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What is SEPA?

- SEPA ("Single Euro Payments Area") is a payment initiative created by the European Commission.

- The purpose of SEPA is to create a pan-European payment services market where there is no distinction between cross border and domestic payments.

- The overall goal of SEPA is to create a more competitive and transparent European economy.

- SEPA focuses on two main payment products; Direct Debits & Credit Transfers.
The purpose of SEPA is to create a pan-European payment services market where there is no distinction between cross border and domestic payments.
### Key Timelines

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date</th>
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<tbody>
<tr>
<td>1  SEPA Credit Transfer Scheme Start Date</td>
<td>January ‘08</td>
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<tr>
<td>2  SEPA Direct Debit Scheme Start Date</td>
<td>November ‘09</td>
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<td>3  AIB Live for <strong>Incoming</strong> SEPA Direct Debit transactions</td>
<td>July ‘10</td>
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<tr>
<td>4  AIB Live for <strong>Origination</strong> of SEPA Direct Debit transactions</td>
<td>November ‘10</td>
</tr>
<tr>
<td>5  Decommissioning of domestic Irish Electronic Payments System (EMTS)</td>
<td>1st February 2014</td>
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Key migration period where both EMTS and SEPA Direct Debit Schemes will operate in parallel.
## Impact on Existing Payment Systems

<table>
<thead>
<tr>
<th>Before SEPA</th>
<th>After SEPA</th>
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<tbody>
<tr>
<td>• Irish credit transfers &amp; direct debits can only be used within Ireland</td>
<td>• Credit transfers and direct debits in Euro will operate across borders</td>
</tr>
<tr>
<td>• Transfers to Europe require special instruments</td>
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<tr>
<td>• Separate domestic clearing systems within each country</td>
<td>• Integrated Pan-European Automated Clearing House</td>
</tr>
<tr>
<td>• Account numbers and sort codes used to identify domestic Irish accounts</td>
<td>• IBAN &amp; BIC used to identify all accounts, whether in Ireland or abroad (IBAN and BIC must be quoted on all invoices)</td>
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<tr>
<td>• IBAN and BIC used to identify accounts elsewhere in Europe</td>
<td></td>
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<tr>
<td>• Separate pricing for Irish and cross border payments</td>
<td>• Standard price for SEPA payments</td>
</tr>
<tr>
<td>• Different legislation in each country</td>
<td>• Common legislation across Europe (PSD)</td>
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Business Features of the SEPA Direct Debit scheme

- **SEPA Mandates**
  - Bilateral Mandates between the Originator and the Debtor
  - Mandates held by the Originator and no longer sent to the Debtor’s bank
  - Two mandate types, “Recurring” and a new “Once Off” mandate type

- **New timelines for presentation of direct debits**
  - Debtor must receive **14 days notice**
  - **Once off and First** payments must be received by the Debtor’s bank at least 5 **days** in advance
  - **Recurring and Final** Payments must be received by the Debtor’s bank at least 2 **days** in advance

- **SEPA Messages**
  - XML (ISO 20022) is the new standard
  - Mandatory use of BIC and IBAN as primary identifiers
  - Additional fields of information available which can assist with reconciliation

- **Debtor Refunds**
  - Customers entitled to a ‘no questions asked’ refund up to 8 weeks after their account was debited
  - Customer may request a refund for up to 13 months after the account was debited eg for unauthorised transactions.
Benefits of the SEPA Direct Debit Scheme

• Pan-European Business Opportunities
  – Standardised payment infrastructure in SEPA opens up new possibilities to expand business beyond domestic borders

• Consistent processing standards across Europe
  – Uniform settlement periods and exception processes across all European countries
  – The EU Payment Services Directive (PSD) provides a single legal framework

• Improved Notification
  – Advance notification of failed direct debit transactions (e.g. rejects can be received before settlement date) – Unpaid will continue to be notified post settlement.

• Straight Forward Reconciliation
  – The SEPA data formats based on the global ISO 20022 XML message standards facilitate account reconciliation

• Improved cost efficiency
  – Lower cost, higher straight-through processing rates and the opportunity to consolidate Admin functions

• Improve cash flow and treasury management
  – Precise collection dates enable corporate customers to determine the exact date of collection and have certainty of payment completion within a pre-determined time-cycle
Challenges presented by SEPA Direct Debits

- **IT Infrastructure**
  - Changes will be required to internal/ERP systems to accommodate new SEPA Direct Debit XML file format requirements

- **Customer Information**
  - Migration from NSC & Account number to BIC & IBAN will be required – IPSO Data Conversion service.

- **SEPA Mandates**
  - Enhanced mandate management requirements in relation to the use of new SEPA unique mandate reference numbers
  - Extended presentation timelines for direct debit transactions (D-5 for first collection)
  - Migration of existing mandates from EMTS to SEPA (initial debit must be a ‘FRST’)

- **Migration period EMTS -> SEPA**
  - Understand how internal systems will manage the interim period where EMTS & SEPA operate in parallel
  - Legacy information present alongside new SEPA data (including BICs and IBANs)
SEPA Credit Transfer Scheme

• Consistent processing standards across Europe
  – Uniform settlement periods and exception processes across all European countries
  – The EU Payment Services Directive (PSD) provides a single legal framework

• No price difference between domestic and cross border Euro Payments i.e. cross border euro payments, regardless of amount, must be priced the same as national equivalent domestic

• Straight Forward Reconciliation
  – The SEPA data formats based on the global ISO 20022 XML message standards facilitate account reconciliation
Your SEPA Checklist...

- Talk to your Bank.
- Ascertain any changes to your banks technical file formats.
- Migrate your bank account data, the IPSO converter tool is a useful resource.
- From a collections perspective, prepare for the SEPA Direct Debit scheme which entails technical and rule changes..
Conclusion

Any Questions?
Any Further Queries, please contact:

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