPA project for all stakeholders in the project, banks, companies, public administrations and, at a later stage, the general public. It has been online since October 11, 2007.

The website includes general information (on the issues and objectives of the SEPA project, the timetable, SEPA payment instruments, etc.), information regarding migration (work done by the National Committee, the situation in

other countries) and practical information (such as how to implement SEPA, useful documents, FAQs, glossary, contacts).

- The November 14, 2007 conference

The aim of this conference is to mobilise all stakeholders in the SEPA project, inform them as to the current version of the national migration plan and alert decision-makers to the need to plan the necessary investments.

Under the title “Implementing SEPA: challenges and opportunities”, it will be held on November 14, 2007 at the conference centre of the Ministry of the Economy, Finance and employment and the Ministry of the Budget, Public Accounts and Public Sector. High-profile French and European speakers will address an audience of around 250, mainly comprising decision-makers from the world of business, banking, public administrations and the media.

- Mini-guide to the SEPA credit transfer

The National Committee has drafted a mini-guide to the SEPA credit transfer which can be accessed on the website: www.sepafrance.fr.

- The role of the National SEPA Committee

The Committee also has role in coordinating communications by the different stakeholder groups. This will become especially important from 2008, as users start gradually to adopt the new SEPA payment instruments.

c. The role of other stakeholders in SEPA communications

As a complement to the common communication platform developed by the National Committee, other stakeholders have a major role to play in SEPA communications:

- Banks, which are the natural point of contact for their customers as regards the implementation of SEPA;
- Trade associations, which play a role in passing on information to their members.

These stakeholders should prepare their own communications and pass on any useful observations to the National SEPA Committee. Their actions will depend on their specific functions and the needs of the particular user groups that they serve.

Also, communication on the SEPA project in France must be coherent with actions taken at European level. It is essential that the promoters of the project (the European Commission, Eurosystem and the EPC) ensure its overall consistency.

It should be noted that the Eurosystem has set up a website (www.sepa.eu) with links to all European and national SEPA sites.

8. Expectations of French stakeholders

SEPA is a pan-European project and the coordination of actions by all stakeholders is a key condition of its success. As a result, the French stakeholder community emphasises the importance of the following issues:

- Coordination of technical work such as the organisation of cross-border testing, involving banks and payment infrastructures from different countries so as to guarantee end-to-end consistency in the developments being implemented by each stakeholder;
- Rapid elimination of remaining uncertainties on the conditions laid down by the European competition authorities on interbank fees, so that stakeholders have a firm basis on which to develop their strategy;
- Simultaneous launch in all SEPA countries. It is important that, in each country, banks handling the critical mass of payments should specify their service offer and be ready from the start of the migration phase. Consumer representatives insist on the need for the transition to be coordinated across all European countries to maintain the interest in the switchover to SEPA. For merchants, this coordination is necessary for them to optimise the potential of SEPA for card payments. Eventually, they would like to be able to accept effectively all SCF compliant cards as soon as the customer presents the card at the till;
- Coordination of communications. Each country and each major stakeholder should draw up a communication document about SEPA. The French stakeholder community favours a common communication strategy between the European Commission, the European Central Bank, the EPC and the national stakeholder communities on SEPA.
- The need to prevent optional value-added services (such as those that banks can offer on SEPA direct debits) retaining purely national features, so that SEPA becomes a single harmonised area for payments in euros.

Appendices

Appendix I: The National SEPA Committee

To coordinate the implementation of pan-European payment instruments in France, Banque de France and the French Banking Federation formed the National SEPA Committee in April 2006. This Committee, which Banque de France and the FBF co-chair, has 45 members who represent the banking industry and the future users of the SEPA payment instruments, which include public administrations, companies, merchants and consumers.

Co-chairmen

Didier Bruneel, Director General Operations, Banque de France

Philippe Citerne, Chairman of the FBF's Payment Instruments Steering Committee

Members

Banks credit institutions and equivalent	Card schemes and payment infrastructures	Public administrations	Customer representatives	Parliament representatives and persons chosen for their expertise
Banque de France	GCB (CB Bank Card consortium)	DGCP (public accounts department)	Five members appointed by the <i>Conseil du Commerce de France</i> (Council for French Commerce)	A Member of Parliament
Banque Populaire	GSIT	DGI (tax department)		A Senator
BNP Paribas	STET	DGME (government modernisation department)		A representative of the Economic and Social Council
Caisses d'épargne		DGTPE (treasury and economic policy department)	Five representatives of consumer associations: ADEIC, AFOC, CLCV, Indecosa	AMF (French mayors association)
Caisse des dépôts et consignations		DGCCRF (competition, consumer protection and anti-fraud department)	CGT, UFC Que choisir	Chairman of the CCSF (financial sector consultative committee)
Crédit Agricole		DGDDI (customs and indirect taxes department)	AFTE (French association of company treasurers)	A representative of the media
Crédit Mutuel – CIC		DSS (social security department)	CGPME (French association of SMEs)	
HSBC		Ministry of Justice	MEDEF (French employers' association)	
La Banque Postale		Principality of Monaco – budget and treasury department		
Société Générale				
IEDOM (Issuing institute of the French overseas departments)				
OCBF				
ASF (French Association of Financial Companies)				
The CFONB chairman				
Monaco Banks Association				

Appendix II: National SEPA Committee working groups

At its meeting of April 7, 2006, the National SEPA Committee formed six working groups to prepare the migration plan. These groups began to meet in April 2006.

Working Group on the range of payment instruments

Task

To determine the French range of payment instruments including SEPA payment instruments that will be made available as of 2008. These payment instruments will replace those currently used in France by 2012. This working group is responsible for determining the future of each national payment instrument within the SEPA framework, whilst ensuring no deterioration of current services.

Working Group on SEPA Direct Debit Mandates

Task

To define the process for migrating direct debit authorisations to SEPA direct debit mandates.

Working Group on the RIB to IBAN switchover

Task

To organise the transition from using RIB bank account identification codes to using IBAN.

The IBAN code is the only type of account identification used by SEPA credit transfers and direct debits. SEPA implementation will therefore require that the IBAN code be used to identify bank accounts in all transactions, including national.

Working Group on the Transitional Period

Task

To organise the transition of the various stakeholders toward SEPA payment instruments and standards in 2008-2012.

The organisation and planning of the transitional period – which begins in 2008 when the SEPA instruments are first made available and ends in 2012 when SEPA migration is completed – must be discussed by all stakeholders to ensure that the instruments deployed in 2008 are widely accepted and that the "old" and new instruments may coexist as smoothly as possible and only for as long as necessary.

Working Group on Communication

Task

To organise communications concerning the implementation of the SEPA project. This includes identifying requirements, defining tools, setting a timetable and ensuring that communication in France is consistent with the overall communication strategy for Europe.

Legal Support Group

Task

To answer all legal questions that may arise for other National Committee working groups.

Appendix III: Technical details of the RIB to IBAN / BIC switchover

Rules for identifying bank accounts in SEPA

For SEPA payment instruments (other than cards), customer bank accounts will be identified using the IBAN / BIC code combination. SEPA payment instruments are to be used indiscriminately for both national and cross-border payments in the Single Euro Payment Area.

What is a Bank Identifier Code (BIC)?

The BIC serves to identify a bank regardless of where it is located. It enables the originator's bank to automatically route a transaction to the beneficiary's bank. Note however that an institution can ask for flows to be routed through a different SWIFT routing BIC from the ISO BIC by which it is identified. BIC codes are 8 or 11 characters long.

What is an International Bank Account Number (IBAN)?

The IBAN is the code used in Europe to identify a bank account.

The IBAN:

- provides assurance to originators and their banks that the beneficiary's account has been identified with certainty, and
- provides assurance to beneficiaries that the funds will be deposited in their account.

Only the bank that holds the account is qualified to create this code.

The integrity and security of the IBAN is verified using check digits.

The IBAN may contain up to 34 characters with each EU country having a specific IBAN length (the French IBAN is 27 characters long).

How IBAN and BIC are used

All banks in Europe provide their customers with the BIC and IBAN codes for their accounts, which together represent their standardised European banking details. Customers must indicate these codes to their counterparties so that they are systematically used for SEPA payments. Companies thus have to retrieve these identifiers and enter them into their IT systems.

Migration process for originators' customer databases

a. Updating databases:

Companies and public administrations have a specific need to migrate the French banking details of counterparties held in their files in RIB format to IBAN / BIC format.

A distinction needs to be made between converting from RIB to IBAN and identifying the BIC that corresponds to the institution code contained in the IBAN.

i. Conversion from RIB to IBAN:

The ISO/DIS 13616 standard defines algorithms that will allow RIB codes to be converted into IBANs with zero risk of error, even where account numbers include letters.

The process for calculating the IBAN code in France guarantees the accuracy of the result if the calculation algorithm is strictly adhered to.

The basic rule is that the banking details of account number and bank code (i.e. IBAN / BIC) must be provided by each bank to all the customers whose accounts it holds as it alone knows the BIC that should be used to identify and contact it. It is then the responsibility of the customers, where

necessary, to send their IBAN / BIC details to their counterparties for use in payment instructions.

For the specific purpose of migration to SEPA only, as an exception to the standards and regulations in force, originators can calculate IBANs for all valid French banking details that they have previously obtained from account holders, and that they have verified and stored on file. This must be done in accordance with the detailed procedures communicated by the banks.

ii. Identifying the BIC:

There is no way to calculate the BIC. A directory managed by SWIFT cross-references the institution code in the IBAN to the BIC of the institution holding the account.

Major originators will be able to access this directory directly from SWIFT by subscribing to BIC Database Plus.

b. Responsibilities of stakeholders:

i. Responsibility of service providers when compiling and marketing the BIC database:

This service can be offered by different service providers.

→ When dealing with institutions included in the IBAN / BIC database, the service provider's responsibility for the accuracy of the data is limited by the terms of the agreement they conclude with the financial institutions that own the data.

→ When dealing with originators who use the database, the service provider is responsible for guaranteeing the integrity of the data supplied by the abovementioned institutions or that they have deduced from information in their possession.

ii. Responsibilities of the originator customer when using an IBAN / BIC database to process payments

The originator customer is responsible for the accuracy of the payment data that it sends to its financial intermediary.

IBAN: IBANs are managed according to strict rules. The originator customer must obtain the IBAN of their counterparty which must have been provided by the institution (or its agent) that manages the account concerned.

→ Any banking details used must correspond exactly to those provided by the counterparty.

→ For debit transactions, the counterparty must have explicitly given authorisation (a mandate).

Modifications: The originator customer can only modify the IBAN / BIC information on instruction by the counterparty who owns the IBAN / BIC or their agent (correction of domicile for instance).

Glossary

- **ACH:** Automated Clearing House
- **ACOSS:** Agence Centrale des Organismes de Sécurité Sociale (the central agency of social-security organisations)
- **AFTE:** Association Française des Trésoriers d'Entreprise (the association of company treasurers)
- **ATM:** Automated Teller Machine
- **B2B:** business to business
- **BIC:** Bank Identifier Code
- **CCSF :** Comité Consultatif du Secteur Financier (the financial sector advisory committee)
- **CFONB :** Comité Français d'Organisation et de Normalisation Bancaires (the banking organisation and standardisation committee)
- **CGPME:** Confédération Générale des Petites et Moyennes Entreprises (the small and medium-sized enterprises confederation)
- **CMF:** Creditor Mandate Flow
- **CSM:** Clearing and Settlement Mechanism.
A mechanism that enables banks to clear and settle payment transactions. SIT in France is one example of a CSM.
- **DGTPE:** Direction Générale du Trésor et de la Politique Économique (the French government treasury and economic policy department)
- **DMF:** Debtor Mandate Flow
- **EACHA:** European Automated Clearing Houses Association
- **EBA:** the Euro Banking Association
- **ECB:** European Central Bank
- **EMV:** Eurocard Mastercard Visa
- **EPC:** European Payments Council
Its main task is to design the future pan-European payment instruments.
- **FBF:** the French Banking Federation
- **FCD:** Fédération des Entreprises du Commerce et de la Distribution

(the federation of commerce and distribution)

- **Framework:** a set of high-level principles.
The EPC has specified frameworks for payment cards, infrastructures and cash payments.
- **IBAN:** International Bank Account Number
Used in conjunction with the Bank Identifier Code (BIC), it will replace the RIB code to identify bank accounts.
- **NNE:** The number attributed in France to enable creditors to issue direct debits.
- **PSP:** A Payment Service Provider, includes banks and payment Institutions
- **RIB:** The French bank account identification code
- **RICE:** The account identification code used by Caisse d'Epargne savings banks
- **SCF:** SEPA Cards Framework
The framework that governs payment card transactions in Europe and specifies the high-level principles that govern the role and responsibilities of banks and card networks in harmonising card payments in Europe.
- **Scheme:** This term may have several meanings:
Card scheme: a card system, such as Visa or Mastercard, for example.
SEPA scheme: the scheme for SEPA credit transfers or direct debits specified by the EPC. These schemes are presented in "rulebooks".
- **SCT:** SEPA Credit Transfer
The future "ordinary" credit transfer to be used in Europe and which will replace current ordinary credit transfers.
- **SDD:** SEPA Direct Debit
The future European direct debit that will replace current direct debits.
- **SECA:** Single Euro Cash Area
The geographic area in which all cash transactions (recycling, deposits and withdrawals) are subject to the same requirements.
- **SEPA:** Single Euro Payments Area
- **SIRET:** The national code used to identify business entities
- **SIT:** Système Interbancaire de Télécompensation
The national ACH used to send and clear interbank payment transactions in France.

- **SME:** Small and Medium-sized Enterprises
- **STET:** Systèmes Technologiques d'Échange et de Traitement
The company responsible for a new technical system for interbank transactions
- **SWIFT :** Society for Worldwide Interbank Financial Telecommunication

About the National SEPA Committee

The National SEPA Committee is co-chaired by the Banque de France and by the French Banking Federation. It is tasked with co-ordinating implementation of European payment systems in France. It incorporates representatives of all stakeholder groups: banks, public administrations, companies, merchants, consumers, MPs and a representative of the Economic and Social Council.

