



# **"SEPA – Preparing for change"**

**AIB Corporate Cash Management**

**Presentation to Enterprise Ireland**

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- **Introduction - What is SEPA?**
- **Objectives of SEPA & Key Timelines**
- **Changes to Payments and Collections**
- **The SEPA Direct Debit Scheme**
  - **Features & challenges of SEPA Direct Debits.**
- **SEPA Credit Transfers**
- **Your SEPA Checklist**
- **Q&A**



## What is SEPA?

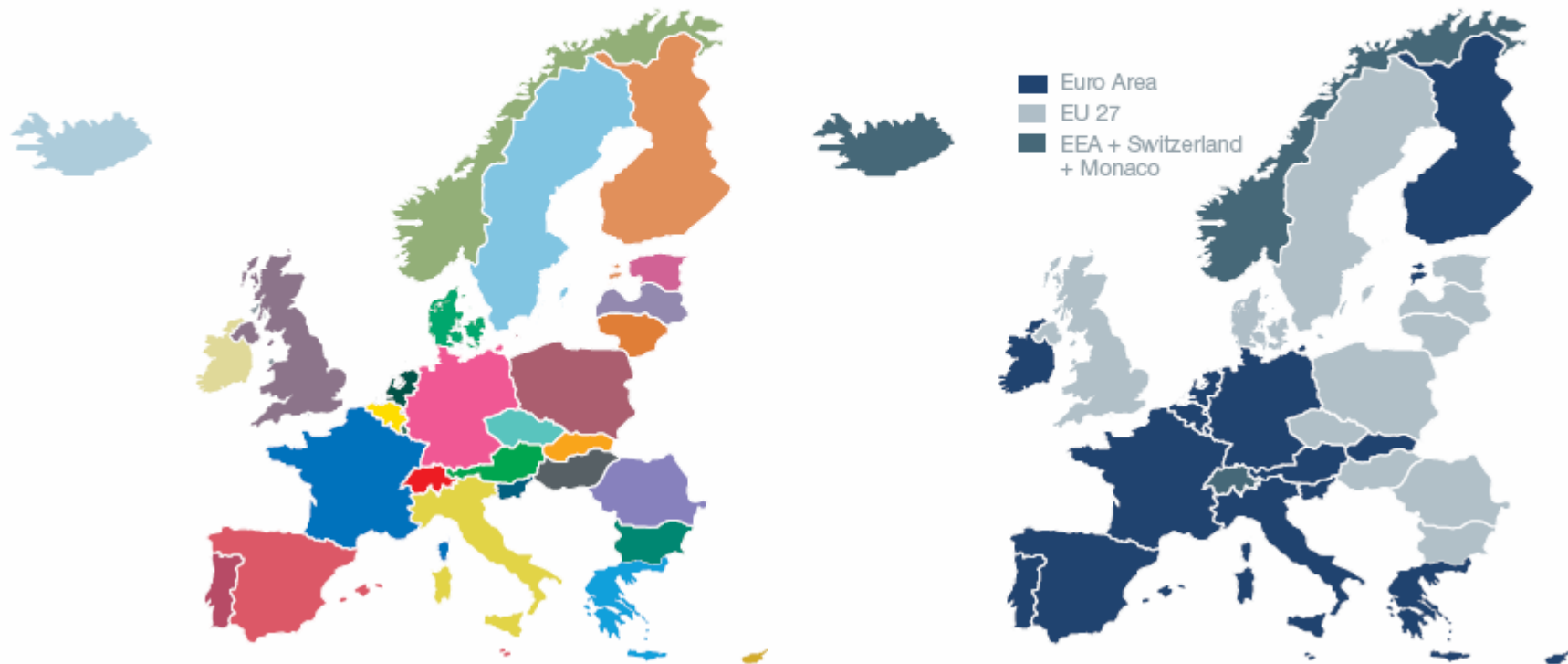
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- SEPA ( “Single Euro Payments Area” ) is a payment initiative created by the European Commission
- The purpose of SEPA is to create a **pan-European payment services market** where there is no distinction between cross border and domestic payments
- 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

## Objective of SEPA

PRE-SEPA

SEPA

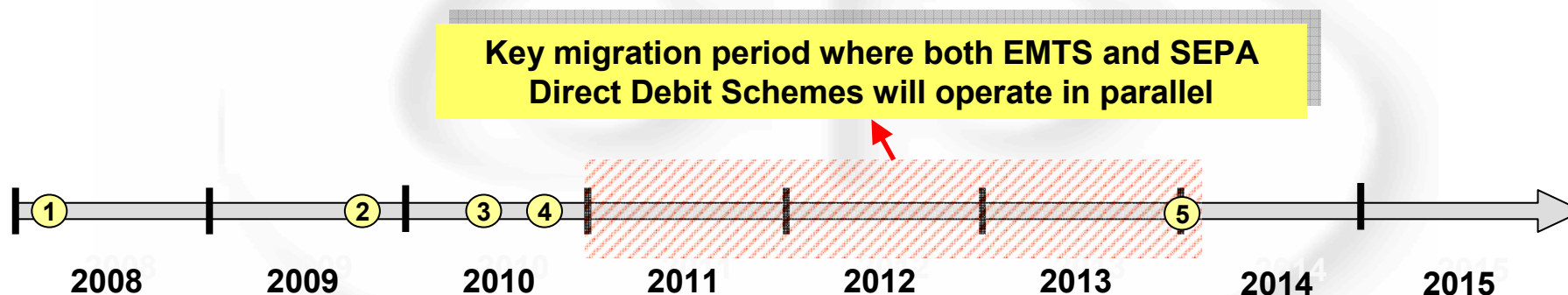


**The purpose of SEPA is to create a pan-European payment services market where there is no distinction between cross border and domestic payments**



## Key Timelines

	Milestone	Date
1	SEPA Credit Transfer Scheme Start Date	January '08
2	SEPA Direct Debit Scheme Start Date	November '09
3	AIB Live for <b>Incoming</b> SEPA Direct Debit transactions	July '10
4	AIB Live for <b>Origination</b> of SEPA Direct Debit transactions	November '10
5	Decommissioning of domestic Irish Electronic Payments System (EMTS)	1 <sup>st</sup> February 2014





## Impact on Existing Payment Systems

Before SEPA		After SEPA
<ul style="list-style-type: none"><li>• Irish credit transfers &amp; direct debits can only be used within Ireland</li><li>• Transfers to Europe require special instruments</li></ul>	➔	<ul style="list-style-type: none"><li>• Credit transfers and direct debits in Euro will operate across borders</li></ul>
<ul style="list-style-type: none"><li>• Separate domestic clearing systems within each country</li></ul>	➔	<ul style="list-style-type: none"><li>• Integrated Pan-European Automated Clearing House</li></ul>
<ul style="list-style-type: none"><li>• Account numbers and sort codes used to identify domestic Irish accounts</li><li>• IBAN and BIC used to identify accounts elsewhere in Europe</li></ul>	➔	<ul style="list-style-type: none"><li>• IBAN &amp; BIC used to identify <b><u>all accounts</u></b>, whether in Ireland or abroad (IBAN and BIC must be quoted on all invoices)</li></ul>
<ul style="list-style-type: none"><li>• Separate pricing for Irish and cross border payments</li></ul>	➔	<ul style="list-style-type: none"><li>• Standard price for SEPA payments</li></ul>
<ul style="list-style-type: none"><li>• Different legislation in each country</li></ul>	➔	<ul style="list-style-type: none"><li>• Common legislation across Europe (PSD)</li></ul>



## Business Features of the SEPA Direct Debit scheme

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- 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

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- 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 transactions 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

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- 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

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- 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

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Any Questions ?

Any Further Queries, please contact:

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