

As of March 2012

SEPA - latest information on euro payment transactions

Start with us!

The European Parliament has approved the final date for changeover to SEPA, in the first reading, by an overwhelming majority. Although there may be final adjustments to content, we have summarized the most significant changes for you:

This is what you need to know.

Timetable

On February 1, 2014, Europe's unified payment transaction system will be launched. The national processes will then be adjusted. In the future, in Europe only SEPA Credit Transfers (SCT) and SEPA Direct Debits (SDD) will take place. It will then be mandatory in all SEPA countries to use these two payment methods. Optionally, each country can decide on an extended changeover period, up to February 1, 2016.

Payment orders

Starting on February 1, 2014, the IBAN must be used as the client identifier for credit transfers and direct debits.

However, we recommend also recording the BIC, because this will still be needed for cross-border payments.

Electronic SEPA payments must be transmitted to each bank in the new XML data format (ISO20022). For business clients, conversion of payments with account number and routing number to SEPA payments is not provided. The exception is express payments made through large-value payment systems.

By using purpose codes, you can let your recipients know the reason for the transaction. The right pur-

pose codes should especially be used with wage and salary payments and employer savings contributions.

Direct Debits

There are two direct debit processes:

SEPA Core Direct Debit is used with consumers (the objection period is eight weeks).

SEPA B2B Direct Debit can be used only between companies (B2B) (waiver of reimbursement rights).

To change over to the SEPA-type direct debits, you must apply to the Deutsche Bundesbank for a creditor ID (www.Bundesbank.de).

Using existing direct debit mandates in SEPA processes

Through the change in the direct debit conditions on July 9, 2012, direct debit mandates obtained before that date will remain valid. This increases legal security and makes the change to the SEPA Core Direct Debit easier for you.

When changing the direct debit mandate to a SEPA Core Direct Debit, the payer must be informed ahead of time and be given the creditor identifier and the mandate reference.

To use SEPA B2B Direct Debit, a new mandate must be received from the existing payer. It is not possible to reinterpret the existing debit order.

Blocking payees

With SEPA Direct Debit, payers who are consumers are given the right to:

- allow only specific payees
- block specific payees
- limit payments by amount
- limit payments by frequency

SEPA procedure now complete

Since the introduction of the Single Euro Payments Area (SEPA) in January 2008, you have been able to make standardized transfers and card payments. Following the introduction of the SEPA Direct Debit on 2 November 2009, the range of SEPA methods is now complete:

- SEPA Credit Transfer
- SEPA Core Direct Debit and SEPA B2B Direct Debit
- SEPA Card Payments

The unified European Payments Area consists of the 27 EU countries, the three EEA countries Iceland, Norway and Liechtenstein, as well as Switzerland and Monaco. The current national processes will temporarily remain in force until February 1, 2014.

SEPA Credit Transfer

Overview of key features

- Euro credit transfers for domestic and cross-border payments in SEPA.
- Account identification exclusively via IBAN and BIC.
- The currency is always EUR.
- Transfer of full original amount.
- Fee provision: each party pays the relevant fees for his/her own bank (share).
- Payment takes max. 3 bank working days to reach the recipient.
- From 1 January 2012, the period will be reduced to one bank working day.
- Time to payee max. 1 banking day.
- No limit on amount transferred.
- Reporting threshold of EUR 12,500 in accordance with German Ordinance on Foreign Trade and Payments (AWV) remains in place (form Z4).

SEPA Direct Debit

The SEPA Direct Debit is a uniform Europe-wide direct debit procedure. SEPA Direct Debit allows you to minimize your cost and effort in terms of settlement, data format using a common legal basis.

Overview of key features

- Uniform Europe-wide direct debit (also domestic).
- Use of IBAN and BIC.
- Due date must be specified.
- SEPA Direct Debit mandate: authorization for creditor and paying agent.
- Unequivocal identification of the party submitting the direct debit: SEPA creditor identifier (CI).

SEPA Core Direct Debit / Special features

- For authorized SEPA Direct Debits, the payer has a refund right for an eight-week period from the debiting of his/her account.

SEPA B2B Direct Debit / Special features

- **No** entitlement to refund.
- The payee or payer must submit the mandate to the payer's bank.
- The payer must not be a consumer.

SEPA Direct Debit mandate

This authorizes the payee to collect the amount due from the payer and instructs the payer's bank to honor the direct debit. The mandate remains valid until it is cancelled by the payer. However, the mandate expires after 36 months if no collection is made and a new mandate must be resubmitted. The period is mandatory and must be observed by the recipient in particular

Mandate reference

Each direct debit mandate has a mandate reference number (max. 35 characters) that is **allocated by the party submitting the direct debit**.

To use SEPA Direct Debit, you will be required to convert any direct debit mandates you have already received to the new mandate format (as of today).

Sample forms for the various SEPA Core Direct Debit and B2B Direct Debit mandates are available at [www.die-deutsche-kreditwirtschaft.de/Zahlungsverkehr/Inhalte der SEPA](http://www.die-deutsche-kreditwirtschaft.de/Zahlungsverkehr/Inhalte%20der%20SEPA).

Mandate requests (only for SEPA Core Direct Debit)

If the debtor wants a refund after the end of the 8-week period, the "mandate request" procedure must be carried out by the banks involved. The debtor bank must pass on the request by SWIFT, e-mail, fax or in some other agreed way to the creditor bank.

SEPA creditor identifier (CI)

The creditor identifier must be added to each direct debit mandate. This is used to unequivocally identify the party submitting the mandate. The creditor identifier is used uniformly throughout SEPA and is composed as follows for Germany:

DE 02 ZZZ 01234567890

- Characters 1-2: ISO country code for Germany (DE).
- Characters 3-4: check digits.
- Characters 5-7: creditor business code, which may be filled by the creditor using any alphanumeric characters as an identifier for individual business units or branches. These three characters are filled with the letters "ZZZ" as standard.
- Characters 8-18: national identification code for the creditor. Until further notice, the eighth character is always "0".

The length of the creditor identifier varies from country to country, but is limited to a maximum of 35 characters. The creditor identifier for Germany always has **18 characters**.

You can apply directly to Deutsche Bundesbank electronically for your SEPA creditor identifier: www.Bundesbank.de

To receive a CI, the creditor's main residence or main place of business must be in Germany.

SEPA Card Payments

Overview of key features

- Pay across Europe with any card at any terminal.
- Withdraw cash at any ATM in SEPA.

Card payments in the Single Euro Payments Area are increasing considerably. In the euro currency area, the number of bank cards currently in circulation exceeds 350 million.

Technologies deployed uniformly across Europe (e.g. chip card and PIN authorisation for payment) guarantee the highest possible level of security.

Since 2008, it has been possible to withdraw cash from any ATM or to pay at any retailer terminal in the member states using any bank card. Our cards now bear the **girocard** logo. girocard covers the two debit card payment systems "electronic cash" and the ATM system of the German Banking Industry.

Benefits of SEPA for companies

Benefits of SEPA in general

- Common payment methods and formats for all transactions within the SEPA member states.
- Euro payments can be consolidated in one account.
- End-to-end message standard allows for automated allocation of order and payment.
- All SEPA transactions use the common XML data record format.
- You can also reduce your customer data management workload: with SEPA, all of your European business partners have common data such as IBAN and BIC.

Benefits of the SEPA Credit Transfer

- Significant reduction in length of time for cross-border payments in SEPA.
- Improved comparability and elimination of barriers to competition.

Benefits of the SEPA Direct Debit

- Stipulation of a concrete due date for improved liquidity management.

Benefits of SEPA Card Payments

- Cash withdrawals are possible at any ATM in SEPA.
- Acceptance of debit cards in your company: participating in a SEPA-compatible card payment method such as electronic cash means that all European customers will be able to make cashless payments to you.

Conditions for using SEPA

SEPA Credit Transfer

- Adjustment of financial accounting systems.
- Adjustment of interfaces to XML format.
- Capturing and updating of IBAN and BIC.
- Expansion of electronic banking software to include the new Electronic Banking Internet Communication Standard (EBICS) data transfer protocol.

SEPA Direct Debit

- Application to Deutsche Bundesbank for a creditor identifier for Germany.
- Independent allocation of a mandate reference.
- Obtaining mandate from your customers.

SEPA Cards

- EMV compatibility of POS terminals.

You may continue to use all current software solutions (e.g. SFirm).

The new SEPA method has been offered as an additional service since January 2008. The software providers have been informed about the specifications of the SEPA method and have undertaken to provide SEPA compatibility.

IBAN out/IBAN in: conversion of account no./sort code to IBAN/BIC

For SEPA payments, accounts are identified solely by IBAN and BIC. Since July 2008, we have offered you two central software solutions developed specifically for corporate customers:

- SEPA Account Converter, for corporate customers of the Sparkassen-Finanzgruppe.
- IBAN Portal, a non-bank-specific portal for all corporate customers.

Using the IBAN out/IBAN in procedure requires a uniform data record description.

SEPA data format

For the submission and settlement of voucherless SEPA Credit Transfers and Direct Debits there is a new, Europe-wide and future-proof XML-based data format. The DTAUS format used in Germany does not support SEPA payments. The SEPA data format is based on ISO Standard 20022 in the form of XML files (eXtensible Markup Language). The precise specifications of the SEPA data format can be downloaded from www.ebics.de.

Your adviser for payment solutions will be happy to inform you about SEPA:
Phone 01803 120-111¹

FAQ

Here are the answers to some frequently asked questions.

Which countries are taking part in SEPA?

The 27 EU member states, the three EEA countries Iceland, Norway and Liechtenstein, and Switzerland and Monaco.

Important: SEPA can only be used for payments in Euro.

Country	ISO Code	Member of
Austria	AT	EU
Belgium	BE	EU
Bulgaria	BG	EU
Cyprus	CY	EU
Czech Republic	CZ	EU
Denmark	DK	EU
Estonia	EE	EU
Finland (incl. Åland)	FI	EU
France	FR	EU
incl. Martinique (MQ), Guadeloupe (GP), French-Guiana (GF), Réunion (RE)		
Germany	DE	EU
Great Britain	GB	EU
incl. Gibraltar (GI)		
Greece	GR	EU
Hungary	HU	EU
Iceland	IS	EEA
Ireland	IE	EU
Italy	IT	EU
Latvia	LV	EU
Liechtenstein	LI	EEA
Lithuania	LT	EU
Luxembourg	LU	EU
Malta	MT	EU
Monaco	MC	--
Netherlands	NL	EU
Norway	NO	EWR
Poland	PL	EU
Portugal	PT	EU
incl. Azores, Madeira		
Romania	RO	EU
Slovakia	SK	EU
Slovenia	SI	EU
Spain	ES	EU
incl. Canary Islands, Ceuta, Melilla		
Sweden	SE	EU
Switzerland	CH	--

¹ 9 ct./min. from German landline, calls from mobile phones max. 42 ct./min.

Can I still use the current payment process?

You can use the current payment process until January 31, 2014. After that, only the SEPA process will be offered. Optionally, each country can decide on an extended changeover period, up to February 1, 2016.

How many characters does SEPA allow in the reference field?

All SEPA payment orders allow a maximum of 140 characters in the reference field.

How can I recognise from my statement whether a transaction is a SEPA payment?

SEPA payments mostly contain the "SEPA" in the entry description. The client/recipient data (incoming/outgoing payments) is disclosed via BIC and IBAN. All entry information is characterised by an identifier at the start of the line: e.g. SVWZ+ (SEPA reason for payment), KREF+ (presenter reference), EREF+ (client reference/end-to-end reference), CRED+ (creditor identifier), MREF+ (mandate reference), ABWA+ und ABWE+ (differing client/recipient).

Will there be any changes to MT940 statements as a result of SEPA?

The introduction of SEPA has resulted in changes to MT940 statements. These changes primarily relate to the transaction code and the structured reason for payment. The specifications can be downloaded from www.ebics.de.

Do I need to make any changes to my payment software?

You can continue to use all current software solutions (e.g. SFirm). The new SEPA method is supplementary. Software providers have been informed about the SEPA specifications and provide the current SEPA method.

Do the changes resulting from SEPA also affect the business portal?

All existing functions and layouts remain in place. Since 21 March 2011, you have had the additional option of recording SEPA Credit Transfers in the business portal as well. It is already possible to send SEPA Credit Transfers and SEPA Direct Debits.

Does SEPA entail any changes in reporting requirements?

As the SEPA format does not contain fields for AWW notifications, the corresponding notification for SEPA Credit Transfers in excess of €12,500 must be submitted to Deutsche Bundesbank using form Z4.

When will you support SEPA Direct Debits?

We have offered SEPA Core and B2B Direct Debits since 2 November 2009.

What is the SEPA creditor identifier and how can I obtain one?

The SEPA creditor identifier (CI) is a single number valid across Europe that unequivocally identifies a submitter of a SEPA Direct Debit. Parties submitting SEPA Direct Debits require this 18-character alphanumeric string, as any orders submitted without it will not be processed.

The SEPA creditor identifier in conjunction with the mandate reference number allows a mandate to be identified unequivocally. This means that upon presentation of a SEPA Direct Debit the debtor can examine the mandate or the paying agent can offer a corresponding service as applicable.

You may apply to Deutsche Bundesbank for a creditor identifier electronically: www.Bundesbank.de

Do existing direct debit mandates need to be replaced with new ones for SEPA Direct Debit collections?

Through the change in the direct debit conditions on July 9, 2012, direct debit mandates obtained before that date will remain valid. This increases legal security and makes the change to the SEPA Core Direct Debit easier for you.

To use SEPA B2B Direct Debit, a new mandate must be received from the existing payer. It is not possible to reinterpret the existing debit order.

Sample forms for the various SEPA Core Direct Debit and B2B Direct Debit mandates are available at www.die-deutsche-kreditwirtschaft.de/Payments/SEPA Contents.

SEPA checklist

- Show IBAN and BIC on business papers and invoices.
- Obtain and store IBAN and BIC data from suppliers/payers.
- Is the current software SEPA-compatible?
- Identify changes to be made in the accounting system: what adjustments are necessary in accounts receivable and payables management?
- SEPA Direct Debit: obtain and manage mandates.
- Which databases must SEPA data elements be integrated into?
- Plan necessary software updates, contact the manufacturer, arrange a date for a personal consultation.

Additional information

SEPA overview

- www.LBBW-Business.de
- www.die-deutsche-kreditwirtschaft.de

SEPA Creditor ID

- www.bundesbank.de

SEPA mandates: sample forms

- [www.die-deutsche-kreditwirtschaft.de/Zahlungsverkehr/Inhalte der SEPA](http://www.die-deutsche-kreditwirtschaft.de/Zahlungsverkehr/Inhalte%20der%20SEPA)

Register of participants

(European Payments Council; EPC)

- www.europeanpaymentscouncil.eu

SEPA data format (ISO Standard 20022)

- www.ebics.de

AWV notification Z4

- www.bundesbank.de/meldewesen/mw-aussenwirtschaft.php

List of abbreviations

ACH	-	Automated Clearing House
B2B	-	SEPA Business Direct Debit
BIC	-	Bank Identifier Code
CBC	-	Creditor Business Code
CI	-	Creditor Identifier
Core	-	SEPA Core Direct Debit
EBICS	-	Electronic Banking Internet Communication Standard
EMV	-	Europay-MasterCard-Visa
EPC	-	European Payments Council
EWR	-	European Economic Area
EMU	-	European Economic and Monetary Union
IBAN	-	International Bank Account Number
PSD	-	Payment Services Directive
SCF	-	SEPA Cards Framework
SCT	-	SEPA Credit Transfer
SDD	-	SEPA Direct Debit
SEPA	-	Single Euro Payments Area
STP	-	Straight Through Processing
XML	-	Extensible Markup Language (standard for creating documents which can be read by man and machine)