

Annual Report 2014



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 a 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 Dutch 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 Dutch Payments Association provides services (collective tasks) that serve the common interest of its members and supervises these collective tasks.

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

- Driven
- Relevant
- Interconnecting

The Dutch 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 Dutch Payments Association gives substance to the social character of the payment system.

Our vision

The payment system is an indispensable component 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), increasingly, standards are being set and payment products established at the European level rather than at the 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.

The Dutch 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, standard 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.

Security and fraud prevention

The Dutch Payments Association manages the collective aspects of the cyber security policy that relates to payments to implement this policy. It works closely with other institutions, including the National Cyber Security Centre (NCSC). The association also orchestrates fraud prevention within the entire payment chain, drafts 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 standardization institutions and researchers. Where wanted and useful, the Dutch 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.

Report from the Board of Directors

It is with great pleasure that I present to you the third annual report of the Dutch Payments Association (*Betaalvereniging Nederland*). This annual report covers the year 2014.

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) 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 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 Dutch 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 composition of the Board changed significantly during the period covered by the report. This was a reason for adhering to the proposed evaluation of the composition and working methods 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 the implementation of the recommendations that were forthcoming from the evaluation of the Payments Association carried out in 2013, and the Payments Association's project-based work that is of importance for society, such as the Betalen 2.0 ('Payment 2.0') programme and work regarding a swifter processing of transactions within the payments system.

Activities

The Dutch 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.

Implementation of recommendations from evaluation

As was stated in the previous annual report, in late 2012, the Board decided to carry out a review of the functioning of the Dutch Payments Association, including the division of tasks with other organisations. This review was completed in mid-2013 and it showed that the Payments Association has proven its added value. For members, this was a reason to let the Payments Association carry out more tasks for them. The expansion of the role and responsibilities of the Payments Association that has taken place as a result means that the Payments Association will need to play a more policy-oriented, managerial and advisory role. In addition to its substantive knowledge, the Payments Association must be able to manage (decision-making) processes competently, while taking into account the culture and attitudes of its members and stakeholders. Management and staff have taken on this challenge with enthusiasm in a project entitled Payments Association 2.0. In the year under review, core values and core competencies have been identified once again as part of this process. Functions have been redefined and function requirements tightened; functions have also been weighted and compared to their immediate environment. In addition, a new assessment system has been introduced.

The Board and management continue to work on making the Payments Association into a more effective and efficient organisation that enjoys the confidence of its members and stakeholders and can thus benefit from the support necessary to play a central facilitating role in the Dutch payment system.

Employees of the Dutch Payments Association are officially employed by Betalingsverkeer Services B.V. This company was taken over by the Payments Association from Currence Holding B.V. on 1 July 2014. This take-over reflects the fact that the employees of Betalingsverkeer Services B.V. are carrying out ever more work for the Payments Association and less work for Currence Holding B.V. and its product companies. Agreements have been made with Currence about the continuation of the work on behalf of Currence by the relevant employees.

Finally

The Board looks back on this period with a sense of satisfaction. Already the Dutch Payments Association has a clear public image, and it has achieved ever better results in enhancing the efficiency of the payment system, through measures including new product applications. The stability of the payment chain has also been improved.

In 2014, with the introduction of a common single euro payments market in the form of SEPA (the Single Euro Payments Area), the use of national standards, products and practices finally came to an end. For many users of the payment system, that implied a period of adjustment as many of the products and practices that had been in use to the satisfaction of all involved were disappearing. For users of the payment system, the introduction of IBAN is the most noticeable change. Thousands of people worked for many years on this transition, both banks and business users. I am delighted to report that these major changes were introduced extraordinarily smoothly. Without close cooperation between all the parties involved, this would not have been possible. I wish to express my sincere gratitude to all those involved. Now that SEPA has been rolled out, there are new challenges in the payment system in the Netherlands as it continues to evolve and change. For the Payments Association, this means many new opportunities, which it will take up together with its members and stakeholders, united in the Payments Association's stakeholder forums.

In the Netherlands, we have a payment system that is fast, reliable and secure. This is an excellent basis on which to build and innovate.

Amsterdam, 13 May 2015

On behalf of the Board of Directors,
Henk Brouwer, Chairman

Activities of the Dutch Payments Association in 2014

Promoting the efficiency of the payment system

Point-of-sale payment system

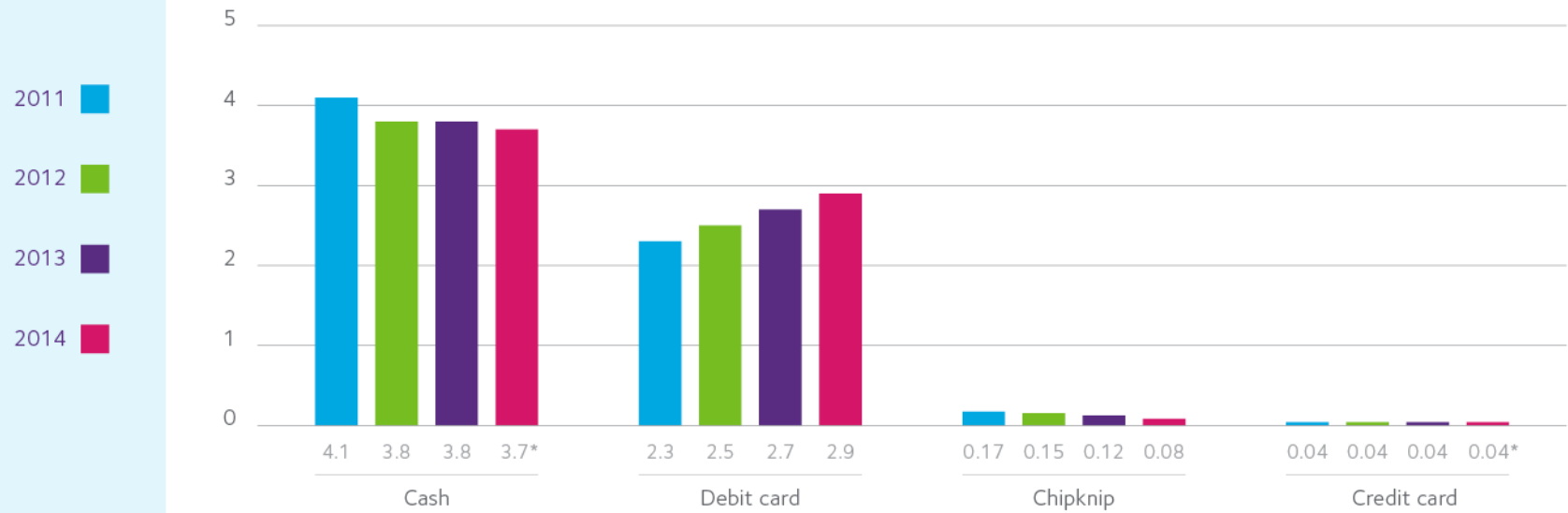
The costs to society for cash and debit card payments in the Netherlands are the lowest in Europe

The system for point-of-sale payments in the Netherlands is characterised by a high degree of efficiency. The population of the Netherlands chiefly uses cash or debit cards to pay for their purchases at point-of-sale. The costs involved in both cash and debit card payments in the Netherlands are among the lowest in Europe. The main reason for this is that people in the Netherlands pay relatively often – and ever more frequently – using their debit card. In the end, paying by card is the most cost-effective method for everyone involved and safer than paying by cash.

The Dutch Payments Association is committed to an efficient, stable and secure system for point-of-sale payments in the Netherlands. Innovations in electronic payments are implemented regularly and these are enhancing efficiency still further. Figure 1 shows the various methods used to make payments at points-of-sale in the Netherlands, and changes in the 2011–2014 period.

Figure 1: Payments in retail outlets

Annual number of transactions for each transaction type, in billions of transactions



*) Dutch Payments Association estimate.

Banks and retailers: more debit card payments than cash payments over the next four years

Point-of-sale payments in the Netherlands are the most efficient in Europe. This is reflected in their relatively low cost to society. These costs are 1 billion euro per year below the European average, adjusted to the size of the Dutch society¹. This cost advantage is partly due to the partnership between the banks and the collective point-of-sale institutions, which was agreed in 2005 in the Payment System Covenant. Further agreements were made in 2009. These are set out in the Additional Agreement ('Nadere Overeenkomst'). The reason for this agreement was the introduction of a new system for card payments, using an EMV chip embedded in the debit card instead of the magnetic stripe. With the exception of a few agreements that were made for an indefinite period, these agreements expired on 1 January 2014. In early September 2014, the parties involved signed the Additional Agreement II (NO II) in the presence of Finance Minister Jeroen Dijsselbloem. This partnership will continue until 1 January 2019.

In the NO II, banks and retailers set out their ambition to further increase the number of debit card transactions in the future. Specifically, the goal is to turn around the current proportion of 54% cash transactions against 45% debit card transactions, to 40% cash versus 60% debits card payments by 2018. Furthermore, the signatories will work together to make the system for debit card payments even more robust. The Dutch Payments Association will play an important role in elaborating and implementing these activities as well as in promotional activities to boost the number of debit card transactions and contactless payment transactions.

¹) Source: DNB (De Nederlandsche Bank), Paying costs less! Results of research carried out by DNB and the ECB into the social costs of the payment system in 2009, 11 April 2013

Banks and retailers join forces to reduce the number of cash payments still further

Debit card payments continue to increase

Virtually everyone in the Netherlands has a debit card linked to his or her current account. This can be used to pay in shops, restaurants and at railway stations, and to withdraw cash from ATMs. Using this card to pay is fast, secure, simple and efficient for both consumers and retailers.

Paying with a debit card is a regularly used service offered by many members of the Dutch Payments Association. The Payments Association coordinates and oversees collective agreements for the debit card payment infrastructure on behalf of its members. It is also responsible for coordinating public communication about debit card payments.

In 2014, debit card payments increased by 9.5% compared to the previous year. In all, 2.913 billion debit card payments were made in the Netherlands. The rate of growth has been rising sharply. In 2013, this was 7.5% (figure 2).

The relatively high growth in the number of debit card payments represents a continuation of the trend towards payment by debit card and away from payment by cash, a shift that has been underway for years. Traditionally, the growth in debit card payments has been mainly due to supermarkets. In 2014, 40% of all debit card payments took place in supermarkets (8.9% growth in 2014). But in cafés, restaurants, bars and hotels there was also an increase of 30.9% compared to 2013 and for parking payments there was an increase of 92.3%. In addition, department stores made a significant contribution to growth in payment by debit card, which amounted in this sector to 25.4%.

Over one third of all debit card payments
are now less than € 10

And again in 2014, consumers made more frequent use of their debit cards for small amounts. The number of debit card payments made for amounts under € 10 increased substantially, by 17.9%, to a total of over € 1 billion (see figure 3). That is equivalent to over one-third (37%) of all debit card payments. The average amount also declined further, from € 32.51 in 2013 to € 30.39 in 2014. The total value of debit card payments in 2014 amounted to the record figure of more than € 88.5 billion.

Figure 2: Number of debit card payments

Annual number of transactions in millions

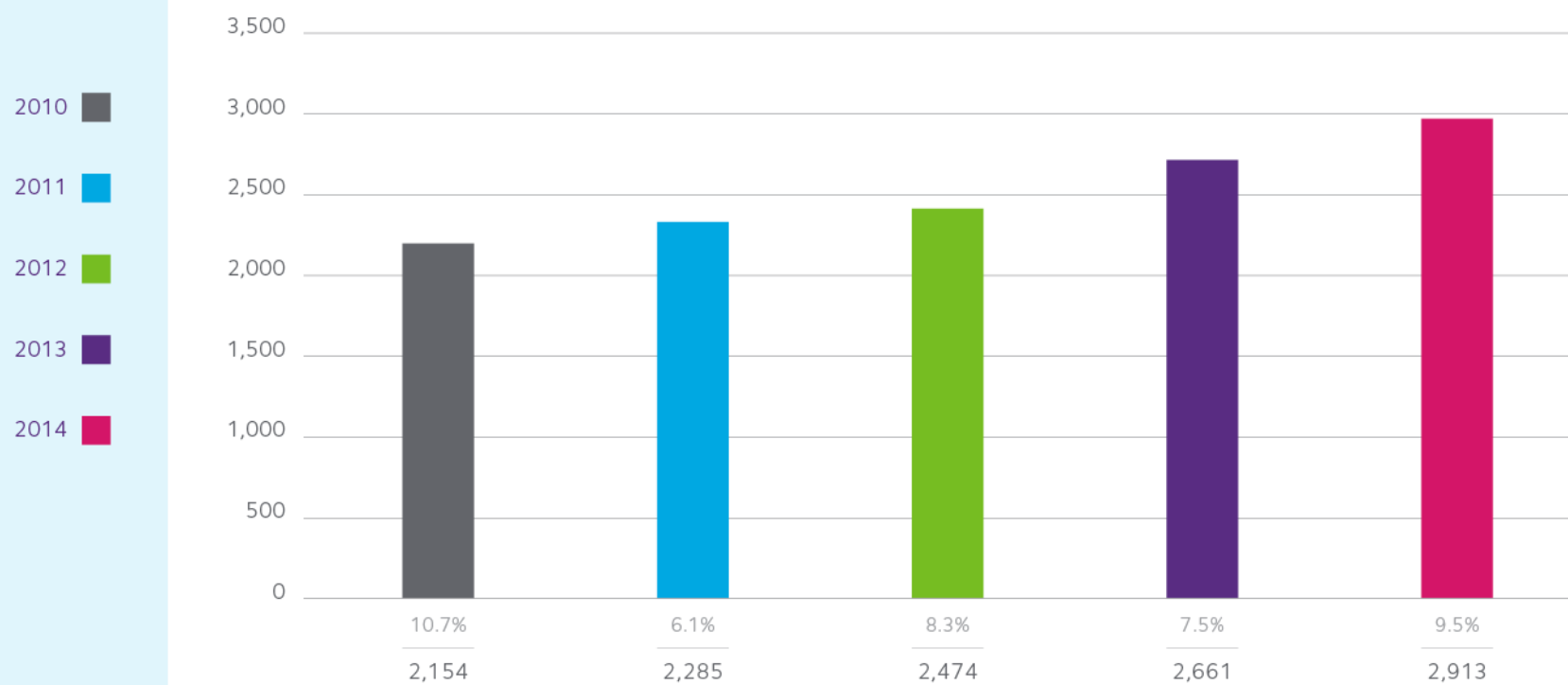
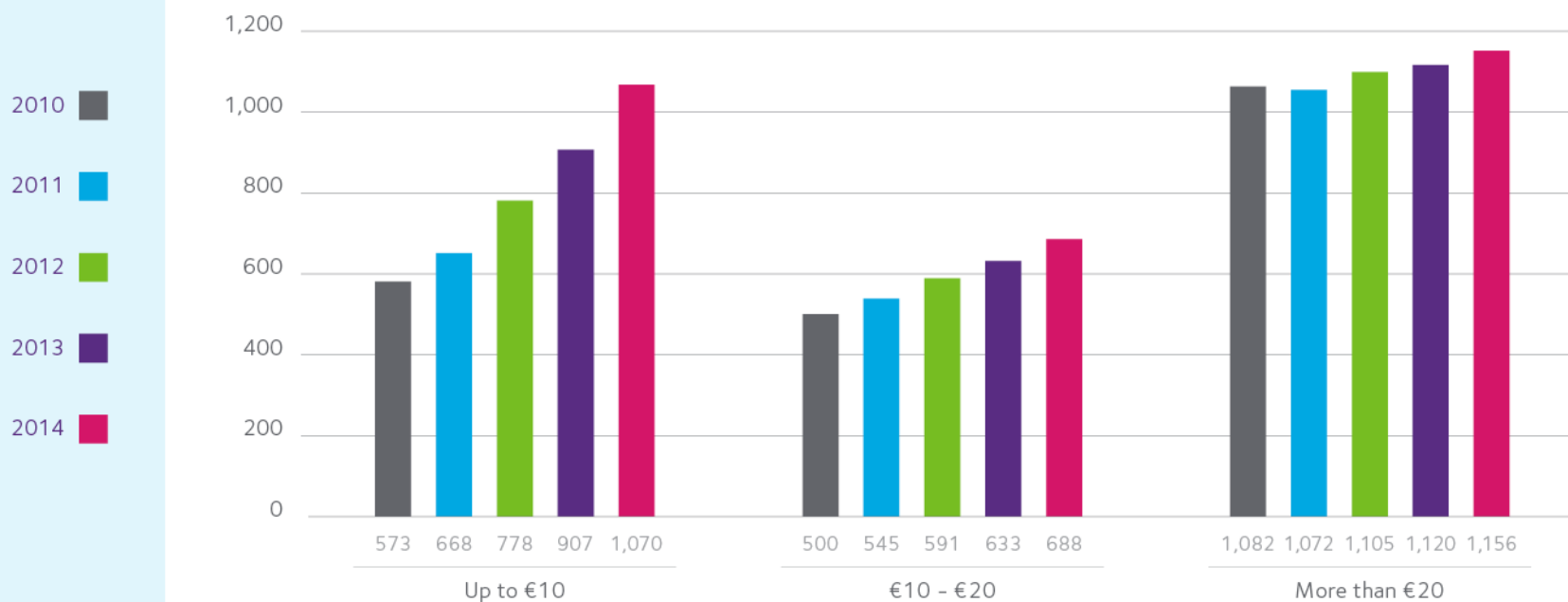


Figure 3: Number of debit card payments

Per various amount ranges, in millions of transactions per year



As in previous years, a number of promotional activities for debit card payments were undertaken in 2014, under the direction of the Dutch Payments Association and the Foundation to Encourage Efficient Payments (Stichting Bevorderen Efficiënt Betalen; SBEB). The national campaign '*Pay using your debit card? Yes, please*' highlighted the fact that retailers prefer debit card payments even for smaller amounts. Although many people in the Netherlands believe that they are doing smaller shops a favour by paying in cash, the opposite is actually true.

Additionally, the campaign demonstrates that consumers are increasingly able to use contactless payment methods. The campaign is a joint initiative by the Payments Association, SBEB, the banks, umbrella organisations and international card organisations. The campaign uses television, internet, advertising, promotional teams across the country and free publicity. The campaign is also prominent on shop floors.



Sticker for the 'Pay using your debit card? Yes, please' campaign

The Payments Association provides promotional material for debit card payments, contactless payments and debit card refunds through its www.pin.nl website

The Payments Association provides promotional material for debit card payments to all businesses. This material can be ordered free from www.pin.nl. In 2014, this was expanded to include materials to promote contactless payment and debit card refunds. Very often, it is not possible to tell whether a payment terminal supports contactless payments. Retailers can now affix a 'wobbler' (a display card that can be stuck to the payment terminal using an adhesive strip) to show customers that they can also make a contactless payment, as well as a conventional debit card payment.



A wobbler advertising contactless payment

Payment habits among young people in shops

Schoolchildren usually have their own debit card, but prefer to pay in cash

Although young people are generally at the forefront when it comes to accepting and adopting new technologies, this is not reflected in their payment habits in shops. A remarkably high proportion (60%) of payments made by those aged 12 to 24 years in shops, restaurants and fuel stations are made in cash rather than by debit card. Research carried out by Nibud shows² that 85% of schoolchildren in the first or second year of secondary school (aged between 12 to 14 years) have a debit card.

One of the reasons for the greater use of cash among young people is purely practical: young people more often receive their income in cash and therefore have more cash in their pockets. But a preference for cash also plays a role. Almost half of young people (41%) expressed a preference for cash. This figure was just 23% for the age group of 25-44 years, 29% for the age group of 45-64 years, and 31% among the over 65s. The most commonly cited reason for the preference for cash among young people is that this way it is easier to maintain an overview of how much they spend (74%). 'Habit' is also often cited as a reason (68%) and the fact that spending cash feels more 'real' than debit card transactions (56%).

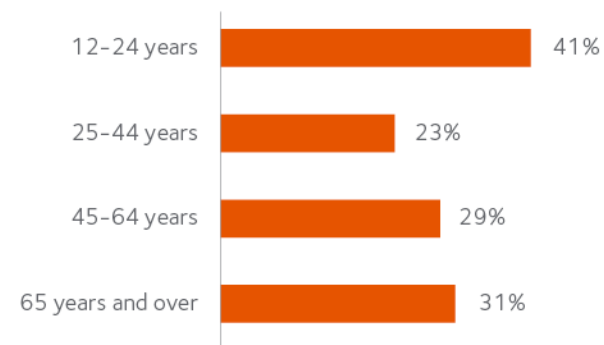
The reasons for the preference for cash appear to depend strongly on the financial education of the respondent. Young people generally receive their pocket money in cash. In addition, they are usually paid in cash for any work they do. Children therefore learn from an early age to link the value of their income and expenditures to cash.

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²) Source: Nibud/ Advice on Money Matters, Financially well prepared for secondary school? Research into changes in children's financial situation during the transition from primary to secondary school, March 2014.

Figure 4: Preference for cash

By age group, in 2014



Source: Dutch Payments Association/DNB, Payments in retail outlets 2014, May 2015.

Innovative developments

The electronic (POS) payment system is constantly changing. The main innovative developments in this field are contactless payments using debit cards or mobile phones, dip & go and debit card refunds. Developments for debit card payments are discussed in the Card Payments Forum, which is organised by the Dutch Payments Association. This forum, which met three times in 2014, brings together the stakeholders involved in Dutch point-of-sale payments.

Contactless payment

Since the introduction of contactless payment in early 2014, consumers have been using this method increasingly (figure 5). For this form of payment, the consumer simply holds a debit card or mobile phone close to the payment terminal in order to pay. For payments of up to € 25, no PIN needs to be entered. For larger amounts, the consumer needs to input his or her PIN into the payment terminal or type it into his or her mobile device. If several contactless or mobile payments are made which together exceed the threshold of € 50, consumers have to input their PIN to continue to make purchases, after which they can continue without entering their PIN again.

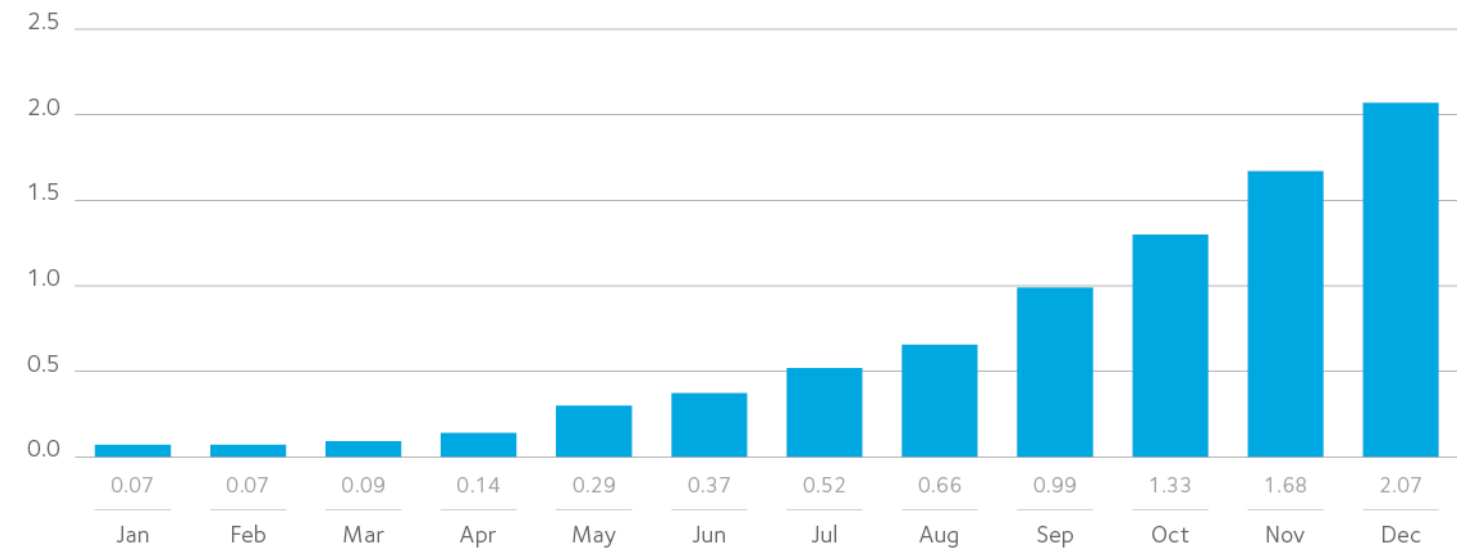
The advantage of contactless payment is that transactions are much quicker than the traditional methods, because for small amounts no PIN needs to be entered. There is also a security benefit. Because the card holder does not key in a PIN, this cannot be copied by pickpockets or skimmers. Moreover, for contactless payments, no numeric keypad is required. This is a particular advantage at vending machines.

In the year in which the new method was introduced, the number of contactless payments remained modest (8.3 million). The Dutch Payments Association expects the number of contactless payments to grow rapidly in the coming years. At the end of 2014, there were over 8 million debit cards in circulation that were compatible with contactless payments. This number is expected to increase rapidly as debit cards become due for replacement. At the end of 2014, consumers were able to make contactless payments at 56,000 payment terminals in the Netherlands. That figure is one in six payment terminals and this proportion will continue to increase in the years to come.

For the introduction of mobile contactless payments in the retail sector, ABN AMRO, ING and Rabobank are working together on the Mobile Payment Netherlands project (or MBN project). After jointly drawing up the specifications for the mobile payments system in the autumn of 2013, a pilot project was set up in the city of Leiden. Approximately 1,000 consumers and 200 businesses took part, gaining experience with this new form of electronic payment.

Figure 5: Number of contactless card payments

Number of transactions in 2014, in millions



Contactless payments on the increase

The evaluation of the pilot project showed that consumers and merchants appreciated this method of payment and saw major advantages to paying with their mobile device. Based on the findings and recommendations of the pilot project, each bank is now working on the introduction of its own system onto the market. They have made the specifications of the MBN project available to the Payments Association, so that they are accessible to many other parties.

For the successful introduction and the continued growth of mobile payments in the Netherlands, it is important that mobile payment solutions work smoothly and that the payment experience for consumers is distinctive and easy to understand. In order to achieve these goals, the Payments Association and the banks involved in the MBN project have set up a consultation platform for mobile payments in the Netherlands. This platform brings together providers and suppliers of mobile payment solutions to exchange information on the common aspects of mobile payments, such as the themes of interoperability and a uniform payment experience. The first stakeholder consultation took place at the beginning of 2015. In February 2015, one major bank was the first in the Netherlands to introduce a wallet app, which can be used to make contactless payments with certain types of smartphones. It is expected that other banks will soon follow suit.

Breakthrough in 'dip & go'

With more and more parking meters on our streets and in car parks, consumers need to be able to pay securely and easily using a debit card, without keying in their PIN code. This form of payment, which involves contact between the card and the payment terminal but does not require a PIN code to be entered, is called 'dip & go'.

Dip & go has been possible in the Netherlands since late 2013. The system is also used for some toll roads abroad. Consumers can pay up to € 50 for parking using the dip & go system. In other sectors, dip & go is not possible and payment can only be made with contactless payment if the customer wants to use a debit card without entering a PIN.



Fast, secure payments at
parking meters with 'dip & go'

In anticipation of the end of the Chipknip payment method, many operators of parking meters have switched to dip & go. This method of payment is faster, and results in shorter waiting times and fewer and shorter queues. Additionally, it gives operators more space, since no keyboard is needed to enter a PIN code. Dip & go also has security advantages because PIN codes cannot be copied. Because all debit cards in the Netherlands are already suitable for use with dip & go, it is an attractive solution for parking operators looking for an alternative to the old Chipknip system. After many smaller municipalities switched to dip & go in 2014, the year ended with the successful migration of all parking meters in the city of Amsterdam to dip & go. This also marked the end of cash to pay for on-street parking.

Dip & go is also increasingly being offered in off-street car parks. Here, drivers use their debit card not only to pay on departure, but also as a virtual parking ticket when entering the garage. Visitors who use their debit card when entering the garage save time because the system enables them to skip their visit to the payment machine. They can pay directly at the barrier with their debit card as they drive out.

Debit card refunds

Debit card refunds are advantageous
for both merchants and consumers

Dutch consumers usually receive cash if they return their purchases. However, last year another option came available with the introduction of debit card refunds. A chain of jean stores was the first to offer this scheme. Each of the three major Dutch banks made it possible for its business customers to offer refunds directly to customers' debit cards.

With debit card refunds, consumers who return a purchase to the shop are refunded the next working day directly to their bank account. A debit card refund is possible when the original purchase was made with a debit card or credit card. It does not matter which bank the consumer uses. The consumer enters his debit card, and the retailer launches the debit card refund transaction. A debit card refund receipt, signed by the retailer, guarantees that the refund is on its way.



Debit card refund message on payment terminal



A receipt for a debit card refund

Debit card refunds offer great benefits for both consumers and retailers. The retailer no longer has to keep extra cash in the till for refunds and consumers have their money back in their account more quickly. In 2015, an evaluation will be made of whether debit card refunds are meeting the needs and expectations of retailers, consumers and banks.

The Dutch Payments Association has been coordinating this process and has consulted its members and other stakeholders about the functionality and the standardisation of the user experience for consumers. In addition, the Payments Association has developed communication materials for debit card refunds and made these available to retailers at www.pin.nl. For example, it is possible to advertise the service at the shop counter. Because of the nature of the service, consumers are likely to use debit card refunds relatively rarely. Precisely for this reason, consumers will benefit from prominent and distinctive communication materials, which match the familiar style of the promotional materials used for the 'Pay using your debit card? Yes, please' and 'Pay contactless here too' campaigns.

Chipknip discontinued after 19 years

End of 'Chipknip' payments

At the end of 2014, after 19 years of existence, the method of electronic payment known as 'Chipknip' came to an end. The decision to end payments by Chipknip was preceded by extensive consultation among stakeholders during the first quarter of 2013. After that, Currence (the owner of Chipknip), banks and other stakeholders worked together closely to phase out Chipknip in a timely manner. Merchants were given plenty of time to ensure that they were prepared for the change in 2014 and to switch to other forms of payment using debit cards, including contactless payments, dip & go (in the parking sector) or closed payment systems, or in some cases simply switching to cash.

The use of Chipknip in stores had already ended in 2013 with a few exceptions. Electronic payment on the high street is now synonymous with debit card payments, whether or not this includes the contactless form. At the launch of EMV debit card payments in early 2011, Chipknip had already been removed from the list of possible payment options at most shops.

Early communication, collaboration with stakeholders and help for users of Chipknip to prepare themselves all helped to pave the way for the successful removal of the payment infrastructure for Chipknip. Merchants were advised to have alternatives to Chipknip in place by 1 October 2014. No major incidents occurred among merchants during the migration from Chipknip to other payment options.

Over € 82 million refunded to users
of Chipknip with remaining balance

In early 2015, the banks refunded more than € 82 million to users of Chipknip for the balance remaining on their Chipknip cards. However, for Chipknip amounts that were left but belonged to bank accounts that were out of use, automatic refunding was impossible. In such cases, those entitled to a refund are able to apply to their bank for a refund of their Chipknip balance.

The Currence Annual Report (2014) contains more information about Chipknip.

Cash is a focus area for the Dutch Payments Association

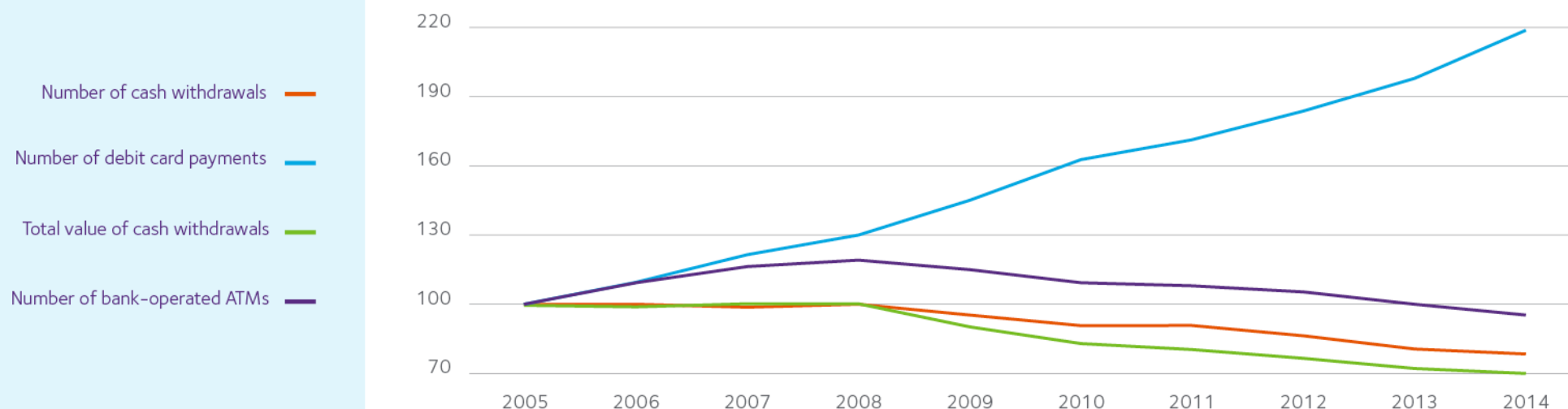
In 2014, the Payments Association's field of activity was widened to include operations involving cash. To this end, the existing files in this field have been handed over by the NVB. Important issues in this area include the accessibility of ATMs in sparsely populated areas and the objectives of the NO II (see the section entitled 'Banks and retailers: more card payments than cash payments over the next four years').

Use of cash continues to decline

In line with this fall in the use of cash in point-of-sale, the number of cash withdrawals from ATMs and the amounts withdrawn also decreased in 2014. Compared to 2013, these fell by 5.1% and 3.6%, respectively. Compared to 2005, the number of cash withdrawals decreased by 22% and the amounts withdrawn fell by 30%. The number of cash payments made to merchants has also declined significantly in recent years (figure 1).

The number of bank ATMs has gradually declined since 2008 (figure 6). In 2008, there were 8,654 bank ATMs and in 2014 there were 7,077. This number is approximately 5% less than the number in 2005, when there were 7,446 bank ATMs. The reduction in the number of ATMs has been associated with the decreasing demand for cash in society. People are increasingly paying by debit card, even small amounts. In addition, the use of internet and mobile banking has also taken off. Finally, shopping (and payments) are occurring online more and more often, rather than during visits to physical shops. This means that some ATMs are not being used as often as they were and banks have decided to close some of them.

Figure 6: Number of cash withdrawals from ATMs and debit card payments
(Index: 2005=100)



Access to ATMs in rural areas

In 2014, there was a lot of public interest in the closure of ATMs by banks. This is making it more difficult to access to cash, especially in rural areas. In some rural areas, there are no ATMs left at all. Elderly people and those living with disabilities are finding it especially difficult to access cash. The Dutch Payments Association and its members are responding to an important social need by ensuring that cash can be accessed readily and easily.

At least 99.59% of the Dutch population lives within a radius of 5 kilometres from an ATM

Across the nation as a whole, ATM coverage remains high. In a survey carried out by the National Forum on the Payment System³ (MOB) in the spring of 2014. The MOB concluded, once again, that there is no generalised issue concerning access to ATMs. It was shown that 99.59% of the population of the Netherlands live within a radius of 5 kilometres of a bank ATM. Custom solutions, such as agreements with retailers that customers can receive extra cash back when using their debit card, are not included in this. Also, approximately 950 ATMs which are not operated by banks are excluded from these figures. The number of locations where there is no cash machine within a radius of five kilometres is low. When these custom solutions and non-bank ATMs are taken into account, it can be concluded that the percentage of the Dutch population with access to cash within the specified radius of 5 kilometres is probably even higher than the 99.59% cited previously.

The MOB also stated that improving access to ATMs requires a customised approach and advised banks to explore options for a common placement policy for ATMs. The banks subsequently launched a joint pilot scheme.

In the spring of 2015, the MOB discussed the issue of access to ATMs in a new report. For the first time, ATMs operated by non-banking providers were also included in their survey. Today, these actually represent more than one in nine ATMs in the Netherlands.

³⁾ The MOB, which is chaired by De Nederlandsche Bank (DNB), focuses on promoting the societal efficiency of the Netherlands' payment system. The MOB is composed of representatives of providers and users of the payment system. These include, for example, representatives from umbrella organisations in retail and banking, organisations for people living with disabilities and the Dutch Consumers Organisation. The Dutch Payments Association is also a member of the MOB.

ATM pilot scheme in Zeeuws Vlaanderen

Under this pilot scheme, ABN AMRO, ING, Rabobank and SNS Bank aim to ensure that residents in areas where accessibility is being seen as a problem have access to a distribution point for cash within a radius of five kilometres. They are specifically taking into account the local situation and the needs of society. Two villages (Biervliet, with 1,290 residents, and Graauw, with 963 residents) no longer have an ATM within a radius of 5 kilometres, since their local ATMs were removed. The village of Vogelwaard (2,100 residents), where the closure of the local ATM caused a great deal of consternation, has access to an ATM that falls within the stated radius, but only just. As part of the pilot scheme, it has been agreed that one of the banks (ABN AMRO) will open a new ATM in Graauw. A suitable location has already been found. For Biervliet and Vogelwaard, alternative custom solutions have been identified.

The Dutch Payments Association
monitors ATM closures by banks

In cases in which placing an ATM in the countryside is the best solution, banks are allowed by the Authority for Consumers and Markets (ACM) to define in mutual consultation where and by which bank an ATM will be installed on a case by case basis. The ACM does not allow banks to make mutual agreements on removing ATMs from larger villages and towns (where there may be overcapacity) in order to relocate these in smaller villages. Nor may banks share information with each other about their plans to close certain ATMs and coordinate their activities to avoid 'blank spots' in the future (based on the standard 5-kilometre radius). However, the ACM does consent to the banks' sharing information with the Dutch Payments Association about their individual placement policies. The Payments Association is therefore in a good position to monitor whether new blank spots are likely to occur. If this is likely, the Payments Association will consult with the bank(s) in question.

From the point of view of controlling costs, further rationalisation of ATMs is inevitable in the coming years, particularly in a society where the use of cash is increasingly being superseded by various forms of electronic payment. The Payments Association believes that far-reaching harmonisation between banks concerning the placement of ATMs will ultimately provide a sustainable and cost-effective solution for maintaining adequate access to cash by the public.

2014 saw another sharp increase in the number of iDEAL payments

Payments on the internet

iDEAL contributes to growth in e-commerce

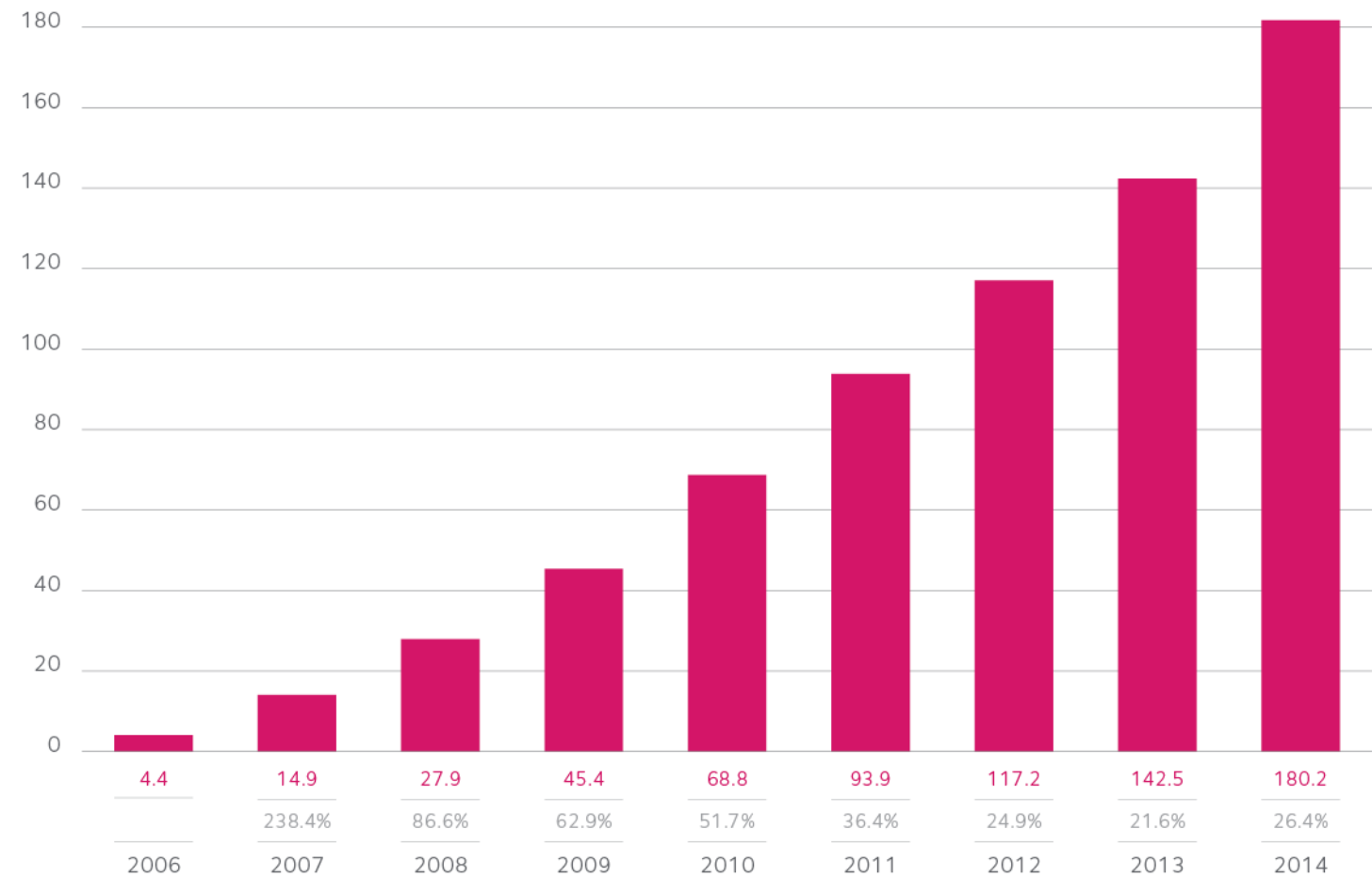
Nearly 8% of all consumer spending in the Netherlands in 2014 took place online⁴. This equates to almost € 14 billion. iDEAL has made a significant contribution to the rapid adoption of e-commerce by Dutch consumers. Anyone with a Dutch current account can pay online using iDEAL. Consumers find iDEAL reliable, safe and easy to use. Additionally, it offers merchants a real-time payment guarantee. In 2014, the number of iDEAL transactions increased by almost 38 million to over 180 million, an increase of 26.4% compared to 2013 (figure 7). This was more than in previous years, when growth actually weakened. The strong growth is partly attributable to both the growth of e-commerce, and to the use of iDEAL outside e-commerce (such as for invoicing and charity payments). Dutch consumers can also pay using iDEAL at ever more foreign websites. iDEAL is now offered to Dutch consumers by online retailers in more than 50 countries, including China. In 2014, the total value of iDEAL payments rose to € 14.13 billion, an increase of 31% compared to 2013.



⁴ Source: Thuiswinkel.org, Home Shopping Market Monitor 2014.

Figure 7: Number of iDEAL payments

Millions of transactions, percentage growth relative to the previous year



iDEAL used most often for online purchases by far

Popularity of iDEAL is unprecedented

In 2014, slightly more than half (54%) of all online purchases made by Dutch consumers were paid for using iDEAL, followed at distance by credit cards (11%). These figures are derived from the eCommerce Payment Monitor, a survey into payments for online purchases in the Netherlands conducted by GfK in collaboration with iDEAL and Thuiswinkel.org.

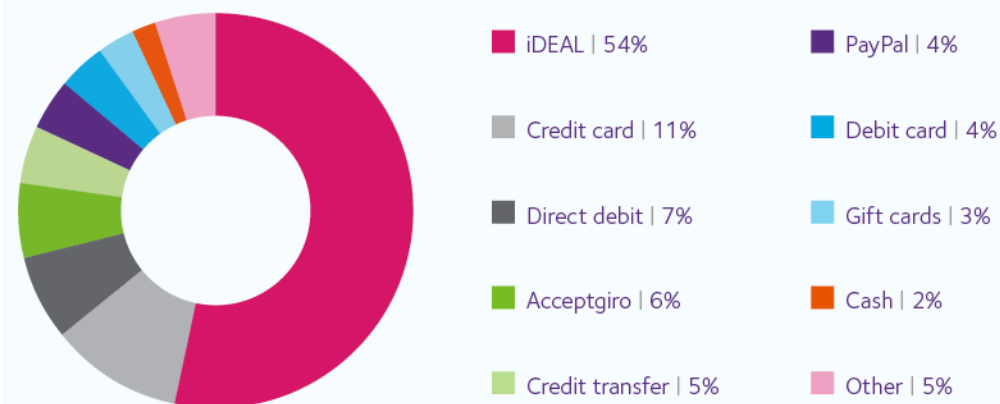
The eCommerce Payment Monitor is an extension of the existing Home Shopping Market Monitor and focuses on how purchases are paid for. In 2014, the composition of this survey changed. Whereas payment information for previous surveys was based on the most recent purchase made, now all purchases are included in the survey. This made it possible, for the first time in 2014, to monitor the market shares of the various payment methods for online shopping.

The proportion of market shares is slightly different from the picture shown by the most recent purchases. However, iDEAL is the dominant payment method used under both methods. The proportion of credit card payments is higher, and that for Acceptgiro payments is lower. It is therefore possible to conclude that credit cards are used more often by frequent online shoppers, and that Acceptgiro is a less favoured method of payment. This is consistent with the fact that new buyers are generally more cautious, preferring post-payment and therefore opting to pay by Acceptgiro. For other payment methods, there were no significant differences.

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Figure 8: Proportion of payments made by various methods

Percentage of purchases in 2014



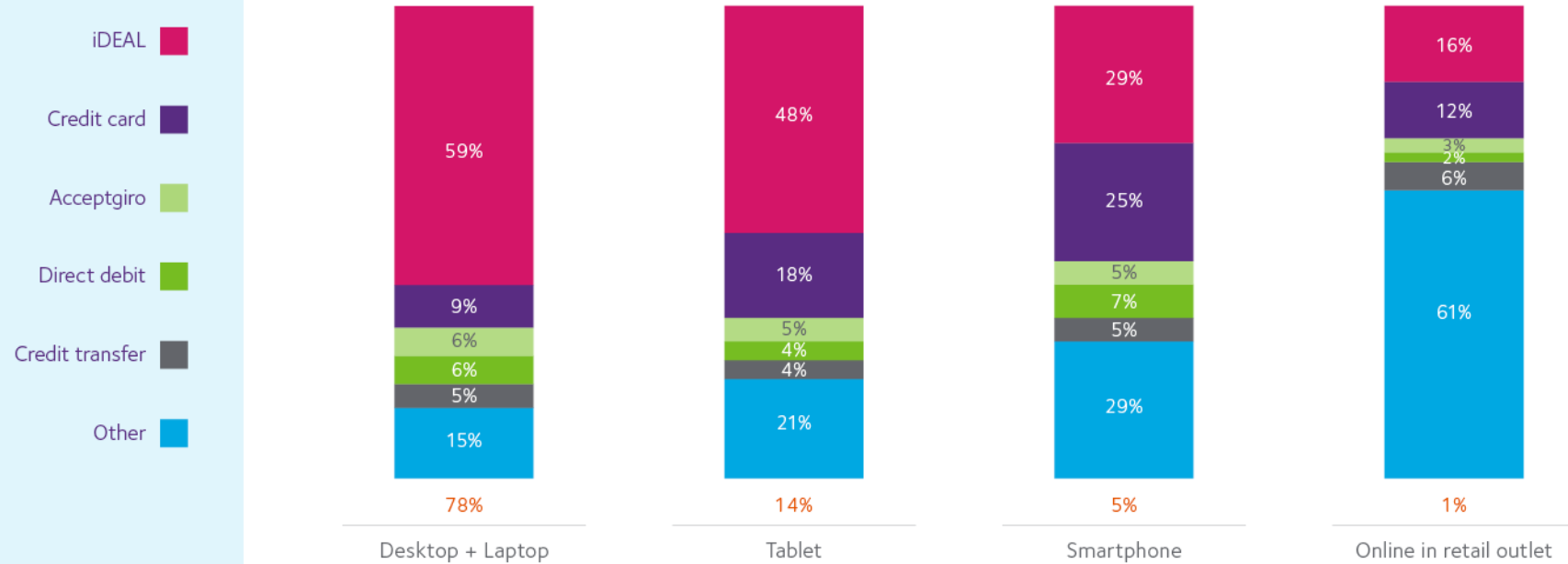
Paying with iDEAL via smartphones and tablets

The eCommerce Payment Monitor 2014 reveals that in 2014 78% of all internet purchases by Dutch consumers were made using their desktop or laptop computers, with tablets and smartphones accounting for 14% and 5% respectively. The method of payment varies greatly according to the type of device used. Consumers who make purchases online using a desktop or laptop computer pay more often using iDEAL (59%) than those who use a smartphone (29%) (figure 9). The proportion of iDEAL payments for smartphone purchases increased substantially during 2014, however, from 24% in the first quarter to 34% in the fourth quarter. iDEAL was the chosen method of payment for 48% of all online purchases via tablets. This figure is expected to increase further as ever more online shoppers become familiar with the convenience of iDEAL for mobile devices.

Online purchases made using tablets and smart phones still limited in number

Figure 9: Use of various payment methods on different devices

In percentage of total purchases



Source: E-Commerce Payment Monitor 2014, GfK, Thuiswinkel and iDEAL.

One remarkable finding of this survey was that mobile devices are mainly used at home. This applies to both tablets (96%) and smartphones (76%). Some 30% of all iDEAL payments are made using a mobile device (tablet or smartphone).

Banks add iDEAL to their mobile banking apps

As well as payment pages that are optimised for mobile devices, most banks have now added iDEAL to their mobile banking app. This makes it possible to make an iDEAL payment using the mobile code of the app, enabling quicker and easier payments using mobile devices because no separate token is needed. The majority of banks now offer this facility. Almost 20% of all iDEAL payments at these banks are made using the app. Other banks will follow suit in 2015. Once this has been done, the share of mobile payments is expected to rise further.

Agreement with Gaming Authority to combat illegal internet gambling

Currence iDEAL B.V. signs agreement to combat illegal internet gambling

In preparation for a new law on gambling (expected in 2015), the Gaming Authority has been charged with taking action against companies that provide gambling services and explicitly target consumers in the Netherlands. In September 2014, Currence iDEAL B.V. and the Dutch Payments Association signed an agreement with the Gaming Authority to cooperate in the fight against these illegal providers. A number of other payment service providers have also accepted the terms of the agreement. The agreement states that, provided that certain conditions are met, payments between consumers and providers of illegal internet gambling will be blocked. By accepting the agreement, the Payments Association and its members and Currence iDEAL B.V. and its licensees and certificate holders are signalling that they will not offer payment services to providers of illegal online gambling of this nature. The agreement states that the Gaming Authority will periodically prepare a list and distribute this to the payment service providers that have signed the agreement. The list will provide details of illegal online gambling providers who have been subject to administrative sanctions by the Gaming Authority, but are continuing to target the Dutch market. The payment service providers will make no further payments to the providers in question. For any existing services, payment services will be terminated by the payment service provider as soon as the administrative sanction has become definitive.

The Currence Annual Report (2014) contains more information about iDEAL.

2% of all payment orders are completed using a paper format

Giro-based payments

Giro-based payments in the Netherlands are characterised by their stability and reliability. Maintaining the high standard of service for giro-based payments forms the basis for the meetings between payment service providers and users in the Giro Stakeholder Forum of the Dutch Payments Association. By far the majority of giro-based payments in the Netherlands are processed electronically. For the business sector, this figure is almost one hundred per cent, and in the private sector too, payments are increasingly being made digitally. The classic paper-based system of payment orders (transfer forms and Acceptgiro slips) are still in use and remain in demand, but the share of payments that are actually made on paper at the bank continues to decrease steadily. It is estimated that this now represents approximately 2% of the total number of private payment orders. The challenge for the coming years is to carry out this relatively labour-intensive – and therefore costly – method of payment as efficiently as possible.

Online banking is generally the primary channel by which consumers do their daily banking. In recent years, this has been increasingly supplemented by mobile banking apps. In 2014, some 10% of individually delivered electronic payment orders came from mobile banking apps. The Payments Association expects that this share will rise further in the coming years.

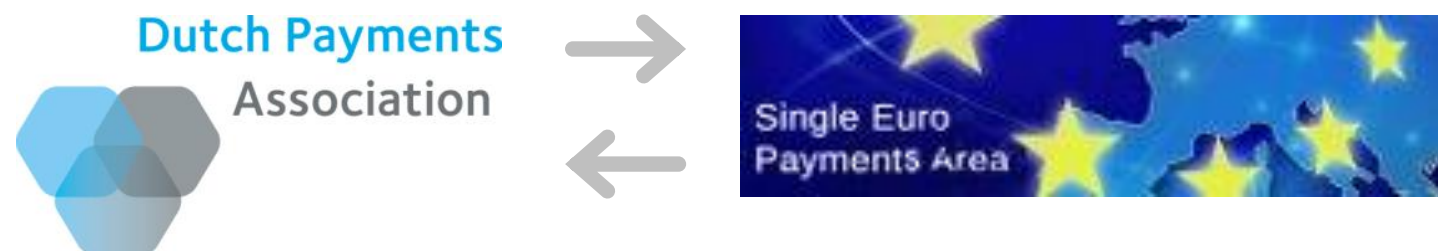
The transition towards a European payment system

On 1 August 2014, with the completion of SEPA, a milestone was reached in the payment system. On that date, the six-month extension of the transition period granted by the European Commission ended and all national credit transfers and direct debits were replaced by their European counterparts. The aim of creating a single, unified Euro payments zone was to enable merchants and consumers to pay and receive funds throughout the entire Euro zone through a single bank account. This will reduce the costs and minimise the barriers experienced by internationally active companies and consumers.

Mobile banking on the increase

Migration to SEPA completed smoothly and on time

In recent years, developments in the field of giro-based payments have been dominated by the transition to SEPA. Intensive collaboration between the providers and users of payment services was required to conclude this complex project successfully. It was not only banks that had to modify their systems: businesses and other organisations also needed to make significant changes to their systems and administration. In recent years, thousands of people have been working on the migration to a new payment infrastructure. Thanks to their efforts, the Netherlands can look back with pride on a smooth and timely migration to SEPA.



From national standards to European standards

Since the introduction of European standards, companies and institutions can only make their payments and direct debits using the SEPA format (XML), and the old national ClieOp format has been discontinued. This transition took place without any hitches, just like the transition from the old national account numbers to IBAN. This is partly because on 1 February 2014, the initial deadline for domestic products, the transition to SEPA was already well underway in the Netherlands.

During the transition period, which lasted until 1 August 2014, national banks continued to process direct debits and transfers made using the old system. Additionally, for users of online banking they continued to offer a service to convert old national account numbers to IBAN automatically. At the end of January, the Minister of Finance requested an exemption from the European Commission in order to continue the automatic conversion to IBAN number for consumers until 1 February 2016.

However, the National Forum for SEPA migration (NFS) subsequently recommended extending the automatic conversion service until August 2014, rather than until February 2016. This recommendation was adopted. For payments to certain (specified) charities, the automatic conversion service will continue until 1 February 2016. The IBAN BIC Service (www.ibanbicservice.nl), which can be used to request the IBAN of old individual bank account numbers, remained available – at the request of the users – until the end of March 2015.

Role of the Dutch Payments Association

The Payments Association made every conceivable effort to facilitate the transition to SEPA in 2014. Representatives of both consumers and businesses indicated via the Giro Stakeholder Forum (GSF) of the Payments Association that they had received no significant complaints from those they represent about the transition. Banks too, reported that they had received hardly any criticisms.

Like the functions of the Interbank SEPA Steering Committee, the tasks of the NFS and the SEPA Task Force Netherlands (TFSN), which were established by the National Forum on the Payment System and chaired by DNB, have been completed.

Both of these consultative bodies were dissolved in celebratory style in the third quarter of 2014. The Payments Association played an active role within both the NFS and the TFSN as the coordinating representative of the service providers (banks). Additionally, the Payments Association also facilitated the interbank SEPA Steering Committee, which coordinated the transition to SEPA by the banks. The Steering Committee met with representatives of end users and resolved many problems during the migration.

Payments Association will
carry out all remaining tasks
Associated with SEPA migration

The remaining issues have been handed over to the Payments Association and are being handled by the Giro Stakeholder Forum. This forum was established in 2014 and is chaired by the Payments Association. It includes representatives from business and the private sector, payment service providers and DNB. This guarantees representation for all the various types of end users and their involvement in the further development of the giro-based payment system. In 2014, the GSF met three times.

The Payments Association has also been focusing on providing accurate and relevant information regarding SEPA. Payment service providers and other market participants have been given extensive and accessible general product information and technical documentation. All this information is available via the [website of the Payments Association](#) (documentation in Dutch).

Banks provided their own customers with information about SEPA (including the migration dates). The Payments Association also provided information on SEPA at numerous meetings, including both information on product-specific changes, on the national migration plan and the role that the banks played in this. Separate information meetings were organised for members of the Payments Association and periodic newsletters were published about SEPA.

End of national payment infrastructure

In parallel to the final phase of the SEPA migration, work began to dismantle the national payment infrastructure – the Clearing and Settlement System (CSS) of Equens. The national payment infrastructure was kept in place for another six months after 1 August 2014 for the Government Order, lottery direct debits, the giro-based processing of card transactions and Chipknip. The Chipknip system was discontinued at the end of 2014, while the Government Order, lottery direct debits and the giro-based processing of card transactions have all been migrated to new European standards. Thanks to sound cooperation between the banks, Equens and the Dutch Payments Association, the national payment infrastructure was terminated smoothly and without any problems at the beginning of 2015.

End of national payment infrastructure

European direct debit replaces
national direct debit system

European Direct Debit

Since the transition to SEPA, companies and institutions have been using the new European direct debit (standard or business versions). In addition to a different method of delivery, the European direct debit has a number of new product features compared with the old Dutch direct debit. With the standard European direct debit, the bank alerts the account holder five days before any amount is deducted on the basis of the new debit mandate, and the account holder is able to refuse a debit transaction that he or she does not agree with in advance.

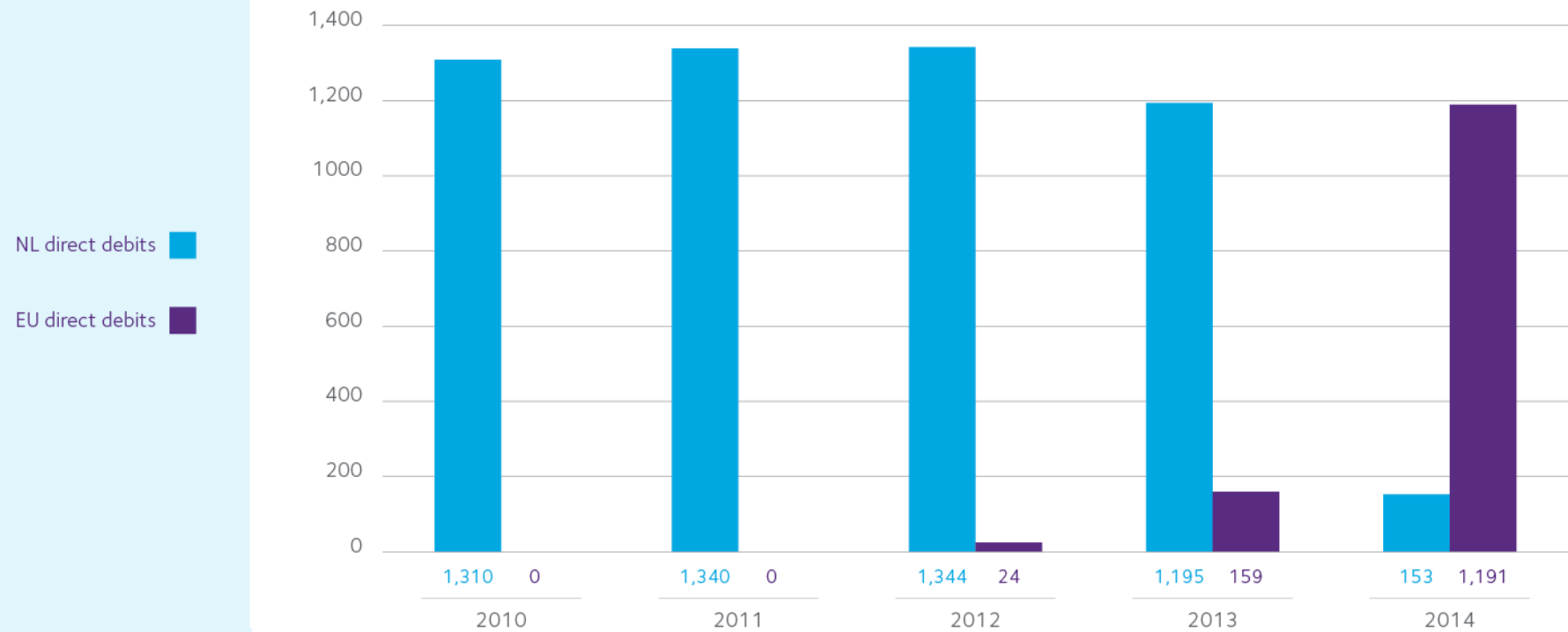
During the additional transition period mentioned earlier, the Dutch banks continued to process the old national direct debit variants as well as the new European versions (figure 10). At the beginning of 2014, many, but not all, payees switched to the SEPA variant of direct debits. The extension of the transitional period until 1 August 2014 helped to ensure that all payees were eventually able to switch on time.

Lottery direct debits

The arrival of the European direct debit meant the end for the national variant of direct debit payments. This was not generally a problem, since the new European direct debit was broadly very similar to its Dutch direct debit predecessor. However, the lottery direct debit (a special product used only for the Dutch national lottery) was an important exception. The lottery direct debit involved the use of a non-reversible standing order, of which there is currently no equivalent under SEPA. In 2014 there were still 84.6 million lottery direct debit transactions. In 2013, the number was 82.7 million (an increase of 2.3%).

Figure 10: Number of direct debit payments 2010 - 2014

Number of transactions in millions



Lottery direct debits exempted from SEPA regulations until 1 February 2016

In 2014, at the request of the companies that run the lottery in the Netherlands, DNB, as the competent authority, used its powers to grant an exemption to the SEPA Regulations. The exemption means that the lottery direct debit can be continued until 1 February 2016. This remained possible using the old payment infrastructure until the beginning of 2015. In order to continue to process the non-reversible lottery direct debit, a number of banks have made adjustments to their SEPA payment infrastructure at the request of the lottery companies. At the end of 2014, the four largest Dutch lottery operators successfully switched over to the new system.

In 2015, in consultation with Dutch and European stakeholders, the possibility of introducing a 'No-Refund SEPA Direct Debit' (No-Refund SDD) will be considered. This European non-reversible direct debit variant would not be introduced until after 1 February 2016. European legislation in the form of the European Payment Services Directive, which is currently under revision (Payment Services Directive 2; PSD2), would play a role in this. But it is still unclear whether there is sufficient support in Europe for a No-Refund SDD.

Consumer protection and the European direct debit

The legislation that introduced SEPA also included a number of other new consumer protection measures. This is in addition to consumers' existing right to reverse any direct debit payment within eight weeks after the amount has been collected, without any obligation to give a reason. Consumers can set a maximum amount that can be deducted using a direct debit agreement and a maximum frequency. They can block specific or all direct debit transactions, with the exception of approved payees who appear on a White List. These consumer protection options came into force on 1 August 2014, with the exception of the White List, which will be introduced in May 2015. An overview of all consumer protection measures can be found in Table 1. The range of measures means that direct debit is a complex product.

Table 1: Consumer protection measures relating to the European direct debit

Alerts
The bank alerts account holders five days before any amount is deducted on the basis of a new direct debit mandate.
Right of rejection
Consumers can in advance reject a direct debit transaction that they do not agree with.
Right of refund
Consumers have the right to reverse a direct debit transaction up to eight weeks after the transaction has been debited from their account without giving a reason; “No questions asked”.
Refund for unauthorised transactions
Consumers have the right to request the reversal of any direct debit transaction for which they have given no legal mandate, for up to thirteen months after the transaction.
Total direct debit block
Consumers can block their bank account from all direct debit transactions.
Blacklisting
Consumers can block their bank account for direct debit transactions initiated by one or more parties by selecting them for blacklisting. Example: Direct debit payments for company X and direct debit payments for company Y with mandate Z may not be deducted from the account.

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Frequency

Consumers can set a maximum payment frequency for direct debit mandate. Example: Company X (with mandate Y) may deduct up to 13 times a year.

Amount

Consumers can set a maximum payment amount for direct debit mandate. Example: Company X (with mandate Y) may deduct a maximum of € 50 per deduction.

Combination of frequency and amount

Consumers can set a maximum payment frequency and amount for any direct debit mandate. Example: Company X (with mandate Y) may make a maximum of 13 deductions in a year, at a maximum of € 50 per deduction.

White List

Consumers can indicate which payees may collect from their account.

Example: Only direct debit payments for company X and direct debit payments for company Y with mandate Z may be deducted from the consumer's account. It is also possible to place a restriction on the amount and/or frequency of the deductions.

Ever more Acceptgiro payments are completed using internet banking (83%)

IBAN Acceptgiro

In January 2014, the SEPA variant of the old national Acceptgiro was introduced, the IBAN Acceptgiro. The introduction did not result in many operational problems for consumers, payees or the organisation responsible for the central processing of Acceptgiro forms. The phasing out of the old euro Acceptgiro was implemented virtually seamlessly. This was partly because the new IBAN Acceptgiro is very similar to the old version and its introduction coincided with that of the IBAN for domestic transfers.

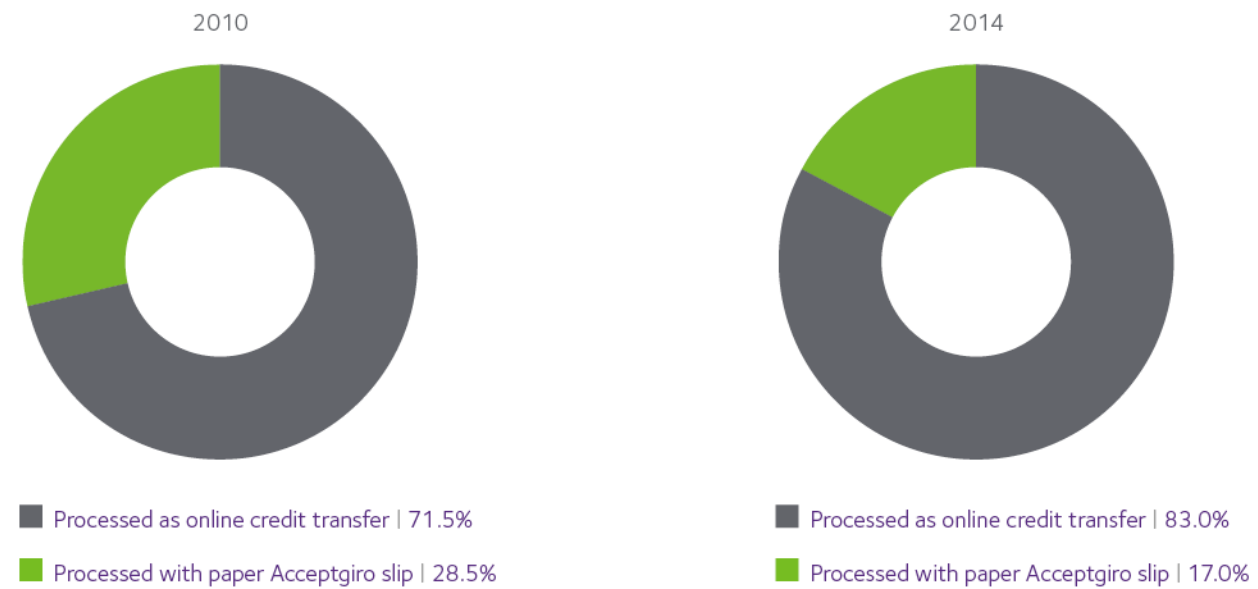
The number of payments via Acceptgiro, as in previous years, fell further during 2014. In 2014, 83% of all processed Acceptgiros were paid electronically using internet banking. This percentage has been increasing steadily over the past decade. Currence (the owner of Acceptgiro) predicts that this trend will continue over the coming years. Figure 11 shows the change in the numbers of Acceptgiro payments completed on paper and electronically over the past five years (figures are shown for 2014 and 2010).

Given the decline in the use of the Acceptgiro, in 2013 the MOB agreed that Acceptgiro will be discontinued on 1 January 2019 at the latest. For this reason, plans will be drawn up in 2015 for a realistic scenario for this to occur under the direction of Currence and in consultation with service providers, users and other stakeholders. Plans for alternative payment products which can (in the longer term) replace the Acceptgiro will play an important part in this.

More information about Acceptgiro can be found in the Currence Annual Report (2014).

Figure 11: Proportion of Acceptgiro payments in 2010 and 2014

In percentages



Note: Data for 2014 were obtained from a random sample from eight banks.

FiNBOX

Using FiNBOX, organisations can deliver their invoices and other financial documents digitally to users of Internet banking services. FiNBOX was developed by banks and service providers that specialise in the transmission of documents. FiNBOX is more convenient for customers and gives them a better overview of their finances. For example, they do not have to copy bank details when paying invoices because all the information required is already filled in.

The Dutch Payments Association coordinates and directs collective agreements for its members in areas including the exchange of messages within FiNBOX between participating parties and it also oversees public communications regarding FiNBOX.

The use of FiNBOX decreased by 5.5% in 2014, reaching 1.4 million payments. Its adoption by both businesses and consumers has been relatively modest in recent years. Partly due to the relatively laborious registration process, FiNBOX has not been as successful as was expected at its launch. The providers involved are currently considering whether they wish to withdraw FiNBOX.

Innovations in the payment system

Buying and selling process undergoes further digitization

After the transition to SEPA, companies and banks have been reassessing their innovation plans, which were delayed significantly – and often under duress – by the migration to SEPA. The digitization of society continues apace. This applies to the process of buying and selling too. Not only making payments, but also other parts of the ‘customer journey’, such as the identification process, sending and receiving invoices, issuing mandates and making payments, are all becoming increasingly digitized. The Dutch Payments Association and its members would like to respond to these developments by further expanding the services that it offers to customers and payment service providers in order to generate more value for society.

Use of FiNBOX remained modest in 2014

Banks want a more prominent role in supporting the digitization of the payment system

To achieve these innovations, the Payments Association launched its innovation programme, Betalen 2.0 ('Payment 2.0') in 2014. The aim of this programme is to enable payment service providers to offer new digital services to their customers. This will occur on the basis of collective agreements on issues such as standards and customer product experiences.

The following processes are central to the Betalen 2.0 programme:

1. The identification of the consumer.
2. Making agreements about the payment.
3. Providing information concerning the payment.
4. Carrying out payments on time and according to the terms agreed.
5. Accountability relating to the payment.

These processes can be provided through a number of products designed for both private and business customers. For this reason, consistency across the payment products involved, needs to be guaranteed.

E-mandates

The purpose of e-mandates is to enable customers to set up an online mandate for direct debits, via a mobile device or the internet, in an efficient and secure manner. In 2014, the Dutch Payments Association and its members worked on achieving a solution in this area as part of the Betalen 2.0 programme. Such an e-mandate could be set up through a similar process to that used for iDEAL payments: the essential element is the authorisation of the mandate by the consumer's bank. After specifications for the proposed product were drawn up in consultation with relevant market parties in 2013, in 2014 the emphasis shifted to implementation and testing. At the start of 2015, the proposed e-mandate will gradually be made available to payees.

E-mandates are being phased in gradually, starting in early 2015

Currently, there is no single solution for e-mandates in the European market. This was the conclusion of the Euro Retail Payments Board (see 'European developments'). In any case, the guidelines for internet payments⁵ published by the European Banking Authority (EBA) at the end of 2014 seem to provide a clearer direction for e-mandates, which would appear to bring the harmonisation of solutions a step closer.



E-mandate logo

Continued development of iDEAL

The further development of iDEAL is also a part of the Betalen 2.0 programme. In 2014, as part of this, the options were explored for new functionalities within iDEAL. The focus is on realising new payment opportunities, multiple payment opportunities and – at the request of the consumer – adding customer data to a payment. In consultation with the stakeholders involved, a decision will be taken on which functionality is the most desirable.

⁵⁾ European Banking Authority, Final guidelines on the security of internet payments (EBA/GL/2014/12), 19 December 2014.

Electronic identification service

Several market participants have expressed the need for a means of identifying persons or parties in online context, known as electronic identity. In 2014, the banks and the Dutch Payments Association explored the option of using the banking infrastructure, which is already used for online banking and iDEAL payments, for electronic identification. The basic principle is to maximise the use of existing resources. The infrastructure currently in place, already meets the quality and reliability requirements of the banks and regulators, for banking services. Additionally, the use of existing infrastructure would yield efficiency advantages, and any new applications could be implemented relatively quickly.

At the end of 2014, this concept was assessed among a number of key stakeholders, including the Tax and Customs Administration, insurance companies and various e-commerce providers. In early 2015, this led to the decision to set up a pilot scheme for an electronic identification service for banks involving a number of parties in 2015. In parallel, the government is developing its e-ID framework. The exact outcome of this development remains unclear at the time of writing. Once both of these projects have had time to make more progress, it will be possible to examine whether combining them could be useful.

Dutch Payments Association Annual Conference, 2014

Annual conference focuses
on payments in 2020

'How will we be paying in 2020?' This question was the focus of Netherlands Payments Association during its annual conference on 19 November 2014, which was attended by members, stakeholders and other partners. The consensus was that payments in 2020 will look very different from today. What exactly they will look like is less certain, but it is clear to everyone in the industry that time is running out.

Over 200 attendees listened to presentations and discussed the subject. All the speakers agreed: doing nothing is not an option. Innovations in the payment system threaten to make existing products and providers obsolete. Innovative, non-banking actors in particular are offering internet-based 'disruptive' payment solutions, challenging the traditional payment service providers to take the initiative.

At the reception held during the conference, the consensus was that swift action is the best response.



Piet Mallekoote, managing director of the Dutch Payments Association



Mark Buitenhek, Global Head of ING Transaction Services, talking to Gijs Boudewijn, deputy director of the Dutch Payments Association

Stability in the payment chain

Robustness in the payment system

Focus on preventing disruptions leads to increased reliability

Due to the sharp rise in the number of electronic payments, the stability of the payment chain has become an important theme for the Dutch Payments Association and its members. To ensure that disruptions do not occur to the system, all the systems that make up the payment chain need to be available constantly. However, because the number of participating parties has increased in recent years, the payment chain has become more complex. The Payments Association monitors the stability of the payment chain and, where necessary, takes action towards any party that may be causing a disruption within the chain.

In 2014, the actual availability of the debit card payment chain was high, at over 99.8%. That means that for every thousand attempts at payments, at least 998 were immediately successful. Market parties, which come together in the National Forum on the Payment System (MOB), have expressed their confidence in the availability and stability of the debit card payment chain on several occasions. Partly due to the continuous focus on preventing disruptions on the part of all everyone involved, no major disruptions occurred in the debit card payment chain in 2014. An escalation procedure is in place for any incidents that may occur in the debit card payment chain, but this did not need to be used in 2014.

Debit card payment system achieves high
availability (99.8%)

Improvements in network services may increase the availability of the debit card payment system still further

If a retailer encounters an outage in the debit card payment system, there is another safety net in addition to cash payments: the use of the one-off direct debit authorisation form ('Eenmalige Machtiging Pinnen', EMP), a customised form that can be used by retailers when electronic payments using the payment terminal are not possible due to an outage or system failure. If such a failure were to occur, the consumer can fill out a form in the shop, and the direct debit payment can be processed at a later point in time. The one-off direct debit authorisation form was modified in 2014 to include IBAN account numbers and the new system for European direct debit payments. The use of these forms remained limited in 2014.

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 the transaction processor. This network service largely determines the reliability and stability of the payment chain. Another important component is the processor, which processes the actual payment transactions. In recent years, several improvements were made by processors, such as the back-up duplication of all computer systems and a new method for applying software releases. As a result, there has been no disruption in this part of the debit card payment system in recent years. In order to increase the availability of the debit card payment system still further, the Dutch Payments Association has been focusing on the other key link, the network service. Any improvement in this part of the debit card payment system would lead directly to an increase in the availability of the debit card payment product.

When a provider of data communication services shows that its network service meets certain quality criteria, that provider can be certified by the Payments Association. This has been possible for a number of years now. When that happens, the network provider will be listed on the website of the Payments Association. The Payments Association also publishes monthly availability figures with regard to its certified network services. Retailers can consult this webpage in order to find out about the quality of the various network services that they can purchase. The various initiatives undertaken by the Payments Association have led to an improvement in the availability of this link in the debit card payment system in recent years (figure 12).

Network services can be divided into two categories. The first category consists of the fixed network services certified by the Payments Association. The second category is made up of other network services. The availability of certified fixed network



services – which account for nearly 80% of debit card payments – has been improving. This is partly a consequence of a new concept developed by the datacom providers at the request of the Payments Association: dual datacom services. These services are being offered more and more widely. They involve switching automatically to a back-up network service (often a mobile one) when the primary network service is experiencing disruption. In this way, retailers can be guaranteed virtually 100% availability in their payment connection, as the blue line in figure 12 shows.

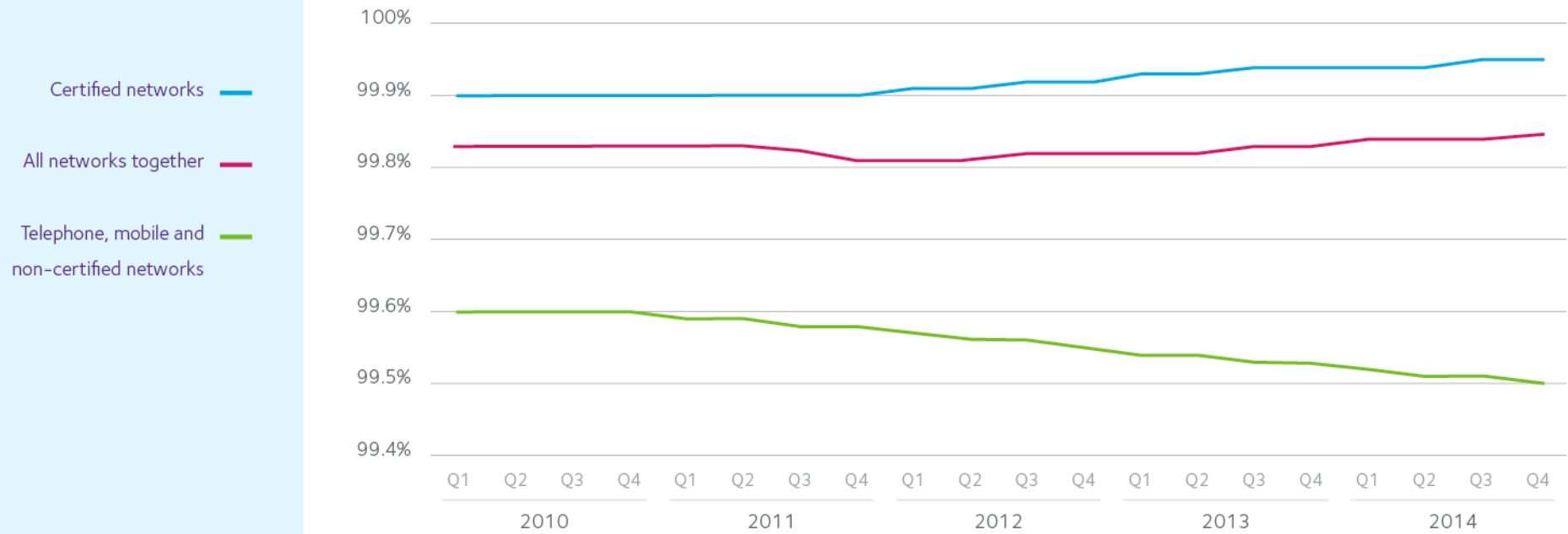
Increasing use of certified network services

The second category includes the old-fashioned telephone network, certified mobile network services and the uncertified open internet. The development in availability of this second category is shown by the green line on the figure. The number of payment terminals still connected to the analogue telephone network is falling rapidly. At the end of 2014, this number was approximately 10,000, which together processed 3% of debit card payments. In specific market sectors, such as hospitality and street trading, mobile networks are widely used. While the availability of these mobile networks has improved in recent years, it remains slightly lower than that of the certified fixed networks. About 9% of all debit card payments are made via a mobile network.

Retailers are free to choose a non-certified network service for their terminal. Cost considerations often play a role in this decision. Around 9% of the debit card payments are made through a non-certified network of this kind. The growth in this latter category, in particular, is what causes the falling of the green line shown on the figure.

Figure 12: Availability of Datacom connections 2010 - 2014

Percentage availability per quarter*



*) Weighted average based on the number of debit card transactions.

Table 2 shows the development in the shares of network services used by retailers in 2010 and 2014. The number of debit card payments that were made via the solid and reliable, but relatively slow analogue telephone system has decreased over the past five years from 25% to 3%. At the same time, the use of non-certified network services has risen to 9%. Non-certified network services have significantly lower availability than the analogue telephone network or the certified mobile network.

Table 2: Market shares per type of network services

Type of network services	2010	2014
Certified network services	69%	79%
Analogue telephone network	25%	3%
Mobile networks	6%	9%
Non-certified network services	0%	9%

In the 'NO II' of the Payment Services Covenant, agreements have been made between banks and retailer organisations to encourage businesses to use certified data connections. The aim of this is to reduce disruptions in the process of debit card payments even further. For more information about NO II, see the information box entitled 'Banks and retailers: more card payments than cash payments over the next four years'.

Finance Minister expresses confidence in
online payment system in the Netherlands

Partly due to the visible improvements in availability, in late 2014 the MOB expressed its confidence that the actions undertaken would lead to further improvements in the stability of the payment chain. In addition, the Minister of Finance informed the Dutch parliament that he views the Netherlands' online payment systems as robust, with a high degree of availability. He bases this confidence on the continuous efforts of banks and other parties involved, including the Payments Association, to continue to improve electronic payment systems⁶.

Availability of internet and mobile banking and iDEAL

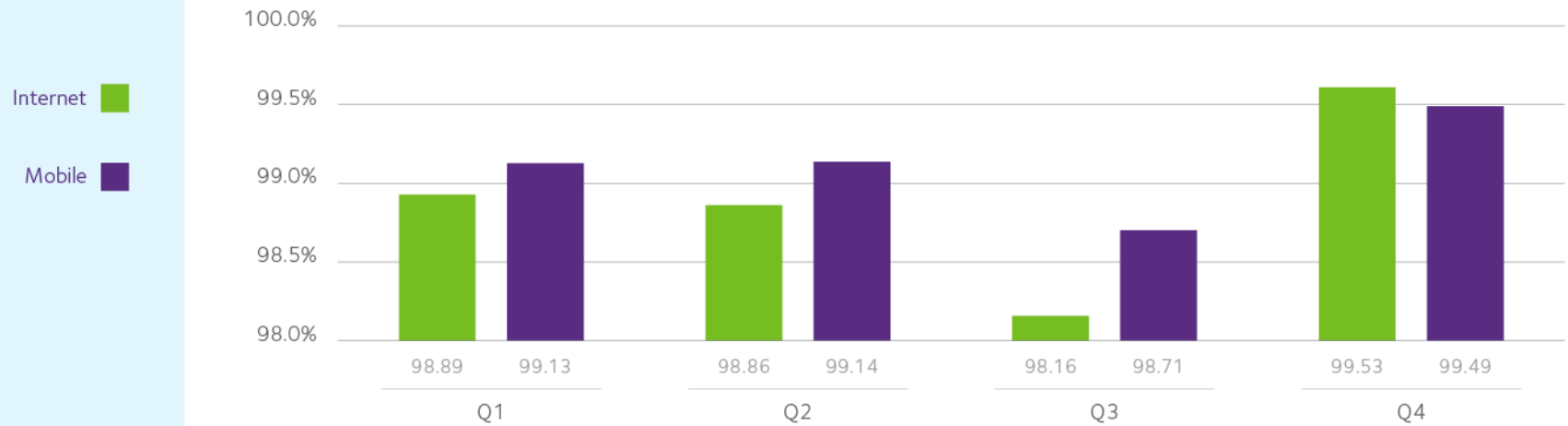
There has been enormous growth in internet banking (online banking via a desktop or laptop computer) and in particular mobile banking (online banking via a mobile banking app on a smartphone or tablet) in recent years. The social importance of the availability of online banking, including payments via iDEAL, has increased accordingly. In view of this, in 2014 the Dutch Payments Association started to publish quarterly figures on its website regarding the availability of internet and mobile banking (figure 13). Participating banks provide the Payments Association with regular information on the availability of their systems for internet and mobile banking. These data are then aggregated and presented as a weighted national average. In addition, Currence, the owner of iDEAL, publishes monthly figures on the availability of the iDEAL system and compares these to the standards that consumers' banks and merchants must adhere to. These standards were surpassed in 2014.

Availability of iDEAL can be seen online

⁶) Press Release by DNB dated 28 November 2014, MOB meeting: Banks solve liquidity problems on Monday morning, paragraph Efforts to improve robustness bearing fruit, but job still not finished.

Figure 13: Availability of internet and mobile banking

Percentage availability per quarter*

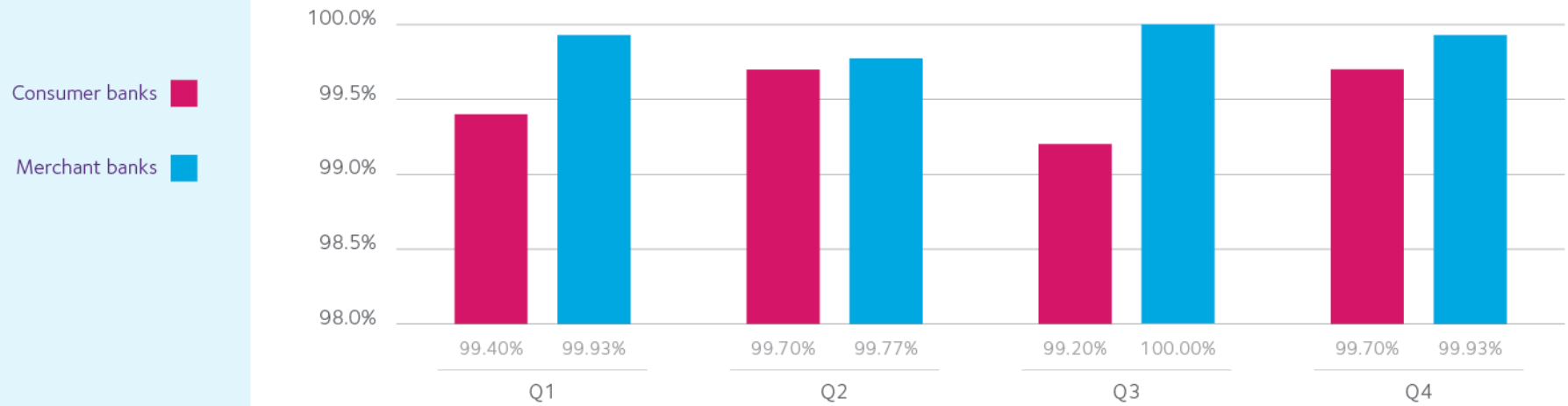


*) Weighted national average.

Figure 13 shows that the availability of internet and mobile banking was at its highest in the last quarter of 2014, when it was over 99.5%. This was primarily a result of the measures taken by the banks. One example was the increase in the capacity of the processing systems and the separation of the different ICT infrastructures. This means that a failure in internet banking systems would not directly affect the availability of mobile banking. Also in 2014, the banks took major steps to disconnect their internet banking systems from those for processing iDEAL payments. This has resulted in demonstrably higher availability for both banking services.

Banks separate systems for internet banking and iDEAL

Figure 14: Availability of iDEAL
Percentage availability per quarter*



*) Weighted national average.

Security in the payment system

Security

Cyber security is in everyone's interest

Security, availability and reliability are all essential for electronic payments. 'Cyber security' refers to the efforts to prevent losses due to disruptions, outages or fraudulent use of ICT resources and, if such losses have already occurred, recovering those losses as quickly as possible. The rapid growth of online payment applications means that this now gets considerable attention. Cyber security plays a major role in securing and maintaining the Dutch payment system, reducing losses through fraud, and ensuring that the payment system has the highest possible availability.

Sharing of knowledge and experience
contributes to better cyber security

The large number of parties involved, increasing internationalisation, the strict quality and availability requirements and the large number of transaction formats make the payment system extremely complex. Any chain is only as strong as its weakest link, so cooperation between the various parties is vital to guarantee the security of the payment chain to acceptable levels and enhance this even further. Cyber security is in everyone's interests and banks and the Dutch Payments Association therefore cooperate closely in this area.

Cooperation is essential

The Dutch Payments Association is committed to promoting such cooperation and introducing joint measures together with stakeholders to mitigate fraud. In 2014, in partnership with its members, the Payments Association established a cyber security strategy for the payment system. This strategy describes the main points of concern for the coming years and identifies the main parties with whom we will cooperate in this context. In order to develop this strategy, the Payments Association brings together specialists from payment service providers in the field of cyber security and payments. They pool their knowledge and experience, carrying out work together in the field of cyber security which benefits everyone.

Cooperation enables Payments
Association and its members
to respond more rapidly

The Payments Association believes that it is very important to ensure a good level of coordination and knowledge sharing between its members and the relevant government bodies. This includes international cooperation, which is high on the Association's agenda. Since the end of 2013, the banking sector has benefited from a *banking liaison group* within the National Cyber Security Centre (NCSC). The banking liaison group works closely with the Payments Association. With the help of the liaison group and the Payments Association, banks have reached agreements with the telecom sector, government bodies and other private parties in order to combat large-scale Distributed Denial of Service (DDoS) attacks, among other things. The objective of the Payments Association is to make the internet safer for customers of payment service providers as well as for the payment service providers themselves.

As a follow-up, in 2014 the Payments Association entered into a formal partnership with the NCSC. The Payments Association is developing its cyber security activities in the payment system further within this public-private partnership. The partnership will bring the Payments Association faster and more comprehensive intelligence on the vulnerabilities in the field of cyber security, and the Payments Association will cooperate at a strategic level to improve cyber security in the financial sector. This will allow the Payments Association and its members to act more rapidly to counter cyber incidents and threats as soon as they present themselves.



Several members of the Payments Association also take part in another public-private partnership, the National Detection Network (NDN), which enables reports of larger incidents to be shared more quickly among its participants. Another such public-private organisation is the ICT Response Board (IRB), which analyses the situation in the event that a large-scale ICT crisis or threat occurs. If necessary, the IRB can also recommend measures to be taken, including for the so-called vital sectors. The financial sector is considered one of those vital sectors.

The Payments Association is also a participant in the Financial Institutions – Information Sharing and Analysis Center (FI-ISAC), which includes both government bodies and financial institutions as members. An organisation of this type strengthens the ‘cyber resilience’ of the sector by actively sharing information on vulnerabilities and threats. Where appropriate, the parties involved in the FI-ISAC seek to agree on a joint approach. Partly because of the intensive sharing of information relating to incidents, vulnerabilities, threats, trends and best practices, financial institutions are able to take adequate measures to increase their digital resilience further. In 2014, for instance, the Payments Association investigated how its members could protect themselves better against DDoS attacks in the future.

‘Responsible disclosure’ policy
appears to be successful

The responsible disclosure policy agreed with the FI-ISAC is proving successful. This policy is designed to ensure that vulnerabilities in the information systems and software applications of banks are identified and handled responsibly. The security of systems and applications is primarily the responsibility of the banks. But those reporting on such issues also have responsibilities, such as not publishing until the bank (or banks) have been able to rectify the issue. Most banks have now adopted this policy. A number of reporting bodies have reported some – mainly smaller – vulnerabilities to the banks. Some of the vulnerabilities identified were so important that they were tackled by the banks immediately. For example, in May 2014, after careful analysis, the Payments Association issued advice about the safety of using internet banking facilities via Wi-Fi hotspots.

Losses due to fraud in the payment system fall by 48%

In addition to this, the Payments Association also acted as chair of the European FI-ISAC in 2014. This brings together banks and the Computer Emergency Response Teams (CERTs) of the governments of many European countries. The European Network and Information Security Agency (ENISA) and the US FS-ISAC are also members of this consultation group.

Fraud in the payment system

Significant drop in fraud in the payment system

In 2014, direct losses caused by fraud in the payment system fell considerably, from nearly € 33 million in 2013 to € 17.3 million – a decrease of 48% (figure 15). The greatest damage was done by internet banking fraud (€ 4.7 million), fraud involving lost or stolen debit cards (€ 3.3 million) and fraudulent requests for debit cards (€ 2.8 million). In recent years, debit card skimming has consistently been one of the two largest causes of losses. In 2014, losses from skimming fell to €1.3 million.

Losses resulting from fraud with credit cards (€ 3.9 million⁷) fell by 44% in 2014 compared with 2013. This decrease was caused by both a sharp decline in ‘card not present’ (CNP) fraud as well as by a fall in skimming.⁸

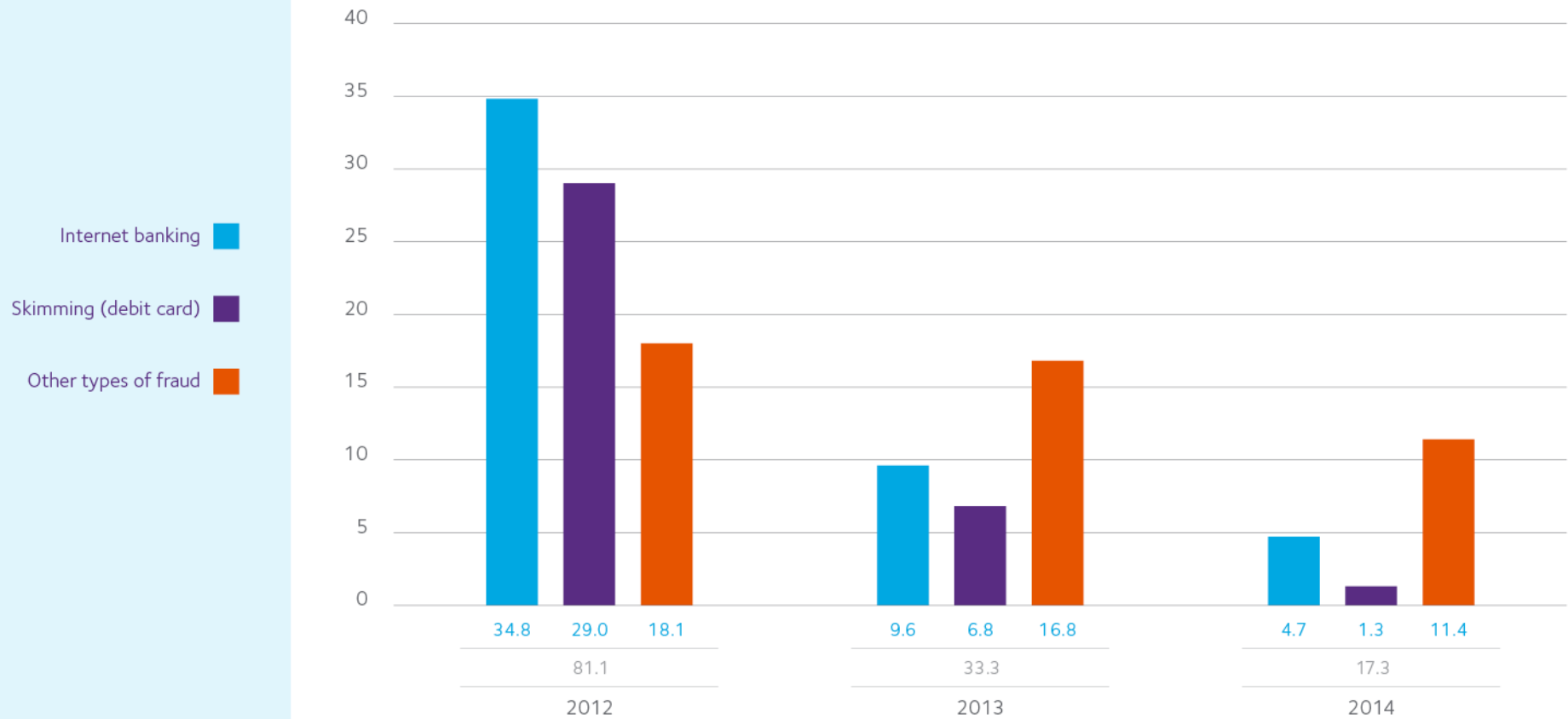
CNP fraud is relatively limited in the Netherlands compared with other countries. MasterCard reports that across Europe this type of fraud accounts for 60% of total card fraud. In the Netherlands, the figure is just under 10%, while in the US, for example, it stands at about 50%. The explanation for this is that in the Netherlands a relatively low number of consumers pay for their online purchases using a credit card (11%); they chiefly use iDEAL (54%).

⁷) Credit card fraud, like fraud perpetrated with stolen, lost or fraudulently requested debit cards, falls into the category of ‘other types of fraud’ in the bar figure which shows losses from fraud in the payment system.

⁸) CNP fraud takes place via purchases made online, by telephone or by post using a credit card number; in other words, the goods or services are not ordered or purchased by the legitimate cardholder.

Figure 15: Losses due to fraud in the payment system 2012 - 2014

Annual figures in millions of euros

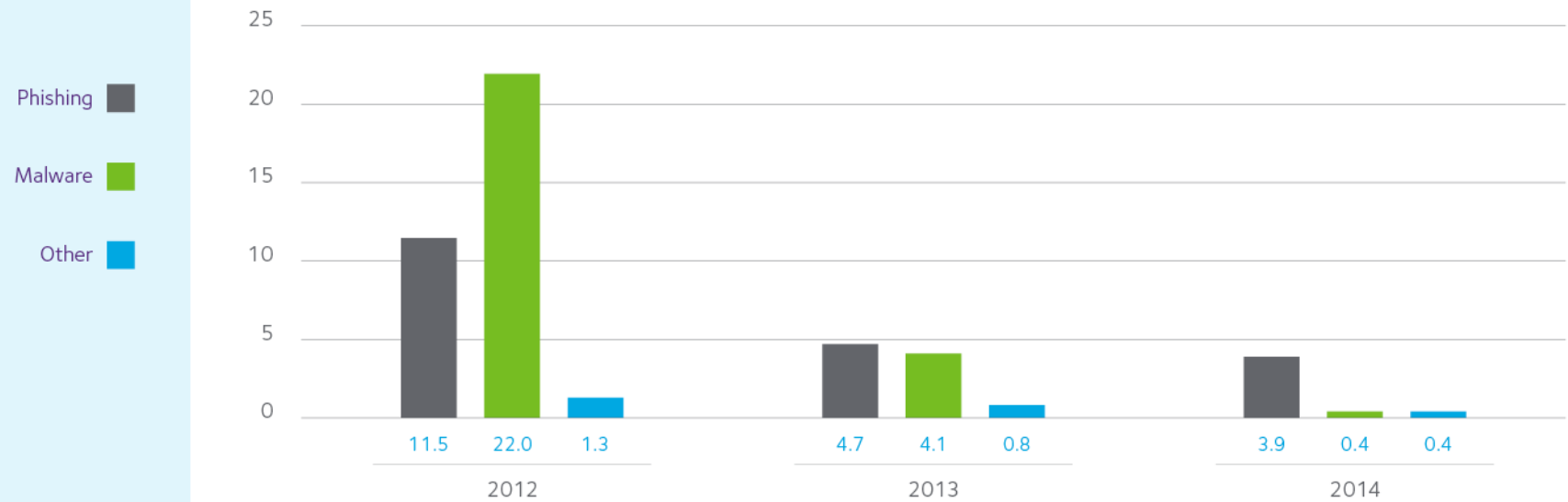


Fraud in internet banking falls sharply

Figure 15 shows that losses caused by fraud in internet banking decreased from € 9.6 million in 2013 to € 4.7 million in 2014. Internet banking fraud can be further categorised into malware, phishing, and other types of fraud (figure 16).

Figure 16: Losses due to fraud in internet banking 2012 - 2014

Annual figures in millions of euros



No fraud in mobile banking using
the banks' mobile banking apps

An important form of internet banking fraud takes the form of infecting computers with malicious software, also known as malware. Examples include viruses, worms, Trojan horses and spyware. Data can be stolen using this malicious software, and normal online payment processes can also be affected. A recent phenomenon is that of replacement cards are being requested using a Trojan horse. However, in 2014, malware led to losses of just € 0.4 million, one-tenth of the losses incurred in 2013 (€ 4.1 million euros). The detection and monitoring measures introduced by banks to prevent fraud by malware have been highly effective. So far, no fraud has occurred through the banks' mobile banking apps.

Due to the success of technical measures to prevent malware-related fraud taken by the banks, since the second half of 2013 criminals have turned their attention to phishing. Unfortunately, they are often still able to do so successfully. The Netherlands is very attractive to cyber criminals due to the high penetration rate of internet banking, its relatively high incomes, and the high availability of broadband internet.

Criminals exploit current
events in phishing tactics

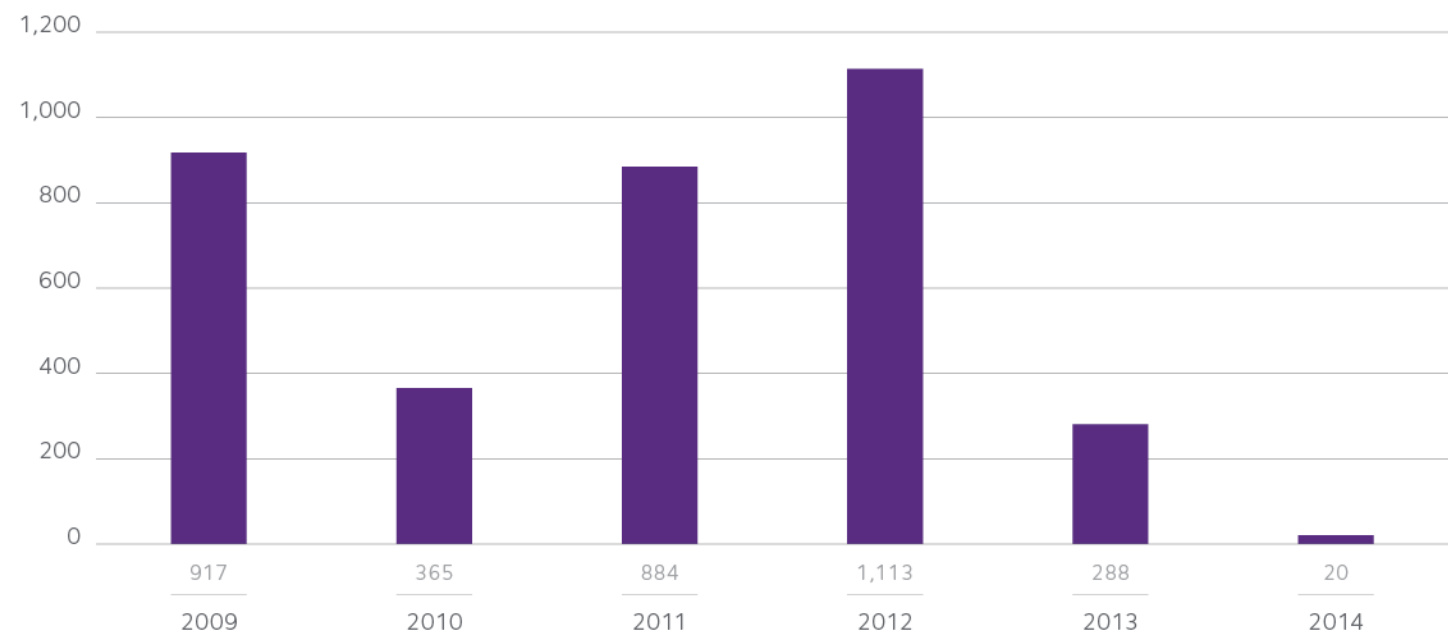
Phishing means soliciting personal information such as log-in codes. Criminals often do this through 'social engineering', i.e. psychological manipulation. A common method is to send an e-mail to multiple receivers, in which criminals impersonate a trusted organisation or bank to entice clients to provide personal information. This confidential data is then used to commit fraud. Criminals often play on current events, such as the transition to SEPA, the introduction of contactless cards or a new means of authentication. Figure 16 shows that the cause of the vast majority of losses in 2014 were caused by phishing – a total of € 3.9 million.

Fraud due to skimming in the Netherlands virtually eradicated

In 2014, skimming virtually came to an end. Losses from skimming amounted to just € 1.3 million. In 2012 and 2013 the figures were € 29 million and € 6.8 million respectively. Losses in 2014 were almost entirely attributable to cases in which debit cards were skimmed outside the Netherlands and the data of which was used shortly afterwards by criminals to withdraw money abroad. Figure 17 shows the number of skimming incidents between 2009 and 2014.

Figure 17: Annual cases of skimming 2009 - 2014

Number of cases per year



Skimming is almost impossible in the Netherlands

The number of skimming incidents decreased to just 20. All these skimming incidents took place in the parking sector. But because new (mobile) payment methods are being introduced on a large scale in this sector, including dip & go, skimming in the Netherlands is now almost impossible. Additionally, Dutch banks prevent fraudulent payments and cash withdrawals outside Europe by blocking debit cards using 'geo-blocking'.

Because skimming in the Netherlands has been all but eradicated, criminals are returning to simpler, more 'old-fashioned', but still effective ways of obtaining debit cards and their associated PIN codes. One example is 'shouldering' users to find out their PIN code in a supermarket or at an ATM, for example. The debit card is then stolen or surreptitiously exchanged by the criminal, who quickly withdraws money from an ATM before the card is blocked. There are also cases of requests for payment cards using fake identity papers in order to withdraw money from the associated bank account.

The LSP partnership: a success story

At the end of 2011, the Public Prosecution Service, the police and the Dutch Payments Association came together to form the National Skimming Point (LSP), a public-private partnership designed to tackle the problem of skimming. An evaluation carried out at the end of 2013 showed that the partners valued the main function of the LSP (to act as a one-stop shop) and that the public-private partnership has been a success. The LSP project came to an end in late 2014 because skimming has now been practically stamped out in the Netherlands. 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.

National anti-skimming point demonstrates 'best practice' for other fraud threats

The Secure Banking campaign

The Dutch Payments Association is developing information campaigns with its members to make consumers more aware of the methods used by criminals to commit online banking fraud. In 2014, the banks and the Payments Association also launched a publicity campaign on secure banking, including radio and television commercials, with the slogan *'Hang up! Close your browser! Call your bank!'* These light-hearted commercials inform the public about phishing and deception over the internet or telephone. The campaign provides advice on what people can do to protect themselves: hang up if you think you are being called by a fraudster, delete fake e-mails, close any internet browser windows displaying fake websites, and – if in doubt or after becoming a victim of fraud – always contact your bank.

In 2014, the campaign was also used by banks and interest groups as part of information sessions for elderly people and other vulnerable groups. For this purpose, additional informational material that relates to the commercials was developed in the form of leaflets, posters and online documentation. Partly thanks to these campaigns, vulnerable groups are becoming much more aware that banks and other bona fide institutions will never ask for confidential or personal information via an e-mail or letter or by telephone.

Public information is crucial

Cyber criminals are using increasingly sophisticated methods. As such, public information about secure banking remains a major priority in 2015.



Uniform Security Rules for electronic banking and payments

The Uniform Security Rules for electronic banking and payments for private customers, which were drawn up in consultation with the Dutch Consumer Association and came into force on 1 January 2014, have created transparency for customers about their right to a refund for amounts that have been debited from their account without their permission. These security rules have been the subject of both positive and negative publicity in the press. It was wrongly suggested that the banks were seeking to shift the responsibility onto the customer through the introduction of these rules. Banks, the Dutch Consumers Association and the Dutch Payments Association have all contested this claim, and will continue to do so. The Uniform Security Rules create more clarity for customers than the previous situation, when each bank used different security conditions. By complying with these rules, consumers can use electronic banking and payment services with confidence. If consumers still find themselves the victims of fraud, they can be sure that they will be reimbursed by their bank for any losses they incur.

The Uniform Security Rules for electronic banking and payments

1. Keep your security codes secret.
2. Make sure that your bank card is never used by anyone else.
3. Make sure that the devices you use for electronic banking are properly protected.
4. Regularly monitor your bank account activity.
5. Report any incidents to the bank immediately and follow any instructions given to you by the bank.

At the end of 2014, the Uniform Security Rules were evaluated by the Payments Association and the relevant report was discussed by the MOB. There are no signs that since then the banks have been evaluating cases of fraud more critically or compensating customers less frequently for losses incurred. The MOB concluded that it is not necessary to amend the Uniform Security Rules at this time. At the end of 2015, the Uniform Security Rules will be re-assessed.

In 2015, the Payments Association plans to assess the familiarity of consumers with the Uniform Security Rules, in collaboration with the Consumer Association. The findings will be used to make these rules even clearer, where necessary. The purpose of this exercise is to make consumers more aware of fraud prevention in electronic payments.

Dutch Payments Association principal partner in Alert Online

The Payments Association ensures that organisations in and outside the financial sector exchange knowledge and cooperate in the field of secure banking. In this context, in 2014 the Payments Association became the principal partner of the two-week Alert Online campaign. On 27 October, Alert Online was started by Ivo Opstelten, the cabinet minister responsible for security and justice. The minister was very positive about the secure banking campaign entitled 'Hang up! Close your browser! Call your bank!'. Alert Online, which is organised by the Ministry of Security and Justice, focuses on cyber security and makes consumers and businesses in the Netherlands aware of the risks of cyber crime. They also educate consumers on what they can do themselves. During the first week of the campaign, the Payments Association hosted a breakfast meeting for organisations outside the financial services sector, where the participants discussed how cooperation between banks can yield results in the field of cyber crime.



Instructor 'Marc' and Ivo Opstelten, the cabinet minister responsible for security and justice



Alert Online logo

European developments

European legislation

In 2014, a number of important developments in European legislation had a major impact on retail payments. The negotiations concerning the revised European Payment Services Directive (PSD2) and the Interchange Fee Regulation reached their final stages during 2014. The European Commission, the European Parliament and the European Council aim to reach agreement on these legislative initiatives in the course of 2015. The Bank Accounts Directive also came into force in 2014.

In 2014, the Dutch Payments Association made an active contribution to the discussions about ensuring a socially efficient, secure and reliable payment system, and indeed it continues to do so. For example, the association responded to market consultations, communicated its vision and provided information to various parties involved in this complex European playing field.

The revised European Payment Services Directive

In 2014 negotiations were held within the European Parliament and the Council on the proposal for revisions to the Directive on Payment Services (Payment Services Directive 2, or PSD2), which were put forward by the European Commission in July 2013. In the spring of 2014, the European Parliament presented the amendments that it wished to see made to the proposed legislation. In the autumn of 2014, the Council reached political agreement concerning the compromise text for the PSD2. In late January 2015, tripartite negotiations got underway. At the start of May 2015, the European Parliament, Council and Commission reached a political agreement on the content of the revised directive. The next step will be for EU Member States to implement the PSD2 as part of their national legislation, which they are obliged to do by mid-2017.

PSD2 expected to be incorporated into
national legislation by end of 2017

The main reasons for the revision of the directive were the changing European payment landscape and the emergence of new payment services and providers. The Commission is seeking to create a level playing field for all payment services and service providers with this new legislation, and to promote choice, efficiency, security and innovation in the European retail payment system. The most important addition compared to the existing PSD is the regulation of so-called Third-Party Providers (TPPs), which would be licensed to operate in the European market. These TPPs provide payment initiation and account information services. Payment initiation means initiating payment orders via a consumer's internet banking account. Account information services can compile consumers' account information from various bank accounts at consumers' request. Under the current proposals for both of these services, the TPP logs into the internet banking environment on behalf of the account holder, using personal log-in codes provided by the bank and supplied by the account holder. The TPP then gains access to the account holder's account.

TPPs' reuse of personal log-in details that banks have provided to consumers 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 order to prevent misuse. Indeed, this remains the core message of public campaigns about banking security. Nevertheless, at the time of writing it looks as if the sharing of personal log-in details with TPPs will be permitted. The EBA has been charged with the task of setting the technical standards for security procedures and arrangements between banks and TPPs in order to ensure that the likelihood of undesired security risks occurring is minimised.

Interchange Fee Regulation

In parallel to its PSD2 proposal, the European Commission also presented a proposal for 'Regulation on interchange fees for card-based payment transactions' (the Interchange Fee Regulation). The European Parliament put forward some amendments to these proposals in spring 2014 and the Council reached an agreement on a compromise text in the autumn. A tripartite agreement had been reached at the end of 2014. The Regulation entered into force on 8 June 2015.

Maximum rate for interbank fees set

The legislation includes a cap on the interbank fees for debit and credit card payments within the European Union. Setting these limits purely on the basis of a percentage of the purchase amount (as in the original proposal made by the Commission) would have given rise to problems in some Member States, including the Netherlands. That is because in these countries, the banks have bilaterally agreed fixed fees for domestic debit card payments, regardless of the amount involved in the transaction. Although the Dutch interbank fees are very low in the European context, for very small transactions, these fixed rates could have ended up higher than they would be if they were based on the maximum percentages of the transaction amount set out in the original legislative proposal⁹. The tripartite compromise includes a number of options for Member States, meaning that domestic payments made with payment cards may deviate from the maximum interbank fee of 0.2% of the purchase price, or a fixed amount may be determined. These Member State options seem to provide enough leeway to maintain the situation in the Netherlands.

The Bank Accounts Directive

In the spring of 2014, the European Commission, Parliament and Council presented a proposal for the definitive version of the '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). The aim of the Commission, which presented its proposals in 2013, is to improve transparency and facilitate the comparison of the cost of current accounts, as well as to make it easier to switch current accounts both within a Member State and to another Member State, and to help those who do not yet have a current account. More generally, the Commission is striving to ensure a high level of consumer protection and European market integration for current accounts.

⁹⁾ Interbank fees for debit card payments may not exceed 0.2% of the value of the relevant transaction. For credit card payments, that level is 0.3%.

Bank Accounts Directive will be
incorporated into national legislation
by September 2016

75,000 people use the
Transfer Service every year

Member States are required to incorporate the Directive into their national legislation by September 2016. One important improvement to 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 in the Member State concerned. Additionally, the original article regarding an intra-EU cross-border transfer service has been replaced by an article with a less complex method.

Together with its members, the Dutch Payments Association will determine the implications of the Directive for the services provided by its members. Each bank will determine for itself the specific impact of the Directive on its own services, products (current accounts), procedures and systems. The Payments Association will play a collective role wherever possible and permissible. This may include, for example, implementing any changes needed to the Transfer Service, which is used to the satisfaction of around 75,000 account holders annually. The functioning of the Transfer Service will be re-evaluated in 2015. Additionally, the covenant concerning primary payment services, which guarantees access to a current account for anyone over the age of 18, will be looked at carefully since this overlaps significantly with the new European Directive. Together with its members, the Payments Association will assist the government in implementing the Directive in a balanced manner within the context of Dutch legislation.

Cooperation with European partners

In addition to the European developments mentioned previously, in 2014 the Dutch Payments Association and its members faced a number of other issues on the European agenda. For example, there was the establishment of the Euro Retail Payments Board, developments within the European Payments Council and Cards Stakeholder Group, and the establishment of the European Card Payment Association.

Euro Retail Payments Board,
the European counterpart of
the MOB, launched in 2014

Establishment of the Euro Retail Payments Board

At the end of 2013, the European Central Bank (ECB) announced the establishment of the Euro Retail Payments Board (ERPB). This consultative body can be viewed as the European counterpart to the Dutch MOB. European umbrella organisations for stakeholders participate in the ERPB, which is chaired by the ECB. It discusses a range of matters that affect the European retail payments. For example, it is considering the remaining (limited) issues surrounding the SEPA migration, tackling 'IBAN discrimination'¹⁰, exploring instant (real-time) payments, contactless and mobile payments, and seeking to generate a better understanding of the issues that are hindering the further European harmonisation of card payments. For the latter, the ERPB is calling on the assistance of the Cards Stakeholder Group, which is recognised by the ERPB as the standardisation body for card payments.

The ERPB met twice in 2014. For subjects that are relevant to the ERPB and its working groups, the Dutch Payments Association communicates its vision and views via the EPC, the European Banking Federation, and specifically through its Payment Systems Committee – of which the Payments Association is chair – and the Working Group on Efficiency and European Affairs (WEE) of the MOB.

European Payments Council

The European Payments Council (EPC) is the brand owner of European payment products, European transfers (SEPA Credit Transfer, SCT) and the European system of SEPA direct debits (SDD). The SCT and SDD schemes have replaced similar Dutch payment products. The EPC is responsible for developing and maintaining the SCT and the SDD, and, like the Dutch Payments Association, aims to promote a secure, reliable and efficient payment system.

The Dutch Payments Association
and its members are active in the
European Payments Council

¹⁰⁾ This pertains to payees who refuse IBAN payments from other EU states.

In 2014, the Dutch Payments Association took over the EPC membership duties of the NVB. In addition to the Payments Association, which represents its own members, ABN AMRO, ING and Rabobank are also independent members. Both the Payments Association, as Chairman of the Legal Support Group and a participant in the Scheme Evolution and Management Group, and the members mentioned above, who participate in various EPC bodies, actively contribute to the work of the EPC. Due to the completion of the SEPA migration, in 2014 the EPC reassessed its future role. Its governance has altered dramatically, partly in response to the creation of the ERPB. The 'new' EPC has been set up to be a more decisive organisation. The management of the payment products SCT and SDD is subject to separate governance by the Scheme Management Board. New developments and the tasks and responsibilities associated with them, in particular those carried out at the request of the ERPB, but also, for example, contributions to the Card Stakeholder Group, take place under the oversight of the EPC Board. The Dutch banks mentioned above are members of the respective Boards.

Cards Stakeholder Group

Now that the transition to SEPA is complete, the ECB is turning its attention to card payments. In 2014 the ECB's report 'Card Payments in Europe – A Renewed Focus on SEPA for Cards' was published. This report sets out policy positions and expectations in relation to card payments within SEPA. According to the ECB, more harmonisation and standardisation of infrastructure is required, which it describes as 'Any card at any terminal'. This should lead to a higher number of providers, more competition, and (therefore) lower costs for card payments in SEPA.

In the past, the European Commission has also urged providers of card payment services, united in the EPC, to ensure greater standardisation in SEPA. This was the reason for the establishment of the Cards Stakeholders Group (CSG) by the EPC, which brings together the EPC with (international) payment card organisations, retailers, processors and suppliers in order to align their standards. The results have been recorded in the 'SEPA Cards Standardisation Volume – Book of Requirements'.

The Cards Stakeholder Group agrees standards with other organisations

The European Card Payments
Association represents interests
within global organisations

The Dutch Payments Association and its members participate actively in the various CSG expert teams, which are responsible for preparing and maintaining card standards. In addition, it helps its members by anticipating developments in European standardisation, for example by aligning the certification process for payment terminals in the Netherlands with the latest developments in European security standards.

European Card Payment Association

The European Card Payment Association (ECPA) was established in 2014, bringing together several European card organisations. The Dutch Payments Association is also a member of this association. The ECPA seeks to represent the interests of its members as a European partner for the actors that shape the European card payment system. One advantage of the ECPA membership for the Payments Association and its members is that it gives them a voice that can be heard in global organisations such as EMVCo and PCI SSC, where the Netherlands would hold little sway if it spoke for itself alone.

Board and management

As specified in the statutes, the Board of Directors of the Dutch 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 13 May 2015, 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
- Rob Kemna (1960), Senior Executive Vice President Operations at Rabobank
- Gert-Jan Meppelink (1968), Managing Director of Business Services at ABN AMRO Bank
- Alexander Baas (1966), COO of SNS Bank, representing medium-sized banks
- Edwin Hartog (1966), Head of Cash Management Corporates & MT member at Deutsche Bank Netherlands, representing smaller banks
- Pascal Stoop (1970), Managing Director of GWK Travelex, representing payment institutions and EGIs

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.

Nominations and appointments are made in accordance with the profile of the Board Directors.

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

The management team consists of:

- Piet Mallekoote (1954), CEO
- Gijs Boudewijn (1958), vice-CEO
- Marco Demmink (1961), General Counsel

Governance

The Dutch Payments Association is a small and efficient organisation, which focuses on unburden 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 determining 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 to the Payment Association.

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: debit card payments, payment terminals 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.

Betalingsverkeer Services B.V.

Employees of the Dutch Payments Association are officially employed by Betalingsverkeer Services B.V. This company was taken over by the Payments Association from Currence Holding B.V. on 1 July 2014. This take-over reflects the fact that the employees of Betalingsverkeer Services B.V. are carrying out ever more work for the Payments Association and ever less work for Currence Holding B.V. and its product companies.

Agreements have been made with Currence about the continuation of the work done for Currence by the employees involved.

At the end of 2014, Betalingsverkeer Services B.V. employed 41 people (38.7 FTEs). Furthermore, the Payments Association employs several temporary, specialised staff.

The focus of the Dutch 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 (also) focuses on improving the efficiency of the Dutch 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 remaining national Dutch payment products.

List of members

May 2015, the Dutch Payments Association had 53 members that provided payment services.

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