



SHORTCUT TO

THE SEPA DIRECT DEBIT SCHEMES

BENEFITS

⇒ The SEPA Direct Debit Schemes create for the first time a payment instrument that can be used for both domestic and cross-border collections throughout the 31 SEPA countries.

⇒ Advantages for creditors:

- ☑ Collection of domestic and cross-border direct debits across 31 countries
- ☑ Ability to determine the exact date of collection
- ☑ Payment completion within a pre-determined time cycle
- ☑ Straightforward reconciliation of received payments
- ☑ Ability to automate exception handling (refunds, returns, rejects)

⇒ Advantages for debtors:

- ☑ Simple means of paying bills throughout 31 SEPA countries
- ☑ Easy reconciliation of debits on account statements
- ☑ No-questions-asked, fast and simple refund procedure

SEPA CORE DIRECT DEBIT

⇒ The **SEPA Core Direct Debit Scheme (SDD)** involves the following features:

⇒ The scheme applies to transactions in euro. The scheme allows a creditor to collect funds from a debtor's account provided that a signed mandate has been granted by the debtor to the creditor. The debtor and the creditor must each hold an account with a credit institution located within SEPA; the credit institution executing the direct debit transaction must be a scheme participant. The scheme may be used for single (one-off) or recurrent direct debit collections, the amounts are not limited.

SEPA DATA FORMAT

⇒ The UNIFI (ISO 20022) XML message standard is binding between banks. It is recommended that customers use the SEPA data format for initiating payments; however, banks may continue to accept other formats from customers for the instruction of SEPA payments.

IBAN AND BIC

⇒ IBAN (International Bank Account Number) and BIC (Bank Identifier Code) are the only permissible account and bank identifiers for SEPA transactions. Whereas until now they have been used only for cross-border payments in most countries, with SEPA this applies to domestic payments as well. Therefore, the creditor has to provide IBAN and BIC of the account that should be debited to his bank.

MANDATE

⇒ A mandate is signed by the debtor (payer) to authorise the creditor (payee) to collect a payment and to allow the debtor bank to pay those collections (debtors are entitled to instruct their banks not to accept any direct debit collections on their accounts). The mandate can be issued in paper form or electronically. The mandate expires 36 months after the last initiated direct debit.

PRE-NOTIFICATION

⇒ The creditor must send a so called pre-notification to the debtor at the latest 14 calendar days before collecting the payment, unless a different time line has been agreed between the debtor and the creditor. The pre-notification includes the date and the amount of the collection. The pre-notification may be an invoice or a contractual agreement specifying the terms for collections. The pre-notification must be sent only once also in case of recurrent direct debit collections.

DUE DATE

⇒ The scheme allows all parties of the transaction to anticipate the precise date (due date) when their account will be debited; the due date is assigned by the creditor.

⇒ Initial direct debits under a mandate or one-off direct debits are sent to the clearing system five business days prior to the due date; subsequent direct debits under a mandate must be sent to the clearing system two business days prior to the due date.

⇒ In accordance with the EU Payment Services Directive (PSD) the scheme defines a refund right for the debtor, e.g. the debtor can recall an authorised transaction during an eight week period after the due date. Under the scheme, the debtor does not have to give a reason for the recall of an authorised transaction during the eight week period. For unauthorised transactions, this right to a refund extends to 13 months after the due date.

⇒ Any returns by the debtor bank — for example, if the account has been closed — must be effected no later than five business days after the due date.

⇒ Each creditor will be identified with a creditor identifier at SEPA level. This identifier allows the debtor and the debtor bank to filter each direct debit and process or reject the direct debit according to debtor instructions. Creditors will have to request this identifier through their bank according to local practice.

⇒ The **SEPA Business to Business Direct Debit Scheme (B2B)** will serve as the basis for the development of specific direct debit products and services that allow business customers in the role of debtors (payers) to make payments by direct debit as part of their business transactions.

⇒ The most important differences between the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme are:

☐ In the B2B Scheme the debtor is **not** entitled to obtain a refund of an authorised transaction.

☐ The B2B Scheme requires debtor banks to ensure that the collection is authorised by checking the collection against mandate information; debtor banks and debtors are required to agree on the verification to be performed for each direct debit.

☐ A debtor bank cannot offer the B2B Scheme to a debtor who is a 'consumer' under the law of the country where that debtor bank is providing the payments services.

☐ Responding to the specific needs of the business community the B2B Scheme offers a significantly shorter timeline for presenting direct debits and reduces the return period.

⇒ The introduction of the SEPA Direct Debit Schemes requires a uniform EU-wide legal framework as defined in the EU Payment Services Directive (PSD). The general SEPA-wide launch date for the SEPA Direct Debit Schemes has now been set in principle by the EPC for November 2009. This launch date coincides with the deadline for all EU member states to have adopted the Payment Services Directive into national law.

⇒ The SEPA Direct Debit Scheme Rulebooks and the accompanying Implementation Guidelines, approved by the EPC, are the definitive sources of information regarding the rules and obligations of the schemes.

SENDING DIRECT DEBIT TO CLEARING SYSTEM

REFUNDS AND RETURNS

CREDITOR IDENTIFIER

SEPA B2B DIRECT DEBIT

LAUNCH DATE