

# Annual Report 2013

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# 1

## Profile

The Dutch Payments Association (*Betaalvereniging Nederland*) organises the collective tasks in the national payment system for its members. These members are providers of payment services on the Dutch market: banks, payment institutions and electronic money institutions. The collective tasks of the members relate to payments infrastructure, standards and common product features, aimed at achieving an optimally effective, secure, reliable and efficient payment system.

The payment system is of great social importance. Hence, transparency, openness and accessibility are important principles.

Active cooperation with end user representatives is essential for an efficient and secure payment system. Consequently, the Payments Association devotes much attention to stakeholder management.

### Our mission

The Dutch Payments Association aims to achieve an optimally effective, secure, reliable and socially efficient payment system. To this end, the Payments Association provides services (collective tasks) that serve the common interest of its members and supervises these collective tasks.

The Payments Association has identified the following core values as essential prerequisites for fulfilling its tasks successfully:

- Driven
- Relevant
- Interconnecting

The Payments Association considers it extremely important to actively involve representatives of end users – i.e. entrepreneurs and consumers – in its activities. In doing so, the Payments Association gives substance to the social character of the payment system.

#### Our vision on the payment system

The payment system in the Netherlands works almost flawlessly. Each day, millions of transactions are carried out efficiently, securely and quickly. The payment system is an essential pivot of the economy. It has many stakeholders and is of great social significance. In that sense, the payment system has a utility function. The large number of parties involved, the high quality requirements and the large volume of transactions make the payment system an extremely complex market. Consequently, all relevant parties have to be involved and their interests taken into consideration to achieve an effective, secure, reliable and socially efficient payment system. With the creation of the Single Euro Payments Area (SEPA), standards and payment products are increasingly being established at a European level rather than at a national level. Moreover, European legislation gives new players (payment institutions in particular) more opportunities for entering the payment market. Even though the payment market is becoming international, national collaboration with regard to collective and non-competitive matters remains extremely important. This is particularly important in terms of further improving the high quality level of the payment system and retaining the social advantages achieved thus far, as well as expanding these further where possible.

#### Coordinator of collective tasks within the payment system

The Dutch Payments Association fulfils a large number of collective, non-competitive tasks within the Dutch payment system. The Payments Association cooperates closely with its members and periodically consults them regarding new developments and activities. In addition, end user representatives are consulted proactively.

The Payments Association's tasks include:

- **Product management**

In its capacity of product manager, the association focuses on establishing, managing and adjusting common product characteristics, standards and rules. The development and implementation of new collective services, (international) products and standards initiated by the members or based on foreign best practices is also among its tasks.

- **Change management**

The association ensures that national and international requirements and developments relating to the payment infrastructure, standards and product characteristics are translated to the national payment system. It is also responsible for their implementation.

- **Quality assurance**

The association formulates security requirements for the payment system and certifies, among other, market parties within the payments chain. The association supervises compliance with rules and regulations, to guarantee the security and reliability of the payment system and, where possible, to improve on this. In addition, it monitors the quality of the payment chain and coordinates the resolution of disruptions.

- **Fraud prevention**

The Payments Association orchestrates fraud prevention throughout the entire payment chain, compiles and analyses fraud statistics and formulates prevention policy. In addition, the association coordinates the implementation of measures designed to prevent fraud.

- **Payment system expertise**

The association keeps track of external developments that are of interest to its members and other stakeholders. To this end, it consults players on the payment market, external standardisation institutions and researchers. Where wanted and useful, the Payments Association collaborates with external parties and conducts research that contributes to increasing the effectiveness, security, reliability and social efficiency of the payment system.

- **Information**

The association communicates views to the public, coordinates collective information campaigns relating to its activities and handles media relations.

# 2 Report from the Board of Directors

It is with great pleasure that I present to you the second annual report of the Dutch Payments Association (*Betaalvereniging Nederland*). This annual report covers the year 2013.

## Background

In 2010, the Payment System Committee of the Dutch Banking Association (*Nederlandse Vereniging van Banken* or NVB) and Currence concluded that a reassessment of the structure of the Dutch payment system was unavoidable, given the developments taking place within the payment system. These developments include the internationalisation of the payment system – with national products being replaced by European standards (SEPA) , the more open and dynamic market structure generated by the arrival of non-bank payment institutions (and similar entities) and the increasing need for stakeholder management and supply chain management. In addition, with the advent of payment institutions, it is no longer considered desirable for the NVB, as the organisation representing the interests of the banks, to fulfil collective tasks for the payment system.

The creation of a new payment organisation was investigated in 2010 and 2011, under the direction of a steering committee composed of representatives from banks, the NVB and Currence, and with *De Nederlandsche Bank* (DNB, the Dutch central bank) participating as an observer. This investigation considered job responsibilities, governance and funding, as well as the structure of the organisation. As the demand side of the payment system is also important, the results of the study were discussed with the members of the National Forum on the Payment System (*Maatschappelijk Overleg Betalingsverkeer* or MOB). The suggestions that they made have been incorporated into the final report.

The Dutch Payments Association was founded on 29 November 2011, in the knowledge that a central

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investment and direction of the national collective tasks, combined with clear and unambiguous governance, would contribute to the effectiveness, efficiency, security and reliability of the national payment system.

## Board of Directors

As specified in the statutes, the Board of Directors of the Payments Association has nine members: The board consists of three independent members, including the chairman, and six members who are affiliated with members of the Payments Association. The [section on Board and Management](#) provides additional information on the composition of the Board.

The Board met five times during the reporting period. During its meetings, the Board focused not only on its regular activities (see below) but also on evaluating the Payments Association, on prevention of skimming fraud and on activities of social significance.

## Activities

The Payments Association has three objectives: to promote an efficient and effective payment system, to ensure the security and reliability of the payment system and to promote a clear, common vision regarding the payment system. In the [Profile section](#), we provide a detailed explanation of our mission and vision for the payment system.

For a more detailed description of the activities of the Payments Association in the past period, I refer to the [Activities section](#).

## Evaluation

In late 2012, the Board decided to review the performance of the Payments Association, including the repartition of tasks with other organisations. This review was completed halfway through 2013 and confirmed the added value of the Payments Association. Its members have no doubts that they wish to continue along the chosen path. The Payments Association is generally perceived as competent and reliable.



## 2

The members have sufficient confidence to entrust more tasks to the Payments Association. Therefore they have proposed to transfer the remaining activities of the NVB in the area of payments to the Payments Association. This was approved by the NVB. Five NVB staff members involved with the topic of payments joined the Payments Association in early 2014. With this approach the members have opted for a single public face and point of contact relating to the payment system, to eliminate duplication of tasks. However, the Payments Association and the NVB will continue to consult one another when it comes to communication on matters of significant public interest.

This expanded role and responsibilities of the Payments Association mean that the organisation needs to play a more policy-oriented, managerial and advisory role. In addition to its substantive knowledge, the Payments Association should competently manage decision-making processes, while observing the cultures and attitudes of its members and stakeholders.

The Board notes that management and staff have met this challenge with enthusiasm. The Board is confident that this will make the Payments Association a more effective and efficient organisation. It can expect the confidence of its members and benefit from the support that is required to play a central facilitating role in the Dutch payment system.

The Payments Association has been active for about two and a half years. The Board reflects on this period with satisfaction. Already the Payments Association has a clear public image. It has achieved ever more results in enhancing the efficiency of the payment system through new product applications, amongst others. The stability of the payment chain for debit card payments has also improved and skimming has been reduced.

The Payments Association is playing an important role in facilitating the implementation of SEPA. During the year covered by this report, the move to the new Symphony office was completed successfully. The Payments Association occupies one of two floors in the office space of the NVB, resulting in significant cost reductions for both organisations.

## 2

The payment system is changing rapidly. Products, standards and practices that have been used satisfactorily for many years, have disappeared or will disappear in the short term. They are being replaced by European variants, some of which have quite different characteristics. This is placing considerable demands on both the supply and demand sides of the payment system. Moreover, these changes are taking place at a time when people are viewing the financial sector more critically than before. The Payments Association is faced with the challenge of contributing to a sustainably efficient and secure payment system under circumstances that are not always easy.

Amsterdam, 7 May 2014

On behalf of the Board of Directors,

*Henk Brouwer, Chairman*

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## Activities of the Payments Association in 2013

### Promoting the efficiency of the payment system

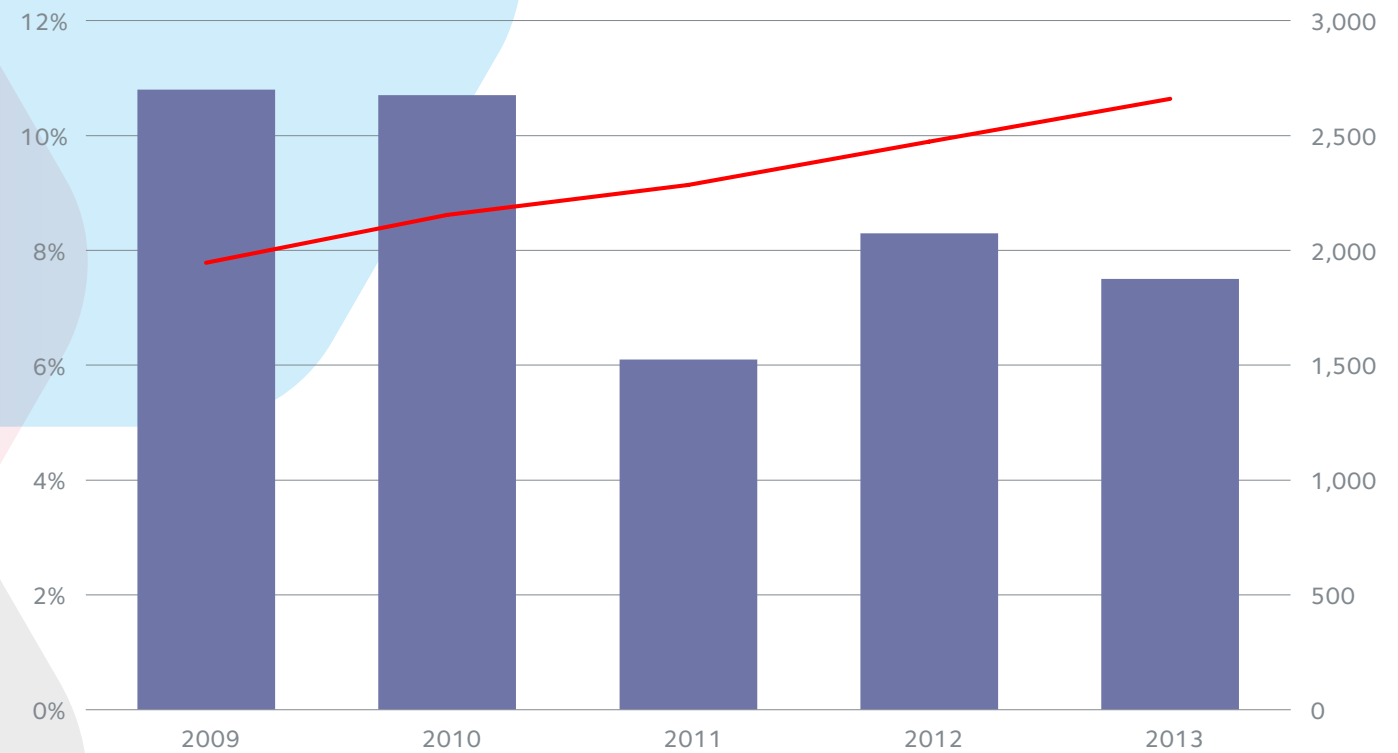
#### Debit card payments

Members of the Payments Association offer services related to debit card payments. The Payments Association coordinates and directs collective agreements for its members in areas including debit card payment infrastructure. It is also communicates to the public about debit card payments.

In 2013, debit card payments increased by 7.5% compared to the previous year. In all, 2.661 billion debit card payments were made in the Netherlands. The growth in payments slackened slightly in comparison to 2012, when it reached 8.3% (figure 1). Declining consumer spending in retail contributed to this. The increase in online shopping also had an impact on the number of debit card payments.

**Debit card payments  
grow by 7.5% despite  
falling consumer spending**

Figure 1 - Debit card payments

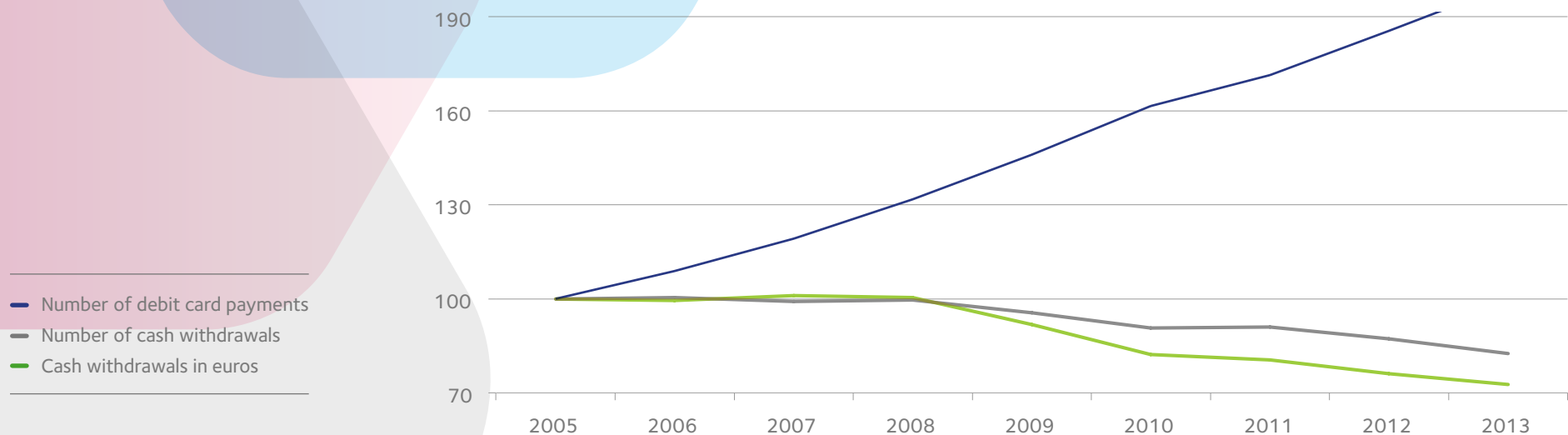


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The relatively high growth in the number of debit card payments represents a continuation of the trend towards paying by debit card instead of paying with cash, a trend that has been visible for many years (figure 2). Consequently, the number of cash payments decreased further in 2013. In line with this development, the number and amount of cash withdrawals at ATMs decreased as well (compared to 2012, by 5.4% and 4.5%, respectively). In the past five years, the number of withdrawals from ATMs decreased by almost 14%. The amount per withdrawal decreased further by approximately 21%. The increasing use of Internet and mobile banking and online payment methods such as iDEAL, also led to fewer cash payments.

Figure 2 - Use of debit cards and cash withdrawal trend

Index figures (2005=100)



Source: DNB (number of withdrawals and withdrawals in euros)

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### Growth of e-commerce and online payments

Unlike traditional retail, e-commerce has experienced significant growth in recent years. According to *Thuiswinkel.org*, the umbrella organisation for online retailers, the Dutch spent € 10.6 billion on the Internet in 2013, an increase of more than 8.5% compared to the previous year. This growth is also evident in the number of online iDEAL payments. The Dutch pay their online purchases most often with iDEAL. It is also their preferred method of online payment. The number of iDEAL payments increased by more than 20% in 2013, to 142 million<sup>1</sup>.

*Thuiswinkel.org* has launched a research programme entitled *Shopping2020*. The Payments Association and Currence iDEAL are participating in this programme. *Shopping2020* examined how consumers will shop in 2020. The research shows that consumers are gaining increasing influence in their online purchase process. Experts foresee a continued growth in online consumer shopping.

On the one hand, this is due to the continued growth of mobile-based shopping. Because of the growing use of smartphones and tablets, consumers spend more time online. Over 2 million Dutch people already make purchases using a smartphone or tablet, and that number is growing rapidly. The share of mobile commerce in total online sales is expected to keep growing.

On the other hand, the boundaries between online and offline retail channels are blurring. Switching between them becomes easier. For example, a consumer may start browsing on a smartphone for a particular product. Later, he may order and pay for this product using a tablet, laptop or desktop. And finally, he collects the product at a store. Online payments will therefore become more common. The ordering and payment process will be further integrated (one-click-buy). It is expected that digital identity recognition (e-ID) will play an important role in future online and mobile payment methods.



Online payments  
through your own bank

<sup>1</sup> For a detailed analysis, please see the Currence Annual Report 2013, which is available to download at [www.currence.nl](http://www.currence.nl).



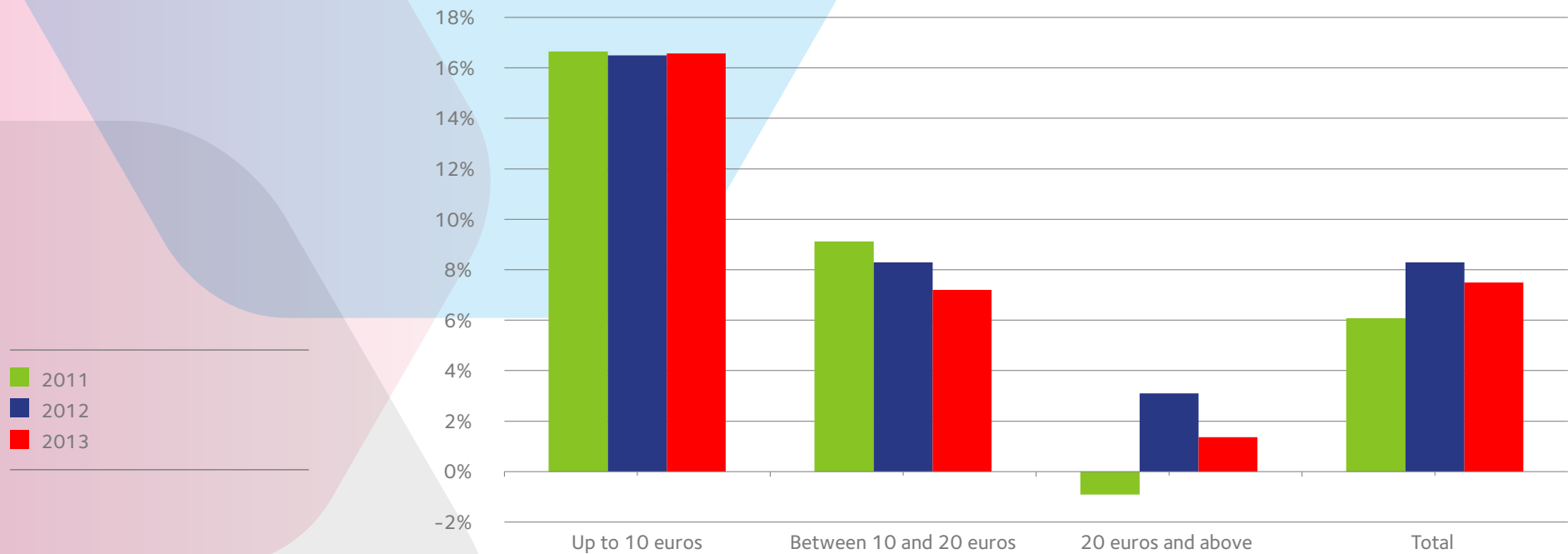
## PINNEN JA GRAAG

Traditionally, supermarkets account for most of the growth in debit card payments. In 2013, 40% of all debit card payments took place in supermarkets. Their number of debit card payments rose by 8.7%. Approximately 45% of the 7.5% growth in all debit card payments came from the supermarket sector. But the growth in debit card payments is becoming more broadly based. In 2012, still some 75% of the growth in debit card payments came from the supermarket sector. In 2013, this growth was supported significantly by hotels, restaurants and bars (20% share), the services sector, parking, and other retail businesses.

Again in 2013, consumers used their debit cards more frequently for small amounts. The number of debit card payments for amounts under € 10 increased substantially, by 16% (figure 3). Debit card payments for amounts under € 2.50 increased the most (by nearly 29%). Debit card payments of less than € 10 accounted for almost 70% of the overall growth in debit card payments in 2013. As a result, the average amount of debit card payments decreased further to € 32.51. Six years ago, this was still almost € 44. The total value of debit card payments in 2013 amounted to the record figure of over € 85 billion.

**Figure 3 - Debit card payments continue to increase, especially for small amounts**

Growth in debit card payments for various amount ranges (% per year)





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A number of promotional activities for debit card payments took place in 2013, largely under the direction of the Foundation to Encourage Efficient Payments (*Stichting Bevorderen Efficiënt Betalen* or SBEB). The Payments Association participated in several of these activities on behalf of its members. In May the mass media campaign '*Pinnen, ja graag*' ('*Pay using your debit card? Yes, please.*') was launched by SBEB, banks, supermarkets, international card organisations and the Payments Association. The campaign covered stores, television, Internet and print media, also with free publicity.



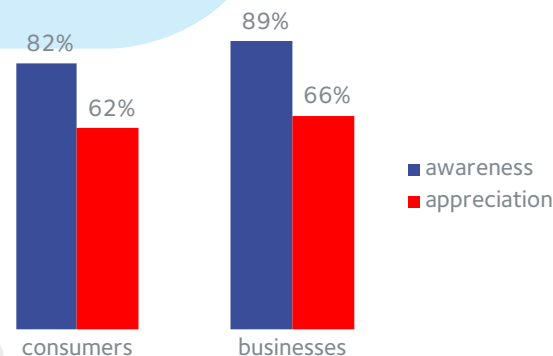
The Payments Association provides promotional material for debit card payments to businesses. The promotional material can be ordered through the website PIN.NL, mostly free of charge. Some material shows a message that only debit card payments are accepted. This helps merchants to clearly signal 'debit card only' checkouts, increasing the efficiency of the payment process. This material is widely used in supermarkets. Checkouts where customers can only pay with a debit card are now commonplace.

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### Consumers and businesses are positive about the new debit card payment campaign

The campaign '*Pay using your debit card? Yes, please.*' was well received by businesses and consumers alike. Ten months after it began, the Payments Association examined awareness and appreciation of the campaign among 1,200 consumers. The Foundation to Encourage Efficient Payments conducted a similar survey among 450 entrepreneurs that accept debit card payments.

More than 80% of consumers surveyed said they had seen or heard the slogan '*Pay using your debit card? Yes, please.*' Most of them knew the slogan from the TV commercial and promotional material in shops, restaurants and petrol stations. Among businesses, awareness of the slogan was even higher: almost 90% remembered it. About 40% of the respondents said they used the promotional material on their premises.



The slogan and the accompanying promotional materials were appreciated positively. Some 62% of consumers indicated that the slogan appeals to them. They find the message clear and relevant, according to the research. Among businesses, 66% agree that the message appeals to them. They mention that the slogan is agreeable and encourages customers to pay by debit card.

## RETOURPINNEN

### Fast and secure payments at parking meters with *dip & go*

#### Debit card payment refunds

Under the direction of the Payments Association, the members reached a consensus on developing infrastructure for debit card refunds. This will enable retailers to refund payments to customers electronically when they return an item. As a result, retailers can keep less cash available. The ability to make debit card refunds is a long-held desire of businesses in several sectors, including fashion and clothing. Thanks to this project, this will now be possible everywhere, as long as the retailer and the bank both offer this service.

In 2013, the payment infrastructure was modified to enable debit card refunds. The members of the Payments Association will be able to decide for themselves whether or not they will offer their business customers this service. In early 2014, the first pilot for debit card refunds was launched. The Payments Association assessed the effectiveness of the communications material for the new service.

#### Growth of quick and easy payment at parking ticket machines

Since late 2012, the payment infrastructure has been equipped for parking payments of up to € 50 at POS terminals, without having to enter a pincode. This is an efficient and secure way to pay. Payment is faster and the equipment required is simpler and therefore often cheaper. Skimming is impossible because there is no need to enter the pincode.

Several suppliers of POS terminals for the parking sector now offer this payment option, also known as *dip & go*. In 2013, municipalities were using this type of facility at more and more locations. At the end of 2013 Amsterdam started a trial with the system for street parking. If successful, the municipality will consider introducing the system for all street parking ticket machines. Private commercial parking facilities also increasingly offer this payment method. It is a good alternative to the Chipknip system, which is widely used in the parking sector but which will be decommissioned at the end of 2014.

### One-off direct debit mandate for debit card payments compatible with SEPA

A one-off direct debit mandate for debit card payments is a paper form issued by banks for retailers, so that customers can pay even when the debit card system is unavailable due to a malfunction. Fortunately, these forms are used extremely rarely. Only a few thousand forms are used annually, out of over 2.6 billion debit card payments. However, for retailers they are a reassuring safety net.

One-off direct debit mandate for debit card payments, last emergency resort

The diagram illustrates the SEPA Eenmalige Machtiging Pinnen form, a one-off direct debit mandate for debit card payments. The form is titled "SEPA Eenmalige Machtiging Pinnen" and includes the following fields and annotations:

- total amount up to 150 euros**: Points to the "bedrag: maximaal € 150,-" field.
- IBAN account number of card holder**: Points to the "van bank/rekening (IBAN)" field.
- date field**: Points to the "datum (dd/mm/jj):" field.
- signature of card holder**: Points to the "handtekening pashouder:" field.
- proof of identity details of card holder**: Points to the "paspoort/rijbewijsnr. pashouder:" field.
- e-mail, address, postal code, place of residence of card holder**: Points to the "e-mail pashouder:", "adres pashouder:", "postcode/plaats / land pashouder:", and "L.N.v.:" fields.
- surname of card holder**: Points to the "naam pashouder:" field.

Additional form details include:

- A warning box: "Door ondertekening van dit formulier geeft u toestemming aan Stichting Gelden Eenmalige Machtiging Pinnen om een eenmalige incasso opdracht te stellen naar uw bank om een bedrag van uw rekening af te schrijven overeenkomstig de opdracht van Stichting Gelden Eenmalige Machtiging Pinnen. Als u het niet eens bent met deze afschrijving kunt u deze laten terugboeken. Neem hiervoor binnen 8 weken na afschrijving contact op met uw bank. Vraag uw bank naar de voorwaarden."
- A note: "Niet op de machtiging vermeldde bedrag wordt over ca. 10 werkdagen afschreven van het door u opgegeven rekeningnummer."
- A note: "Formulier met blauwe of zwarte pen invullen, andere kleuren kunnen niet verwerkt worden! Zijn alle witte velden/hutken ingevuld? Formulier uiteindelijk bestemd voor betaling in euro's."
- A note: "gedeelte t.b.v. incassant."
- A note: "de ruimte hieronder niet beschrijven"

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Following the introduction of IBAN account numbers and SEPA direct debits, and because Equens no longer processes the previous one-off direct debit mandates for debit card payments, it was necessary to modify this service. The Payments Association and its members achieved this by selecting a new processor of forms, and by amending the form and distributing the new version to all existing users. This means that Dutch retailers can continue to use the one-off direct debit mandate system for debit card payments, also in the Single Euro Payments Area (SEPA).

## Contactless payment

For a contactless payment, the customer only needs to hold a mobile phone or contactless debit card close to the payment terminal. September 2013 was an important milestone for contactless payment in the Netherlands. In that month a pilot scheme for mobile payment was launched in Leiden. Three banks participated in the Mobile Payment Netherlands project (*Mobiel Betalen Nederland* or MBN). They enabled 1,000 consumers and 150 retailers to make electronic payments using mobile phones with a Near Field Communication (NFC) chip. As no pincode needs to be keyed in for payments of up to € 25, payment is quick and easy.

In 2013, the Payments Association organised a number of meetings for its Card Payments Forum (*Forum Kaartbetalingen*), where stakeholders were informed about the pilot project and the progress being made by representatives of MBN. The suggestions from stakeholders in the Forum have been taken into account by MBN.

The Payments Association was also involved in certifying new terminals that include a contactless reader alongside a normal card reader. In early 2014, the pilot was evaluated and a number of follow-up activities got underway. The banks cooperating within MBN have decided to transfer some of their activities to the Payments Association. This allows other banks to introduce contactless payments that use the same standards. As a result of the pilot, a number of banks have decided to enable contactless payments using debit cards.



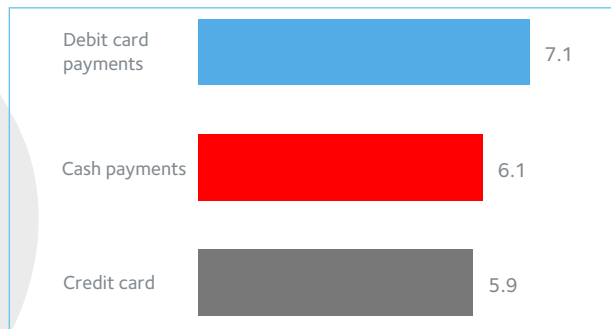
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### Consumers trust debit card payments and contactless payments to be secure

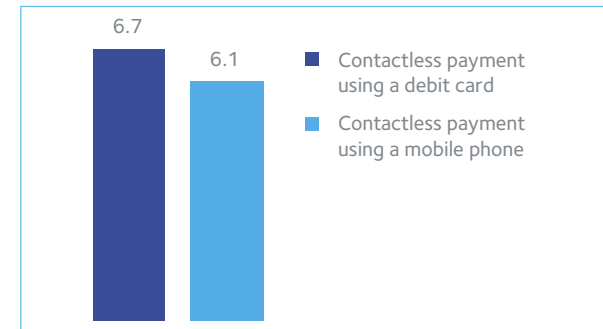
The security of debit card payments was rated with an average score of 7.1 in 2013, according to research by the Payments Association among more than 1,100 Dutch consumers. That is a more than adequate score and considerably higher than the 6.1 scored by cash payments and 5.9 scored by credit cards.

Contactless payment, a new form of electronic payment, is also perceived as being secure. In 2013, a restricted group of consumers experienced contactless payment using a debit card or mobile phone. They assessed its security with a score of 6.7 (debit card) and 6.1 (mobile). The result is encouraging, particularly because consumers are generally cautious in their initial assessment of the security of new technologies.

By the end of 2014, almost ten million people in our country will have a debit card or mobile phone with a contactless payment capability. The number of locations where people can make contactless payments will also increase. Ever more people are therefore expected to use contactless payments in 2014. The Payments Association will continue to monitor public perception of the security of contactless payments.



Base: the Dutch consumer



Base: Dutch consumers who made contactless payments

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### FiNBOX

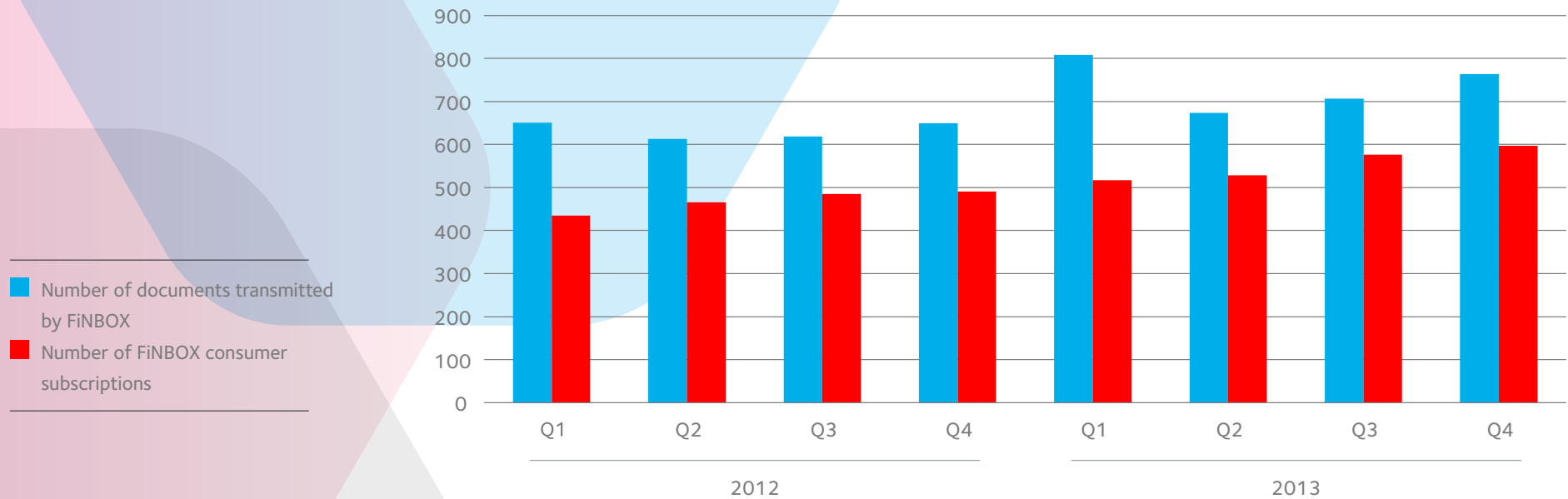
Using FiNBOX, organisations can send invoices and other financial documents digitally to users of Internet banking services. FiNBOX was developed by banks and service providers specialised in the electronic transmission of documents. FiNBOX is convenient for customers and gives them a clear insight in their finances. For example, they don't need to enter bank details when paying invoices because all the required information is already filled in.

The Payments Association coordinates and directs collective agreements for its members in areas including the exchange of messages between participants in FiNBOX. It also oversees communication to the general public about FiNBOX.

The use of FiNBOX by both organisations and consumers increased in 2013. Almost three million documents were sent using FiNBOX, 16% more than in 2012. The number of participating consumers increased by 21% to almost 600,000 (figure 4). Despite this increase, the use of FiNBOX remains limited and so far has not reached a critical mass. In 2014, the Payments Association will work with its members to develop a vision for the future of FiNBOX.

**FiNBOX**

Figure 4 - **Number of consumer subscriptions and documents sent with FiNBOX**  
Numbers x 1,000





**Scheduled for 2015:  
electronic mandates as  
an additional form of  
online payment**

### Electronic mandates

In 2013, the Payments Association and its members did a great deal of work on setting up specifications for electronic mandates. The purpose of electronic mandates is to offer and handle mandates for payment collections online, via mobile or Internet, in an efficient and secure manner. The electronic mandate process will be similar to the iDEAL payment process: the essential element is the authorisation of the mandate by the consumer's bank. In 2014, the focus will be on further cooperation with the parties involved, implementing the project with the participating banks and making preparations for launch, which is anticipated for the first half of 2015.

In addition to banks, various market parties were involved in drawing up the specifications. Their suggestions have been integrated into the design wherever possible. Apart from the specifications for an electronic mandate for plain SEPA Direct Debit payments (SDD CORE), work has also been done on SEPA Direct Debit payments for businesses (SDD B2B). Although this latter form is used much less frequently, there is considerable demand for the associated electronic payment mandate. One reason for this is that the registration of a B2B mandate with the bank of the payer, ordained by European agreements, is equally reflected in the underlying specifications.

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## Stability of the payment chain

### Improved communication in the event of disruptions and better reliability


To ensure a trouble-free payment system, all the systems in the payment chain need to be constantly available. However, because the number of participating parties increased in recent years, the payment chain became more complex. Furthermore, due to the quick rise in electronic payments, the continuity of the payment chain has become an important theme for the Payments Association and its members. The Payments Association monitors the continuity of the payment chain and takes action when necessary whenever parties cause a disruption in this chain.

Besides the payment chain for debit card payments, the chain for giro payments is of great importance. The giro payment chain undergoes considerable change as a result of the replacement of the national payment system by a European payment system. Adapting giro payments is part of the SEPA project. This is covered in more detail in the section entitled *Towards a European payment system*. The current section covers debit card payments and Internet banking.

**Debit card payments 99.8% successful, thanks to the Connect signaling and information system**

In 2013, the actual availability of the debit card payment chain was high, in the opinion of the participants: above 99.8%. For every thousand payment attempts, 998 were immediately successful. Market parties represented in the National Forum on the Payment System<sup>2</sup> (MOB), have expressed their confidence in the availability and robustness of the debit card payment chain on several occasions.

<sup>2</sup> The MOB, which is chaired by *De Nederlandsche Bank* (DNB), focuses on promoting the efficiency of the Dutch payment system on behalf of the public. The MOB is composed of representatives of suppliers and users of the payment system. These include, for example, representatives from umbrella organisations in retail and banking, organisations of people with disabilities and the Dutch Consumers Organisation. The Payments Association also participates in the MOB.



### Improved reporting by certified datacom providers

Although every malfunction of the system is one too many, they inevitably occur occasionally. In order to minimise their impact, the signaling and information system Connect was developed in 2009. Through Connect, participants in the payment chain notify each other of disruptions, as well as of planned maintenance work. Thanks to notifications via Connect, issues can be located and resolved rapidly. Additionally, Connect informs users unequivocally of the nature and duration of any disruption. Finally, participants can improve their schedule for maintenance activities and coordinate these activities appropriately. Due in part to the continuous focus on preventing disruptions by all parties involved, no major disruptions occurred in the debit card payment chain in 2013. An escalation procedure is in place for such an eventuality, but it was never needed in 2013.

Figure 5 shows that most of the notifications sent through Connect were related to scheduled maintenance. The number of serious incidents has decreased significantly, from eleven in 2011 to two in 2013. One of these involved a disruption to debit card payments over the open Internet (POINT). The other major incident that took place in 2013 was due to administrative errors at a major telecommunications provider. The Payments Association, as the guardian of the debit card payment chain, evaluated the problem with this provider. They have since made improvements.

#### Strengthening an important link in the payment chain

One vital link in the payment chain for debit card payments is the data communication connection between the terminal and transaction processor. This network service largely determines the reliability and stability of the payment chain. It was previously concluded that this link could be improved. The Payments Association initiated a number of improvements in 2013. For example, all 18 data communications providers certified by the Payments Association, that collectively offer 25 certified network services, are required to submit monthly quality reports since the beginning of 2013. These reports are published on the website of the Payments Association<sup>3</sup>. This demonstrates to retailers which suppliers meet the minimal quality requirements

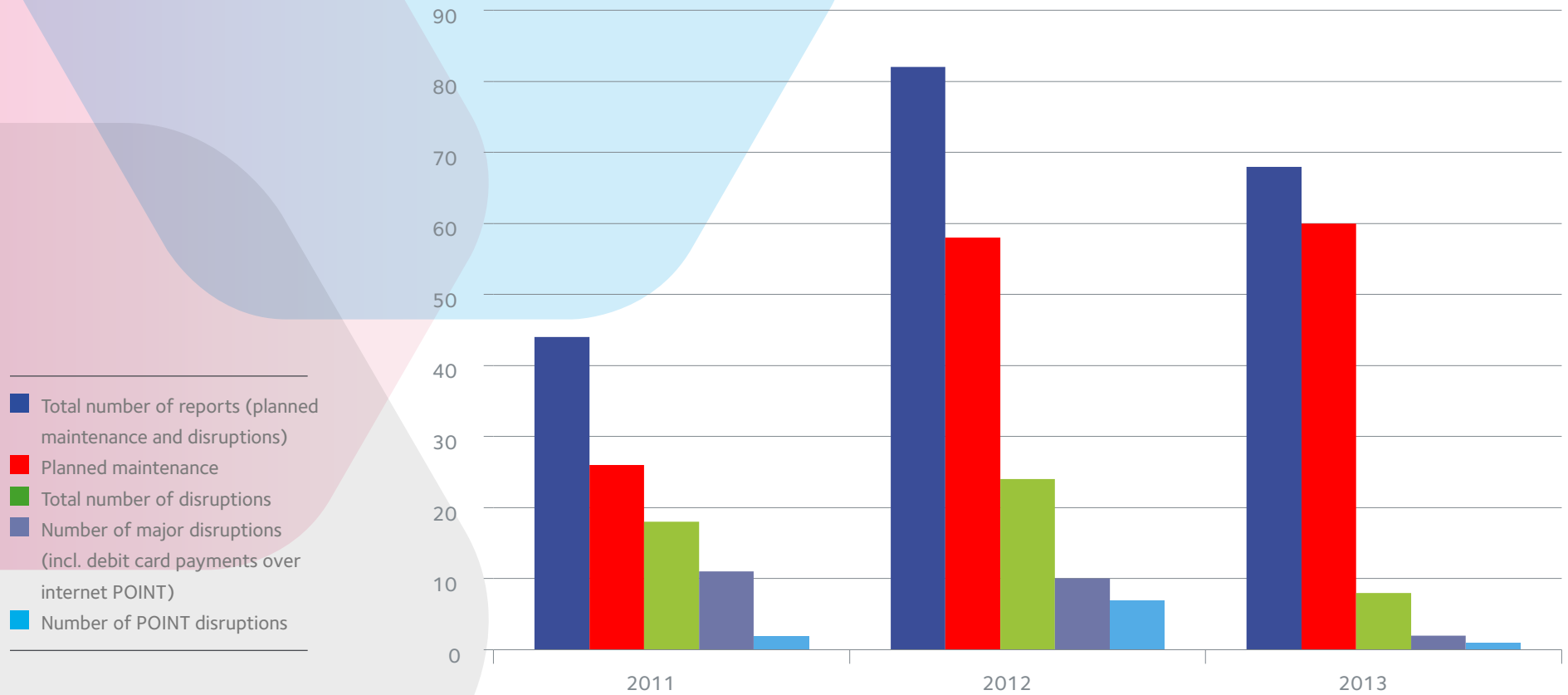
<sup>3</sup> See: <http://www.betalvereniging.nl/wp-uploads/2012/02/Overzicht-gecertificeerde-netwerkdiensten.pdf>

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set by the Payments Association. In addition, since early 2013 the data communications providers are required to report serious network outages in Connect. Should they fail to do so, they lose the certificate issued by the Payments Association.

The number of redundant telecom solutions is growing. These solutions involve switching automatically to a back-up network (often mobile) when the primary network is disrupted. With these redundant services a retailer is guaranteed virtually 100% availability in their payment connection.

Figure 5 - Use of CONNECT in 2011-2013  
Number of notifications per year



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## **Banks improve protection against DDoS attacks**

### **Incidents have led to improvements**

In late March and early April 2013, a complex combination of circumstances caused multiple incidents within the electronic payment system. Shortly afterwards, also in April, several banks were hit by a number of large-scale DDoS attacks<sup>4</sup>. Internet banking services, mobile banking and iDEAL were temporarily unavailable. This caused significant inconvenience and concern to the public.

The banks took significant steps to minimise the potential impact of DDoS attacks. To begin with, they increased their capacity to handle data traffic. They also installed filters that separate data from a DDoS attack from legitimate traffic. This ensures that web servers are no longer fully congested during a DDoS attack. The online payment system was not disrupted again by large-scale DDoS attacks in 2013 after the banks took these individual measures.

## **Banks disentangle systems to ensure higher availability**

Banks are also adapting their IT infrastructure to reduce the interdependence between Internet banking, mobile banking and iDEAL. By untangling these banking services a disruption in one service does not automatically lead to the another services being disrupted.

Following the incidents that took place in April 2013, DNB as chair of the MOB undertook an analysis of the resilience of the electronic payment system. The results were submitted to the House of Representatives by the Minister of Finance. The analysis<sup>5</sup> reveals how the various methods of electronic payment relate to one another and details the robustness of individual payment products. The analysis demonstrates the extent to which a disruption in one payment product can be relieved by switching to another payment product. It also proposes a number of improvements that could be made in Internet banking, debit card payments and iDEAL. The Payments Association made a substantial contribution to this analysis.

<sup>4</sup> During a Distributed Denial of Service (DDoS) attack, as much data traffic as possible is sent to the target website, causing the server for that site to become overloaded and the website to become temporarily inaccessible.

<sup>5</sup> See: <http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2013/11/07/analyse-robustheid-van-het-elektronisch-betalingsverkeer.html>

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## **Dutch interbank payment system is robust and highly available**

Partly based on this analysis, in its plenary session of late 2013, the MOB expressed confidence that the initiated actions would lead to further improvements in the stability of the payment chain. Furthermore, the Minister of Finance informed the House of Representatives that he considers the Dutch online payment system to be robust and highly available. His confidence is based on the continuous efforts of banks and other parties involved, including the Payments Association, to keep improving the electronic payment system.

At the end of 2013, the banks agreed to a common definition by which to measure the availability of Internet banking on a quarterly basis. The Payments Association intends to compile and publish the aggregated availability figures for Internet banking from 2014 onwards.

# 3

## Security in the payment system

### The Payments Association plays a leading role in licensing payment terminals and ATMs

To ensure the security of debit card payments at payment terminals, MasterCard (Maestro) and Visa (V PAY) lay down rules that terminals across the world must comply with. If a terminal meets those rules, it can be certified. For security reasons, certificates have a limited period of validity. After the expiry of this period, the terminal must be withdrawn from the market. In 2013, this applied to two types of payment terminals from the same supplier. The Payments Association, together with the banks and the supplier, made a migration plan for nearly 20,000 payment terminals. This allowed businesses to order new terminals in a timely fashion. They appreciate this transparency, as it saves them the time and cost of finding this information themselves.

In 2013, the Payments Association modified the functional requirements and security requirements for ATMs according to the latest international standards and guidelines. The Payments Association made this package of *ATM requirements and guidelines* available to its members to allow them to test their cash dispensers against these guidelines in early 2014. The Payments Association and the banks involved will take additional steps, depending on the findings.

### Significant drop in fraud in the payment system

Electronic payments, just like cash money, are the subject of particular interest from criminal networks. Criminals often try to break into banking systems for financial gain. Banks invest heavily to minimise the consequences of criminal activities, amongst others by optimising the incident cycle.





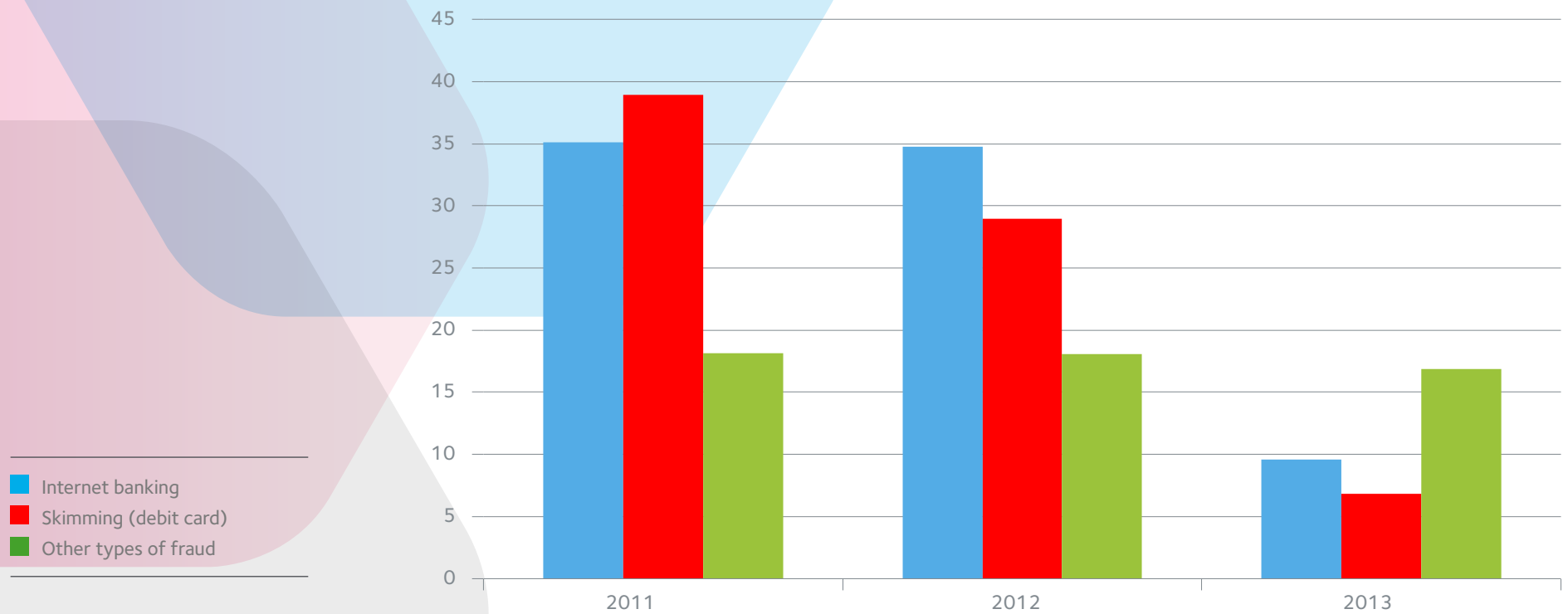
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**Losses from fraud  
more than halved**

When there is a threat within a payment chain, preventive measures are taken. Actual criminal activity should be detected as quickly as possible. In case of damage, action is taken to minimise the damage as rapidly as possible. Corrective measures are taken to normalise the security situation. The Payments Association optimizes the various links in the incident cycle, in close cooperation with the banks, to combat fraud and to maintain public confidence in the electronic payment system.

In 2013, damage caused directly by fraud in the payment system fell considerably, from nearly € 82 million in 2012 to € 33.3 million (a decrease of almost 60%). Fraud in Internet banking (€ 9.6 million) and debit card skimming (€ 6.8 million) accounted for most of this damage.

Figure 6 - **Damage from fraud in the payment system**  
In millions of euros annually



# 3

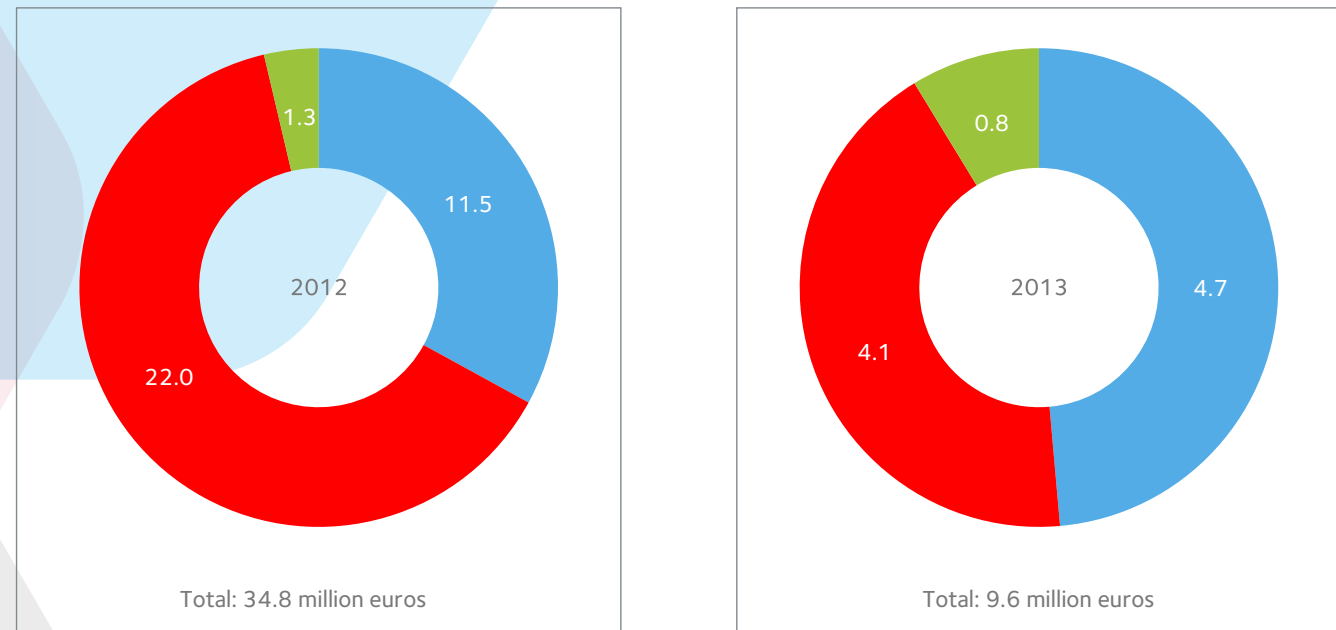
## **Fraud involving Internet banking and iDEAL reduced by more than two-thirds**

Other types of fraud amounted to € 16.9 million. This includes fraud with credit cards and with lost, stolen or falsely requested payment cards. Fraud with credit cards (€ 7 million) increased by 21% in 2013 compared to the previous year. The damage from 'card not present' fraud doubled. This is a form of fraud in which criminals make purchases on the Internet, by telephone or by post, using a stolen credit card number. The criminals obtain the credit card details and secure codes by means of phishing or data hacks.

Consumers in other countries use credit cards to make online purchases much more often than in the Netherlands, where iDEAL is the primary means of online payment. Consequently this type of fraud is much more common abroad than in the Netherlands.

Figure 6 shows that the damage caused by fraud in Internet banking decreased from € 35 million in 2012 to less than € 10 million in 2013. Internet banking fraud is grouped into phishing, malware and other types of fraud. Figure 7 shows that losses caused by malware fell from € 22 million to € 4.1 million in 2013. Losses resulting from phishing fell from € 11.5 million to € 4.7 million.

Figure 7 - **Damage from Internet banking fraud 2012 - 2013**  
In millions of euros annually.



Due to increased public awareness, partly as a result of the mass media campaign '*Hang up, click away, call your bank!*', consumers are increasingly aware of the methods used by criminals and less susceptible to their methods. However, Internet criminals use increasingly sophisticated methods and public awareness campaigns will remain a major focus for the Payments Association in 2014.

# 3

**Online self-defence  
in three steps:  
Hang up, click away,  
call your bank!**

Piet Mallekoote (director of the Payments Association), Peter Sterk (actor in the '*Hang up, click away, call your bank!*' campaign) and Chris Buijink (chairman of the NVB).



### Skimming virtually eradicated

#### Fraud due to skimming dropped dramatically

The practice of skimming ceased almost completely in the course of 2013. Losses incurred through skimming fell sharply to € 6.8 million, compared to € 29 million in 2012 (figure 8). The number of skimming attacks decreased to 288. Virtually all these skimming attacks (277) occurred in the first half of 2013. Figure 9 illustrates how the number of skimming attacks fell in the course of 2013.

Figure 8 - Development of skimming fraud 2005-2013

In millions of euros annually

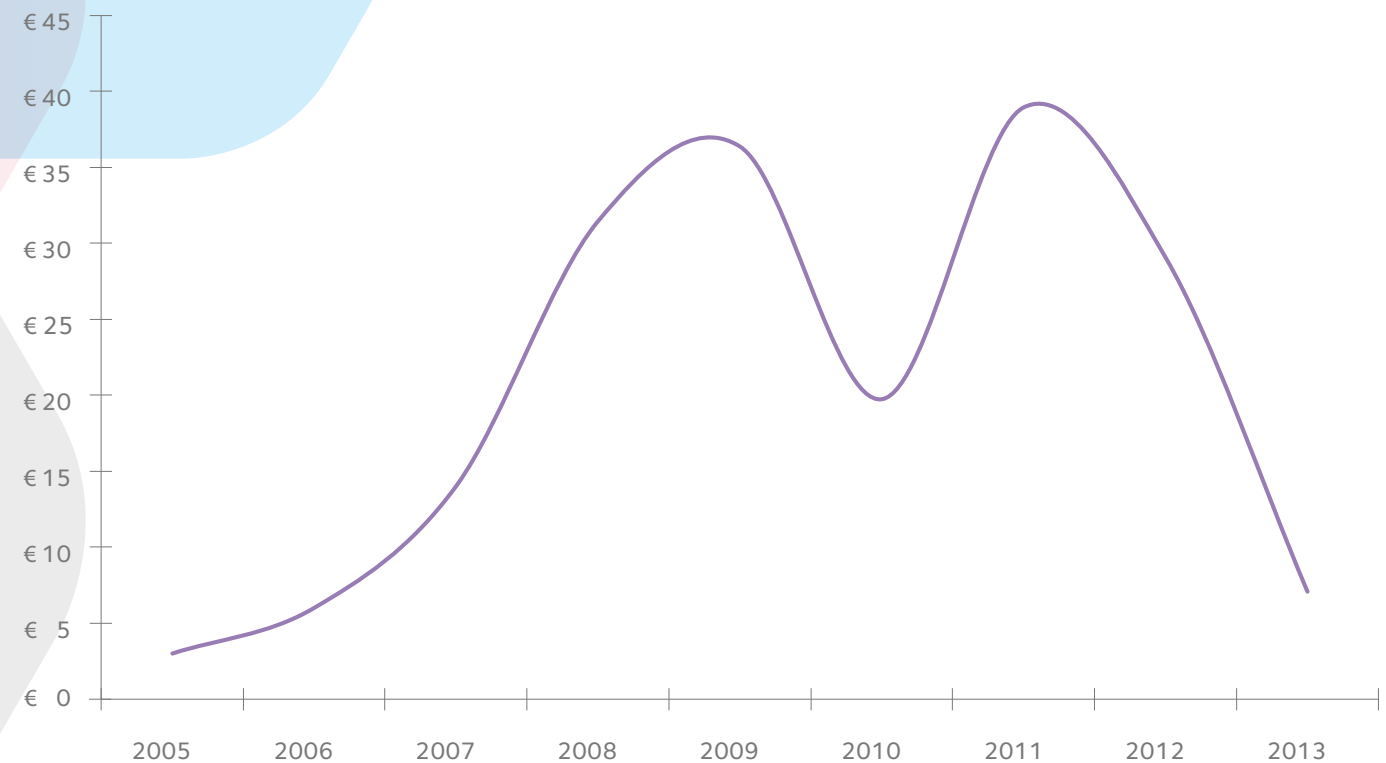
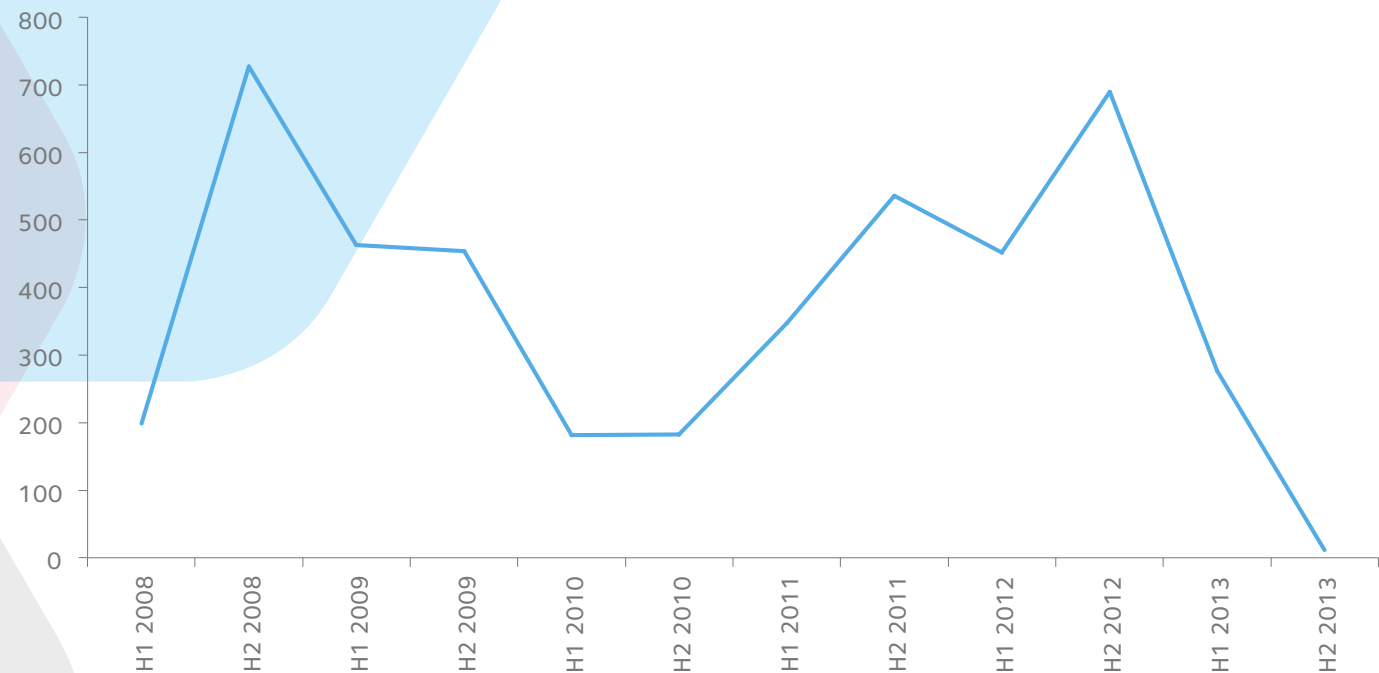


Figure 9 - **Number of skimming attacks 2008-2013**  
Number of attacks semi-annually



**EMV chip and geo-blocking  
prove effective against  
skimming**

The sharp decline in the number of skimming attacks and the corresponding damage are a result of the measures taken throughout the payment chain. Firstly, ATMs and unmanned payment terminals (chiefly at unmanned petrol stations and parking facilities) were equipped with additional security features. Secondly, banks introduced the ability to block cash withdrawals outside Europe: an approach known as *geo-blocking*. Skimming in stores is no longer possible since 2012, following the introduction of EMV chip technology.

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## ***Dip & go at parking meters and modified card readers at unmanned petrol stations***

At a growing number of parking facilities, tickets can be paid with debit cards without entering a pincode (*dip & go*). As a result, pincodes can no longer be recorded, making skimming at these facilities pointless. Municipalities and operators also offer alternative payment options, such as payment by mobile phone.

In 2013, the Payments Association, in collaboration with a supplier of unmanned POS terminals for petrol stations, a manufacturer of anti-skimming solutions and the banks, secured nearly all terminals in this sector against sophisticated methods of attack, eradicating skimming in this sector. The introduction of geo-blocking by most banks has also played an important role. Debit card details obtained through skimming inside Europe are now useless outside Europe. The losses that were incurred in the second half of 2013 (€ 1 million) were almost entirely the result of debit cards from Dutch residents that were skimmed outside Europe. The card details were both skimmed and used abroad by criminals to withdraw money. Within Europe this is no longer possible. It is expected that in 2014 skimming will be limited exclusively to countries outside Europe.

## **Continuous fraud detection**

Lastly, the banks have continued to invest in their 24/7 fraud detection systems. This has also contributed to the reduction of fraud in the electronic payment system.

### **Developments in cybersecurity initiatives**

Cybersecurity helps to prevent disruptions, failures or abuse of information and communications technology and, if this resulted in losses, to recover those losses. Security and reliability are important social aspects of the payment system. The rapid growth of online payment applications draws a great deal of attention.

The large number of involved parties, further globalisation, the strict requirements for quality and availability and the many types of transactions make for a complicated payment system. A chain is only as strong as its weakest link, so cooperation between the various parties is vital to ensure the security of the payment chain. The Payments Association is committed to promoting such cooperation and helping stakeholders to introduce joint measures to mitigate fraud. It aims to maintain or improve public confidence in electronic methods of payment.



### **Better protection against DDoS attacks, in part through participation in NCSC**

The Payments Association is an active participant in a number of inter-bank and public-private partnerships in cybersecurity, such as the National Cyber Security Centre (NCSC). The Payments Association intensified its cooperation with the NCSC in 2013. Banks are working intensively with the police and public authorities to prevent cyber attacks. The NCSC coordinates between the various involved parties. Following heavy DDoS attacks in April 2013, the NCSC proposed a liaison on behalf of the banks to further strengthen their cooperation with the NCSC. The liaison was established in October.

The Payments Association brings together specialists in the field of cybersecurity and payments to share knowledge and experience and to undertake activities in the field of security, in the collective interest of its members.

In 2013, the Payments Association organized its first annual conference on the theme of *'Paying securely, the consumer first'* (*'Veilig betalen, de consument centraal'*). It was a successful event attended by over 200 professionals from across the payment industry. There will certainly be a repeat of the event in the future.

### **National Skimming Point, a successful public-private partnership**

At the end of 2011, the banks, the Public Prosecution Service and the police came together to form the National Skimming Point (*Landelijk Skimming Point* or LSP), a public-private partnership designed to tackle the problem of skimming. At the base of the collaboration lies the exchange of information between the participants, which was ratified by a joint agreement. An evaluation at the end of 2013 showed that the partners valued the LSP as a one-stop shop and that the public-private partnership was a success. Because skimming has virtually been eradicated in the Netherlands, staffing at the LSP has been scaled back significantly in 2014. The LSP's approach has been recognised by a certificate of appreciation from Europol and serves as a best practice model for addressing other threats.

# 3

## Preparing for SEPA migration and introduction of IBAN

### Towards a European payment system

#### The biggest change in giro-based payment system ever seen

In 2013, the migration of national payment products to the Single Euro Payments Area (SEPA) reached a peak. Thousands of people worked around the clock to achieve this migration and to introduce a new payment infrastructure. This helped users to switch to SEPA standards, including the International Bank Account Number (IBAN), before 1 February 2014. The SEPA Regulations, which have been adopted by the European Parliament and the European Council, state that after this date national credit transfers and direct debits must be fully substituted by SEPA credit transfers and direct debits. The use of the old national account numbers will no longer be valid.

#### SEPA migration period extended by six months

On 9 January 2014, the European Commission proposed a six-month transitional period, after the SEPA deadline of 1 February 2014. This proposal was adopted by the European Parliament and the European Council in early February. Subsequently, the banks decided to continue to process national direct debits and credit transfers during this transitional period, and to continue to convert the old national account numbers to IBANs for consumers using online banking. The transitional period will end on 1 August 2014.



Shortly after the proposal of the European Commission, the Minister of Finance decided to grant a waiver to banks for the automatic conversion of national account numbers into IBANs in Internet banking until 1 February 2016. All parties involved in the migration, however, aim to complete the transition to SEPA as soon as possible. In early April 2014, the National Forum for the SEPA migration (NFS) advised the banks on the interpretation of the IBAN waiver. On the basis of this advice, national bank account numbers will continue to be converted automatically to IBAN numbers for consumers using Internet banking until 1 August 2014. For payments to charities, this conversion will continue until 1 February 2016.

#### SEPA requires close cooperation with all parties involved

The SEPA program primarily involves the transition to European standards by all banks and end users in the Euro zone. The most important standards are the standard for international account numbers (IBAN) and a standard for the delivery of payment and direct debit orders by commercial users (the ISO20022XML standard). The changes that are necessary for the transition to these standards make the SEPA migration a complex and challenging project. Not only banks need to modify their systems, businesses and other organisations also have to make significant changes to their ICT systems and administration.

A smooth transition to SEPA requires close cooperation between the providers and users of payment services. The NFS, chaired by DNB and set up by the MOB, is overseeing the transition to SEPA in the Netherlands. Within the NFS, agreements are made about the Dutch transition to the European payment system. The Payments Association is also playing an active role within the NFS by representing and coordinating the suppliers (banks). The Payments Association also facilitates the interbank SEPA Steering Group. This steering committee coordinates the SEPA migration with the banks. It consults with representatives of end users on the progress of the migration and handles issues that may arise.



In 2013, consumers became increasingly accustomed to the use of IBANs. Banks give them support in using IBANs. In 2013, the banks modified their Internet banking environments for SEPA, for example by automatically substituting all the domestic account numbers in the address books of their customers to IBANs. The national campaign website [www.overopiban.nl](http://www.overopiban.nl) ('Over to IBAN') provides information and resources to facilitate the smooth transition to IBAN. Additionally, the IBAN BIC Service ([www.ibanbicservice.nl](http://www.ibanbicservice.nl)) converts any Dutch domestic bank account number into an IBAN. Public familiarity with IBAN is also being increased by printing IBANs on all new debit cards.

In the first quarter of 2013, the Payments Association together with the banks, Currence and other stakeholders introduced a paper version of the IBAN Acceptgiro form. This IBAN Acceptgiro was introduced in mid-2013. This was an important step on the way to the exclusive use of IBANs by bank customer for credit and direct debit transfers.

The Payments Association also made FiNBOX, the Government Order, the Transfer Service and the one-off direct debit mandate for debit card payments compatible with SEPA.

#### Phasing out national payment standards

The aim of a single, unified euro-payments zone is to enable businesses and consumers to pay funds into and from a single bank account throughout the entire Euro zone. This reduces cost and minimises the inconvenience and barriers experienced by internationally active companies and consumers. Nevertheless, the transition to European standards and products also means that working methods, procedures and practices that have been in place for decades may need to change. There is limited scope for applications that use national standards. One example is the recurring direct debit for lotteries (*Kansspelincasso*), which was developed specifically for the Dutch market by Dutch banks. With this kind of direct debit, the payer has no right to reversal. The SEPA Direct Debit does not include this option. This is a downside to the European-wide use of payment products.



**More information  
and documentation about  
SEPA available at  
[www.betalvereniging.nl](http://www.betalvereniging.nl)**

Thanks in part to the efforts of the banks, the NVB and the Payments Association at European consultations, there seems to be more support for a non-refundable version of the SEPA Direct Debit. Whether this will actually be adopted is unknown at the time of writing. In November 2013, DNB issued a waiver for banks in anticipation of a European standard, allowing them to continue to offer the current local Dutch direct debit for lotteries until 1 February 2016.

#### Important role for the Payments Association

In 2013, the Payments Association made major efforts to help with the transition to SEPA. Interbank coordination for this transition is carried out through the SEPA Steering Group. An important contribution was made to a smooth transition to SEPA through coordination on common issues in the new payment infrastructure and through dialogue with all the parties involved. In addition to supporting the banking migration, there has also been a focus on providing accurate and relevant information about SEPA. Supplementary to the NFS, the Payments Association provides payment service providers and other market participants with general product information and technical documentation. This information is publicly available through the website of the Payments Association ([www.betalvereniging.nl](http://www.betalvereniging.nl)). Banks inform their own customers about SEPA (including migration deadlines), using the information from the Payments Association at their own discretion. The Payments Association has also provided information regarding SEPA at numerous meetings, both on product-specific changes as on the national migration plan and how banks are involved in this. Separate information meetings were organized for the members of the Payments Association and periodic newsletters were published with up-to-date and important information on SEPA.

The Payments Association works closely with representatives of end users to identify specific issues and to find solutions. How to best implement protective measures for consumers as stipulated in the SEPA Regulations for direct debits, is a good example of this collaboration. Other examples are the implementation of the direct debit for businesses and the collective approach to electronic mandates (e-mandates). This collaboration took place in 2013, mainly under the auspices of the SEPA Migration Task Force Netherlands (TFSN), a section of the NFS intended for technical consultation. When the NFS is discontinued,

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## **Suitable fix for short account numbers of charities**

this partnership will transfer to the Giro Payment Stakeholder Forum of the Payments Association, in which all the stakeholders participate. Representatives of all the relevant end user organisations will thus be involved in the further development of the giro payment system. This is of great value to the Payments Association and its members.

Extra short domestic account numbers belonging to charitable organisations have been the subject of particular attention. The conversion of these short account numbers to IBAN results inevitably in much long account numbers. However, in consultation with the charitable sector, banks are committed to finding an appropriate solution via the SEPA Steering Group. These constructive efforts clearly turned out during the Giro 555 campaign for the Philippines in November 2013; the IBAN for Giro 555 (NL08 INGB 0000 0005 55) featured prominently in the media campaign.

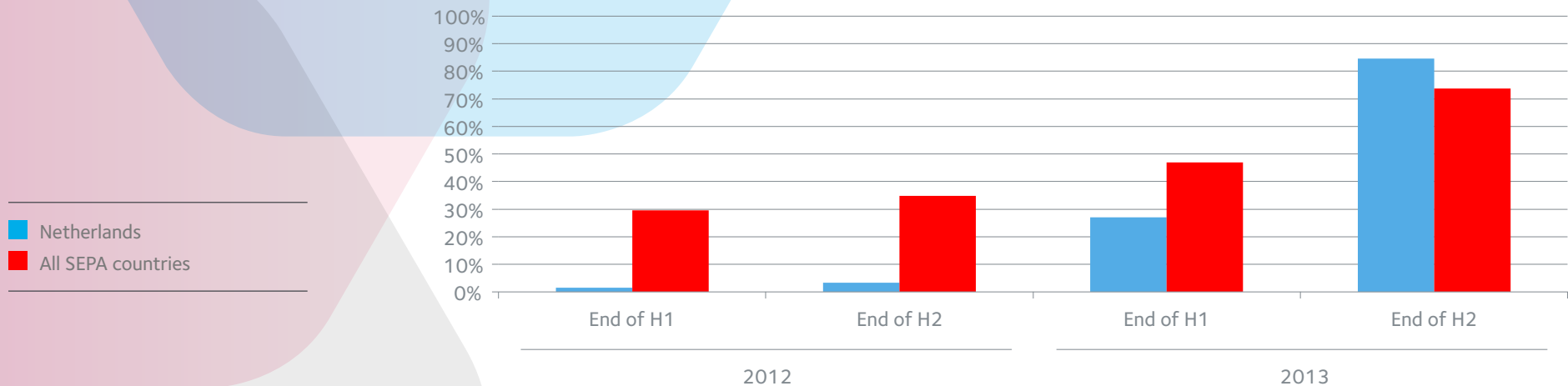
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### Progress of the SEPA migration in the Netherlands

In the second half of 2013, the migration to European payment products in the Netherlands started to really gather momentum, as shown in figures 10 and 11. In early 2013, the share of SEPA Credit Transfers was only 3% and the proportion of SEPA Direct Debits was nil. By the end of 2013, the Netherlands was part of the frontrunners among SEPA countries.

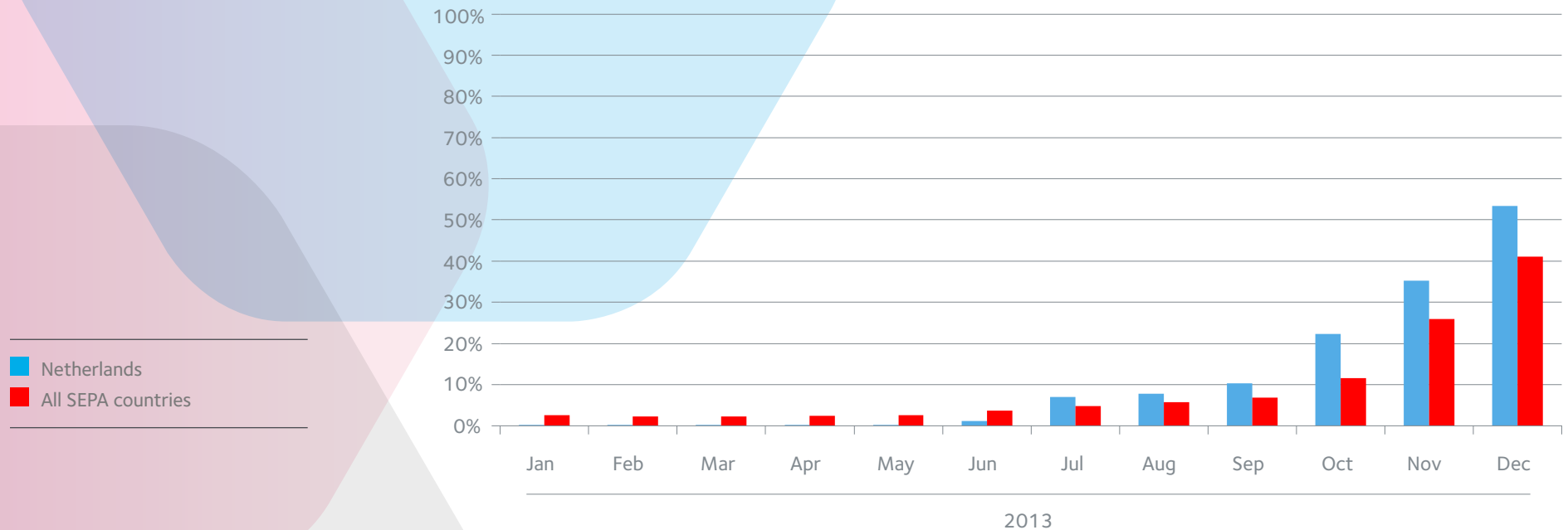
#### Figure 10 – Migration to SEPA Credit Transfer

In the Netherlands, compared to all SEPA countries, 2012 – 2013



**Figure 11 - Migration to SEPA Direct Debit**

In the Netherlands, compared to all SEPA countries, in 2013



Although a great deal of progress was made throughout the year, by the end of 2013 it appeared that business users, particularly in small and medium-sized enterprises, would not be able to switch to the SEPA Direct Debit system on time. As such, they would have to rely on alternative solutions, including SEPA conversion services. For this reason, at the end of 2013 the NFS appealed to all involved parties to do step up their efforts to meet the statutory deadline of 1 February 2014. Meanwhile, an extension period was announced until 1 August 2014, giving companies more time to migrate. Nevertheless, everyone remains committed to complete the migration as soon as possible.



### Publicity campaign against phishing during introduction of IBAN

A troubling development is that cybercriminals are exploiting the transition to SEPA to extort confidential information from account holders through phishing and to use this information for fraudulent purposes. These cybercriminals send e-mails that pretend to be from DNB, the 'Over to IBAN' website or banks. The banks, the Payments Association, the NVB and the NFS have all alerted consumers and businesses about these mails through public campaigns. These campaigns inform the public that banks and other bona fide institutions never ask for confidential and personal information via e-mail or by telephone. They emphasize that such requests should never be acted upon.

In 2013, in addition to the transition to SEPA, the banks were also faced with a number of other European legislative proposals with a significant impact on the payment system. Most notably the revised European Payment Services Directive (PSD2), the Interchange Fee Regulations and the Bank Accounts Directive. The European Commission, the European Parliament and the European Council aim to reach agreement on these legislative initiatives in the course of 2014.

#### The revised European Payment Services Directive (PSD2)

In the summer of 2013, the European Commission presented the revised Payment Services Directive (also known as PSD2). The major reasons for the revision of the directive were the changing European payment landscape and the emergence of new payment services and providers. The Commission's proposal should create a level playing field for all the payment service providers and promote choice, efficiency, security and innovation in the European retail payment system.

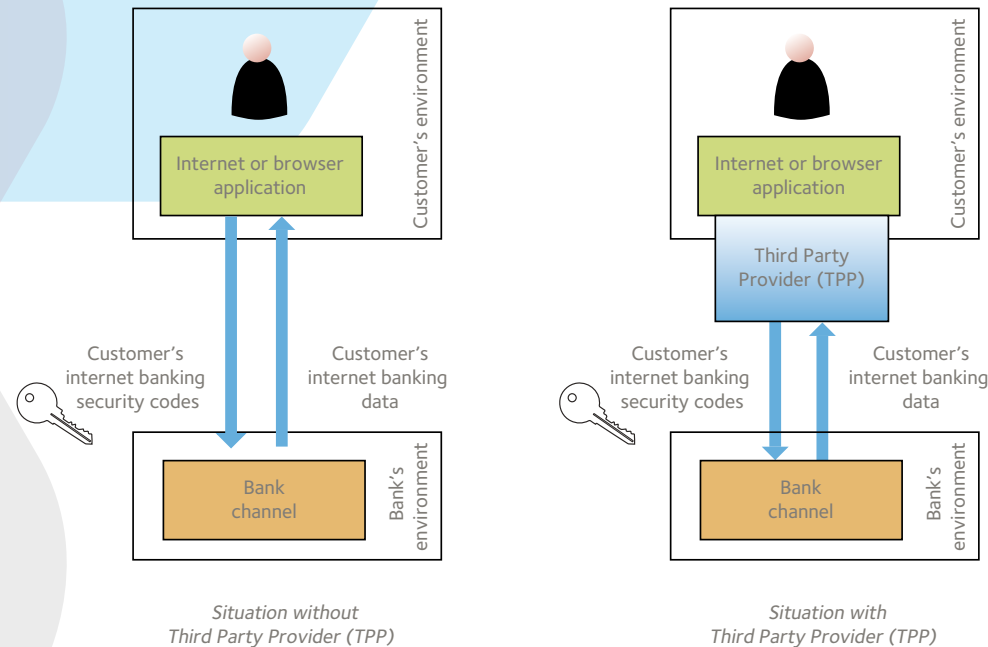
The most important expansion compared to the existing PSD is regulation of so-called Third Party Providers (TPP) that can be licensed to operate in the European market. These TPPs provide payment initiation and account information services. Payment initiation means the initiation of payment orders via the Internet payment account of the consumer. Account information services relate to the aggregation of information from different bank accounts for the user.



### PSD2 paves the way for third-party access to bank accounts

For both services, the TPP logs into the Internet banking environment on behalf of the account holder, using personal log-in codes supplied by the account holder. The TPP then gains access to the account holder's account.

Generally speaking, the services of a TPP can take three forms: an intermediary website, a web browser plug-in, or an application (app). The following figure shows a situation where no TPP is involved (left), and a situation with a TPP involved (right).



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## **Payments Association and banks advocate guarantees and clear rules for consumers with PSD2**

The Payments Association believes that PSD2 should include clear provisions on issues such as security, data protection, responsibilities, authentication and liability for the banks of the account holders and the TPPs.

The reuse by TPPs of the personal log-in details that a bank has provided to a consumer is the subject of considerable resistance from banks, DNB and the ECB. After all, account holders are required to keep their personal access codes secret and never to give them to third parties. In fact, this is the core message of public campaigns about secure banking. It is also important that banks can see who is accessing the account: is it the consumer or is it the TPP that is logging in on behalf of the consumer? Furthermore, a TPP should not be able to access all the financial services available to the consumer via Internet banking – for example, access to bank statements, applying and modifying loans, taking out insurance, requesting debit cards or changing limits on debit cards. Finally, it should be clear to the consumer whether he/she needs to contact the bank or the TPP in the event of an issue with a payment.

The Payments Association is making an active contribution to discussions relating to TPPs, based on its objective of ensuring a socially efficient, secure and reliable payment system. For example, it responds to market consultations after deliberating with its members, it communicates its vision and provides information to the various parties involved in this complex European playing field.

Following discussions on this subject between the European Commission and the many parties involved across Europe, the European Commission seems inclined to limit the access of the TPPs to bank accounts to what is strictly necessary.

Finally, the proposed PSD2 includes a change that would have a negative impact on the viability of the SEPA Direct Debit. The unconditional right to reversal has been transformed into a conditional right, which is virtually impossible to define objectively. As a result, banks may become involved in disputes between payers and payees on whether the payer has already purchased a service or a product has been used. The Payments Association views this outcome as undesirable. It shares the vision of the European Payments Council (EPC),

# 3

which states that there must be only one legal standard for consumers: they must always be entitled to reverse a payment within eight weeks. A payer and his/her payment service provider may renounce the right to reverse a payment on the condition that this is set out in a specific mandate under a payment arrangement that excludes the right to the reversal of the payment. The non-refundable SEPA Direct Debit (mentioned previously) could play an important role in this.

## Interchange Fee Regulations

At the same time as the PSD2 proposal, the European Commission also presented a proposal for *Regulations on interchange fees for card-based payment transactions* (or *Interchange Fee Regulation* in short). The proposals include limits (caps) on the interbank fees for debit and credit card payments within the European Union at 0.2% and 0.3% of the purchase price, respectively.

Establishing limits on these interchange fees based on a percentage of the purchase price may prove unfavorable in the Netherlands. For many years Dutch banks have used bilaterally agreed fixed interchange fees for domestic debit card payments. These rates do not depend on the amount of the transaction and are, in the European context, very low. However, for very small transactions, these fixed amounts end up higher than they would be based on the maximum percentages of the transaction amount proposed under the new legislation. In other Member States, including Sweden and Denmark, the situation is similar.

## Finally: The Bank Accounts Directive

In 2013, the European Commission presented a proposal for a *Directive on the comparison of the costs associated with current accounts, switching between current accounts and access to current accounts with basic facilities* (the *Bank Accounts Directive*, in short). The proposal aims to make bank fees more transparent and easier to compare, to make it easier to switch to a different bank account, including across borders within the EU, and to make it possible for more people to open and maintain a current account.

### European Commission proposes to limit interbank fees

For the Netherlands this directive is superfluous. Dutch bank rates are already among the lowest in the EU and are very transparent. Switching to another current account is easy in the Netherlands, using the Transfer Service (*Overstapservice*). This situation is highly valued by both consumers and businesses. Finally, the *Covenant concerning primary payment services* (*Convenant basisbankrekening*) guarantees access to a current account for everyone older than 18 years. Moreover, the proposed requirements to establish a cross-border transfer service within the EU and to offer basic accounts to all EU citizens (and not just to residents of a particular member state) seem to be redundant because there is very little public demand for these services. What is more, the introduction of SEPA means that in countries that use the euro, the distinction between domestic and cross-border giro payments denominated in euros ceases to exist, so that consumers who may previously have needed to maintain current accounts in more than one member state no longer need to do so.

In mid-April 2014, the European Commission, Parliament and Council reached consensus on the final text for the legislation. One subtle but important change from the Commission's original proposal is that member states may require foreign consumers to have a genuine interest in applying for a basic bank account. Additionally, the original article regarding an intra-EU cross-border transfer service was replaced by an article with a less complex method.

# 4 Board and management

**Obligation to provide cross-border account transfer service appears redundant**

As specified in the statutes, the Board of Directors of the Payments Association has nine members: The board consists of three independent members, including the chairman, and six members who are affiliated with members of the Payments Association. Banks with a market share of more than 10% can each nominate a Board member. Members with a market share of less than 10% are together entitled to nominate a maximum of three members. Upon the establishment of the Payments Association, it was agreed that the three remaining seats would be allocated to medium-sized banks, smaller banks and payment institutions and electronic money institutions (EMIs). On 7 May 2014, the board included the following members:

The three independent Board members are:

- **Henk Brouwer (1946)**, former Director of *De Nederlandsche Bank*, chairman
- **Henk van den Broek (1952)**, former Board Member of the Dutch Retail Council, vice-chairman
- **Mijntje Lückcrath (1968)**, Professor of Corporate Governance at Tilburg University

Members of the Board of Directors on behalf of the banks:

- **Bart Schlatmann (1969)**, COO of ING Netherlands, treasurer
- **Ineke Bussemaker (1958)**, Director of the Rabobank Payment and Saving department
- **Frans van der Horst (1959)**, Senior Managing Director of ABN AMRO Bank
- **Bart de Ruigh (1956)**, COO of SNS Bank, on behalf of the medium-sized banks\*)
- **Edwin Hartog (1966)**, Head of Cash Management Corporates & MT member at Deutsche Bank Netherlands, on behalf of the smaller banks

One seat on the Board is still available for payment institutions and EMIs.

\*) Bart de Ruigh vacated his seat on 7 May 2014 after he took on a new position within SNS. Consultation is taking place with the medium-sized banks about his successor.

## 4

The three independent members have a unique position within the Board of Directors. The governance of the Payments Association is focused on open, objective and clear rules, which are no more stringent than necessary. This governance guarantees free market access and affords the possibility of an independent appeal. This means that the independent Board Members have a collective power of veto in adopting and amending rules with regard to standards and the policy and procedures relating to certification and supervision. The independent Board Members also have a majority in an Appeals Committee that is charged with the arbitration of disputes with the Payments Association.

The independent Board Members are appointed on the grounds of a binding nomination by the Selection and Appointment Committee. The other members are appointed on the grounds of a binding nomination by one or more members. Each member with a market share of more than 10% is entitled to nominate a Board Member. Nominations and appointments are made in accordance with the Board Directors' profile.

Representatives of *De Nederlandsche Bank* (DNB) and the Dutch Banking Association attend meetings of the Board as observers.

[Piet Mallekoote \(1954\)](#) is the CEO of the Payments Association. [Gijs Boudewijn \(1958\)](#) is vice-CEO.

# 5 Governance

The Payments Association is a small and efficient organisation, which focuses on unburdening its members. The Association has an associative structure.

The Association comprises several organs:

## General Member Assembly (GMA):

Parties on the supply side of the Dutch market, which focus on corporate or private end users, can become members of the Payments Association. They fund the Association and can take part in the GMA. The GMA's primary activities concern strategy and the approval of the annual accounts.

## Board of Directors

The Board of Directors takes substantive decisions on important issues, establishes policy frameworks and advises the Executive Board. Other important duties of the Board of Directors include appointing and discharging the Executive Board, approving the annual plan and budget and monitoring the quality of implementation for the tasks of the Payments Association.

## Executive Board

The Board of Directors appoints the Executive Board, which is responsible for the operational organisation and for the day-to-day business. The duties of the Executive Board include formulating policy proposals, taking decisions regarding the admission of new members, developing the certification policy and monitoring compliance with regulations.

## Advisory Council

The Advisory Council provides solicited and unsolicited advice to the Executive Board with regard to the policies and activities of the Payments Association.



# 5

## Working Groups

Tactical and operational policy preparation takes place in working groups, in collaboration with specialists from the supply side. The working groups can advise the Executive Board, both upon request and on its own initiative. The most significant working groups are:

- SEPA: euro payments throughout Europe
- Giro payments: various forms of giro payments such as bank credit transfers
- Debit cards: payment terminals, debit card payments and mobile payments
- Security: payment security, cybersecurity and fraud prevention

Other working groups are active in the legal field and in the fields of communication and information.

## Appeals Board

An independent Appeals Board makes it possible to appeal against decisions regarding acceptance and certification when parties are unable to reach agreement with the Executive Board, the Board of Directors and finally with the Appeals Committee of the Board.

## The focus of the Payments Association is on cooperation.

In order to carry out its tasks, the Payments Association has set up an Advisory Council and member working groups to discuss matters such as policy preparation. In addition, the Payments Association actively consults with representatives of end users and other stakeholders on behalf of its members. The Payments Association also cooperates closely with a number of Dutch organisations whose activities are related to the payment system. For example, the Payments Association participates in the National Forum on the Payment System (*Maatschappelijk Overleg Betalingsverkeer* or MOB), chaired by *De Nederlandsche Bank*, which focuses on improving the efficiency of the Dutch payment system, resolving issues and bottlenecks and the consequences for the public of developments in the payment system. It also engages in periodic consultation with the Dutch Banking Association, which as a sectoral organisation represents the interests of its members. Finally, the Association maintains a close relationship with Currence, the owner of the current national payment products. A number of these products will be phased out due to the formation of the uniform European payment market, with the remaining collective tasks transferred to the Payments Association.

# 6

## List of members

At year-end 2013, the Dutch Payments Association had 45 members that provided payment services. Together, they represent 99.5% of the supply side of the market.

- ABN AMRO Bank
- Achmea Retail Bank
- AEGON Bank
- Amsterdam Trade Bank
- ASN Bank
- ASR Bank
- Bank Insinger de Beaufort
- Bank Nederlandse Gemeenten
- Bank of America
- Bank of Scotland
- Banque Chaabi du Maroc
- Bank of Tokyo–Mitsubishi UFJ
- BNP Paribas Fortis
- Citco Bank
- Citibank
- Commerzbank
- Credit Europe Bank
- Delta Lloyd Bank
- Deutsche Bank
- DHB Bank
- Friesland Bank
- GarantiBank International
- GE Artesia Bank
- Handelsbanken
- HSBC Bank
- ICBC
- ING Bank
- InterEGI
- KAS BANK
- KBC Bank
- Van Lanschot Bankiers
- LeasePlan Bank
- Lombard Odier
- Mizuho Bank
- Nederlandse Waterschapsbank
- NIBC Bank
- Rabobank
- RegioBank
- Royal Bank of Scotland
- SNS Bank
- Société Générale
- Staalbankiers
- Triodos Bank
- UBS Bank
- Volkswagen Bank