



EUROPEAN COMMISSION

Internal Market and Services DG

FINANCIAL INSTITUTIONS

Retail issues, consumer policy and payment systems

Brussels, 22 July 2009

## COMMISSION'S 2<sup>ND</sup> SURVEY ON PUBLIC ADMINISTRATIONS' PREPAREDNESS AND MIGRATION TO SEPA

### 1. EXECUTIVE SUMMARY

This paper analyses the results of the second Commission survey on public administrations (PA) preparedness and migration to SEPA.

Overall, the response rate to the second Commission survey on PA migration to SEPA has slightly improved in comparison to the first survey (15% increase in number of responses). At the same it must however be stressed that the quality of the data provided could still be further improved both at individual and coordinated level. For example, based on our estimates, only 49% of the total payment volume of PA at central government level has been covered by the survey responses.

The survey results analysed in this paper show that the actual SCT migration rate by replying PA, especially at domestic level, is still lagging behind expectations. In the euro area, for the reporting period of March 2009, the SCT migration rate by PA was 2.3% and followed the trend of the overall national SCT migration figure of 2.9%<sup>1</sup>. In this respect, it seems that PA are not fulfilling their catalyst role for the SEPA migration, despite being heavy users of payment services. However, three exceptions can be pointed out, namely Luxembourg, Slovenia and Belgium, with SCT rates of 100%, 60% and 18% respectively.

On the positive side, an increased trend towards better coordination between PA at national level can be observed. For example, this is demonstrated by the fact that the number of Member States which have established a common end-date for phasing out legacy CT in all PA has doubled.

---

<sup>1</sup> ECB/Eurosystem indicator on the SCT use in the euro area (March 2009); <http://www.ecb.int/paym/sepa/timeline/use/html/index.en.html>

Overall, at this stage general SEPA preparedness seems to be progressing at a faster pace than actual migration and consequently a significant increase in SCT rates could be expected during the remainder of 2009 and in the course of 2010, particularly as migration end-dates approach.

## **2. THE RESULTS OF THE SECOND SURVEY**

PA play a fundamental role in SEPA. As a key “user group” of electronic payments, PA initiate and receive millions of transactions every day. In the euro area, the public sector represents around 45 % of the GDP and around 15 % of all credit transfers. Given the substantial benefits of SEPA to the wider economy, PA can and should play a catalytic role in creating the critical mass that is needed to accelerate migration towards SEPA. This is crucial when current SEPA Credit Transfer (SCT) migration remains a low 3.9% across the euro area in May 2009<sup>2</sup>.

To regularly measure the contribution of PA to the progress of SEPA, the Commission services launched a second survey on the preparedness and migration of PA to SEPA in April 2009. The survey results analysed will also feed into the Annual Commission Progress Report on the state of SEPA migration as called for in the ECOFIN Council conclusions of February 2009<sup>3</sup>. This report will be published around the end of 2009.

The analysis of this second survey is based both on SEPA migration related data received from individual PA and on data at Member State level submitted by the designated authority coordinating public sector migration efforts in the respective country. These coordinating authorities are in almost all cases the Ministries of Finance/State Treasuries.

In total, 102 PA have submitted individual replies and 23 Member States have provided a coordinated reply giving an overview of public administrations’ migration at national level. PA in Greece and Portugal only provided individual replies whereas Denmark and United Kingdom provided no reply at all by the survey deadline. The latter Member States will therefore not appear in the graphs presented in the next chapters.

For the purpose of the below analysis, replies by individual PA have been used for the analysis presented in Table 1, Graph 1, Table 3, Table 4, Graph 2, Graph 3 and Graph 5 while coordinated replies by Member States for all PA have been used in Table 2, Table 5, Graph 4 and Graph 6.

It should be noted, that the submitted data only refer to PA at central government or federal level and therefore exclude PA at regional or municipality level.

The table below sets out the number of responses received from individual PA in each Member State as well as their percentage share of the estimated total number of credit transfers (CT) undertaken by all PA in the corresponding Member State.

---

<sup>2</sup> ECB/Eurosystem indicator on the SCT use in the euro area

<sup>3</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/105993.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/105993.pdf)

For those Member States which have not provided a total estimated CT volume by PA at an aggregate level, an estimate has been made using the ECB Blue Book statistics. The assumption is that 15% of all CT indicated in the ECB Blue Book statistics are undertaken by PA. This estimate has been used for the following Member States: Austria, Greece, Ireland, Estonia, Poland and Romania. In the case of Belgium and Portugal the estimate from the first Commission survey has been used.

**Table 1:** Contributions received by individual PA at Member State level

Member State (MS)	Number of replies by individual PA	Total number of CT in 2008 by individual PA responding to survey (millions)	Estimated total number of CT made by all PA in MS in 2008 (millions)	Estimated share of replying individual PA as percentage of total number of CT by all PA
Austria (AT)	1	0.3	148.0	0.2%
Belgium (BE)	28	88.9	125.0	71.2%
Cyprus (CY)	3	3.0	3.0	100.0%
Finland (FI)	4	70.0	70.0	100.0%
France (FR)	1	252.0	872.0	28.9%
Germany (DE)	4	284.0	315.0	90.2%
Greece (EL)	1	0.3	5.0	6.0%
Ireland (IE)	5	2.8	23.0	12.2%
Italy (IT)	1	20.5	45.0	45.6%
Luxembourg (LU)	1	0.9	0.9	100.0%
Malta (MT)	3	1.7	1.9	92.1%
Netherlands (NL)	6	85.5	150.0	57.0%
Portugal (PT)	2	12.1	21.0	60.0%
Slovenia (SI)	2	8.5	40.0	21.3%
Slovakia (SK)	6	22.4	22.4	100.0%
Spain (ES)	3	137.5	209.0	65.8%
<b>Euro area</b>	<b>71</b>	<b>990.3</b>	<b>2051</b>	<b>52.0%</b>
Bulgaria <sup>1</sup> (BG)	0	<i>n.a.</i>	6.5	0.0%
Czech Republic (CZ)	1	0.0	28.0	<i>n.a.</i>
Denmark (DK)	<b>no reply received</b>			
Estonia (EE)	1	4.2	13.0	32.3%
Hungary (HU)	4	98.9	100.0	95.0%
Latvia (LV)	4	10.0	10.0	100.0%
Lithuania (LT)	4	19.7	20.0	100.0%
Poland (PL)	12	0.3	156.0	<i>n.a.</i>
Romania (RO)	1	12.0	39.0	30.8%
Sweden (SE)	4	78.0	78.0	100.0%
United Kingdom (UK)	<b>no reply received</b>			
<b>Non-euro area</b>	<b>31</b>	<b>223.2</b>	<b>450.5</b>	<b>49.5%</b>
<b>EU 27</b>	<b>102</b>	<b>1213.5</b>	<b>2501.7</b>	<b>48.5%</b>

<sup>1</sup> Has submitted coordinated reply only

There is a considerable variety in the level of representativity of the results. In some euro area Member States the estimated share of replying PA is relatively high, e.g. for BE, CY, DE, FI, LU, MT and SK, the estimated percentage share of PA credit transfers covered by the responses exceeds 70%; on the other hand, for AT, EL and IE the estimated percentage share of PA credit transfers covered by the responses is below 20%.

Overall for the euro area an estimated 52% of all PA credit transfers would appear to be covered by this survey.

Although significant, the overlap between the individual PA having replied to both the first survey and the second survey is not complete. Furthermore, the details of the questionnaire(s) have been slightly redefined based on the analysis and findings of the first survey. Finally, the methodology of the second survey analysis is based on transaction volumes undertaken by replying PA, while the first survey analysis was based on the absolute number of replying PA. Therefore the results of the first and second survey are largely but not fully comparable.

Since the scope of SEPA is euro payments only, the survey results not surprisingly demonstrate that PA in euro area Member States display better SEPA preparedness and have a higher migration rate than in non-euro area Member States. However, many PA in non-euro area Member States link SEPA migration to their potential entry into the euro area.

### **2.1. Setting up of a specific SEPA migration plan and steering body for PA**

Coordination in the form of a common, national migration plan for all PA currently takes place in only 6 Member States, namely AT, BE, CY, FR, MT and SI. ES expects to adopt such common national migration plan for PA in November 2009. IE, SK and FI rely on their general national SEPA migration plan. DE and NL are not planning to develop a plan due to the decentralised structure of their PA. In DE however, exchange of information takes place between the federal level and the “Länder” or State level on a regular basis.

Outside the euro area, dedicated plans for SEPA migration of PA do not exist, mostly due to the limited payment transaction volume in euro. Several of these Member States are, however, planning to adopt a specific PA migration plan upon their potential entry into the euro area (PL, BG and LT).

In 8 Member States dedicated central steering bodies have been established to drive SEPA migration of PA (AT, BE, CY, FR, MT, NL, ES and SE). Of these Member States, BE, FR and MT have set up an inter-ministerial steering body. In AT, ES, NL and SE this coordination role is fulfilled by the Ministry of Finance/State Treasury and in CY by the national central bank.

**Table 2:** Member States with a specific migration plan and coordinating body for PA

Member State	National migration plan specifically for PA		Coordinating body specifically for PA migration	
	Yes	No	Yes	No
Austria	X		X	
Belgium	X		X	
Cyprus	X		X	
Finland		X		X
France	X		X	
Germany		X		X <sup>1</sup>
Greece	no coordinated reply received			
Ireland		X <sup>2</sup>		X
Italy		X		X <sup>3</sup>
Luxembourg	n.a. <sup>4</sup>			n.a. <sup>4</sup>
Malta	X		X	
Netherlands		X	X	
Portugal	no coordinated reply received			
Slovenia	X			X
Slovakia		X		X
Spain		X	X	
<b>Euro area</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>
Bulgaria		X		X
Czech Republic		X		X
Denmark	no reply received			
Estonia		X		X
Hungary		X		X
Latvia		X		X
Lithuania		X		X
Poland		X		X
Romania		X		X
Sweden		X	X	
United Kingdom	no reply received			
<b>Non-euro area</b>	<b>0</b>	<b>9</b>	<b>1</b>	<b>8</b>
<b>EU 27</b>	<b>6</b>	<b>16</b>	<b>8</b>	<b>14</b>

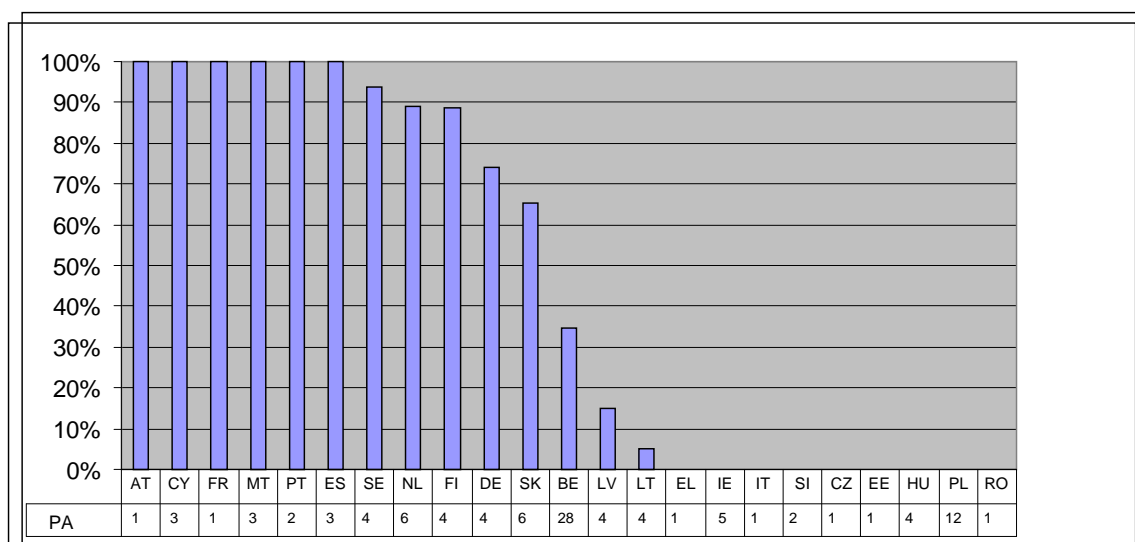
<sup>1</sup> Coordination bodies exist at Länder or State level<sup>2</sup> Previous survey reply indicated “YES”, but this has been amended in the current survey reply to “NO”<sup>3</sup> As regards municipalities, a working group coordinated by a central body (CNIPA) has worked out the rules for the migration to SCT<sup>4</sup> All SCT compliant as IBAN/BIC are fully used domestically since 2003 and banks convert national formats into ISO 20022 XML formats on behalf of their customers until end-2009. After that PA will use ISO 20022 format themselves.

## 2.2. Appointment of a SEPA project manager

In the following analysis, the percentages of replying PA with a SEPA manager are weighted on the basis of the total number of credit transfers made by these PA within the respective Member State. On this basis, a total of 72% of replying PA across the EU have appointed a SEPA manager with a dedicated responsibility for SEPA migration. Within the euro area, this share stands at 81%, outside the euro area at 34%.

The graph below illustrates by Member State the percentages of replying PA having appointed a SEPA project manager (numbers below the country acronyms represent number of replying PA in the corresponding Member State).

**Graph 1: Percentage of replying individual PA with a SEPA manager**



Note: Two Member States do not appear in this graph: LU as its PA have already migrated to SEPA and BG as no data from individual PA has been received.

### 2.3. SCT migration

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

Overall, individual PA in 11 euro area Member States have partially started to use SCT. In many cases these PA, such as State Treasuries, have large CT volumes. However, although the SCT is designed to be used both for national as well as cross-border payments, actual SCT usage is often restricted to cross-border transactions only. Therefore, the current SCT migration rates at national level are still very low, with the notable exceptions of LU (100%) and SI (around 60%). Migration to SCT in these two Member States was greatly facilitated by the fact that both had already adopted IBAN and BIC as their national standards for account numbering. Furthermore, in SI the SCT migration has been significantly driven by the start of a new SEPA compliant clearing and settlement system which facilitates the migration of domestic payment traffic to SCT. Positive developments have also taken place in BE where several individual PA have already achieved full migration to SCT, some of which represent considerable payment volumes.

In the non-euro area, SCT take-up by PA is marginal, with only a very few SCT transactions undertaken by national central banks in PL and SE and by the Ministry of Finance in EE.

The table below shows the Member States in which at least one individual PA has started to use SCT.

**Table 3:** Use of SCT by individual PA

Member State	Individual public administration(s) using SCT	
	Yes	No
Austria	X	
Belgium	X	
Cyprus		X
Finland	X	
France		X
Germany	X	
Greece		X
Ireland	X	
Italy	X	
Luxembourg	X	
Malta	X	
Netherlands		X
Portugal		X
Slovenia	X	
Slovakia	X	
Spain	X	
<b>Euro area</b>	<b>11</b>	<b>5</b>
Bulgaria		X
Czech Republic		X
Denmark	no reply received	
Estonia	X	
Hungary		X
Latvia		X
Lithuania		X
Poland	X	
Romania		X
Sweden	X	
United Kingdom	no reply received	
<b>Non-euro area</b>	<b>3</b>	<b>6</b>
<b>EU 27</b>	<b>14</b>	<b>11</b>

It should be noted that some Member States in which SCT is not yet used by responding PA, have nevertheless defined a common SCT starting date for all PA at national level, namely CY, NL and RO. The remaining Member States have not set such a date yet (FR, BG, CZ, HU, LT, and LV) and expect migration to happen progressively.

In terms of measuring actual SCT migration, quantitative analysis is constrained by the relatively limited number of individual PA which have replied to the survey, with the exception of BE where 28 individual PA have replied. At the same time, quantitative analysis is also handicapped by the fact that aggregate CT data for the totality of PA does not yet seem to exist at national level.

The table below shows the weighted average SCT migration rate per Member State **only for those PA having replied to the survey**. For example, in the case of SI, an estimated 21.3% of PA credit transfers are covered by survey responses and for those survey responses, the weighted average SCT migration rate is 60%.

BE, LU and SI are the only MS where the SCT migration rate for public authorities responding to the survey appears to exceed the general average SCT migration rate of 2.9%<sup>4</sup> for the euro area, although both AT and IT have SCT migration rates that are relatively close to this figure (2.6 and 2.0% respectively). For PA in other Member States, the SCT migration rate is extremely low or zero. From the above figures, PA do not yet appear to be leading SCT migration.

**Table 4:** Weighted average SCT rate in individual PA having replied

Member State (MS)	Number of replies by individual PA	Estimated share of replying individual PA as percentage of total number of CT by all PA	Weighted average SCT migration rate for replying individual PA (March 2009)
Austria	1	0.2%	2.6%
Belgium	28	71.2%	17.6%
Cyprus	3	100.0%	0.0%
Finland	4	100.0%	0.0%
France	1	28.9%	0.0%
Germany	4	90.2%	0.1%
Greece	1	6.0%	0.0%
Ireland	5	12.2%	0.2%
Italy	1	45.6%	2.0%
Luxembourg	1	100.0%	100.0%
Malta	3	92.1%	0.4%
Netherlands	6	57.0%	0.0%
Portugal	2	60.0%	0.0%
Slovenia	2	21.3%	60.0%
Slovakia	6	100.0%	0.0%
Spain	3	65.8%	0.0%
<b>Euro area</b>	<b>71</b>	<b>52.0%</b>	<b>2.3%</b>
Bulgaria <sup>1</sup>	0	<b>no individual reply received</b>	
Czech Republic	1	n.a.	0.0%
Denmark	0	<b>no reply received</b>	
Estonia	1	32.3%	0.0%
Hungary	4	95.0%	0.0%
Latvia	4	100.0%	0.0%
Lithuania	4	100.0%	0.0%
Poland	12	n.a.	0.0%
Romania	1	30.8%	0.0%
Sweden	4	100.0%	0.0%
United Kingdom	0	<b>no reply received</b>	
<b>Non-euro area</b>	<b>31</b>	<b>49.5%</b>	<b>0.0%</b>
<b>EU 27</b>	<b>102</b>	<b>48.5%</b>	<b>1.8%</b>

<sup>1</sup> Has submitted coordinated reply only

<sup>4</sup> ECB/Eurosystem indicator on the SCT use in the euro area for the reporting period of March 2009

## 2.4. End-date for SCT migration

Several Member States have established a common end-date for all PA to phase out legacy CT. These are:

- **mid-2010:** NL (all central government departments, excluding tax authority);
- **end-2010:** BE (stop processing legacy paper forms; target date for critical mass of electronic CT) and AT (target date for federal administrations);
- **end 2011:** FR and SK (target date for all PA); CY (for NCB which serves as payment service provider for Treasury and Social Insurance).

Additional positive examples can be observed in several individual PA where a common national target end-date does not exist yet. These administrations have set their own specific target dates: in ES, the central administration for public pension payments (7 million CT annually) by the end of 2009; in IT, central public salary and pension payments (20 million CT annually) by beginning 2010; in DE, the Bundesagentur für Arbeit (with 210 million CT annually) by the end of 2010; and in FI, central tax and social insurance institutions (36 million CT annually) by the end of 2010.

**Table 5:** Member States with an end-date for SCT migration for all PA

Member State	Common end-date fixed for all PA	
	Yes	No
Austria	<b>end 2010: at federal level</b>	
Belgium	<b>end 2010: for processing of legacy paper forms &amp; target date for critical mass of electronic CT</b>	
Cyprus	<b>end 2011: for NCB as provider for Treasury and Social Insurance</b>	
Finland		X <sup>1</sup>
France	<b>end 2011: target date for all PA</b>	
Germany		X
Greece	no coordinated reply received	
Ireland		X
Italy		X
Luxembourg	<b>N/A: already SCT compliant</b>	
Malta		"work in progress"
Netherlands	<b>mid 2010: only for central government, excluding tax authority</b>	
Portugal	no coordinated reply received	
Slovenia		but SCT rate already at 60%
Slovakia	<b>end 2011: target date for all PA</b>	
Spain		X
<b>Euro area</b>	<b>6</b>	<b>7</b>
Bulgaria		X
Czech Republic		X
Denmark	no reply received	
Estonia		X
Hungary		X

Latvia		X
Lithuania		X
Poland		X
Romania		X
Sweden		X
United Kingdom	no reply received	
<b>Non-euro area</b>	<b>0</b>	<b>9</b>
<b>EU 27</b>	<b>6</b>	<b>16</b>

<sup>1</sup> National migration plan defines a target end-date of end-2010 for phasing out legacy CT. The same end-date will de facto applies to PA as the legacy CT scheme will be replaced by the SCT scheme.

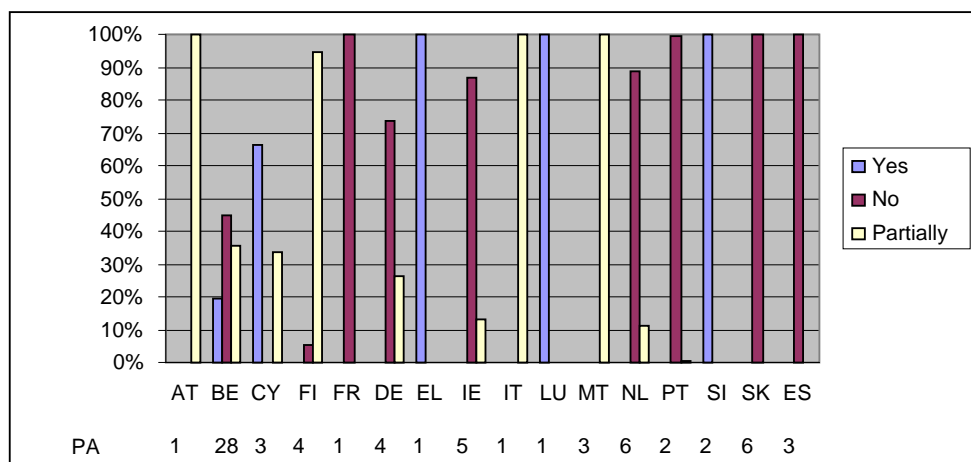
## 2.5. Technical preparedness for SEPA

### 2.5.1. IBAN/BIC usage

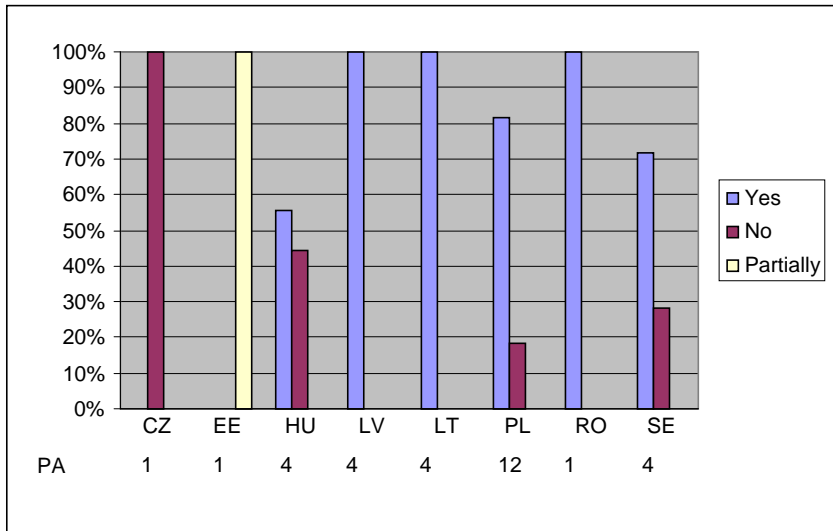
In the following analysis, the percentages of IBAN/BIC usage are weighted on the basis of the total number of CT made by replying PA within each Member State. Calculated across the whole EU, 15% of replying PA have fully completed migration to IBAN/BIC; 17% have partially started to initiate domestic payments with IBAN and BIC and 68% have not yet started to use IBAN/BIC at all.

The graphs below illustrate by Member State the percentages of replying PA using IBAN/BIC fully, partially or not at all (numbers below the country acronyms represent number of replying PA in the corresponding Member State). BG does not appear in the graphs as no reply from individual PA has been received.

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

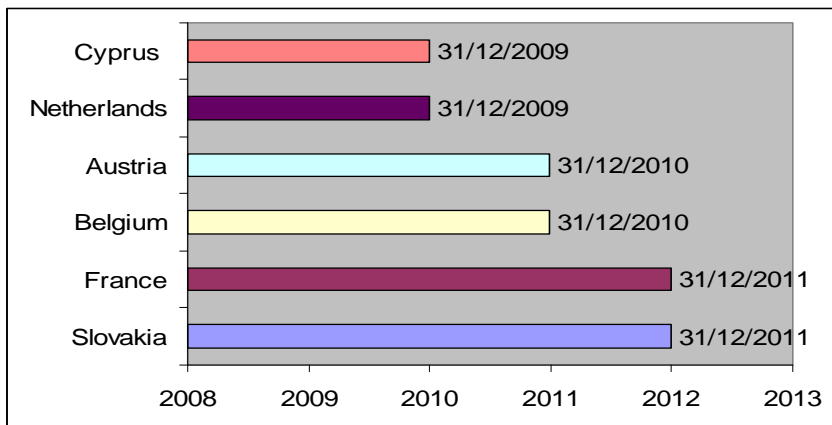


**Graph 3:** Use of IBAN/BIC by replying individual PA in non-euro area Member States



Conversion of IBAN/BIC is not required in PA in LU, LV, LT, EL, SI, BG and RO since IBAN/BIC are already nationally used as domestic identifiers. The graph below indicates which Member States have set a common target date for all PA to convert from BBAN to IBAN/BIC.

**Graph 4:** Member States with an end-date for IBAN/BIC conversion for all PA



Note: In the case of FR, the above deadline is a technical consequence of the SCT target date and therefore it is de facto also the target date for IBAN/BIC conversion

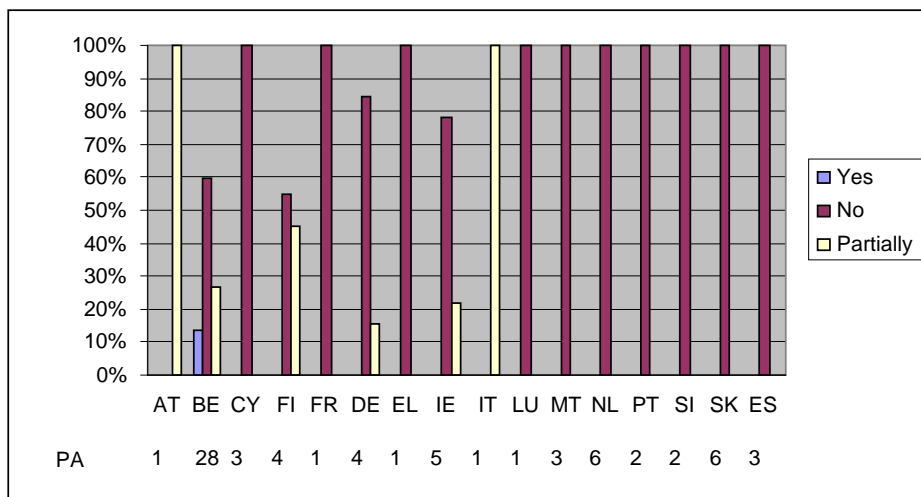
No common conversion deadline has been set up in 11 Member States, namely EE, FI, IE, IT, DE, MT, ES, CZ, HU, PL and SE. However, several PA in these Member States have defined their individual end-dates for the conversion from BBAN to IBAN/BIC, namely in DE, ES, FI, HU and IE.

### 2.5.2. ISO 2002 XML usage

Similarly as for the IBAN/BIC analysis above, the ISO 2002 usage is weighted on the basis of the total number of CT made by replying PA within each Member State. Calculated across the whole EU, 89% of replying PA still submit payment instructions to their bank using a national file format for credit transfers; only 1% fully use the new ISO 2002 format and 10% partially use the ISO 2002 format.

The graphs below illustrate the percentages of replying PA which use the ISO 20022 XML format fully, partially or not at all (numbers below the country acronyms represent number of replying PA in the corresponding Member State). BG does not appear in the graph as no reply from individual PA has been received.

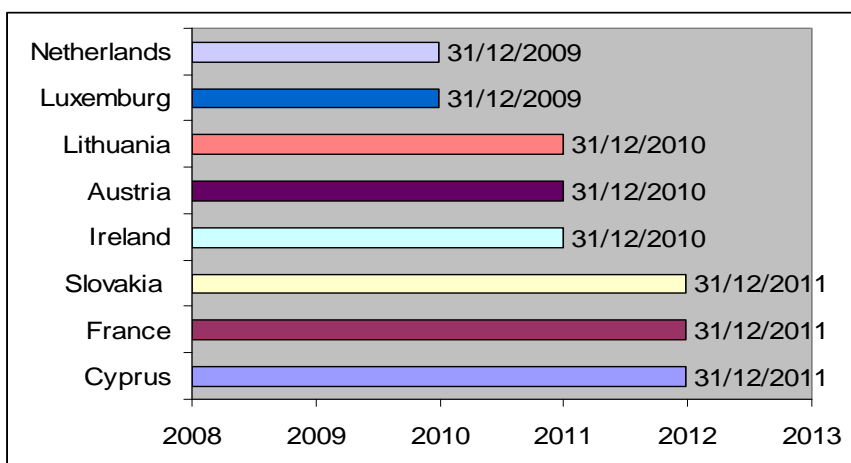
**Graph 5:** Use of ISO 20022 by replying individual PA in euro area Member States



None of the individual PA in the non-euro area Member States have started to use the ISO 20022 XML format.

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 6:** Member States with an end-date for migration to ISO 20022 format in all PA



Note: In the case of FR, the above deadline is a technical consequence of the SCT target date and therefore it is de facto also the target date for migration to ISO 20022

It should however be noted that the target date for IE is currently under review and the target date of end 2010 in LT is limited to euro payments only. In addition, banks in SE already convert existing national formats into ISO 20022 XML formats on behalf of their customers when using SCT.

The vast majority of Member States have not yet set up a common transition plan to fully switch from national format to the ISO 20022 XML format, namely BE, DE, EE, FI, IT, MT, PT, SI, ES, BG, CZ, HU, LV, PL and RO. However, several PA in some of these Member States have defined their individual end-dates for switching from national format to the ISO 20022 XML format (BE, DE, FI and SI).