

# Treasury Management in Belgium

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## Belgium Overview

Belgium is a small country located in the geographic center of Europe.

The unit of currency is the euro (EUR) which is divisible into 100 cents. The Belgian Franc (BEF) became a denomination of the EUR on January 1, 1999 and will be eliminated as legal tender in 2002. Currently, the Franc is one of 11 currencies comprising the Euro (EUR) which is freely traded on the foreign exchange market. The locking rate of the EUR to the BEF is EUR 1 = BEF 40.3399

The National Bank of Belgium is the central bank and regulates all financial institutions in the country. With the advent of the Euro a key role of the National Bank has become implementation of the monetary policy of the European Central Bank. Central bank reporting requirements have minimal impact on cash management activity and the regulatory environment is open.

There are three payment and clearing systems in Belgium that relate to cash and treasury management.

1. The Electronic Large Interbank Payment System (ELLIPS) is a Real Time Gross Settlement System (RTGS) owned by a non profit association (VZW ELLIPS) and operated by the National Bank of Belgium. All banks in Belgium participate in ELLIPS either directly or through a representative. The minimum transaction size is EUR 500,000 or equivalent. Transactions pass through the SWIFT network and settlement takes place through the direct member's EUR account with the NBB. ELLIPS is the Belgian link to TARGET. TARGET, or Trans-European Automated Real-time Gross settlement Express Transfer system, is the real-time gross settlement system for the euro.
2. The Center for the Exchange of Operations (UCV) is an automated system for handling low value paper and electronic transactions. It is owned by a non profit organization consisting of all banks in Belgium and operated by the NBB. UCV is like an ACH except that it includes paper transactions which are captured and truncated before clearing by member banks. UCV is a Real Time Net Settlement System (RTNS) with a maximum transaction size of EUR 500,000. Settlement takes place through member EUR accounts with the NBB.
3. The Centre d'Exchange Manuel - Manueel Uitwisselings Centrum (CEMUC) is a manual clearing system for paper instruments owned and administered by the NBB. All member banks present checks drawn on other member banks to the NBB at one of 26 clearing centers and receive credit to their EUR account at the NBB. It is generally used for transactions which cannot be handled through ELLIPS or UCV - these are typically checks exceeding EUR 10,000.

For tax purposes a company is considered to be resident in Belgium if central management and control or the registration address is in Belgium. Resident companies are taxed on worldwide income, net of treaties, while non residents are only taxed on Belgian source income. The general rate of tax is 40.17%

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### Background

[USCIA](#) and [US State Department](#)

### Government

[European Central Bank](#), [National Bank of Belgium](#), [Ministry of Economic Affairs](#), and [Postbank](#)

### Consultants

[Ernst & Young](#) and [DTT WorldTax](#)

### Associations

[Belgian Bankers' Association](#), [Belgian Federation of Employers](#), and [American Chamber of Commerce](#)

### Banks

[KBC](#), [Artesia Banking Corporation](#), [ABN AMRO Bank](#), [BBL](#),

with income below BEF 13 million taxed at rates ranging from 28.84% to 42.23%. All rates include a 3% "emergency surtax". An expiration date for this surtax has not been announced.

## Treasury Management

Belgium's central location, trading traditions, and role as a center for supra national organizations such as NATO and SWIFT make it a natural center for treasury activity. A large number of multinationals take advantage of these attributes along with special government incentives to establish European or global treasuries in Belgium. These centralized treasuries are called coordination centers and have been emulated by companies and governments elsewhere in the world.

All common treasury management techniques are permitted in Belgium. Multilateral netting is permitted without restriction as is notional pooling and leading/lagging. Domestic treasury management is simplified by modern payment and clearing systems and a standardized multibanking arrangement called ISABEL (Interbank Standards Association Belgium.)

ISABEL is essentially third party software which can be installed by companies to effect transactions and retrieve balance information with their bank group. ISABEL has many of the elements of internet banking but is best characterized as being a virtual private network (VPN). Ciri standards define transaction initiation and CODA standards define balance reporting. The nature of the ISABEL standards are such that transactions can be mapped from ISABEL into cross border formats such as those from SWIFT.

Multiple BEF accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice.

## Accounts

The basic BEF operating account is referred to as a current account and may be held by resident or non-resident corporations. Companies may earn interest on current accounts and overdrafts are permitted.

Resident and non-resident corporations registered in Belgium may hold accounts in Belgium BEF, EUR, USD, and other currencies.

Overnight interest on current accounts is one source of short term earnings. Others include time deposits and treasury bills.

Overdrafts are permitted, with the amount and rate determined by each bank. Short term loans are a more common means of finance and are available from banks, the principal sources of short term credit.

## Payments and Receipts

Credit transfers through the UCV (non paper) are by far the predominant way way of settling retail and commercial obligations. Other settlement methods include checks - which are seldom used - and a stored value card system called Proton.

Lockbox type arrangements are permitted but not common business practice due to Belgium's small size, efficient banking systems, and relatively infrequent use of checks.

[Citibank](#), [Fortis Bank](#), and [Generale Bank](#)

## News

[European Voice](#)

## Specialist Sites

[Isabel](#), [Banksys](#), [Belgian Bankers Academy](#), and [Beyers & Partners](#)



[International Treasurer](#)

Controlled disbursement is not possible because there are three settlement sessions daily of the UCV (paper). A functional alternative is to have a disbursement account covered by a book transfer from a deposit account at the same bank.

## **Technology and Marketplace**

Belgium has a modern telecommunications system including fiber optic bandwidth and extensive digital switching. Bandwidth is relatively inexpensive and readily available. Electronic transmission of information is standardized between banks and their clients through ISABEL and SWIFT and in common use by banks and corporations. EDI is becoming commonplace using the EDIFACT standard.

Belgium is a small country with a rapidly consolidating banking system. The Belgian banking system includes the Post Office Bank, the National Bank of Belgium, and a number of commercial, private, and universal banks. Two relatively large universal banks are BBL now owned by the Dutch ING and Generale Bank now part of Fortis which both offer domestic cash management solutions and can be part of regional and global solutions. Kredietbank and CERA bank formed KBC which is smaller than BBL and Fortis but an aggressive player in cash and treasury management. The major European and global banks such as ABN-AMRO, Deutsche Bank, Dresdner Bank, Commerzbank, Citibank, Chase, Rabobank and HSBC are also present in the market supporting the more than 300 coordination centers in Belgium.

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