SEPA Migration of Spanish Direct Debits

October 2012
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1. INTRODUCTION

The purpose of this document is to identify those aspects to be taken into account as regards the current features of direct debits to ensure their operational suitability against the structure, contents and format required by the SEPA Direct Debits (Core scheme).

From a legal point of view, Regulation No 260/2012 of 14 March, establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, guarantees the continuity of valid mandates issued prior to 1 February 2014.

The mandate must be considered to be the payer’s authorisation, regardless of its underlying form or how it is available in the payment circuit.

This document addresses how to transfer existing payment transactions to the new SEPA direct debit core scheme.

Moreover, the legacy scheme and the SEPA scheme have coexisted since the entry into force of the Payment Services Directive and the implementation of the core SEPA direct debit scheme, so both SEPA mandates and existing mandates can be issued up to the migration end-date: 1st February 2014.

2. BACKGROUND

The changeover of direct debits to SEPA

This is defined as a payment service whereby the payer’s (“debtor”) payment account is debited via a payment transaction which is initiated by the payee (“creditor”) on the basis of a previously authorised mandate (“mandate or payment order”).

The transaction requires the involvement of four parties: the creditor and its bank (payee's PSP); and the debtor and its bank (payer’s PSP).

The mandate in SEPA direct debits

This is the expression of consent and authorisation given by the debtor to the creditor to: (a) allow the creditor to initiate a collection for debiting the debtor’s specified payment account; and (b) authorise the debtor bank to debit the debtor’s account for any collections delivered by the creditor bank.

The mandate must be formalized by the debtor, as holder of the payment account, or an attorney duly authorised by the debtor.
The mandate must be kept by the creditor throughout its entire validity, during the refund period and for such time as may be stipulated in the law for the safeguarding of documents after their cancellation.

The mandate flow

1. The creditor sends the mandate, in electronic form or a hard copy thereof, to the debtor, so as to be filled in (personal and bank details) and signed.

2. The debtor returns the signed & completed mandate to the creditor.

3. Once the signed mandate is received, the creditor can initiate a collection according to the stipulated terms.

4. If the mandate is on paper, the creditor transforms the data to an electronic carrier (dematerialised mandate).

5. Mandate data are sent to the creditor bank by electronic transfer together with each direct debit.

6. The creditor bank electronically sends the mandate related data to the debtor bank in a single flow as part of the collection transaction, using the clearing mechanism selected.

3. ISSUES TO BE CONSIDERED FOR THE MIGRATION TO SEPA DIRECT DEBITS IN SPAIN

Debtor's consent to migration

Pursuant to Article 7.1 of Regulation No 260/2012: “A valid payee authorisation to collect recurring direct debits in a legacy scheme prior to 1 February 2014 shall continue to remain valid after that date and shall be considered as representing the consent to the payer’s PSP to execute the recurring direct debits collected by that payee in compliance with this Regulation in the absence of national law or customer agreements continuing the validity of direct debit mandates”.

Conclusions: Migration of legacy direct debits to the SEPA Direct Debit Core Scheme regulated in the aforesaid Regulation does not require obtaining a new consent and it is up to the creditor’s discretion to notify its customers that they will start to receive information with a different code to that previously used.
Data required
The SEPA mandate requires a certain compulsory data set which is not included in legacy mandates.

Solution: to avoid R-transactions due to the absence of certain mandatory information fields not contained in legacy mandates, banks operating in Spain have decided to establish an agreement whereby a number of migration rules apply (see point 4 – Rules for migration of direct debits).

Issues for the creditor when necessary details are missing
Two practical issues have been identified:

• Data elements which are not readily available to the creditor and which, furthermore, are deemed mandatory in the SEPA direct debit core scheme, must be obtained by the creditor as soon as possible (e.g. payment account number to be debited either as a CCC-Spanish BBAN- or as IBAN).

• Available data has to be converted by the creditor into electronic format and used along with a SEPA direct debit collection.

Migration to IBAN format for debtors’ payment accounts
Assignment of the IBAN may be a problem for creditors since the former cannot be always derived unless the correct and original CCC is available.

Solution: It will be compulsory to have the full, correct CCC in order to migrate transactions. Direct debit issuers may use the “File for notification of informative data on deposit institutions to paying customers (Annex 5 of Rulebook 19)” to update their customers’ account numbers.
4. RULES FOR MIGRATION OF DIRECT DEBITS

The following table sets out the rules related with authorisations in the direct debit system. It is intended to facilitate and launch the process of migrating the transaction scheme so that creditors can collect the transactions according to the SEPA direct debit core scheme.

<table>
<thead>
<tr>
<th>SEPA Mandate attributes (Annex 3)</th>
<th>Legacy mandate (Annex 4):</th>
<th>Migration rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Mandate Reference AT 01</td>
<td>Reference</td>
<td>The creditor must keep the reference. Therefore, it must make a conversion. SEPA requires increasing the number of positions from 12 to 35. See Annex 1.</td>
</tr>
<tr>
<td>Name of the Debtor - line 1 AT 14</td>
<td>Holder (1)</td>
<td>No rule required</td>
</tr>
<tr>
<td>Address of the Debtor - line 2 AT 09</td>
<td>Optional attribute; no rule required</td>
<td></td>
</tr>
<tr>
<td>Postal code/city of the Debtor - line 3</td>
<td>Optional attribute; no rule required</td>
<td></td>
</tr>
<tr>
<td>Debtor's country of residence - line 4</td>
<td>Optional attribute; no rule required</td>
<td></td>
</tr>
<tr>
<td>Debtor's account number-IBAN - line 5 AT 07</td>
<td>IBAN (5)</td>
<td>Mandatory field for migration. Conversion/communication facilities based on complete, technically correct CCC.</td>
</tr>
<tr>
<td>The BIC of the Debtor bank - line 6 AT 13</td>
<td>Name or trade name (7)</td>
<td>Conversion/communication facilities based on CCC.</td>
</tr>
<tr>
<td>Name of the Creditor - line 7 AT 03</td>
<td>Conversion rule (Annex 2): The creditor's identifier (CI) consists of its tax no.(NIF)-Suffix, preceded by the country code ES and two check digits.</td>
<td></td>
</tr>
<tr>
<td>Creditor identifier - line 8 AT 02</td>
<td>Tax no./Suffix (8)</td>
<td>Conversion rule (Annex 2): The creditor's identifier (CI) consists of its tax no.(NIF)-Suffix, preceded by the country code ES and two check digits.</td>
</tr>
<tr>
<td>Creditor's address (street name and number) - line 9 AT 05</td>
<td>Address (9)</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>Creditor's postal code and city- line 10</td>
<td>Town/city (10)</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>Creditor's country - line 11</td>
<td>Optional attribute; no rule required</td>
<td></td>
</tr>
<tr>
<td>Type of payment - line 12 AT 21</td>
<td>Date (13)</td>
<td>The date is mandatory in SEPA (AT-25). For migration purposes, the creditor must quote the date 31-10-2009 which is the one established by consensus with this goal.</td>
</tr>
<tr>
<td>Date of signing - line 13 AT 25</td>
<td>Signature of account holder (13)</td>
<td></td>
</tr>
<tr>
<td>Signature(s) AT 33</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Additional attributes

(for information purposes only)

<table>
<thead>
<tr>
<th>Attribute Description</th>
<th>Code</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Debtor identification code - line 14</td>
<td>AT27</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>• Name of the Debtor Reference Party - line 15</td>
<td>AT15</td>
<td>• Holder (15) Optional attribute; no rule required</td>
</tr>
<tr>
<td>• Identification code of the Debtor Reference Party - line 16</td>
<td>AT37</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>• Name of the Creditor Reference Party - line 17</td>
<td>AT38</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>• Identification code of the Creditor Reference Party - line 18</td>
<td>AT39</td>
<td>Optional attribute; no rule required. However, if used, it will be identified with the same code as the one used for identification of creditors (creditor’s identifier -CI-), consisting of the tax no.-suffix, preceded by the country code -ES-and two control digits.</td>
</tr>
<tr>
<td>• Identification number of the underlying contract - line 19</td>
<td>AT08</td>
<td>Optional attribute; no rule required</td>
</tr>
<tr>
<td>• Description of contract - line 20</td>
<td></td>
<td>• Purpose (20) Optional attribute; no rule required</td>
</tr>
</tbody>
</table>

5. **PRACTICAL CONSIDERATIONS FOR CREDITORS**

The following considerations may be useful:

- Creditors may continue using pre-SEPA mandates until they are ready to migrate to the SEPA direct debit core scheme and no later than 1 February 2014.

- Creditors are recommended not to wait until the end-date for migration to start collections through SEPA direct debits.
Considerations for creditors and their bank regarding migration to the SEPA direct debit core scheme.

<table>
<thead>
<tr>
<th>Creditor bank</th>
<th>All banks that process direct debits at present are able to process SEPA direct debits in the core scheme</th>
<th>Processing of direct debits under SNCE regulations ceases. Only SEPA transactions are accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditor</td>
<td>The legacy schemes may be used to collect existing direct debits, but not for cross-border collections.</td>
<td>Earlier payment orders will be considered adequate for the collection of SEPA core direct debits (SDD) provided the migration rules are applied. Mandates for new direct debits must respect the SDD requirements and cross-border collections may commence.</td>
</tr>
<tr>
<td></td>
<td>End date for migration of former direct debits. The migration rules will be applied only to recurring direct debits previously processed in the legacy scheme. Domestic schemes are eliminated.</td>
<td></td>
</tr>
</tbody>
</table>

| 1 November 2009 | Date of commencement of SEPA direct debits (Core) |
| 1 February 2014 | End-date for migration |

**NB:** The combination CI (creditor’s identifier) + REFERENCE must be univocal and persistent in time, so referring direct debits whose reference changes for the same payment order cannot be migrated unless the change is due to the events contemplated in the SEPA regulations.
ANNEX 1

MIGRATION OF DIRECT DEBIT TRANSACTION REFERENCE TO SEPA

The creditor shall maintain the SEPA unique mandate reference (attribute AT-01), based on the current direct debit reference (attribute B2 of the individual register in Rulebook 19).

The specific migration of the reference will be made according to the following rules:

a) The mandate reference code, variable alphanumeric with 12 characters, becomes the unique mandate reference, variable alphanumeric with 35 characters.

b) The valid characters in SEPA direct debit information are specified in the following table:

<table>
<thead>
<tr>
<th>ISO20022 STANDARD CHARACTER ENCODING TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A   B   C   D   E   F   G   H   I   J   K   L   M   N   O   P   Q   R   S   T   U   V   W   X   Y   Z</td>
</tr>
<tr>
<td>a   b   c   d   e   f   g   h   i   j   k   l   m   n   o   p   q   r   s   t   u   v   w   x   y   z</td>
</tr>
<tr>
<td>0   1   2   3   4   5   6   7   8   9   /   -   ?   (   )   .   ,   '   +   space</td>
</tr>
</tbody>
</table>

The conversion of invalid characters of direct debits to valid SEPA characters will be made according to the following rule:

\[
\begin{align*}
\text{Ñ, ñ} & \quad \text{to} \quad \text{N, n} \\
\text{Ç, ç} & \quad \text{to} \quad \text{C, c}
\end{align*}
\]

Any other value not allowed \( \rightarrow \) 0 (zero)

c) If the variable alphanumeric 12-character reference currently has fewer characters, it is sent with blanks (B) to the right, hence the conversion to 35 characters will merely maintain the positions and complete with blanks to the right up to 35.

Example:

Current 187578LBBBBBBB Migrated 187578LBBBBBBBBBBBBBBBBBB

If the existing reference is completed with zeros to the left, the migrated reference would respect this, completing the reference with blanks to the right up to 35.

Example:

Current 00000467986 Migrated 000000467986BBBBBBBBBBBBBBBBBBBBBBBBB

If the existing reference is presented with blanks to the left or spaces between characters, the migrated reference will ignore any spaces there may be to the left and maintain spaces between characters, completing with blanks to the right up to 35.

Example:

Current BB332229 457 Migrated 332229B457BBBBBBBBBBBBBBBBBBBBBBBBBB
ANNEX 2

THE CREDITOR’S IDENTIFIER (AT-02)

The creditor’s identifier is unique in the scheme: each identifier permits unequivocal identification in SEPA. One creditor may use more than one identifier.

A creditor may use a “Creditor Business Code” to identify different activities (equivalent to the suffix in existing direct debits).

This identifier identifies a legal entity or person in the role of creditor. The identification must be stable in time to allow the debtor and debtor bank to reverse or return transactions, make claims and check the existence of a mandate when SEPA direct debits are presented by a creditor.

STRUCTURE OF THE IDENTIFIER

Whenever possible, the identifier uses available information of public domain.

The identifier contains the following elements:

```
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ES</td>
<td>97</td>
<td>ZZZ</td>
<td>M23456789</td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
</tr>
</tbody>
</table>
```

a. ISO Code of the country that issued the identifier. **ES** in the case of Spain.

b. Control digits (referring to components a + d). The control digit is calculated as follows:
   - Eliminate positions 5 - 7
   - Take the tax number, positions 8 to 35, and eliminate any non-alphanumeric characters
   - Add the ISO code of the country plus “00” at the end on the right.
   - Convert the letters to digits according to the table indicated below
   - Apply the algorithm MOD97-10 from ISO 7064

c. Extension (Creditor Business Code), which allows the creditor to identify different lines of business or services. This code does not necessarily identify a mandate uniquely, but contains useful information for the creditor and the debtor. It is the **SUFFIX** in the composition of the direct debit scheme identifiers.

d. The specific identification code defined by the national community, this being the national identifier. In Spain it is the **NIF** (tax number).

Convert the letters into numbers according to the following conversion table:

```
A = 10   G = 16   M = 22   S = 28   Y = 34
B = 11   H = 17   N = 23   T = 29   Z = 35
C = 12   I = 18   O = 24   U = 30
D = 13   J = 19   P = 25   V = 31
E = 14   K = 20   Q = 26   W = 32
F = 15   L = 21   R = 27   X = 33
```

Creditor identifier for use in SEPA

The advantage of the scheme is that one creditor can use a single identifier for the entire SEPA area. An identifier from any of the SEPA countries can be used in all the SEPA countries.
ANNEX 3

FORMAT AND DATA REQUIRED FOR THE MANDATE

DS 01 – THE MANDATE IN THE SEPA DIRECT DEBIT CORE SCHEME

The text of the mandate must be in at least one and no more than three of the official languages of the debtor’s country. Forms in English, their translations into the remaining official languages in Spain and other SEPA countries are available at http://www.europeanpaymentscouncil.eu/content.cfm?page=core_sdd_mandate_translations
### ORDEN DE DOMICILIACIÓN

**Nombre o Razón Social** ................................. (7)

**Dirección** ................................................. (9)

**Localidad** ................................................. (10)

**Fecha** ....................................................... (13)

**NIF/SUFIJO** ................................................. (8)

**Referencia** .................................................

**Concepto** .................................................. (20)

**C.C.C** .......................................................... (15)

**ENTIDAD DE CRÉDITO**

**Banco / Caja** .................................................

**Oficina** .....................................................

**Dirección** ...................................................

**Localidad** ..................................................

**CUENTA DE CARGO**

**Cuenta** .....................................................

**IBAN** ........................................................ (5)

**Titular** .....................................................

Muy sres mios:

Con cargo a mi cuenta y hasta nuevo aviso, atiendan la presente orden de domiciliación.

(Firma del titular de la cuenta) ........................ (13)

---

**EJEMPLAR PARA LA ENTIDAD DE CRÉDITO**
<table>
<thead>
<tr>
<th>EMISORA</th>
<th>DETALLE DE LA DOMICILIACIÓN</th>
<th>ENTIDAD DE CRÉDITO</th>
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<tbody>
<tr>
<td>Nombre o Razón Social</td>
<td>Concepto</td>
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<tr>
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<td>Oficina</td>
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<table>
<thead>
<tr>
<th>NIF/SUFIJO</th>
<th>Referencia</th>
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<table>
<thead>
<tr>
<th>CUENTA DE CARGO</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>C.C.C</td>
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<tr>
<td>ENT.</td>
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<td>OFIC.</td>
<td></td>
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<tr>
<td>DC</td>
<td></td>
</tr>
<tr>
<td>CUENTA</td>
<td></td>
</tr>
<tr>
<td>IBAN</td>
<td></td>
</tr>
</tbody>
</table>

Muy sres mios:

Con cargo a mi cuenta y hasta nuevo aviso, atiendan la presente orden de domiciliación.

(Firma del titular de la cuenta)