The Ultimate Guide to SEPA Migration
September 2012

Passion to Perform
SEPA, the Single Euro Payments Area, has been a reality since January 2008, when the SEPA Credit Transfer became effective. This has now been implemented in 32 European countries, and a second milestone was achieved in November 2009 with the launch of the SEPA Direct Debit.

On 31 March 2012, the so-called SEPA-Migration End-Date Regulation entered into force. It established an end date for SEPA migration of 1 February 2014. This means that SEPA is no longer a voluntary initiative, but a regulatory requirement. Corporate migration to the new instruments is therefore necessary, and with the end date fast approaching, we recommend that you start your migration preparations immediately.

Being fully informed of the strategic importance of the initiative, its mandatory and optional features, processes and infrastructures are all prerequisites in the migration process. Equipped with the proper tools and information, corporates will successfully overcome the challenges of migration and fully realise the potential these new SEPA instruments will bring.

Deutsche Bank is pleased to assist with the migration to the new payment schemes. As part of our commitment to help you achieve a seamless migration, we have developed this guide to cover the main issues for your consideration.

We wish you every success and a smooth transition!

Michael Spiegel
Global Head of Trade Finance and Cash Management Corporates
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1 Background

1.1 What is SEPA?

SEPA stands for Single Euro Payments Area and is a regulatory-driven initiative by the European Banking sector (via the European Payments Council (EPC), which administers the SEPA schemes) to harmonize euro payments in Europe. The objective is to transform the euro payments landscape into a borderless area. Cashless payments such as credit transfers and direct debits in euros made between and among European countries should become as simple, quick and cost-effective as domestic payments.

For credit transfers, SEPA was implemented in January 2008. Whereas national payment schemes differed considerably before, with the SEPA Credit Transfer, a harmonized instrument is now in use, allowing companies and consumers to make euro credit transfers across Europe under the same terms and conditions. A similar process for simplification was implemented for direct debit payments in November 2009. The SEPA direct debit is truly new, as a cross-border direct debit instrument has not existed in the past.
Over the next few months, legacy national euro payment instruments and SEPA schemes will co-exist. The end date for this dual phase, after which existing legacy national euro schemes will be discontinued, has been set via regulation for 1 February 2014. Therefore, companies are advised to prepare for their SEPA migration right away.

1.2 Benefits

While for the majority of corporates the benefits from SEPA were not sufficiently compelling to warrant a migration, particularly in the absence of a regulatory requirement, there are significant benefits that can be realized. Of course, these will vary between companies and also depend on a number of other factors, such as the company’s structure. However, general benefits can include:

- Stronger incentive for (regional) payment/collection factories
- Better control and risk management resulting from
- The standardization of payment formats and bank interfaces
- The optimization and standardization of internal processes
- Improved visibility over and access to cash (in case of a reduction/centralization of bank accounts)
- Reduced float
- Easier access and growth into new markets
- Reduced differences in bank fees across Europe and reduced fees in higher-priced markets.

The 32 SEPA countries

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Over the next few months, legacy national euro payment instruments and SEPA schemes will co-exist. The end date for this dual phase, after which existing legacy national euro schemes will be discontinued, has been set via regulation for 1 February 2014. Therefore, companies are advised to prepare for their SEPA migration right away.

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1 As reflected by the low migration rates, which are tracked by the [European Central Bank](https://www.ecb.europa.eu).
1.3 SEPA and Centralization

SEPA is one of the drivers which has sparked renewed interest among corporates to centralize the processing of payables and receivables. We are therefore keen to provide a general background on Payment/Collection Factories and bank-connectivity options in particular.

However, with SEPA now a regulatory project which requires completion by 1 February 2014, the question of whether to centralize may have to be made independently of your SEPA migration plans. Therefore, it is important to ensure that a centralization project will not delay your SEPA migration.

1.3.1 Background

Please refer to the appendix for our payment-factory brochure *The Road to European Payment/Collection Factories*.

1.3.2 Bank Connectivity

Global format and bank connectivity are both components of integration. The technical set-up of the bank connectivity is a crucial success factor for any centralization project. There are different connectivity options how to connect to Deutsche Bank, in order to send SEPA files:

- db direct internet
- Host-to-Host
- SWIFTNet for Corporates
- EBICS (for Germany and France)
The final decision on connectivity depends on the requirements of the customer:
- Which processing-automation level is desired?
- Is the customer looking for a multi-bank solution (e.g. “EBICS” in Germany)
- Does the customer use a third-party treasury system like BELLIN, Hanse Orga, etc.?

Different criteria need to be considered and analyzed during the first phase of the integration project in order to determine the most appropriate connection. Deutsche Bank provides guidance on this, and supports the customer accordingly.

Furthermore, Deutsche Bank has established different integration solutions with several treasury systems (e.g. BELLIN, Hanse Orga, Omikron, or Opus Capita). These solutions are designed to provide pre-tested blueprints for our customers to reach a high level of automation and to minimize risk, implementation cost and project timelines.

1.4 Deutsche Bank and SEPA

Deutsche Bank has been processing SEPA credit transfers and SEPA direct debits since the first day of each instrument’s introduction. As such, we are extremely experienced in processing both SCTs and SDDs.

We have invested heavily into a brand-new, state-of-the-art SEPA processing engine and connected our Eurozone, UK, Switzerland, Poland, Czech-Republic and Hungary branches, thereby allowing you to initiate and receive SEPA transactions from your existing account.

We were also the first bank to announce domestic pricing for all bulk cross-border transactions within the SEPA area – even for amounts exceeding EUR 50,000 or not executed as SCTs. This also means that we have treated all SEPA-compliant transactions as domestic transactions from the start. As such, we have shaped the market for the benefit of our clients.
We have been offering format-conversion services since 2008 and have facilitated our clients’ SEPA migration for a number of years. As per Regulation 260/2012, the XML format will be binding for the exchange of bulk transactions between corporates and banks from 1 February 2014. However, banks may continue to accept other formats from customers for the instruction of SEPA transactions under certain conditions (which still need to be determined). Deutsche Bank (under certain conditions) also supports other global formats (EDIFACT, CSV, IDOC) and local cross-border formats (e.g. German DTAZV), and is planning to support certain local domestic formats (e.g. German DTAUS) for a temporary period. In addition, we will have referral agreements with two vendors who can also support you with conversion solutions.

Deutsche Bank also offers a variety of other value-added services. Among them are:

- **Local IBAN Conversion Services in Europe** (and in addition a referral agreement with the vendor Accuity – please refer to the appendix for an overview of Accuity’s offering)
- Population of missing receiving bank’s BIC
- Support of processing priorities and various booking preferences
- As debtor bank: optional mandate check

To highlight, SEPA migration no longer remains a voluntary option, but has become a regulatory project, because the use of SCTs and SDDs will become mandatory. Consequently, corporates need to begin their preparations immediately to ensure timely migration in the course of 2013.

While certain migration measures will need to be undertaken on your side, Deutsche Bank can help its clients keep these to a minimum by offering value-added services and providing detailed information.

You can count on Deutsche Bank’s experience in and commitment to the payments business to support you through the preparation phase and enable a smooth transition to SEPA.
1.5 Regulation

As mentioned above, the end date for SEPA migration has been set via regulation. This so-called “SEPA-Migration End-Date Regulation” became necessary, because the migration of corporates and public-sector entities from legacy instruments to SEPA occurred too slowly¹, which would indicate that the financial incentives were not substantial enough to spur a migration.

Although this regulation is the first legislation at European level to impose the use of specific standards for the processing of euro payments on both payment service providers and their customers, it is not the first one that is aimed at harmonizing payment processing in Europe.

What follows on the next page is an overview of the most relevant “harmonization” rules and laws.

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¹ The current migration rates are available from the European Central Bank
1.5.1 EPC Rulebooks

The “rules of the game”, which all banks participating in the SEPA schemes (SEPA credit transfer and SEPA direct debits) need to adhere to, are documented in the EPC’s rulebooks for SCT, Core SDD, and B2B SDD, respectively. According to the EPC, these rulebooks provide a set of inter-bank rules, practices and standards that allow the banking industry in SEPA to offer credit-transfer and direct-debit products to customers. As a result, all SEPA instruments will be provided on the same essential conditions and modalities throughout SEPA.

While the rulebooks are binding only for banks, the requirements of the rulebooks are also reflected in the credit-transfer and direct-debit agreements or the general terms and conditions agreed on between banks and clients. One example of a rulebook requirement that is also reflected in the client agreement is the need to have mandates in place when submitting direct debits for collection.

1.5.2 Payment Services Directive (Dir. 2007/64/EC)

The Directive on Payment Services (“PSD”) provides the legal foundation for the creation of an EU-wide single market for payments. The PSD aims at establishing a modern and comprehensive set of rules applicable to all payment services in the European Union. The target is to make cross-border payments as easy, efficient and secure as “national” payments within a member state. The PSD also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost-reduction. At the same time, the Directive provides the necessary legal platform for SEPA.


As opposed to a regulation, which comes into effect the day after its publication in the Official Journal of the European Union, the member states had to adopt national rules implementing the Payment Services Directive into domestic law. This has occurred in all countries with the exception of Poland (where it will enter into force in November 2012). Besides the EU member states, Iceland, Liechtenstein and Norway have also implemented the PSD. Thus, the PSD applies not just to the 27 EU member states, but to all 30 EEA (European Economic Area) member states. Of the 32 SEPA countries, the PSD does not apply to Monaco and Switzerland.

What follows is an overview of the PSD’s key provisions:

In Scope

The PSD applies to all “payment services” (e.g. credit transfers, direct debits, card payments, cash deposits to and withdrawals from a payment account, issuing and acquiring of payment instruments, money remittance) provided within the EEA. However, as opposed to the SEPA-Migration End-Date Regulation (see section 1.5.4), which only applies to euro transactions, the PSD applies to all EEA currencies.

For the PSD to apply, both the sender bank and the beneficiary bank must be located in the EU/EEA (“Two-leg-in principle”). An exception are the value-dating provisions of the PSD – they apply even if only the payer’s or the payee’s bank is located in the EU/EEA (“One-leg-in principle”). In those cases, the respective bank located in the EU/EEA will have to comply with the value-dating provisions.
Out of Scope
Examples of where the PSD does not apply include payment transactions based on paper cheques; payment transactions carried out between payment-service providers, their agents or branches for their own account; or payment transactions carried out within a payment/securities-settlement system between settlement agents, central counterparties, clearing houses and/or central banks and other participants of the system, or payment-service providers.

Payment Order
- Upon receipt of a payment order, the execution time of the PSD (see below) starts to run. If the sender bank refuses to execute a payment order, it has to inform the sender hereof within these execution times.
- The time of receipt of a payment order is determined as the time when the payment order has been transmitted directly by the payer to the sender bank, or indirectly by or through the payee to the sender bank.
- If the time of receipt is not on a business day, the payment order is deemed to have been received on the following business day. The sender bank may establish cut-off times near the end of a business day.
- A payment order is received even if the order itself does not contain all information necessary to execute the payment transaction (non-Straight-Through-Processing items).
- A payment user and his bank may agree that the execution of a payment order shall start on a specific day, or on the day on which the payer has set funds at his bank’s disposal. If there is no such agreement, then the execution time starts to run even if there are insufficient funds in the payer’s account.
- Due to the short execution times, a payment order (once it has been received by the sender bank) can only be revoked in exceptional cases.

Execution Times
- The sender bank is liable for complying with the execution times set by the PSD. Therefore, the sender bank is also liable for acts or omissions of an intermediary bank.
- The sender bank is obliged to credit the amount of a payment transaction to the account of the beneficiary’s bank within the execution times.
- The execution times of the PSD are defined as maximum execution times. Accordingly, the sender bank has to transfer any funds as soon as possible.
- Payment transactions in euro, and most payment transactions in an EU-/EEA-currency have to be credited to the payee’s payment service provider’s account at the latest by the end of the next business day (D+1), i.e. the day after the payment order was received by the sender bank. For paper-initiated orders, the execution can take one extra day.
- In a few cases up to four business days may be agreed on (D+4).
- The beneficiary bank must credit the amount to the account of the beneficiary on the same day it has received the funds.

Deduction of Charges
The sender bank and any intermediary are obliged to transfer the full amount of the payment transaction and may not deduct any charges (“full-amount-principle”).
- The payee and the beneficiary bank may agree that it deducts its charges from the amount before crediting it to the payee.
- This “full-amount-principle” applies irrespective of the charge code of the payment transaction.
Value Dating
The value-dating provisions apply to payment transactions in an EU/EEA currency even if only either the payer’s or the payee’s bank is located in the EU/EEA.
- Incoming payment transactions (beneficiary bank located in the EU/EEA):
  - The value date for incoming payment transactions has to be the business day on which the amount of the payment transaction has been credited to the account of the beneficiary bank (as long as no FX-conversion is involved).
- Outgoing payment transactions (sender bank located in the EU/EEA):
  - The debit value date for the payer’s payment account may be no earlier than the point in time at which the amount of the payment transaction is debited to that account.

Refund Claims
The customer may request a refund for unauthorized or incorrectly executed payment transactions and, to a certain extent, for authorized payment transactions initiated by or through a payee (i.e. direct debits).
- Unauthorized direct debits (i.e. no mandate was obtained by the creditor):
  - To be entitled to a refund the customer has to inform the bank without undue delay but no later than 13 months after the debit date.
- Authorized direct debits (a mandate was obtained):
  - The debtor can request a refund within a period of 8 weeks if the authorization did not specify the exact amount when the authorization was made and if the amount of the payment transaction exceeded the amount the payer could reasonably have expected.
  - Please note that in the interest of consumer protection, by allowing for a “no-questions-asked” refund policy, the Core SDD actually exceeds the legal refund requirements.
**1.5.3 Regulation on cross-border payments (Reg. 924/2009)**

Regulation (EC) No 924/2009 on cross-border payments in the Community eliminates the differences in charges for cross-border and national payments in euro. It applies to payments in euro in all European Economic Area (EEA) Member States. The basic principle is that the charges for corresponding payment transactions offered by a payment-service provider have to be the same whether the payment is national or cross-border. The regulation applies to all electronically processed payments, including credit transfers and direct debits.

Some conditions may apply depending on the type of payment transaction. For example, for credit transfers and direct debits, the use of IBAN and BIC is obligatory.


The full name of this law is “Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001”. The text is available in all 23 EU languages via this hyperlink: [Reg. 924](#)

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**1.5.4 SEPA-Migration End-Date Regulation (Reg. 260/2012)**

SEPA has become a regulatory project. European law makers agreed on a mandatory SEPA migration end date of 1 February 2014. This end date has been set as part of the new Regulation (EU) No. 260/2012. The regulation will also be implemented in Iceland, Liechtenstein and Norway, and as such be applicable in all 30 member states of the EEA. It has already been in effect in all EU countries since 31 March 2012. Therefore, preparations for migration should commence immediately. 1 February 2014 is the final date by which corporates must use the SEPA Credit Transfer (SCT) and the SEPA Direct Debit (SDD) instead of existing non-urgent mass credit transfers and direct debits.

The full name of the law is “Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009”. The text is available in all 23 EU languages via this hyperlink: [Reg. 260](#)

Besides establishing an end date for SEPA migration, the regulation covers many other topics of importance for the European payments landscape. What follows is an overview of the regulation’s requirements and their impact on Corporates:

**In Scope**
In scope are credit transfers and direct debits in euro where both the payer’s and the payee’s Payment-Service Provider (PSP, e.g. banks) are located in the European Economic Area (EEA).

**Out of Scope**
Out of scope are all other transactions, including e.g. payments via large-value payment systems or card transactions.
End Date
A mutual migration end date for both credit transfers and direct debits of 1 February 2014 has been set. This is the date by which corporates must send SEPA Credit Transfers (SCTs) and SEPA Direct Debits (SDDs) to their bank. Alternatively – subject to certain conditions and depending on the sender-bank’s capabilities – the transactions must at least be SEPA-capable (i.e. in an accepted format and containing all required information), so that it can be processed as SCT/SDD.

Reachability
Eurozone banks must be reachable for SCT and Core SDD. PSPs in non-euro EEA states must be reachable for SCT and Core SDD only by 31 October 2016, or within one year of joining the euro (if the joining takes place prior to 31 October 2015).

This implies that the B2B SDD remains a voluntary scheme. Corporates interested in using this instrument should therefore either ask their customers about the acceptance by their banks, or check the list of all reachable banks (EBA Step2 Routing Table for B2B SDD) and compare this against their customers’ bank information. For more on SDD and advice on whether the Core SDD or the B2B SDD may be more appropriate, please refer to section 1.7 (The SEPA Direct Debit) below.

XML
The XML format is to be used between corporates and banks from 1 February 2014 (member states have the option of extending this period until 1 February 2016). This means that corporates who want to continue using non-XML formats need to obtain conversion/enrichment solutions (for which corporates may be charged) from vendors or – under certain conditions – banks. Besides XML, Deutsche Bank will also accept other global formats as well as certain local formats for SEPA transactions (under certain conditions and subject to additional fees). However, other banks may not offer such solutions, which may result in rejections.

BIC
After 1 February 2014 (or 1 February 2016 per member-state option – to be determined by each country by 1 February 2013) for national payments and after 1 February 2016 for cross-border payments, it is sufficient for corporates to only supply the beneficiary’s (in case of SCT) or debtor’s (in case of SDD) IBAN, i.e. the BIC will not be required anymore.

Mandates
Direct-debit mandates in place for currently-used domestic legacy direct debits can also be used for the Core SDD. This means that corporates wishing to use the Core SDD do not have to obtain new mandates from their customers – unless of course no mandates exist yet, in which case mandates must be obtained (e.g. for new customers).
Account Location
Payers cannot demand from payees to have an account in a certain country, as long as the account is located within the EEA. Likewise, payees cannot demand from payers to have an account in a certain country as long as the account is located within the EEA.

Payment >EUR 50.000
Regulation 924/2009 has been amended such that higher charges for intra-EEA cross-border payments exceeding EUR 50.000 are no longer permitted. As a result, these payments must cost the same as corresponding domestic payments. However, an urgent cross-border payment can cost more than a non-urgent domestic payment, because they are not considered to be corresponding payment types.

Central-Bank Reporting
Regulation 924/2009 is amended in such a way that settlement-based Central-Bank-Reporting obligations by banks shall be abandoned from 1 February 2016. However, this does not impact Central-Bank-Reporting requirements that are not settlement based, such as direct reporting requirements by corporates, for example in Germany, or survey-based processes, for example in the Netherlands.

MIF
Multilateral Interchange Fees (MIFs) are currently paid in a few countries (for example Italy or France) for direct debits by the creditor bank (and thus the creditor) to the debtor bank. These fees are not allowed for domestic direct debits from 1 February 2017, and for cross-border direct debits from 1 November 2012. For an overview of the current fees, please refer to the section on country-specific requirements below.

However, MIFs may be allowed for returned direct debits under certain conditions (e.g. strictly cost based). Details still need to be determined via a collective agreement.

Niche Products
Member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, it will need to inform the Commission by 1 February 2013 accordingly, and advise for which products it plans to apply the waiver. Once this has occurred, we will be able to compile a list of niche products by country.

The waiver option also applies to transactions that are initiated by a card at the point of sale, but where the underlying payment transaction results in a direct debit. The German legislators will use this option for the so-called “Elektronisches Lastschrift-verfahren” (ELV).

For an in-depth analysis of this regulation, please refer to the EBA Guide “Banks preparing for SEPA Migration”, which can be found on the EBA website.
1.6 The SEPA Credit Transfer

1.6.1 Characteristics

SEPA XML Format
This format is binding for the exchange of all SEPA transactions between banks. However, banks may continue to accept other formats from customers for the instruction of SEPA payments under certain conditions. In addition to XML, Deutsche Bank will support other global formats (including EDIFACT, CSV, and IDOC) as well as some local formats for SEPA payments (under certain conditions).

IBAN and BIC
The only permissible account identifiers for SEPA transactions are the International Bank Account Number (IBAN) and Bank Identifier Code (BIC). Until now, most countries have used these identifiers for cross-border payments only but, under SEPA regulations, these identifiers also apply to domestic payments.

New/Changed Data Elements
- An optional end-to-end reference allows the payment-originator to automatically reconcile returns. In such cases, the bank returns the information to the customer with the return booking. If a client does want to use this field, the bank will fill in "NOTPROVIDED", which is then displayed in the recipient’s account information.
- In addition, a list of Category Purpose Codes (e.g. SALA for salary payments) has been established, which means corporates (via their banks) can initiate special processing, such as individual rather than bulk booking. Such services are optional, and they must be agreed with each bank individually.
- A further field for Purpose Codes has been introduced, allowing the issuer to inform the recipient about the reason for the transaction (e.g. PHON for a telephone bill)
- The compulsory change to remittance information is also crucial. Under SEPA, the standard length of this information is 140 characters, and banks are obliged to provide the information in full on account statements. Should more detailed remittance data be required, there are two options available: either fewer invoices should be paid in a single transaction, or additional information should be included outside of the standardized payments message.

Execution Time
The maximum execution time for SEPA credit transfers is one business day. This is in line with the PSD, which obliges originator banks to credit the account of a beneficiary bank within one banking business day (following the point in time of acceptance of the payment order). In turn, the beneficiary bank is obliged to credit the account of the beneficiary on the same day it was credited by the originator bank.

Credit without Deduction
SEPA credit transfers are credited in full without deduction of fees from the principal amount.

Central-Bank-Reporting Duties for Cross-Border Payments
Efforts to abolish central bank reporting duties for cross-border payments have yet to be successful in all SEPA countries. This means that the February 2016 abolition of settlement-based central bank reporting obligations (in accordance with Reg. 260/2012) does not apply to non-settlement based reporting. Non-settlement based reporting duties must, therefore, still be observed in accordance with the prevailing rules in each country.
For very small companies (so-called microenterprises), some EU Member States have excluded the use of the business-to-business scheme – this differs across countries in Europe.

A micro-enterprise is defined as an enterprise which has less than 10 employees and whose annual turnover or balance sheet is equal to or less than 2 million Euro (2003/361/EC).

Treated as companies
Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Latvia, Lithuania, Luxembourg, Netherlands, Romania, Slovenia and Spain, i.e. B2B SDD can also be used with these small companies.

Poland also plans to treat them as companies

Treated as consumers
Cyprus, Czech Republic, Great Britain, Hungary, Italy, Malta, Portugal, Slovakia and Sweden, i.e. B2B SDD cannot be used to collect from small companies in these countries.

1.7 The SEPA Direct Debit

1.7.1 Introduction

The SEPA direct debit is a collections process based on a mandate signed by the debtor and presented to the creditor. Mandate content is standardized and must be issued in the language of the debtor (generally the language of the underlying contract).

As is the case with the SEPA credit transfer, national account identifiers will be replaced by IBAN and BIC codes. In addition, there is an end-to-end reference for SDDs, which is a significant advantage for creditors submitting large numbers of direct debits, as it greatly simplifies the automatic reconciliation of returns. In addition, there are new data elements, including:

- A unique mandate number to be assigned by the creditor
- A centrally-assigned credit identifier (in most countries this will be done either the Central Bank or the creditor’s bank)
- The sequence of the direct debit, e.g. One-off, First, Recurring

Further details on these new data elements are outlined in Section 2.

1.7.2 Core vs. B2B SDD

In a collection process between corporates, the creditor and debtor are free to agree to use either the core SDD scheme or the B2B SDD scheme. For consumer protection reasons, however, it is not possible to use the B2B scheme when collecting payments from consumers.

The fundamental difference between the two schemes lies in the finality of the payments. Core direct debits can be returned by the debtor for up to 8 weeks after the debit, while direct debits under the B2B scheme are non-refundable by the debtor.

In order to protect corporates against unauthorized debits under the B2B scheme, the debtor bank is obliged to control the debit authorization. This is not the case for the core direct debit, in which case a mandate check by the debtor bank is optional (as the debtor has the option of claiming a refund).

A further key difference is that participation in the core scheme is compulsory for banks in the Eurozone, while the B2B SDD scheme remains optional (in accordance with Regulation 260/2012 – see section 1.5.4). That said, our experience shows that the majority of banks also participate in the B2B SDD scheme.
Our expectation is that the vast majority of all collections between businesses will be done via the core SDD scheme. The B2B SDD will likely be used only in the case of higher-value direct debits, where the importance of finality of payment outweighs concerns over the complexity of set-up requirements. Such requirements are as follows:

- Ensure the debtor bank participates in this optional scheme (for example by using the EBA’s “SDD B2B Participants list”). If not, the core scheme could be used with this debtor
- Convince the debtor to revoke their refund right
- Obtain a new mandate from the debtor (this is not required for the core SDD, in which existing mandates can be used)
- Ensure the debtor informs its bank of the mandate so that it can be logged into the processing system of the debtor bank. This may be achieved by the creditor issuing the debtor with two copies of the mandate, one of which can be signed by the debtor and given to the debtor bank. The debtor bank will only accept the first collection once the mandate has been registered.

Thus, the mandate flow can differ as follows:

**Core SDD**

1. Sends mandate to Debtor
2. Sends signed mandate back to Creditor
3. Captures mandate data
4. Stores mandate

**B2B SDD**

1. Sends mandate to Creditor
2. Sends signed mandate back to Debtor
3. Captures mandate data (e.g. in ERP system)
4. Stores mandate
1.7.3 Submission Deadlines and Processing Flow

Changes in company process flows will arise in particular from the change in submission deadlines for direct debits. Deadlines for the core scheme are outlined below:

- Direct debits have a due date (D) to be assigned by the creditor. This is the date on which funds leave the debtor’s account
- The debtor is informed by the creditor of the debit date and amount due no less than 14 calendar days prior to D (shorter notification deadlines can be agreed upon)
- Initial direct debits under a mandate or one-off direct debits must be sent by the creditor bank to the clearing house (e.g. EBA Step2) five TARGET business days prior to the due date (D–5). Please also refer to the section 2.2.4 for details on submission deadlines and cut-off times
- Subsequent direct debits under a mandate must be sent to clearing two TARGET business days prior to the due date (D–2)
- Cut-off time for file submission by the creditor to Deutsche Bank is 08:30 CET on D–5 or D–2, respectively. In the event the cut-off time is missed, Deutsche Bank will shift the due date accordingly (to D+1). We therefore recommend that files be submitted to Deutsche Bank on D–6 or D–3 to ensure due dates are met
- Any returns by the debtor bank (e.g. if the account has been closed) must be effected no later than five TARGET business days after the due date
- The debtor can request a refund of the direct debit for up to eight weeks after the due date in cases where they had authorized the creditor via a mandate
- Unauthorized direct debits (for which the creditor cannot produce a mandate) can be returned for up to 13 months after the due date
- The mandate expires 36 months after the last initiated direct debit. This needs to be checked by the creditor, as non-compliance with this requirement would lead to the submission of a non-authorized direct debit.

Different deadlines apply to the B2B scheme:

- Direct debits are sent to clearing one TARGET business day prior to the due date
- Cut-off time for file submission by the creditor to Deutsche Bank is 09:30 CET on D–1. In the event the cut-off time is missed, Deutsche Bank will shift the due date accordingly (to D+1). We therefore recommend that files be submitted to Deutsche Bank on D–2 to ensure due dates are met
- Banks have two business days (after D) in which to return the direct debit
- Returns by the debtor are not permitted under the B2B scheme

Comparison Core SDD with B2B SDD

<table>
<thead>
<tr>
<th>Core SDD</th>
<th>B2B SDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>D:</td>
<td>D:</td>
</tr>
<tr>
<td>D–14 CD:</td>
<td>D–14 CD:</td>
</tr>
<tr>
<td>D–5 BD:</td>
<td>D–1 BD:</td>
</tr>
<tr>
<td>D–2 BD:</td>
<td>D+2 BD:</td>
</tr>
<tr>
<td>D+5 BD*:</td>
<td>Latest date for bank returns</td>
</tr>
<tr>
<td>D+8 W:</td>
<td>No refund right for debtor</td>
</tr>
<tr>
<td>D+13 M:</td>
<td></td>
</tr>
<tr>
<td>D+36 M:</td>
<td>D+36 M:</td>
</tr>
<tr>
<td>CD = Calendar Days, BD = Business Days, W = Weeks, M = Months, *D+2 in Germany</td>
<td>CD = Calendar Days, BD = Business Days, W = Weeks, M = Months</td>
</tr>
</tbody>
</table>
1.7.4  D–1 Core SDD

Some existing domestic direct debit schemes (such as German and Austrian schemes, for example) have shorter submission deadlines than the core SDD. Various industry associations have, therefore, pointed out that these longer submission deadlines do not support their current business models because of the resulting negative impact on liquidity and risk management.

As a result, November 2012 will see a change to the core SDD rulebooks come into effect. This change will allow the option of a reduced submission deadline of just one TARGET business day (D–1), on the condition that a community (e.g. all banks in a country) agrees on this.

This has sparked the debate in several countries as to whether or not to opt for the reduced submission deadline. If the answer is yes, this would allow a creditor to submit core SDDs drawn on a debtor in the same country on D–1 only, as long as the direct debit is marked “COR1”.

We will keep you updated on these developments.
2 Implementation

As stated in section 1.5 on Regulation, SEPA migration is no longer a voluntary project that requires a business case. Instead, it is now a regulatory requirement, and must therefore be taken into consideration during the budget allocation process. Given the short timeframe for migration (1 February 2014), it is vital that the migration budget be approved as soon as possible so that the process can be completed throughout the course of 2013.

Accurately calculating the budget for the migration process depends on a sound understanding of the changes required. Section 2 is, therefore, designed to aid this analysis and assist the establishment of SEPA project teams, which are vital if the migration process is to be managed in time and with minimal disruption.

2.1 Project Team

The SEPA project team may comprise different company divisions depending on the company structure and the scope of the SEPA project. It is important to include not only departments directly involved with payments or accounting, but also other – and perhaps less obvious – areas that may also be impacted, such as HR, Legal, IT and Customer Services.

The following table shows company divisions that may be affected by the project:

<table>
<thead>
<tr>
<th>Cross-divisional SEPA Project Team</th>
<th>Lead by SEPA Project Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance Areas</strong></td>
<td><strong>Other Divisions</strong></td>
</tr>
<tr>
<td>Accounting (SEPA payments, booking, collection and maintenance of IBAN/BIC)</td>
<td>Human Resources (migration of payroll processing)</td>
</tr>
<tr>
<td>Treasury (banking relationships / liquidity management)</td>
<td>Sales/Purchasing (notification of business partners, if applicable use of new agreements or forms)</td>
</tr>
<tr>
<td>Invoicing (provision of IBAN, BIC and terms of payment)</td>
<td>Customer Service (SEPA-related customer inquiries)</td>
</tr>
<tr>
<td>Legal (in particular for direct debits due to mandate changes)</td>
<td></td>
</tr>
<tr>
<td>External Partners (e.g. ERP providers; Call Centers)</td>
<td></td>
</tr>
<tr>
<td>IT (required changes to systems)</td>
<td></td>
</tr>
</tbody>
</table>

The first issue the SEPA project team needs to address is the size of the project’s scope. This may be achieved with the following steps, which provide a general overview of how SEPA will affect your company, and allow to estimate project scope and cost:

- Identify the group companies concerned and the accounting/ERP systems used
- Determine in which SEPA countries accounts are maintained
- Analyze and assess the payment methods used for the accounts concerned, as well as the payment volumes.

Once the scope of the project has been determined, the next step is to assess the strategic and tactical steps related to the migration to the SCT and SDD.
2.2 General Requirements

2.2.1 Strategic Aspects

Centralization and Consolidation Strategy
SEPA facilitates centralization and provides opportunities for account consolidation. It is, therefore, a further driver of the trend towards payment/collection factories. However, companies planning or executing a centralization project must ensure that it does not delay SEPA preparation. Given the compulsory nature of SEPA – and the short time-frame for migration – SEPA must be the top priority.

For more on centralization, please refer to section 1.3.

Migration Strategy
1 February 2014 is the deadline for the implementation of the SCT and SDD. Earlier migration is possible, but depends on the status of companies’ individual migration projects – which will vary in scope and complexity – as well as the SEPA capabilities of counterparties and partner banks.

Format Strategy
XML is the required format for all SEPA transactions. It is also fast-becoming the format for transactions outside of SEPA. As a result, we recommend that all clients migrate to XML in the near future. Allowed characters for XML messages are numbers, letters, and special signs (e.g. ! = ; ( ) + , - . / ).

Alternatives to XML include other global formats (such as IDOC, CSV or EDIFACT), certain national cross-border formats (e.g. the German DTAZV), or even certain national domestic formats (e.g. the German DTAUS).

The support of such non-XML formats, however, will depend on the capabilities of banks and/or vendors, and may also be subject to certain conditions such as separate legal agreements, additional costs or time limitations.

System Strategy
SEPA’s effect is not limited to AP/AR systems, but can extend to all systems that carry or collect account information. Identifying these systems and ensuring their preparation for SEPA is vital. If adjustments are needed, such adjustments should ideally support both SEPA and legacy domestic instruments and account data, to enable uninterrupted use and a seamless transition to the new requirements.

Bank Strategy
The ability of SEPA to facilitate centralisation provides an opportunity to consolidate bank relationships. Alongside credit/relationship aspects, you should ensure you have a full understanding of the following matters:
- your banks’ SEPA strategies
- your banks’ core offerings
- the value-added services available
- your banks’ levels of experience
- the advisory services available
2.2.2 Tactical Aspects SCT and SDD

Booking Options: Bulk vs. Item by Item

SEPA transactions are generally considered to be mass payment transactions. For this reason, files with SEPA transactions are (by default) booked in bulk and individual transactions are subject to single booking. However, we also support item-by-item booking for files containing numerous transactions.

The type of booking used depends on the nature of the transaction(s). Bulk booking is more suitable for outgoing transactions (such as SCT debits and SDD credits) because the user knows the detail of the file sent to the bank. For incoming transactions (such as SCT credits and SDD-return debits), bulk booking is only used for transactions where the beneficiary or creditor is informed about the breakdown of the total bulk amount via other means. For example, for customers with accounts in Germany we support the generation of the German DTI file format (based on the legacy file format DTAUS). For German remitter accounts we “decompose” the sender’s IBAN and populate the sender account-number and sort-code fields accordingly. And for clients requiring other breakdown file formats, we also offer the CSV file format, the French CFONB240 file format (for French accounts only) and camt.053 and camt.054 formats.

For more on camt statements, please refer to section 2.2.6.

Booking Options: Gross vs. Net

By default, SEPA transactions are booked as gross. This means a customer will always be debited (SCT) or credited (SDD) the full value of a batch of transactions. If there are any validation failures or rejects, these transactions will be processed as returns. The validations are completed by us on the day of processing/execution, so the customer will only learn about them on that day – even if the file was submitted prior to processing day.

As an alternative, we offer an “upfront validation”, which is a value-added service that supports validation immediately upon receipt. Any validation failures will be reported to the client via a corresponding message and only the remaining transactions will then be processed by us on processing day. This is considered net booking. If an upfront validation is required, this type of booking will be applied.

IBAN and BIC

One of the migration project’s biggest tasks will likely be the replacement of legacy payment data with IBAN (international bank account number) and BIC (bank identifier code). This requires that the company’s systems need to be able to support and process this new information (see also “System Strategy” in section 2.2.1)

There are various ways to obtain IBAN and BIC:
- Ask customers to supply the information and ensure staff manually enter the information. This option is the most time-consuming and comes with the risk of typing errors, so all information should be checked throughout the process, using the respective IBAN algorithm.
- Manual capture is not the most practical for larger volumes. Therefore, there are two electronic alternatives:
  - Domestic solutions, which vary from country to country (for more information see also section 2.3, and the appendix for an overview of the “Availability of local IBAN Conversion Services in Europe”):
  - Vendor solutions such as those provided by the company “Accuity”:
    The two service options available from Accuity are:
    - IBAN Payment Resource (IPR Batch): This is an online tool that validates and converts IBANs to provide all of the required information for SEPA-compliant transactions, including correct routing BICs.
    - Payscreen: Prior to conversion, this service repairs payment records to eliminate incorrect instructions, and it highlights those records that require review.

Contact DeutscheBankCustomer@AccuitySolutions.com for more information and refer to the appendix for an overview of this offering.
Payment Detail
The length of detail required in today’s payment schemes varies from country to country. For SCT and SDD, it is standardized at 140 characters, and will be communicated in its entirety to the bene/debtor bank. The remittance information may have to be adjusted depending on how much payment detail is required.

Creditor Reference
The “Creditor Reference” field found in the structured remittance detail in XML is an optional one and can assist with the reconciling of incoming SCTs, if a company requests that a client supply this reference.

End-to-End Reference
For the reconciling of SDD returns, on the other hand, we recommend using the optional “End-to-End Reference”. The information entered is carried through the entire processing chain, including returned SCTs or returned SDDs. It is displayed in MT940/942 account statements (field 86, subfield 20–29, preceded by “EREF+”) and the maximum length is 35 characters. If a client does not enter any information in this optional field, the bank will fill in “NOT PROVIDED”, which is then displayed on the counterparty’s account information.

Purpose Codes
The “purpose codes” field, which is also optional, provides information on the reason for the transaction. The originator bank (SCT) or creditor bank (SDD) must pass the information on to the beneficiary bank or debtor bank, who must then deliver the codes to their clients, for example in the account statement.

A current list of purpose codes can be found on the “External Code Lists” spreadsheet under the tab “Purpose”, from the ISO20022 website.

Category Purpose Codes
The idea behind category purpose codes is to obtain special processing from the sender bank/bene bank (in the case of SCT) or the creditor bank/debtor bank (in the case of SDD). As this is an optional service, capabilities will vary between banks. Instead of using category purpose codes, Deutsche Bank recommends specifying the requested processing options by putting that information directly in the file. For example, clients can choose the clearing service rule NORM (for overnight clearing) or HIGH (for same-day clearing), or the booking rule TRUE (for bulk booking) or FALSE (for individual booking).

A current list of category purpose codes can be found on the “External Code Lists” spreadsheet under the tab “Category Purpose”, from the ISO20022 website.

On-behalf-of Field
This optional field has a maximum of 70 characters, and caters to the centralization trends of both originators and beneficiaries. The originator of a transaction can use the field “originator reference party/ultimate debtor”, in the case of SCT, or “creditor reference party/ultimate creditor”, in the case of SDD. The originator can also use the field “beneficiary reference party/ultimate creditor”, in the case of a SCT, or “debtor reference party/ultimate debtor”, in the case of a SDD.

These fields are purely informational and were specifically developed for the needs of payment/collection factories, so that this information does not need to be presented in the payment detail, which is already limited. Banks must report this information in account statements. However, as some banks only do so in XML account statements, we still recommend to also capture this information in the payment detail.
2.2.3 Tactical Aspects SCT only

**Execution Time**
The maximum clearing cycle from payment initiation (D) to credit of the bene bank account is one TARGET business day (D+1). This is in line with the Payment Service Directive (PSD) (see section 1.5.2). The PSD also requires that the value date for incoming payment transactions must be the business day on which the payment transaction has been credited to the account of the beneficiary bank. Therefore, the beneficiary also receives the payment value within one business day. This is also true for local bank holidays that are not TARGET holidays. In case the bene bank was closed, they may credit the bene only on D+2, but with the value from D+1. In such cases, whether the account credit occurs on D+2 or D+1 will likely vary from bank to bank, depending on whether they operate on local holidays or not. Our expectation is that most banks will operate on local holidays and thus also book on D+1.

**Cut-Off Times (COTs)**
The COT at Deutsche Bank for STP transactions is 15:30 CET (best effort until 17:00).

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**Balance-of-Payment Reporting Obligations (Central-Bank Reporting)**
Whether a payment is processed as SEPA or not has no impact on a company’s Central-Bank reporting obligations, which still exist irrespective of the payment method used.

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2.2.4 Tactical Aspects SDD only

**Reachability**
As mentioned before, per Regulations 260/2012 and 924/2009, banks in the Eurozone must be reachable for the Core SDD. From 31 October 2016 this will include EU banks in non-euro countries too. Meanwhile, the B2B SDD scheme remains an optional one, so it is up to the debtor bank to decide if they will participate and be reachable.

Corporates can compare the list of debtors’ banks with that of banks participating in the B2B SDD scheme by looking at the “SDD B2B Participants list”, which can be downloaded from the EBA’s website.
Mandate Management

The creditor of an SDD is responsible for obtaining the debtor’s authorization to debit their account. This authorisation comes in the form of a mandate. The debtor signs it and sends it back to the creditor, who keeps it. The reason for storing the mandate is that in case of a debtor requesting a refund after the regular 8-week refund period, the creditor would have to accept the late refund if they cannot provide a mandate copy.

Storing the mandate is a new process for creditors in countries who are familiar with a domestic direct-debit scheme that follows the Debtor Mandate Flow (DMF) – where the mandates are kept by the debtor bank rather than the creditor.

The content of the mandate is standardized. It can be a standalone document or be part of a contract. The mandate reference (also known as mandate ID) must be assigned to each mandate by the creditor before the first direct debit is collected. This can happen either when the mandate is issued, or (especially in the case of existing legacy mandates that are also used for Core SDD) separately afterwards.

Here is a checklist of the mandatory content of a SDD mandate, followed by an example of what standalone Core and B2B SDD mandates could look like:
- Title: “SEPA Core Direct Debit Mandate” or “SEPA B2B Direct Debit Mandate”
- Mandate Reference
- Recommended to be part of the mandate, but could also be communicated to the debtor separately prior to the first SDD
- Possible characters are A-Z a-z 0-9 + ? / \ : ( ) . , ‘ and spaces
- Frequency (one-off or recurrent)
- Creditor ID
- Name and address of the creditor
- Name and address of the debtor
- IBAN and BIC of the debtor
- Date and signature of the debtor
# SEPA Core Direct Debit Mandate

**Mandate Reference**

1 2 3 4 5

By signing this mandate form, you authorise (A) [NAME OF CREDITOR] to send instructions to your bank to debit your account and (B) your bank to debit your account in accordance with the instructions from [NAME OF CREDITOR].

As part of your rights, you are entitled to a refund from your bank under the terms and conditions of your agreement with your bank. A refund must be claimed within 8 weeks starting from the date on which your account was debited.

**Your Name**

Name of Debtor

**Your Address**

Street and Number

ZIP and City

Country

**Name of Creditor**

[COMPANY]

Name of Creditor

[GB 93 ZZ SD DC XX X 0000001]

Creditor ID

[COMPANY STREET]

Street and Number

12345 [COMPANY CITY]

ZIP and City

Country

**Your Account Number**

IBAN

Bank (Name)

and (SWIFT BIC)

**Contract Data**

1 2 3 4 5 8 ABC / 3 6 5 - 6 9 8

**Type of Payment**

X Recurrent payment or

One-off payment

City, Date

Signature

**Creditor’s use only**

**Please return to:**

[COMPANY]

Name of Creditor

[COMPANY STREET]

Street and Number

12345 [COMPANY CITY]

ZIP and City

* Mandate References and Contract Data may not exceed 35 characters and must consist of the following characters only: A-Z, a-z, 0-9 +/\.
### SEPA Business-to-Business Direct Debit Mandate

By signing this mandate form, you authorise (A) (NAME OF CREDITOR) to send instructions to your bank to debit your account and (B) your bank to debit your account in accordance with the instructions from (NAME OF CREDITOR).

This mandate is only intended for business-to-business transactions. You are not entitled to a refund from your bank after your account has been debited, but you are entitled to request your bank not to debit your account up until the day on which the payment is due.

<table>
<thead>
<tr>
<th>Mandate Reference</th>
<th>1 2 3 4 5</th>
</tr>
</thead>
</table>

#### Your Name
- Name of Debtor

#### Your Address
- Street and Number
- ZIP and City
- Country

#### Name of Creditor
- COMPANY
- Name of Creditor
- GB 93 ZZZSDDCXX000001
- Parent ID
- COMPANY STREET
- Street and Number
- 12345 COMPANY CITY
- ZIP and City

#### Your Account Number
- IBAN

#### Contract Data *
- 123458ABC / 365 - 698

#### Type of Payment
- **X** Recurrent payment or
- One-off payment

#### Signature

#### Please return to:
- COMPANY
- Name of Creditor
- COMPANY STREET
- Street and Number
- 12345 COMPANY CITY

* Mandate References and Contract Data may not exceed 35 characters and must consist of the following characters only: A-Z, a-z, 0-9 +/\:
Upon request, we can also provide you with mandate samples in German, French, Spanish, Italian, and Dutch.

Additional examples can be found in the EPC’s Guidelines for the Appearance of Mandates.

Translations for various languages are also available from the EPC for the Core SDD and the B2B SDD.

Certain mandate data that does not exist (such as mandate ID or creditor reference) or is not relevant (e.g. mandate date) in many national direct debit schemes must be stored electronically by the creditor, as the data is part of each SDD. In addition, prior to the submission of a direct debit, your system should check the mandate’s status (first or recurring) and its validity. This is because of the different submission deadlines and the automatic mandate expiration if no collection is made for 36 months. In other words, a mandate remains valid so long as regular collections occur, or until cancelled by the debtor.

We recommend you check with your ERP vendor regarding their mandate-management capabilities, or alternatively to contact a non-ERP, 3rd-party vendor.

**e-Mandate**

According to the website of the European Payments Council (EPC), “the SDD Rulebooks provide the possibility to issue mandates created through the use of electronic channels – often referred to as e-mandates. The e-mandate solution is based on secure, widely-used online banking services currently offered by debtor banks. The debtor can re-use his online banking credentials. No additional means of identification are necessary. The e-mandate solution is an optional service offered by banks to their customers.”

Such a service would be of particular interest to online merchants, as the electronic mandate would make it easier to fulfill the requirements of the SDD Rulebooks as well as the requirements of the SDD agreement that a creditor signs with their bank. However, it remains to be seen if such a service will actually be developed by the market, and whether it would be a pan-European offering or merely regional. In either case, it is not a service that can be developed by any individual bank, and the success of such an offering would depend greatly on the number of debtor banks participating.

**Mandate Migration**

Under the Core SDD scheme, existing mandates in all countries can be used for collections. For collections under the B2B SDD scheme, however, new mandates are required.

**Mandate Reference**

Each SDD mandate must contain a mandate reference (also known as a “mandate ID”) assigned by the creditor. At a maximum length of 35 characters, the number chosen will depend on the capabilities of the mandate database used, and whether the mandates are issued for each contract individually or are instead consolidated per customer. Often, companies use existing customer numbers or contract numbers. Possible characters are A-Z a-z 0-9 + ? / : ( ) . , ‘ and spaces.

For new mandates, the mandate ID should be either included in the mandate or, if that is not possible, communicated to the debtor prior to the first SDD collection. Such communication is also needed for legacy mandates, for which mandate IDs need to be assigned if the company intends to use them for Core SDD collections.

1 Besides paper mandates and the e-mandate described above, other mandate forms such as verbal ones (via phone, for example) or checking a box on a website do not fulfill the requirements of the SDD agreement.
**Mandate Date**
The mandate date is required in each SDD. While new mandates allow for the actual date of signing to be used, this is not practical for existing legacy mandates. Here, a “dummy” date can be used – for example, the date when you switch to SDD. This will suffice because banks do not check the actual mandate date, but merely check if the field has been populated.

**Creditor Reference**
Also known as a Unique Creditor Reference, or Creditor ID, the Creditor Reference is for clear identification of the creditor. In particular, the combination of creditor ID and mandate ID enables a debtor bank to conduct a mandate check prior to debiting the debtor. This check is required only upon request by the debtor under the Core SDD scheme, but is mandatory under the B2B SDD scheme. Each legal entity wishing to submit SDDs should obtain a creditor ID.

The method of obtaining a creditor ID varies between countries. The creditor ID is generally obtained in the country hosting the company’s headquarters, and it can then be used in any country. For example, a French creditor ID can be used for making collections via the company’s Spanish account. A creditor ID remains valid even if the creditor switches banks or moves to another country.

**Pre-notification**
The creditor must pre-notify the debtor of the date and amount of the direct debit. This should happen 14 days in advance, although a shorter timeframe can be used if agreed upon by the creditor and debtor. Often, the pre-notification occurs as part of the invoice. In the case of recurring direct debits of the same amount and frequency, a single pre-notification per year (e.g. “we will debit your account on the first business day of every month for the amount of 100 Euros”) is sufficient.

The purpose of the pre-notification is to minimize returns caused by non-sufficient funds. For this reason, it is in the creditor’s best interest to notify the debtor. However, the creditor bank does not check if a pre-notification occurs, and a failure to pre-notify does not mean the direct debit becomes unauthorized.

**Submission Deadlines**
Core SDDs (first and one-off) can be submitted by the creditor to Deutsche Bank between 5 (D–5) and 90 (D–90) business days prior to the due date or, in the case of Recurring Core SDDs, between 2 and 90 business days prior to the date. B2B SDDs can be submitted between 1 and 90 business days prior to the due date. However, because the cut-off time is very early (please see section immediately below) we recommend you submit them no later than D–6 for first and one-off Core SDDs, D–3 for recurring Core SDDs, and D–2 for B2B SDDs.

Due to differing submission deadlines and requirements for mandate checks, SDDs must be marked as either Core or B2B.

**COTs**
The cut-off time (COT) at Deutsche Bank is 8:30 CET for Core SDDs and 9:30 CET for B2B SDDs. If the cut-off time is missed, we will automatically adjust the due date by one business day (to D+1).

**Booking Dates**
Per default, we book on processing day (generally D–6/D–5, D–3/D–2 and D–2/D–1 respectively) with value on due date. If needed, booking on D is also available with upfront validation (see section 2.2.2).

Here is a summary of the standard submission deadlines, COTs and booking dates:
If a due date falls on a local bank holiday that is not a TARGET holiday, the debtor may be debited one day after due day. This will depend on whether or not the debtor bank operates on the local holiday. Our expectation is that most banks, like Deutsche Bank, will operate and thus debit on the due date.

**Sequence**

Due to the differing submission deadlines between first/one-off and recurring Core SDDs, each must be marked accordingly. In some cases, how to mark certain transactions may not be clear. For example, a common question is as follows: after a first SDD was rejected, is the next a recurring SDD, or should it be marked as “first” again? The recommendation is:

- If it was rejected prior to clearing (i.e. it was never received by the debtor bank) then it needs to be submitted again as a “first”.
- If it was returned subsequent to clearing, then it should be submitted as “recurring”.

However, not all debtor banks act in the same way. We expect this will change as SDD volumes grow and the behaviour of debtor banks becomes increasingly harmonized.

<table>
<thead>
<tr>
<th>Core SDD: First and One-off SDDs</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>File Submission Date</td>
<td>DB Processing Date</td>
<td>Booking Date</td>
<td>Due Date</td>
<td>Value Date</td>
</tr>
<tr>
<td>D–90</td>
<td>D–6</td>
<td>D–6</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>⋮</td>
<td>D–6</td>
<td>D–6</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–5*</td>
<td>D–5</td>
<td>D–5</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–4*</td>
<td>D–4</td>
<td>D–4</td>
<td>D+1</td>
<td>D+1</td>
</tr>
<tr>
<td>D*</td>
<td>D</td>
<td>D</td>
<td>D+5</td>
<td>D+5</td>
</tr>
</tbody>
</table>

* if received prior to COT of 08:30 CET

<table>
<thead>
<tr>
<th>Core SDD: Recurring SDDs</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>File Submission Date</td>
<td>DB Processing Date</td>
<td>Booking Date</td>
<td>Due Date</td>
<td>Value Date</td>
</tr>
<tr>
<td>D–90</td>
<td>D–3</td>
<td>D–3</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>⋮</td>
<td>D–3</td>
<td>D–3</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–3</td>
<td>D–3</td>
<td>D–3</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–2*</td>
<td>D–2</td>
<td>D–2</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–1*</td>
<td>D–1</td>
<td>D–1</td>
<td>D+1</td>
<td>D+1</td>
</tr>
<tr>
<td>D*</td>
<td>D</td>
<td>D</td>
<td>D+2</td>
<td>D+2</td>
</tr>
</tbody>
</table>

* if received prior to COT of 08:30 CET

<table>
<thead>
<tr>
<th>B2B SDD</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>File Submission Date</td>
<td>DB Processing Date</td>
<td>Booking Date</td>
<td>Due Date</td>
<td>Value Date</td>
</tr>
<tr>
<td>D–90</td>
<td>D–2</td>
<td>D–2</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>⋮</td>
<td>D–2</td>
<td>D–2</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–2</td>
<td>D–2</td>
<td>D–2</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D–1*</td>
<td>D–1</td>
<td>D–1</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D*</td>
<td>D</td>
<td>D</td>
<td>D+1</td>
<td>D+1</td>
</tr>
</tbody>
</table>

* if received prior to COT of 09:30 CET

**Note**

Submission dates and COTs have been adjusted by Deutsche Bank to meet scheme rules and clearing cut-offs.
Overview of recommendations by EBA Clearing on whether a debtor bank should process or reject the collection depending on how it is marked

<table>
<thead>
<tr>
<th>Sequence Type</th>
<th>Core</th>
<th>B2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Next FRST transaction for same mandate (so FRST after a FRST, or FIRST after a RCUR or FIRST after a LAST: in all cases being settled less than 36 month ago and irrespective if that transaction has been returned/refunded)</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>Next FRST after the first FRST has been rejected (as recommended by Rulebook and M-PEDD Business Practices)</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>Next OOFF after the first OOFF has been rejected</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>Next LAST transaction after a LAST for the same mandate has been rejected</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>FRST or OOFF more than 36 month after the latest transaction for the same mandate has been settled</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>FRST transaction with mandate amendment</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>OOFF transaction with mandate amendment</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>RCUR or LAST transaction with mandate amendment where original details as included in the transactions do not match with previously captured MRI (by default within 36 month the latest transactions have been settled)</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>Next OOFF transaction after a OOFF that has been settled for same mandate (less than 36 month ago)</td>
<td>Reject</td>
<td>Reject</td>
</tr>
<tr>
<td>Next OOFF transaction after a FRST, a RCUR or a LAST for same mandate has been settled (less than 36 month since settlement)</td>
<td>Reject</td>
<td>Reject</td>
</tr>
<tr>
<td>Next LAST transaction after a LAST for the same mandate has been settled (within 36 month and irrespective if that transaction has been returned/refunded)</td>
<td>Reject</td>
<td>Reject</td>
</tr>
<tr>
<td>FRST, RCUR or LAST transaction after having received a OOFF (that has been settled less than 36 months ago)</td>
<td>Reject</td>
<td>Reject</td>
</tr>
<tr>
<td>FRST, OOFF, RCUR transaction within 36 month after a LAST transaction</td>
<td>Reject</td>
<td>Reject</td>
</tr>
</tbody>
</table>
The lack of clarity in the Rulebooks, and an absence of guidelines specifically focussing on such questions, has let to a situation where the treatment will inevitably differ from country to country, and even from bank to bank.

For example, some countries require that the first debit collection that is to be processed in SEPA must be “first”, regardless of the actual sequence of the collection. In other countries, the first SEPA transaction will reflect the real sequence of the collection, i.e. it may be “first” or “recurrent”, as it could be an existing mandate migrating to SEPA.

As greater clarity arises, we will make this information available.

**Rejects and Returns**

Any validations by Deutsche Bank will be conducted on execution/processing day only. Therefore, customers will only learn about any rejects on that day – even if the file was submitted prior to the processing day.

As an alternative, we also support validation immediately upon file receipt. This is known as “Upfront Validation”, and any validation failures (rejects) will be reported to the client via a corresponding XML message. Following this, we will only process the remaining transactions. This is considered net booking.

Returns will be shown in the account statement, and the reason displayed via additional text keys. SDD returns are, by default, booked individually. We also support bulk booking, although this should only be used if the creditor is informed of the breakdown of the total bulk amount via other means.

For customers with an account in Germany, we support the generation of the German DTI file format (based on the legacy file format DTAUS), and for German accounts we will “decompose” the debtor’s IBAN and populate the (legacy) account-number and sort-code fields accordingly. And for clients requiring other breakdown file formats, we also offer the CSV file format, the French CFONB240 file format (for French accounts only) and camt.053 and camt.054 formats.

For more on camt (XML) account statements, please refer to section 2.2.6.

**2.2.5 Tactical Aspects of the MT940 Account Statement**

**Transaction-Type Codes**

For the BCS-structured MT940, Deutsche Bank uses the bank transaction codes for SEPA payments issued by “Deutsche Kreditwirtschaft”.

- Other banks, particularly those outside Germany, will use different codes or no SEPA-specific codes at all.
- In “basic SWIFT”/“unstructured” MT940, Deutsche Bank does not use SEPA-specific codes. Only the generic SWIFT transaction type codes (TRF for any kind of credit transfer, DDT for any kind of direct debit, and RTI for any kind of return) are applied.
<table>
<thead>
<tr>
<th>GVO Code</th>
<th>61/6</th>
<th>86/700 Buchungstext (Deutsch)</th>
<th>86/700 Posting Text (English)</th>
<th>Lange Beschreibung Deutsch</th>
<th>Long Description English</th>
</tr>
</thead>
<tbody>
<tr>
<td>105</td>
<td>NDDT</td>
<td>SEPA-LASTSCHRIFT</td>
<td>SEPA-DIRECT DEBIT</td>
<td>SEPA-Lastschrift Core (Belastung)</td>
<td>SEPA-Direct Debit Core (Debit)</td>
</tr>
<tr>
<td>109</td>
<td>NRTI</td>
<td>SEPA-LASTSCHR. RETOURE CORE</td>
<td>SEPA-DIRECT DBT. RETURN CORE</td>
<td>SEPA-Lastschriften retoure Core (Passiv/Belastung)</td>
<td>SEPA-Direct Debit Return Core (Passiv/Debit)</td>
</tr>
<tr>
<td>116</td>
<td>NTRF</td>
<td>SEPA-AUFTRAG</td>
<td>SEPA-CREDIT TRANSFER</td>
<td>SEPA-Überweisung (Belastung)</td>
<td>SEPA-Credit Transfer (Debit)</td>
</tr>
<tr>
<td>116</td>
<td>NTRF</td>
<td>SEPA-AUFTR. MAN. EINGABE</td>
<td>SEPA-T/N MANUALLY INPUT</td>
<td>SEPA-Überweisung (Belastung) – paper/scanner</td>
<td>SEPA-Credit Transfer (Debit) – paper/scanner</td>
</tr>
<tr>
<td>116</td>
<td>NTRF</td>
<td>SEPA-GUTSCHR.-DAUERAUFTR.</td>
<td>SEPA-CREDIT-ORDER</td>
<td>SEPA-Überweisung (Belastung) – Dauerauftrag</td>
<td>SEPA-Credit Transfer (Debit) – standing order</td>
</tr>
<tr>
<td>116</td>
<td>NTRF</td>
<td>SEPA-EILIGER GUTSCHR.AUFTR.</td>
<td>SEPA-EXPRESS- CRED.-TRANSF.</td>
<td>SEPA-Beschleunigte Überweisung (Belastung)</td>
<td>SEPA-Accelerated Credit Transfer (Debit)</td>
</tr>
<tr>
<td>153</td>
<td>NTRF</td>
<td>SEPPA-ZAHLUNG GEHALT/PENSION</td>
<td>SEPA-PAYMENT SALARY/PENSION</td>
<td>SEPA-Überweisung mit Purpose Codes BONU, SALA oder PENS</td>
<td>SEPA-Credit Transfer with Purpose Codes BONU, SALA or PENS</td>
</tr>
<tr>
<td>154</td>
<td>NTRF</td>
<td>Derzeit durch DB nicht unterstützt.</td>
<td>Currently not supported by DB.</td>
<td>SEPA-Überweisung Vermögenswirksame Leistungen (Purpose Code CBFF)</td>
<td>SEPA-Credit Transfer (single entry-credit, capital building fringe fortune/Purp.Code CBFF)</td>
</tr>
<tr>
<td>156</td>
<td>NTRF</td>
<td>SEPA-ZAHL.oeff. KASSEN</td>
<td>SEPA-PAYM. PUBLIC AUTH.</td>
<td>SEPA-Überweisung mit Purpose Codes GOVT, SSBE oder BENE</td>
<td>SEPA-Credit Transfer with Purpose Codes GOVT, SSBE or BENE</td>
</tr>
<tr>
<td>159</td>
<td>NRTI</td>
<td>SEPA-PASSIV-GUTSCHRIFTSRET.</td>
<td>SEPA-CREDIT TRANSF. RETURN</td>
<td>SEPA-Gutschriften retoure (Passiv/Gutschrift)</td>
<td>SEPA-Credit Transfer Return (Passiv/Credit)</td>
</tr>
<tr>
<td>159</td>
<td>NRTI</td>
<td>SEPA-GUTSCHRIFTS-RETOURE</td>
<td>SEPA-CRED. TRANSF. RET</td>
<td>SEPA-Gutschriften retoure (Aktiv/Belastung)</td>
<td>SEPA-Credit Transfer Return (Active/Debit)</td>
</tr>
<tr>
<td>166</td>
<td>NTRF</td>
<td>SEPA-GUTSCHRIFT</td>
<td>SEPA-CREDIT TRANSFER</td>
<td>SEPA-Überweisung (Gutschrift)</td>
<td>SEPA-Credit Transfer (Credit)</td>
</tr>
<tr>
<td>171</td>
<td>NDDT</td>
<td>SEPA-LASTSCHRIFT EINREICHER</td>
<td>SEPA-DIRECT DEBIT COLLECT.</td>
<td>SEPA-Lastschrift Core (Einreichung/Gutschrift)</td>
<td>SEPA-Direct Debit Core (Submission/Credit)</td>
</tr>
</tbody>
</table>
SEPA References
Deutsche Bank includes the major references in field 86 and identifies them with specific code words:

- EREF+ for the End-to-End reference
- MREF+ for Mandate ID (for SDD)
- CRED+ for Creditor ID (for SDD).

IBAN and BIC
- In BCS-structured MT940, Deutsche Bank includes the BIC of the counterparty bank in sub-field ?30 and the IBAN of the counterparty in sub-field ?31.
- In “basic SWIFT”/“unstructured” MT940, Deutsche Bank uses the code words BIC+ and IBAN+ to identify these details.

Counterparty Name
- In BCS-structured MT940, Deutsche Bank includes the counterparty name and address in sub-fields ?32 and ?33.
- In “basic SWIFT”/“unstructured” MT940, Deutsche Bank includes these details with the code word /ORDP/.

Ultimate Parties
Deutsche Bank includes this information in field 86 with the preceding code word ABWA+, ABWE+, /ULTC/ or /ULTD/.

<table>
<thead>
<tr>
<th>GVO Code</th>
<th>61/6</th>
<th>86/700 Buchungstext (Deutsch)</th>
<th>86/700 Posting Text (English)</th>
<th>Lange Beschreibung Deutsch</th>
<th>Long Description English</th>
</tr>
</thead>
<tbody>
<tr>
<td>181</td>
<td>NRTI</td>
<td>SEPA-LASTSCHRIFT RETOURE</td>
<td>SEPA-DIRECT DEBIT RETURN</td>
<td>SEPA-Lastschriftsretoure (Aktiv/Gutschrift) CORE</td>
<td>SEPA-Direct Debit Return (Active/Credit) CORE</td>
</tr>
<tr>
<td>191</td>
<td>NTRF</td>
<td>SEPA-AUFTRAG SAMMLER</td>
<td>SEPA-CREDIT TRANSFER BULK</td>
<td>SEPA-Überweisung (Belastung) – Sammler</td>
<td>SEPA-Credit Transfer (Debit) – Bulk</td>
</tr>
<tr>
<td>192</td>
<td>NDDT</td>
<td>SEPA-LS.EINR. CORE SAMMLER</td>
<td>SEPA-DD COLLECT. CORE BULK</td>
<td>SEPA-Lastschrift Core (Einreichung) – Sammler</td>
<td>SEPA-Direct Debit Core (Submission) – Bulk</td>
</tr>
<tr>
<td>193</td>
<td>NRTI</td>
<td>SEPA-LASTSCHRIFT REVERSAL</td>
<td>SEPA-DIRECT DEBIT REVERSAL</td>
<td>SEPA-Lastschrift Reversal</td>
<td>SEPA-Direct Debit Reversal</td>
</tr>
<tr>
<td>194</td>
<td>NTRF</td>
<td>SEPA-GUTSCHRIFT SAMMLER</td>
<td>SEPA-CREDIT TRANSFER BULK</td>
<td>SEPA-Überweisung (Gutschrift) – Sammler</td>
<td>SEPA-Credit Transfer (Credit) – Bulk</td>
</tr>
<tr>
<td>195</td>
<td>NDDT</td>
<td>SEPA-LASTSCHR. CORE SAMMLER</td>
<td>SEPA-DIRECT DEBIT CORE BULK</td>
<td>SEPA-Lastschrift Core (Belastung) – Sammler</td>
<td>SEPA-Direct Debit Core (Debit) – Bulk</td>
</tr>
</tbody>
</table>

Note: GVO Codes 153-156 are/will currently only be supported in Germany, in all other countries the generic GVO codes for SEPA Credit Transfer (116/166) will be used.
### Limitations

- If most of the optional fields are used, there may not be enough room for all information in fields 61 and 86 of the MT940.
- Deutsche Bank offers an extension for the transaction details across a “second” 61/86 field combination, known as a “zero-amount transaction”. This repeats all details of field 61 except for the amount being zero. Field 86 then continues the content that did not fit into field 86 of the “main/original” transaction.
- If a client has not opted for Deutsche Bank’s “zero-amount transaction”, any information that exceeds the space provided will be cut (from the highest number down) from BCS fields 20–29 and 60–63.

### Purpose Codes

- In most SEPA countries, Deutsche Bank displays Purpose Codes as part of the remittance details with the preceding code word (PURP+). In Germany, special bank transaction codes are used for the most common purpose codes to identify the SEPA transactions.
- Purpose codes are comparable to the various “Additional Text Key” codes available for German legacy ACH payments:
  - BONU, PENS, SALA: GVO code 153 (new)
  - GOVT, SSBE, BENE: GVO code 156 (new)
  - Rest: GVO codes 104/105 (SDD) or 116 (SCT)

### R-Transactions

- According to the rules of “Deutsche Kreditwirtschaft” (formerly “ZKA”), return reasons will be displayed via “additional text keys” (in BCS subfield ?34 of field 86):

<table>
<thead>
<tr>
<th>SEPA Code</th>
<th>Add’t Text Key</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC01</td>
<td>901</td>
<td>Incorrect Account Number</td>
</tr>
<tr>
<td>AC04</td>
<td>902</td>
<td>Closed Account Number</td>
</tr>
<tr>
<td>AC06</td>
<td>903</td>
<td>Blocked Account</td>
</tr>
<tr>
<td>AG01</td>
<td>904</td>
<td>Payment Type not allowed</td>
</tr>
<tr>
<td>AG02</td>
<td>905</td>
<td>Invalid Bank Operation Code</td>
</tr>
<tr>
<td>AM04</td>
<td>906</td>
<td>Insufficient Funds</td>
</tr>
<tr>
<td>AM05</td>
<td>907</td>
<td>Duplicate Collection/Entry</td>
</tr>
<tr>
<td>BE04</td>
<td>908</td>
<td>Missing Creditor Address</td>
</tr>
<tr>
<td>MD01</td>
<td>909</td>
<td>No Valid Mandate</td>
</tr>
<tr>
<td>MD02</td>
<td>910</td>
<td>Missing Mandatory Information</td>
</tr>
<tr>
<td>FF01</td>
<td>911</td>
<td>Invalid File Format</td>
</tr>
<tr>
<td>MD06</td>
<td>912</td>
<td>Refund Request By End Customer</td>
</tr>
<tr>
<td>MD07</td>
<td>913</td>
<td>End Customer Deceased</td>
</tr>
<tr>
<td>MS02</td>
<td>914</td>
<td>Not Specified Reason by Customer</td>
</tr>
<tr>
<td>MS03</td>
<td>914</td>
<td>Not Specified Reason by Agent</td>
</tr>
<tr>
<td>NARR</td>
<td>914</td>
<td>Narrative</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SEPA Code</th>
<th>Add’t Text Key</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC01</td>
<td>915</td>
<td>Invalid BIC</td>
</tr>
<tr>
<td>TM01</td>
<td>916</td>
<td>Cut-off Time</td>
</tr>
<tr>
<td>RR01</td>
<td>917</td>
<td>Regulatory Reason</td>
</tr>
<tr>
<td>RR02</td>
<td>917</td>
<td>Regulatory Reason</td>
</tr>
<tr>
<td>RR03</td>
<td>917</td>
<td>Regulatory Reason</td>
</tr>
<tr>
<td>RR04</td>
<td>917</td>
<td>Regulatory Reason</td>
</tr>
<tr>
<td>SL01</td>
<td>918</td>
<td>Specific Service offered Debtor Bank</td>
</tr>
<tr>
<td>FOCR</td>
<td>919</td>
<td>Return due to a Recall</td>
</tr>
<tr>
<td>DUPL</td>
<td>920</td>
<td>Duplicate Payment</td>
</tr>
<tr>
<td>TECH</td>
<td>921</td>
<td>Payment in Error (technical reasons)</td>
</tr>
<tr>
<td>FRAD</td>
<td>922</td>
<td>Fraud</td>
</tr>
<tr>
<td>AGNT</td>
<td>923</td>
<td>Incorrect Agent</td>
</tr>
<tr>
<td>CURREN</td>
<td>924</td>
<td>Incorrect Currency</td>
</tr>
<tr>
<td>CUST</td>
<td>925</td>
<td>Recall by Customer</td>
</tr>
<tr>
<td>CUTA</td>
<td>926</td>
<td>Recall due to Investigation Request</td>
</tr>
<tr>
<td>UPAY</td>
<td>927</td>
<td>Undue Payment</td>
</tr>
</tbody>
</table>
The DTI Bulk Detail File is a legacy German domestic file format that provides details of all “incoming” (from clearing) transactions booked in a bulk posting, i.e. credit-transfer credits, credit-transfer returns and direct-debit returns. Built for German domestic transactions, the DTI file is based on the German DTAUS format.

How will it be used for SEPA transactions?
- Deutsche Bank will re-format incoming SCTs to fit into the DTI field structure. Truncation of details may be necessary.
- For Germany, the legacy bank code (BLZ) and account number will be displayed. BIC and IBAN will be shown in payment details with the preceding code words BIC+ and IBAN+, respectively.
- For the rest of Europe, sender-bank codes and account number fields will be filled with “9”s because they do not match the German bank code/account number structure.

As an alternative, DTI files can be replaced by camt.054 files (XML-based), and individual transactions of the bulk bookings can also be directly reported in the camt.053 statement.

**Examples (BCS Structure)**

- **Debit**
  - Single Booking
    .:61:0906160616D727,60NTRF0600144429//AC12790392-00001
    125?INVCD9700122011266730BARCGB22XXX?31GB08BARC20212345610288?32BAR
    RONIDAR LTD.
  - Bulk Booking
    .:61:090615D1410277,69NTRF000013350214//10550334
    .:86:116?00SEPA-AUFTRAG?109075/611?20KREF+000013350214
    50214?21ANZAHL UMSATZ
    E:43?22IHRE REFERENZ:000013350214

- **Credit**
  - Single Booking
    .:61:0906160615C3655,12NTRFNONREF//AC12766106-00041
    .:86:166?00SEPA CR TRANSFER?107E50?20EREF+NOTPRO
    VIDE?21SVWZ+INV(20126
    2147,201262147226,201262148)]?30DABAFIHH?31FI23800
    01800123482?32CR
    UDE OPTIONAL LTD OY
  - Bulk Booking
    .:61:090520C348,17NTRFNONREF//9647595
    .:86:116?00SEPA-CREDIT TRANSFER?109075/611?20SEPA-
    UBERWEISUNGSEINGANGE
    ?21ANZAHL UMSATZE:7
2.2.6 Tactical Aspects XML Account Statements

- Part of the ISO20022 standard
- Successors of legacy MT formats
  - camt.052 for MT942 (intraday transaction report)
  - camt.053 for MT940/950 (end of day account statement)
- XML structure
  - Far more granular information structure than the MT messages
  - Significantly more space available for each transaction
    - MT-Fields 61+86: Max. 490 characters
    - camt: >2,000 characters across the various dedicated tags
- 1:1 presentation of SEPA transactions
  - camt XML structure includes the same tags as the original messages
  - All purpose codes will be provided
  - The account statement can directly include all the individual transaction details of a batch booking (no separate report in a different format needed like for legacy ACH payments)
- Example (due to the size of a full camt account statement, here is just a small fragment (from a SCT credit) to allow a first impression):

```xml
<NtryDtls>
  <TxDtls>
    <Refs>
      <MsgId>DTAZV0110914121817873</MsgId>
      <AcctSvcrRef>121817622</AcctSvcrRef>
      <EndToEndId>ZAS000225899051</EndToEndId>
      <TxId>ICFSCT110914133114TDE1AT00121817622</TxId>
    </Refs>
    <AmtDtls>
      <InstDqty>
        <Amt Ccy="EUR">429.35</Amt>
      </InstDqty>
      <TxAmt>
        <Amt Ccy="EUR">429.35</Amt>
      </TxAmt>
    </AmtDtls>
    <RltdPties>
      <Dbtr>
        <Nm>EXAMPLE LEBENSVERS. AG</Nm>
        <PstlAdr>
          <AdrLine>GARTENSTRASSE 100</AdrLine>
        </PstlAdr>
      </Dbtr>
    </RltdPties>
  </TxDtls>
</NtryDtls>
```

- Camt.054 Bulk Detail File:
  - What is it?
  - Multi-purpose XML format for transaction reporting
  - Similar structure as camt.052 and 053
  - How will it be used by Deutsche Bank?
    - Reporting of all SEPA transactions booked in one bulk posting
    - Reporting of (all) returned payments from one day ("consolidated return report")
    - This means camt.054 could also be used as a replacement for the German DTI format
  - Corporates using camt.053 account statements will not need camt.054 unless they want or need a separate report outside the account statement
    - As opposed to the legacy MT940, camt.053 can directly include all individual transactions of a batch booking
  - MT vs. camt:
    - If a corporate can manage the necessary developments as part of their SEPA project, then the recommendation is to migrate account-reporting to camt messages. The details available are (at a minimum) the same as in MT940, but often they are better structured, and more details are available for SEPA.
Passion to Perform
2.3 Country-Specific Requirements

2.3.1 Austria

Creditor ID
An Austrian Creditor ID (CID) can be obtained via your local Deutsche Bank Customer Service, i.e. the creditor bank starts the process, which occurs electronically via the website of the Austrian Central Bank (Oesterreichische Nationalbank – OeNB). The issuance of the CID is fully automated for registered creditors (i.e. those who are registered in the “Firmenbuch”) only. For all other applicants the CID will only be issued after OeNB has checked the application. OeNB will communicate the CID to the creditor bank via email. A copy of this email will be sent by the creditor bank to the creditor. The CID remains valid even if the creditor changes their bank.

The Creditor Identifier for Austria is precisely 18 characters in length and is structured as follows:
- Positions 1 to 2: ISO country code (AT for Austria)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor, default are the letters “ZZZ”)
- Characters 8 to 18 signify the national identifier for the creditor and are numbered in consecutive ascending order.

IBAN Conversion
Companies can use a file-based solution. Deutsche Bank will forward your file (e.g. CSV/txt/xls containing local account numbers and sort codes) to STUZZA (Society for Payment System Research and Cooperation). STUZZA will send the account numbers to the respective banks. These banks complete the request by adding the IBAN and BIC and return the file to STUZZA. Once all response files have been received from the various banks, STUZZA consolidates the information into one response file and forwards this to Deutsche Bank. We then send an xls file to you. The end-to-end process generally does not take longer than two weeks.

Microenterprises
Microenterprises are treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver). The Austrian legislator will use this option for paper-based transactions (ATIB) and ATM/POS transactions.

Products in Scope/out-of Scope
Bulk domestic euro credit transfers (e.g. V3 Domestic) will have to be migrated to the SCT. Domestic direct debits (Einzugsmächtigungslastschrift and Abbuchungsauftrag) will have to be migrated to SDD.

Mandate Migration
Existing domestic direct debit mandates (Einzugsmächtigungen and Abbuchungsaufträge) can also be used for collections under the Core SDD scheme. They cannot be used, though, for collections under the B2B SDD scheme.

The following table summarizes which existing mandates can be used under SEPA.

<table>
<thead>
<tr>
<th>Direct Debit Type</th>
<th>Core SDD</th>
<th>B2B SDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Einzugsmächtigung</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Abbuchungsauftrag</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Interchange Fee for Direct Debits
There is no Multilateral Interchange Fee (MIF) per-item in Austria. Instead, there is a MIF (no fixed amount; differs from bank to bank), which the creditor bank must pay the debtor bank for each item returned from the debtor bank or debtor. This fee is passed on to the creditor. It is expected that this fee will continue until 1 February 2017.

For cross-border SDDs: The possibility to apply a MIF is limited to 8,8 cents until 1 November 2012.
2.3.2 Belgium

Creditor ID
A Belgium Creditor ID (CID) can be obtained via your local Deutsche Bank Customer Service.

In Belgium, the CID can have up to 20 characters in length and has the following structure:
- Positions 1 to 2: ISO country code (BE for Belgium)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor)
- Positions 8 to 20: national identifier. National identifier could be the enterprise VAT number (if existing). If no VAT number is available, the creditor bank will provide the national identifier as follows:
  - Positions 8 to 10: Bank code identifier
  - Position 11: “D”
  - Positions 12 to 20: increasing numbers provided by the creditor bank.

IBAN Conversion
A service is offered by “Isabel” and is described on the following website. There, a detailed user manual and the conversion tool can be downloaded.

Microenterprises
Microenterprises are treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver). However, there are no niche products in Belgium.

Products in Scope/out-of Scope
Bulk domestic euro credit transfers will have to be migrated to SCT by 1st February 2014. Domestic direct debits (DOM80) will have to be migrated to SDD Core or SDD B2B by 1st February 2014.

Mandate Migration
Existing DOM80 mandates remain valid for Core SDD (for B2B SDD, new mandates are required).

Since existing mandates reside with the Belgian Central Bank (Banque Nationale de Belgique – BNB), BNB is acting as a concentrator. In this process, each bank communicates to the BNB monthly a list of all existing mandates, together with the respective IBAN/BIC and name/address of debtors. Whenever a creditor wants to migrate to SDD, they will contact their bank to obtain the IBANs of their DOM80 debtors. Based on the Creditor Identifier, the bank will then ask BNB for this information.

Interchange Fee for Direct Debits:
- DOM 80: The current MIF (2 cents) will be kept until the end of the product’s migration to SDD on 1 February 2014.
- Domestic SDD Core and B2B: The current MIF (2 cents), in absence of bi-laterial agreements, will be kept until the end-date for MIFs imposed by Reg. 206/2012 (1 February 2017).
- Cross-Border SDD Core and B2B: The possibility to apply a MIF is limited to 8,8 cents until 1 November 2012.
- For R-Transactions, no decision has been made yet.
2.3.3 Czech Republic

Creditor ID
The Creditor Identifier can be obtained via your local Deutsche Bank customer service, and the process is managed by the Czech National Bank. Each bank registers its clients for the Creditor Identifier. Upon client request, Deutsche Bank will ask the client to fill in a required form. Further details can be found at the [website of the Czech National Bank](#).

The structure of the CID is as follows: CZkkZZZnnnnn:
- kk: check digit according to ISO 7064 modulo 97
- ZZ: will be not used
- nnnnn: a number from 10000 to 99999; it is a creditor specific identifier.

IBAN Conversion
No file-based service is available, only an individual solution via the [website of the Czech National Bank](#).

Microenterprises
Microenterprises are treated as consumers, meaning that the B2B SDD cannot be used to collect from these small businesses.

Niche Products
As the Czech Republic is a non-euro country, there are no local products that need to migrate to SEPA.

Products in Scope/out-of Scope
As the Czech Republic is a non-euro country, there are no local products that need to migrate to SEPA.

Mandate Migration
SDD is a completely new and different payment type. Thus, a migration of legacy direct-debit mandates to SEPA mandates is not possible, and new SEPA mandates are required.

Interchange Fee for Direct Debits
There is no Multilateral Interchange Fee (MIF) per-item in Czech Republic. For cross-border SDDs, the possibility to apply a MIF is limited to 8,8 cents until 1 November 2012.
2.3.4 France

Creditor ID
A French Creditor ID can be obtained from Deutsche Bank Implementations, and the process is managed by Bank of France.

The CID (Identifiant Créancier Sepa) is composed of 13 characters. It is structured as follows:
- Positions 1 to 2: ISO country code (FR for France)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor, default are the letters “ZZZ”)
- Positions 8 to 13: National identifier for the creditor, which is the NNE (Numero National d’Emetteur)

IBAN Conversion
Please email to your Deutsche Bank account manager your files in CSV or XLS format. The file must contain the bank code (code banque: 5 digits), sort code (code guichet: 5 digits), basic account number (11 digits) and digit key (2 digits). DB will add the respective IBANs/BICs and provide a CSV file via email. The turnaround time for the conversion service is approximately two business days upon receipt of the file(s).

Microenterprises
Microenterprises are treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver). The French legislator might use this option for the following payment types: “TIP” and “Télérèglement”.

Products in Scope/out-of Scope
Bulk domestic euro credit transfers will have to be migrated to the SCT by 1st February 2014. Domestic direct debits will have to be migrated to SDD Core or SDD B2B by 1st February 2014.

Mandate Migration
Existing mandates remain valid for the Core SDD Scheme (for B2B SDD, new mandates are required). The creditor must inform the debtor about the migration to SDD.

Interchange Fee for Direct Debits
The Interchange Fees that are applied to domestic Direct Debits, TIP and other payment means have been decreased by 50% on 1 September 2012. As a second step, these will be totally abolished by 1 September 2013. We will keep you updated of any changes.
2.3.5 Germany

Creditor ID
A German Creditor ID (CID) can be obtained from the German Central Bank. Applications for the issuance of a creditor identifier can be made on business days between 06:00 and 20:00 in electronic form only via the Central Bank’s website.

Applications cannot be submitted in any other way. The prerequisite for the allocation of a creditor identifier by the German Central Bank is that the creditor has its principal residence or principal office in Germany. For creditors who may not be able to obtain a Creditor ID from their country (because they are based outside the SEPA-zone or do not maintain a bank-relationship in their country), Deutsche Bundesbank offers to create a CID upon request by a German bank.

Creditor identifiers are assigned via e-mail.

The CID for Germany is precisely 18 characters in length and is structured as follows:
- Positions 1 to 2: ISO country code (DE for Germany)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor, default are the letters “ZZZ”)
- Characters 8 to 18 signify the national identifier for the creditor and are numbered in consecutive ascending order.

IBAN Conversion
To facilitate the automated migration from legacy account numbers and bank routing codes to IBAN and BIC, the German banking community has developed a web-based application called “IBAN Service Portal”.

During the registration process, please use the following initial password: kzx1u23z

Microenterprises
Microenterprises are treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver). This option also applies to transactions that are initiated by a card at the point of sale, but where the underlying payment transaction results in a direct debit. The German legislator will use this option for the so-called Elektronisches Lastschriftverfahren (ELV).

Products in Scope/out-of Scope
Bulk domestic euro credit transfers (e.g. DTAUS) will have to be migrated to the SCT. Domestic direct debits (Einzugsermächtigungslastschrift and Abbuchungsauftrag) will have to be migrated to SDD.

Mandate Migration
Since 9 July 2012, existing domestic direct debit mandates (Einzugsermächtigungen) can also be used for collections under the Core SDD scheme – after the debtor has been informed about the switch to SDD including the creditor ID and the respective mandate ID. Existing mandates cannot be used, though, for collections under the B2B SDD scheme.

Existing “Abbuchungsaufträge” cannot be used for any SDD collections (neither for Core nor for B2B SDD).

The following table summarizes which existing mandates can be used under SEPA.

<table>
<thead>
<tr>
<th>Direct Debit Type</th>
<th>Core SDD</th>
<th>B2B SDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Einzugsermächtigung</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Abbuchungsauftrag</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Interchange Fee for Direct Debits
There is no Multilateral Interchange Fee (MIF) per-item in Germany. Instead, there is a MIF of EUR3,00, which the creditor bank must pay the debtor bank for each item returned from the debtor bank or debtor. This fee is passed on to the creditor. It is expected that this fee will continue until 1 February 2017. For cross-border SDDs, the possibility to apply a MIF is limited to 8,8 cents until 1 November 2012.
2.3.6 Hungary

Due to legal reasons, the SDD is not yet live in Hungary – it could be introduced by 2014, but this remains to be seen.

Creditor ID
Not applicable, as the SDD is not used in Hungary (yet).

IBAN Conversion
No file-based service is available, only an individual solution via this German-language website.

Microenterprises
Microenterprises are treated as consumers.

Niche Products
As Hungary is a non-euro country, there are no local products that need to migrate to SEPA.

Products in Scope/out-of Scope
As Hungary is a non-euro country, there are no local products that need to migrate to SEPA.

Mandate Migration
Not applicable, as the SDD is not used in Hungary (yet).

Interchange Fee for Direct Debits
There is no Multilateral Interchange Fee (MIF) per-item in Hungary.
2.3.7 Italy

Creditor ID
The Creditor Identifier for Italy is precisely 23 characters in length and is structured as follows:
- The first two characters represent the ISO country code for Italy (IT) as the country issuing the Creditor Identifier.
- The third and fourth characters are the check digits, which are calculated in compliance with the MOD 97-10 (ISO 7064) algorithm.
- The fifth, sixth and seventh characters signify the Creditor Business Code selected by the Creditor for his own business needs. In case no specific value is used, the three characters entered here are the letters “ZZZ”.
- The remaining characters 8 to 23 signify the national identifier for the creditor and contain the Tax Number assigned to the Creditor by the Italian Tax Agency. The code is right-aligned, with 5 leading zeroes when the Tax Number is either a temporary Tax Number or a VAT Number (both are 11-digits long).

The calculation of the Creditor Identifier is the responsibility of the Creditor. The Creditor calculates the check digit using the appropriate algorithm and enters the data as appropriate in the collection instructions.

Sample calculation with a non-zero remainder (ISO 7064, MOD 97-10 algorithm):
- The number without the check digit is IT ?? ZZZ 0123456789012345.  
- Divide by 97: 0123456789012345182900 / 97 = 1272750402189125596  
- From this number, determine the full-number difference to the next smaller multiplier of 97.
- Remainder = 88  
- I.e. divide the number by 97, throw away the integer part and keep the remainder as check-sum. Examples with smaller number are:
  - 101 : 97 = 1; remainder 04
  - 194 : 97 = 2; remainder 00
  - 999 : 97 = 10; remainder 29
- Subtract the remainder from 98: 98 - 88 = 10
The control code is 10, the Creditor Identifier is IT 10 ZZZ 0123456789012345.

IBAN Conversion
There is a file-based service using Deutsche Bank Italy’s electronic banking tool (dbCorporate Banking Windows, dbCorporate Banking Web, TLQ Web). Clients can upload files containing legacy account numbers and bank routing codes. Deutsche Bank will send the account numbers to the respective banks and receive back the corresponding IBANs (or the appropriate error code in case no IBAN can be retrieved). Deutsche Bank Italy will then forward the updated file to the client. db-direct users could use this service by accessing TLQ Web (the web version of TLQ), which is available in English.
Microenterprises
Microenterprises are treated as consumers, meaning that the B2B SDD cannot be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver). The Italian legislator is still evaluating if any/which products may fall into this category.

Products in Scope/out-of Scope
Domestic direct debits (RID) will have to be migrated to SDD. However, RIBA (which is not based on a mandate and requires explicit acceptance of the account holder before any debit) is not considered a direct debit and thus current approach of the Italian Banking Association is to declare it out of SEPA scope. The same is true for MAV, RAV, and Bollettino Bancario, as these are specific instruments that do not have the necessary features to be considered a direct debit.

Mandate Migration
Existing domestic direct debit mandates for RIDs can also be used for collections under the Core SDD scheme. They cannot be used, though, for collections under the B2B SDD scheme.

The following table summarizes which existing mandates can be used under SEPA:

<table>
<thead>
<tr>
<th>Direct Debit Type</th>
<th>Core SDD</th>
<th>B2B SDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>RID</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Interchange Fee for Direct Debits
Current interchange fee is EUR0.26 per item, aimed at compensating the debtor’s bank for the process to verify the mandate/authorization (see next section non SEDA). No reduction has been planned yet. However, in line with Regulation 260/2012, this per-item fee will have to be abolished by 1 February 2017. For cross-border SDDs, the possibility to apply a MIF is limited to 8,8 cents until 1 November 2012

SEDA
The current process for RIDs includes an upfront mandate-validation service called AEA – Allineamento Elettronico Archivi (Electronic Database Alignment). This service can be initiated by either the creditor or the debtor.

When the process is initiated by the creditor, they capture the data of the mandate in the bank’s Electronic Banking tool and send it to the debtor bank. The debtor bank captures the data in their processing system. They then reply (generally within 7 days) by either confirming the activation of the mandate or by rejecting it (during the validation process, the debtor bank may ask the debtor to confirm the validity of the mandate). This upfront mandate registration allows the debtor bank to perform a mandate matching and verification against any collection instruction received.

When the process is initiated by the debtor, the workflow is similar: the debtor instructs his bank to register the mandate data in its processing system and, upon completion of this process, the debtor’s bank electronically informs the creditor that the mandate is active.

Through this service it is also possible to exchange data about mandates revoked or mandate changes (e.g. change of account number).

The benefits of this process are that returns due to non-existing mandate and technical rejects are minimized. Also, the process ensures that debtors are protected against unauthorized debiting of their account.
This overall effort is one of the main reasons for the multilateral interchange fee. The fee compensates the bank of the debtor for its mandate-related services.

The Italian banking community designed the so-called SEDA service (SEPA Electronic Database Alignment) to replicate the existing AEA service. According to the current development plan under discussion by the Italian Banking Association (ABI), the SEDA service will be available from March 2013.

**RID Overdraft Facility**

Among the credit facilities in use in Italy, there are several specific instruments related to the usage of direct debits. The most common instruments are:

- The anticipation on current account of a fraction (or of the total) of the outstanding collections. Through this instrument the bank pays in advance to the client’s current account part of the outstanding RID collections. The client will pay periodically an interest for the amount paid as long as the financing is in place. The amount of financing is automatically reduced as the receivables are collected.
- The discount of the outstanding collections. Also in this case the bank credits to the client a fraction of the total of the outstanding RID collections. In this case, however, the interest is calculated upfront and subtracted (“discounted”) from the collection amount.
- A form of current account overdraft backed by the outstanding collections (called “Credito Effetti”). The rationale behind this instrument is that the outstanding collections act as a sort of “automatic guarantee” that the financing will be reimbursed, and therefore the customer obtains an improved debit interest rate (compared to the standard current account overdraft rate) for the overdraft amounts that are below the total amount of outstanding collections.

Deutsche Bank plans to offer these instruments for SDD collections as well.

**Direct Debit without Refund Right**

Currently, there is a direct debit scheme in Italy that allows for the elimination of refund rights of consumers. However, it is not clear yet if a similar SDD scheme will be implemented (e.g. a fixed-amount scheme). This means that currently, a migration from the “no-refund” scheme to the SDD would mean that the creditor has to live with the longer (8-week) refund period.

**IBAN for SDD**

As mentioned in the “Implementation” section of this guide, one of the key aspects of the migration to the new instruments is the availability of IBANs of the counterparties.

However, the RID scheme is based on the upfront exchange (via the AEA service) of several data elements that are not included in the subsequent collection instructions. One of these elements is the debtor’s account number that until a few years ago was exchanged only in legacy format.

ABI is currently designing a new feature of the AEA service aimed at enabling creditors (of RIDs) to collect from the debtor banks the IBANs linked to the existing mandates. This feature is expected to become available in the course of 2012.
2.3.8 Poland

**Creditor ID**
No solution has been developed yet.

**IBAN Conversion**
Not applicable: IBAN is already standard for cross-border and domestic transactions since many years.

**Microenterprises**
Poland plans to have microenterprises treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.

**Niche Products**
As Poland is a non-euro country, there are no local products that need to migrate to SEPA.

**Products in Scope/out-of Scope**
As Poland is a non-euro country, there are no local products that need to migrate to SEPA.

**Mandate Migration**
Existing domestic direct debit mandates (Zgoda na polecenie zapłaty) can also be used for collections under the Core SDD scheme. They cannot be used, though, for collections under the B2B SDD scheme.

**Interchange Fee for Direct Debits**
There is no Multilateral Interchange Fee (MIF) per-item in Poland.

**SDD**
Most banks are not yet ready to support SDD (except e.g. Deutsche Bank) – the focus is on the local direct debit in local currency PLN.
2.3.9 Portugal

Creditor ID
The CID can be obtained from SIBS via Email: sac.suporte@sibs.pt

The CID for Portugal is precisely 13 characters in length and is structured as follows:
- Positions 1 to 2: ISO country code (PT for Portugal)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor)
- Positions 8 to 13: National identifier. As the national identifier, a 6-digit number from SIBS is used.

IBAN Conversion
In Portugal the construction of the IBAN is done without having to change the structure of the BBAN. There is only the need to insert before the 21-digit BBAN the prefix “PT50”. Therefore, the IBAN in Portugal has a length of 25 characters. Example: PT 50 0123 1234 12345678901 34.

Microenterprises
Microenterprises are treated as consumers, meaning that the B2B SDD cannot be used to collect from these small businesses.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver) before 1 February 2013. However, no decision has been taken yet on whether PS2 will be considered a niche product.

Products in Scope/out-of Scope
No decision has been taken yet on whether PS2 for payments and collections processing will be in scope or not.

Mandate Migration
Existing domestic direct debit mandates can also be used for collections under the Core SDD scheme. They cannot be used, though, for collections under the B2B SDD scheme.

Interchange Fee for Direct Debits
This fee for domestic legacy direct debits is 8.8 cents.

Other relevant Information
SIBS (the local Clearing House) will suggest to the local regulator:
- End of legacy formats for Corporates: To be postponed until February 2016
- XML mandatory for Corporates: To be postponed until February 2016
- End of BIC mandatory: To be postponed until February 2016
- Mandatory IBAN: To be postponed until February 2016
2.3.10 Spain

Creditor ID
The calculation of the Creditor Identifier is under the responsibility of the Creditor. They can use this website.

If you write “00” as the check digit, the system calculates the correct check digits.

The CID for Spain is precisely 16 characters in length and is structured as follows:
- Positions 1 to 2: ISO country code (ES for Spain)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor)
- Positions 8 to 16: National identifier. As the national identifier, the first 9 digits of the NIF (fiscal identification number) is used as follows:
  - The first position is a letter that identifies the type of legal entity
  - Then 7 numbers follow (the first two numbers identify the province, the following 5 numbers identify the legal entity in the province’s register)
  - Then a check code that can be a letter or a number

IBAN Conversion
Two solutions are available to obtain IBANs from legacy account numbers/BBANs:
1. Calculate IBANs one by one using a tool on the internet
2. The other is an Excel application that allows pasting the legacy account numbers and receiving the corresponding IBANs. The application is available via your Deutsche Bank Spain representative.

Niche Products
As mentioned above in the section on “Regulation”, member states can allow a waiver for so-called niche products (less than 10% market share per ECB statistics) until 1 February 2016. If a member state wants to apply such a waiver, then it needs to inform the Commission accordingly (i.e. to which products it plans to apply the waiver) before 1 February 2013. However, no decision has been taken yet for CSB58.

Products in Scope/out-of Scope
Domestic Direct Debits (CSB19) will have to be migrated to SDD (Core SDD). No decision has been taken yet by the local Regulator regarding CSB58, though. CSB32 (Bill of Exchange) is out of scope.

Mandate Migration
Existing domestic direct debit mandates (CSB19) can also be used for collections under the Core SDD scheme. They cannot be used, though, for collections under the B2B SDD scheme.

Interchange Fee for Direct Debits
Domestic Interchange Fees for Legacy Direct Debits are around EUR 0.03 and EUR 0.25 in case of R-Transactions. For cross-border SDDs, the possibility to apply a MIF is limited to 8.8 cents until 1 November 2012.

Central-Bank Reporting
Due to central-bank reporting requirements, domestic SCTs are only possible up to EUR 50.000 (transactions above that amount will be processed as individual, high-value payments). Central-bank reporting will be no longer mandatory from 1 January 2014.

Microenterprises
Microenterprises are treated as businesses, meaning that the B2B SDD can be used to collect from these small businesses.
2.3.11 Switzerland

Creditor ID
On behalf of Switzerland and Liechtenstein, SIX Interbank Clearing is in charge of the issuing and administration of Creditor Identifiers. Applications for the issuing of a Creditor Identifier are to be made exclusively through financial institutions. To receive a Creditor Identifier the primary domicile and business location must be in Switzerland or Liechtenstein. Applications to financial institutions are to be sent by online form to the Creditor Identifier CH/LI Issuing Authority, c/o SIX Interbank Clearing Ltd.

The CID is structured as follows:
- Positions 1 and 2: The ISO national code for Switzerland (CH)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Three-digit Creditor Business Code that can be freely determined by the creditor for the identification of a business area. If no Creditor Business Code is used, “ZZZ” is used as a placeholder
- Positions 8 to 18: Eleven-digit numerical Swiss Creditor Identifier, which unambiguously identifies the creditor within Switzerland. It will be numbered progressively beginning with “1” and filled in with leading zeroes.

IBAN Conversion
A file-based solution does not exist in Switzerland. SIX-Group offers an online tool.

They also offer to download a small software

This can also be integrated into an ERP to retrieve the corresponding IBAN for an account number/bank code combination. However, this tool does not offer the possibility to get the BIC for a specific IBAN.

To get the BIC, another file (BC-Bankenstamm) can be downloaded from the SIX-Group webpage as Excel- or ASCII-File. The structure is self-explanatory, because the BIC can be found in another column next to the bank code (in case it is available).

Niche Products
As Switzerland is a non-euro country, there are no local products that need to migrate to SEPA.

Products in Scope/out-of Scope
As Switzerland is a non-euro country, there are no local products that need to migrate to SEPA.

Mandate Migration
SDD is a completely new and different payment type. Thus, a migration of legacy direct-debit mandates to SEPA mandates is not possible, and new SEPA mandates are required.

The following table summarizes which existing mandates can be used under SEPA.

<table>
<thead>
<tr>
<th>Direct Debit Type</th>
<th>Core SDD</th>
<th>B2B SDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSV</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>BDD</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Interchange Fee for Direct Debits
There is no Multilateral Interchange Fee (MIF) per-item in Switzerland.
2.3.12 United Kingdom

Creditor ID
The Creditor Identifier can be obtained via your local Deutsche Bank customer service representative.

The CID for the UK can contain from 21 up to 35 characters in length and is structured as follows:
- Positions 1 to 2: ISO country code (GB for UK)
- Positions 3 to 4: Check digit
- Positions 5 to 7: Creditor business code (to be assigned by creditor)
- Positions 8 to 10: Scheme Code, i.e., SDD
- Positions 11 to 14: Participant Code, i.e., the first four characters of the issuing Creditor Bank’s BIC
- Positions 15 to 20: Bacs Service User Number (SUN), or 6 zeros in case of no Bacs SUN
- Positions 21 to 35: Determined by the issuing Creditor Bank (alphanumeric Latin characters only)

IBAN Conversion
In the UK, the IBAN can be obtained from the counterparty only – it is published on bank statements.

Microenterprises
Microenterprises are treated as consumers, meaning that the B2B SDD cannot be used to collect from these small businesses.

Niche Products
As the UK is a non-euro country, there are no local legacy instruments that need to migrate to SEPA.

Products in Scope/out-of Scope
As the UK is a non-euro country, there are no local legacy instruments that need to migrate to SEPA.

Mandate Migration
There will be no SEPA DD mandate migration required for the UK, as there are no legacy Euro direct-debit instruments in use today.

Interchange Fee for Direct Debits:
Interchange fees are not currently market practice. For cross-border SDDs, the possibility to apply a MIF is limited to 8.8 cents until 1 November 2012.
3 Annex

3.1 Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>AR</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>BDD</td>
<td>Business Direct Debit (a Swiss direct debit type)</td>
</tr>
<tr>
<td>BIC</td>
<td>Bank Identifier Code</td>
</tr>
<tr>
<td>CBR</td>
<td>Central-Bank Reporting</td>
</tr>
<tr>
<td>CET</td>
<td>Central European Time</td>
</tr>
<tr>
<td>CID</td>
<td>Creditor ID</td>
</tr>
<tr>
<td>CUT</td>
<td>Cut-Off Time</td>
</tr>
<tr>
<td>CSV</td>
<td>Comma-Separated Values (a global file format)</td>
</tr>
<tr>
<td>EBA</td>
<td>European Banking Association</td>
</tr>
<tr>
<td>EBICS</td>
<td>Electronic Banking Internet Communication Standard</td>
</tr>
<tr>
<td>ECB</td>
<td>European Central Bank</td>
</tr>
<tr>
<td>EDIFACT</td>
<td>Electronic Data Interchange For Administration, Commerce and Transport (a global file format)</td>
</tr>
<tr>
<td>EEA</td>
<td>European Economic Area</td>
</tr>
<tr>
<td>EPC</td>
<td>European Payments Council</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>IBAN</td>
<td>International Bank Account Number</td>
</tr>
<tr>
<td>IDOC</td>
<td>Intermediate Document (a global file format)</td>
</tr>
<tr>
<td>LSV</td>
<td>LastSchriftVerfahren (a Swiss direct debit type)</td>
</tr>
<tr>
<td>MIF</td>
<td>Multilateral Interchange Fee</td>
</tr>
<tr>
<td>PSD</td>
<td>Payment Services Directive</td>
</tr>
<tr>
<td>PSP</td>
<td>Payment Service Provider</td>
</tr>
<tr>
<td>SCT</td>
<td>SEPA Credit Transfer</td>
</tr>
<tr>
<td>SDD</td>
<td>SEPA Direct Debit</td>
</tr>
<tr>
<td>SEDA</td>
<td>SEPA Electronic Database Alignment</td>
</tr>
<tr>
<td>SEPA</td>
<td>Single Euro Payments Area</td>
</tr>
<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
</tr>
<tr>
<td>TARGET2</td>
<td>Trans-European Automated Real-time Gross-Settlement Express Transfer-System 2 (an interbank payment system for the real-time processing of cross-border transfers throughout the European Union)</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>XML</td>
<td>Extensible Markup Language (a global file format)</td>
</tr>
</tbody>
</table>
3.2 Useful Links

European Central Bank (ECB) SEPA Indicators

European Payments Council (EPC)
http://www.europeanpaymentscouncil.eu/

EPC Newsletter
http://www.europeanpaymentscouncil.eu/newsletter.cfm

Deutsche Bank SEPA
http://www.sepa.gtb.db.com/content/en/841.html

3.3 List of Hyperlinks

PSD

Reg. 924

Reg. 260

EBA Guide

ISO 20022
http://www.iso20022.org/external_code_list.page

German Central Bank Routing Tables
http://www.bundesbank.de/Navigation/EN/Core_business_areas/Payment_systems/SEPA/SCL_Directory/scl_directory.html

EPC’s Guidelines for the Appearance of Mandates
http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=175

EPC Core SDD mandate translations
http://www.europeanpaymentscouncil.eu/content.cfm?page=core_sdd_mandate_translations

EPC B2B SDD mandate translations
http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_b2b_dd_mandate_translations

Belgian Isabel IBAN service
http://www.sepabelgium.be/node/191

Czech National Bank – Creditor ID

Czech National Bank – IBAN calculator

German Central Bank – Creditor ID

German IBAN Service Portal
https://www.iban-service-portal.de/ibanp/iban/Start

Hungary IBAN conversion (German language website)
http://www.easy-web.de/iban/ibanchanger.htm

Switzerland SIX-Group online IBAN-conversion tool
http://www.six-interbank-clearing.com/de/tkicch_index/tkicch_standardization/tkicch_financialinstitutions_ibanipi.htm

Switzerland SIX-Group IBAN software
http://www.six-interbank-clearing.com/de/dl_tkicch_standaridisierung_ibantool.zip

Switzerland SIX-Group BIC tool
http://www.six-interbank-clearing.com/de/tkicch_onlineservices_download_bcbankmasterdata.htm

EBA SDD B2B Participants list
https://www.ebaclearing.eu/SDD-Services-Participants-N=SDD_Core_SDD_B2B-L=EN.aspx
### 3.4 Availability of local IBAN Conversion Services in Europe

<table>
<thead>
<tr>
<th>IBAN Conversion Overview</th>
<th>Austria</th>
<th>Belgium</th>
<th>Czech Republic</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>How to get the IBAN/BIC</td>
<td>Via your local Deutsche Bank Implementation &amp; Service team</td>
<td>Via Isabel online banking</td>
<td>Only individually via Central Bank</td>
<td>Via your local Deutsche Bank Implementation &amp; Service team</td>
</tr>
<tr>
<td>Service description</td>
<td>Deutsche Bank will forward the client’s file (e.g., csv/txt/xls containing local account numbers and sort codes) to STUZZA (Society for Payment System Research and Cooperation). STUZZA will send the account numbers to the respective banks. These banks complete the request by adding the IBAN and BIC and return the file to STUZZA. Once all response files are received from the various banks, STUZZA consolidates the information into one response file and forwards this to Deutsche Bank. DB then sends an xls file to the client. The end-to-end process generally does not take longer than two weeks.</td>
<td>The service is described on the following website: <a href="http://www.sepabelgium.be/node/191">http://www.sepabelgium.be/node/191</a></td>
<td><a href="http://www.cnb.cz/en/payment_systems/iban/ibanen.html">http://www.cnb.cz/en/payment_systems/iban/ibanen.html</a></td>
<td>Clients can e-mail to their DB account manager their files in CSV or XLS format. The DB account manager will organise the file conversion with the local DB-Paris team. The file must contain the bank code (5 digits), sort code (5 digits), basic account number (11 digits) and digit key (2 digits). DB Paris will add the respective IBANs/BICs and provide back a CSV file, through e-mail. The turnaround time for the conversion service is approximately two business days upon receipt of the file(s). A fee for the service will apply.</td>
</tr>
</tbody>
</table>

Note: The service descriptions above are indicative summaries only. For details please contact your Deutsche Bank account manager. Alternatively, instead of using these individual solutions per country, vendors like Accuity ([DeutscheBankCustomer@AccuitySolutions.com](mailto:DeutscheBankCustomer@AccuitySolutions.com)) offer conversion services for multiple countries.
<table>
<thead>
<tr>
<th>IBAN Conversion Overview</th>
<th>Germany</th>
<th>Hungary</th>
<th>Italy</th>
<th>Netherlands</th>
<th>Portugal</th>
</tr>
</thead>
<tbody>
<tr>
<td>How to get the IBAN/BIC</td>
<td>Via BV Zahlungssysteme</td>
<td>Only individually via calculation</td>
<td>Via your local Deutsche Bank Implementation &amp; Service team</td>
<td>Via Stichting IBAN Service</td>
<td>Via Calculation</td>
</tr>
</tbody>
</table>

**Service description**

- **Germany**: Companies need to register on the website (German language only) of BV Zahlungssysteme: [https://www.iban-service-portal.de/iban/Start](https://www.iban-service-portal.de/iban/Start). The initial password for registration is “kzx1u23z”. Through this website, companies can upload their files containing account numbers and bank routing codes. Available file formats are CSV and Text, and sample files (in German language only) and detailed instructions are available on the website. BVZ will add the respective IBANs/BICs to the file and make the file available for download on the same website. Companies will then be informed about this via email. The turnaround time for the conversion service is approximately two business days.

  - The service currently costs EUR 45.00 as a one-time registration fee, and EUR 27.50 per 100.000 items, plus VAT.

- **Hungary**: Only an individual solution via calculation.

- **Italy**: Using Deutsche Bank Italy’s electronic banking tool (dbCorporate Banking Windows, dbCorporate Banking Web, based on CBI standard) clients can upload files containing legacy account numbers and bank routing codes. Deutsche Bank will send the account numbers to the respective banks and receive back the corresponding IBANs (or the appropriate error code in case no IBAN can be retrieved). Deutsche Bank will then forward the updated file to the client.

  - Using [http://www.ibanbicservice.nl/](http://www.ibanbicservice.nl/) You can use this service to find out the IBAN and BIC codes of Dutch account numbers, either by entering a single account number or by sending a file. If you choose the latter option, you will need to register first.

  - Pricing for this service is tiered and can be obtained from the website.

- **Netherlands**: Via Stichting IBAN Service

- **Portugal**: In Portugal the construction of the IBAN is done without having to change the structure of the BBAN. There is only the need to insert before the BBAN the prefix “PT50” (the BBAN already contains a check digit).

*Note: The service descriptions above are indicative summaries only. For details please contact your Deutsche Bank account manager. Alternatively, instead of using these individual solutions per country, vendors like Accuity (DeutscheBankCustomer@AccuitySolutions.com) offer conversion services for multiple countries.*
<table>
<thead>
<tr>
<th>IBAN Conversion Overview</th>
<th>Poland</th>
<th>Spain</th>
<th>Switzerland</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>How to get the IBAN/BIC</td>
<td>Not applicable</td>
<td>Via your local Deutsche Bank Implementation &amp; Service team</td>
<td>Via SIX Interbank Clearing</td>
<td>The IBAN can be obtained from the counterparty via their bank only – it is published on bank statements.</td>
</tr>
<tr>
<td>Service description</td>
<td>IBAN is already standard for cross-border and domestic transactions since many years</td>
<td>There are two conversion options from legacy account numbers/BBANs to IBANs. One is to calculate IBANs one by one using a tool on the internet: <a href="http://www.sepaesp.es/herramienta/conversion.htm">http://www.sepaesp.es/herramienta/conversion.htm</a>. The other is an Excel application that allows to paste the legacy account numbers and receive the corresponding IBANs. The application is available via your Sales Manager from Customer Service Spain</td>
<td>A file-based solution does not exist in CH. SIX-Group offers an online tool: <a href="http://www.six-interbank-clearing.com/de/ticch_index/ticch_standardization/ticch_financialinstitutions_ibanipi.htm">http://www.six-interbank-clearing.com/de/ticch_index/ticch_standardization/ticch_financialinstitutions_ibanipi.htm</a>. They also offer to download a small software: <a href="http://www.six-interbank-clearing.com/de/dl_ticch_standardisierung_ibantool.zip">http://www.six-interbank-clearing.com/de/dl_ticch_standardisierung_ibantool.zip</a>. This can also be integrated into an ERP to retrieve the corresponding IBAN for an account number / bankcode combination. However, this tool does not offer the possibility to get the BIC for a specific IBAN. To get the BIC, another file (BC-Bankenstamm) can be downloaded from the SIX-Group webpage as Excel- or ASCII-File. The structure is self-explanatory, because the BIC can be found in another column next to the bankcode (in case it is available): <a href="http://www.six-interbank-clearing.com/de/ticch_onlineservices/downloadbcbankmasterdata.htm">http://www.six-interbank-clearing.com/de/ticch_onlineservices/downloadbcbankmasterdata.htm</a></td>
<td>Currently, no industry-wide IBAN-conversion solution exists.</td>
</tr>
</tbody>
</table>

Note: The service descriptions above are indicative summaries only. For details please contact your Deutsche Bank account manager. Alternatively, instead of using these individual solutions per country, vendors like Accuity (DeutscheBankCustomer@AccuitySolutions.com) offer conversion services for multiple countries.
Overview of IBAN-Conversion Offering by Accuity

Improve payment efficiency

With the introduction of SEPA, corporates have an opportunity to benefit from lower payment operations costs. However, this means payment instructions must contain a valid International Bank Account Number (IBAN) and Bank Identifier Code (BIC).

The challenge
In order to include IBANs and BICs for all euro payment instructions, corporates need to update all vendor, client, and payroll bank records with valid IBAN and BIC information. This can be problematic and time-consuming for already busy treasury operations. Plus, IBANs have a broader impact as Italy and Luxembourg, and even non-euro-zone countries such as Lebanon and Saudi Arabia have made IBAN compulsory for domestic payments.

The solution
Accuity provides a range of payment solutions to help you efficiently update all your vendor, client, and payroll bank records and obtain valid IBAN and BIC information. You can choose which solution best fits your needs:

• **Access Online**: Gives you control over the process by providing you with access to our industry-leading SEPA payments solution, which allows you to convert legacy Basic Bank Account Numbers (BBANs) into valid IBANs, in batch or single query, including correct routing BICs.

• **Data Cleanse**: Engage with our subject-matter experts to outsource the cleansing of your bank records.

The benefits
By using Accuity’s solutions, you can avoid deploying personnel to manually manage this time-consuming process. The return on investment in terms of updating vendor bank records is typically measured in weeks, providing the following immediate benefits:

• **Lower bank charges**: Decreased return fees.

• **Improved efficiency**: Fewer manual repairs.

• **Better customer service**: Your vendors, partners, and employees will get paid on time.

Payment Solutions

**Access Online**
- **IBAN Payment Resource**: An online single or batch look-up tool that validates and converts IBANs and provides all the information needed for SEPA-compliant payments, including correct routing BICs.

**Data Cleanse**
- **PAYScreen**: Repairs your payments records prior to conversion and highlights those records that require review.

Accuity
Payment Solutions for Corporate Treasury
About Accuity

Comprehensive solutions to fit your business needs
Accuity’s global payment solutions for corporates provide the essential tools companies need to reduce costs and optimise payment efficiency. Our solutions provide the most accurate, highest-quality payment data and services available through a range of offerings that meet the needs of corporate treasury departments worldwide.

With Accuity’s comprehensive payment solutions, you can:

- **Look-Up** missing payment routing information with our online solutions.
- **Clean-Up** outdated or incorrect payment files.
- **Convert and Validate** IBANs into IBANs for SEPA payments.
- **Maintain** your corrected payment information files.

Only Accuity has the following strategic partnerships:

- **ABE**
  - Accuity is the official provider of the Euro Banking Association Priority Payment Scheme central registry.
- **EBA**
  - Accuity is the official provider of the European Payments Council SEPA adherence database.
- **European Payments Council**
  - Accuity is the official registrar of American Bankers Association routing numbers.
- **Irish Payments Services Organisation**
  - Accuity is the official provider of the Irish Payments Services Organisation’s directory of National Sort Code database.

Payment Solutions for Corporate Treasury

To discuss your requirements, please contact:
DeutscheBankCustomer@AccuitySolutions.com
The Road to European Payment/Collection Factories

Passion to Perform
Over the past few years, Deutsche Bank has implemented many integrated payment and collection solutions for corporate clients around the world.

With this experience, Deutsche Bank has developed best practices that can assist corporates looking for integration efficiencies within their global cash management structures.

So what are the steps to be taken when centralizing payments and collections?

Definitions and Benefits

Shared-Service Centers (SSCs), In-House Banks and Payment/Collection Factories are distinct organizational vehicles, but the borders between them can be blurred. Companies may have different definitions/interpretations of what exactly they are. The reason is that all three are cost centers that focus on supplying standardized, recurring services to the business units more efficiently and more effectively. All three provide:

**Lower Costs**
- External economies of scale leading to lower bank fees and fewer bank accounts
- Internal economies of scale leading to lower IT, headcount, or overhead costs

**Centralized Processes**
- Better liquidity management and simpler, more visible cash positions
- Improved processing quality and speed
- Harmonized payment/collection processes and procedures
- Streamlined account reconciliation
- Fewer IT interfaces and file formats

**Reduced Risks**
- Stronger internal controls
- Increased IT security

The idea is to “industrialize” labor-intense, repetitive processes and replace them with more capital-intense, centralized ones. However, while the goals between all three are similar, an SSC has the broadest scope, while a Payment Factory has the narrowest.

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The idea is to “industrialize” labor-intense, repetitive processes and replace them with more capital-intense, centralized ones. However, while the goals between all three are similar, an SSC has the broadest scope, while a Payment Factory has the narrowest.
As illustrated in chart 2, the normal starting point for most corporates is not a Payment/Collection Factory, but a decentralized structure with decentralized handling of payables and collections, whereby local interfaces to local banks are set up.

Research by gtnews showed that two-thirds of companies' payments are initiated by units outside central treasury, while 33% of central treasuries have sole control over payments initiation. Companies that allow other business units to initiate payments have on average 9.5 units outside central treasury initiating payments. In Europe, a greater number of business units (12) are able to initiate payments, perhaps reflecting the geographical diversity and the number of national payment systems in Europe.¹

On the road towards centralization, a phased approach usually makes sense, whereby more and more formerly decentralized tasks are migrated to an SSC in a step-by-step manner. Often, the first step is to sweep liquidity from local bank accounts into a central account per country or region to improve control, visibility and investment options for excess cash. This can be followed by establishing an In-House Bank, which can facilitate inter-company netting to reduce the number of external payments and thus complexity. After that, as a third step, payments and (potentially later) collections can be centralized by establishing a Payment/Collection Factory within the SSC.

Drivers
This final step, the creation of Payment/Collection Factories, is currently experiencing renewed momentum for many reasons:

- SEPA (through the creation of pan-European payment and collection instruments and the use of a harmonized format)
- Increased payments complexity (as a result of the growth in international trade):
  - To various countries
  - Through multiple banks
  - With distinct connections
  - Using different formats
  - Regulatory changes (e.g. Payment Services Directive)
  - New technologies (e.g. web-based platforms)
  - Evolving standards (e.g. XML)
  - Increase in convertible currencies
  - Geographic expansion of corporates
- SEPA
- Data analysis
- Pros and cons of current set-up (quantitative and qualitative, e.g. is now a good time to stop using paper checks?)
- Definition of strategic goals and requirements for the new structure
- Definition and analysis of tactical steps/considerations for the new structure
- Decision on exact structure, degree of centralization, location, processes
- Pros and cons of new/proposed set-up (quantitative and qualitative)
- Senior management buy-in
- Implementation
- Setting and monitoring of key performance indicators (KPIs)

¹ gtnews Payments Survey info from 2010
### Data Collection and Analysis

As part of the project plan, there are many aspects that will influence the exact structure, degree of centralization, location, and processes of the Payment/Collection Factory.

#### Chart 3: Strategic and Tactical Questions to ask when planning a Payment/Collection Factory (Part 1)

| **Scope** | – Should only AP, only AR, or both be centralized?  
| – How strong is the balance sheet and how important is internal funding?  
| – Could a collection factory help reduce DSO?  
| – How much can working capital be improved by centralizing payments?  
| – Where are suppliers and where are the corporate’s own production units located?  
| – What are the entities’ terms of payments?  
| – How fast are current payment processes – are they sufficiently fast to take advantage of discounts?  
| – How much can working capital be improved by centralizing collections?  
| – Where are the customers located?  
| – What are customers’ terms of payments?  
| – How fast are current collection processes?  
| – Are the customers consumers or businesses?  
| – If they are consumers, direct debits could be centralized, but cross-border credit-transfer receipts may be more difficult  
| – Which entities/subs should be included?  
| – How can common goals between different parts of the organization be ensured?  
| – Should any of the current tasks remain with the local entities?  
| – Which payments/collections should be included?  
| – How can the existing relevant bank relationships, accounts, payments/collections, bank interfaces, formats, and local regulations best be identified?  
| – What do the internal and external cash flows look like?  

| **Banks** | – How many banks should be used?  
| – What are the pros and cons of fewer vs. more bank relationships?  

| **Account Structure** | – What account option(s) makes the most sense? Options can include:  
| – Payment/Collection Factory (PF/CF) owns central accounts (including currency accounts) and makes payments/collections (incl. cross-border) on behalf of the legal entities  
| – PF/CF owns local in-country accounts and makes local payments/collections on behalf of the legal entities  
| – Legal Entity (LE) owns the account, PF/CF generates payments/collections, LE only authorizes them  
| – LE owns the account, PF/CF generates payments/collections, PF/CF authorizes them (power of attorney)  
| – Hybrid structure, e.g. payments on-behalf-of (but collections remaining with) local entity, which could later be migrated towards on-behalf-of collections  

| **Legal & Tax** | – What is the legal structure of the entities in scope?  
| – What is the legal status of “on-behalf-of payments” in the relevant countries?  
| – What are the central-bank-reporting obligations (for the payment factory, the group entity, the beneficiary)?  
| – How would they change?  
| – What are the tax implications?  

| Location | - Where should the PF/CF be located?  
          |   - HR costs and quality, language, travel costs, real-estate costs, time zones, tax  
          |   - Do the existing AML requirements change (which could potentially lead to delayed payments/receipts)?  
          |   - Should a regional or a global PF/CF be used? |
|----------|----------------------------------------------------------------------------------------------------------|
| Commercial Model | - What should be covered by Service-Level Agreements (SLAs)?  
                   |   - What are the agreements regarding:  
                   |       - Internal compensation for repair items?  
                   |       - Intercompany loans?  
                   |       - Transfer pricing?  
                   |       - How can the success of the PF/CF be measured (definition of KPIs)?  
                   |   - What are the transactional costs? |
| Operating Model | - What should the new processes for making/receiving payments/collections, account reconciliation,  
                   |   and liquidity management look like?  
                   |   - What instruments should be used for payments/collections?  
                   |   - SEPA vs. local ones?  
                   |   - What is the level of inter-company trade?  
                   |   - What are potential effects on cash forecasting?  
                   |   - Will payment advices be available as timely as before?  
                   |   - What should the back-up processes look like (continuity-of-business plans)?  
                   |   - Which characteristics influence the choice of IT infrastructure?  
                   |       - PF/CF must handle various sources of information from subsidiaries?  
                   |       - What kind of file formats are received from subs?  
                   |       - What file format is sent to bank(s)?  
                   |       - What treasury/ERP systems are in place?  
                   |       - Is it a global system or a fragmented structure? |
| Bank Connectivity | - Which connectivity option makes most sense?  
                   |   - Electronic Banking, host-to-host, SWIFTNet or others?  
                   |   - Phased approach: start with electronic banking and move to host-to-host later? |
Senior Management Buy-in

Having senior management buy-in is crucial when starting a major centralization initiative. Quantifying the value of centralizing the corporates payments/collections is therefore very important. It is important to ask how the business case compares to other projects for which funding has been asked.

To strengthen the value of the project, it is extremely important that qualitative factors such as risk-management, compliance benefits, or harmonized processes and procedures are also listed. These benefits will very often be more important than costs saved from reduced bank fees or IT expenses.

Chart 5: Strategic and Tactical Questions to ask when planning a Payment/Collection Factory (Part 2)

<table>
<thead>
<tr>
<th>Business Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>- What are the qualitative and quantitative benefits?</td>
</tr>
<tr>
<td>- By how much can bank fees be reduced?</td>
</tr>
<tr>
<td>- By how much can working capital performance be improved?</td>
</tr>
<tr>
<td>- How large are the processing-quality and processing efficiency improvements?</td>
</tr>
<tr>
<td>- By how much can IT-maintenance costs be reduced?</td>
</tr>
<tr>
<td>- By how much will the visibility of liquidity be improved?</td>
</tr>
<tr>
<td>- By how much can risks be reduced?</td>
</tr>
<tr>
<td>- What are the compliance benefits?</td>
</tr>
</tbody>
</table>
While there will be frequent surprises along the way, answering most or all of the questions listed will give a corporate a good starting point for quantifying and qualifying the required business case and creating the detailed project plan.

**How Deutsche Bank can help**

The creation of a Payment/Collection Factory requires strong senior management commitment. With this pre-condition in place, a detailed project plan needs to be developed, taking into consideration the analysis and complex decisions required.

Deutsche Bank will share best practices, experience, and lessons learned and will guide corporates through its solutions that facilitate centralization. Examples include access-channel, file-format-conversion, reporting, FX-conversion, cross-border-ACH and multi-currency-account solutions that are geared to the specific needs of Payment/Collection Factories and will have a significant impact on the corporate’s business case.

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**Chart 6: Deutsche Bank’s Solutions for Payment/Collection Factories**

- **Optimization of Payment Authorization**
- **Format Standardization**
- **Bank connectivity supporting large file sizes**
- **Bank and Account concentration**
- **Cash Pooling (local and international)**
- **Standardization of ERP systems**

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Part of Deutsche Bank services
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