

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.

SEPA Mandate attributes (Annex 3)		Legacy mandate (Annex 4):	Migration rule
• Unique Mandate Reference	AT 01	• Reference	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.
• Name of the Debtor - line 1	AT 14	• Holder (1)	No rule required
• Address of the Debtor - line 2	AT 09		Optional attribute; no rule required
• Postal code/city of the Debtor - line 3			Optional attribute; no rule required
• Debtor's country of residence - line4			Optional attribute; no rule required
• Debtor's account number-IBAN - line 5	AT 07	• IBAN (5)	Mandatory field for migration. Conversion/ communication facilities based on complete, technically correct CCC.
• The BIC of the Debtor bank - line 6	AT 13		Conversion/ communication facilities based on CCC.
• Name of the Creditor - line 7	AT 03	• Name or trade name (7)	No rule required
• Creditor identifier - line8	AT 02	• Tax no./Suffix (8)	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.
• Creditor's address (street name and number) - line 9	AT 05	• Address (9)	Optional attribute; no rule required
• Creditor's postal code and city- line10		• Town/city (10)	Optional attribute; no rule required
• Creditor's country - line 11			Optional attribute; no rule required
• Type of payment - line 12	AT 21		When a first collection has already been processed in the legacy direct debit scheme and whenever they fulfil all migration rules, the assumption is made for all migrated transactions to be of a "recurring" nature.
• Date of signing - line 13	AT 25	• Date (13)	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.
• Signature(s)	AT 33	• Signature of account holder (13)	

Additional attributes (for information purposes only)			
• Debtor identification code - line 14	AT27		Optional attribute; no rule required
• Name of the Debtor Reference Party - line 15	AT15	• Holder (15)	Optional attribute; no rule required
• Identification code of the Debtor Reference Party- line 16	AT37		Optional attribute; no rule required
• Name of the Creditor Reference Party - line 17	AT38		Optional attribute; no rule required
• Identification code of the Creditor Reference Party - line 18	AT39		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.
• Identification number of the underlying contract - line19	AT08		Optional attribute; no rule required
• Description of contract - line 20		• Purpose (20)	Optional attribute; no rule required

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.

Creditor bank	All banks that process direct debits at present are able to process SEPA direct debits in the core scheme		Processing of direct debits under SNCE regulations ceases. Only SEPA transactions are accepted
Creditor	The legacy schemes may be used to collect existing direct debits, but not for cross-border collections.	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.	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.
1 November 2009 Date of commencement of SEPA direct debits (Core)		Date of creditor's migration to SEPA	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 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

ES	97	ZZZ	M23456789
a	b	c	d
Country code	Check digit	Suffix	Tax number

- 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 MANDATE¹

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

SEPA Direct Debit Mandate		CREDITOR'S NAME & LOGO
<div style="border: 1px solid black; width: 100px; height: 15px; margin: 0 auto;"></div> <small>Mandate reference - to be completed by the creditor</small>		
<p>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).</p> <p>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. Please complete all the fields marked *.</p>		
Your name <small>Your name</small>	* _____ <small>Name of the creditor(s)</small>	1
Your address <small>Your address</small>	* _____ <small>Street name and number</small>	2
	* _____ <small>Postal code</small>	3
	* _____ <small>City</small>	4
	* _____ <small>Country</small>	5
Your account number <small>Your account number</small>	* _____ <small>Account number - IBAN</small>	6
	* _____ <small>Account number - IBAN</small>	7
	* _____ <small>SWIFT BIC</small>	8
Creditor's name <small>Creditor's name</small>	* _____ <small>Creditor name</small>	9
	* _____ <small>Creditor name</small>	10
	* _____ <small>Creditor identifier</small>	11
	* _____ <small>Street name and number</small>	12
	* _____ <small>Postal code</small>	13
Type of payment <small>Type of payment</small>	* Recurrent payment <input type="checkbox"/> or One-off payment <input type="checkbox"/>	14
	City or town in which you are signing <small>City or town in which you are signing</small>	15
Please sign here	Signature(s) <small>Signature</small>	16
	<p>Note: Your rights regarding the above mandate are explained in a statement that you can obtain from your bank. <small>Note: Your rights regarding the above mandate are explained in a statement that you can obtain from your bank.</small></p>	
<p>Details regarding the underlying relationship between the Creditor and the Debtor - for information purposes only. <small>Details regarding the underlying relationship between the Creditor and the Debtor - for information purposes only.</small></p>		
Debtor identification code <small>Debtor identification code</small>	_____	17
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	18
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	19
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	20
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	21
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	22
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	23
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Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	31
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	32
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Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	42
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Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	99
Person on whose behalf payment is made <small>Person on whose behalf payment is made</small>	_____	100

¹ 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

ANNEX 4 – Legacy mandate - III. ANNEX of Banking Rules and Procedures Series 50

EMISORA	Nombre o Razón Social (7) Dirección (9) Localidad (10)
DETALLE DE LA DOMICILIACIÓN	Concepto (20) Titular (15)
ENTIDAD DE CRÉDITO	Banco / Caja Oficina Dirección Localidad

ORDEN DE DOMICILIACIÓN

Fecha (13)

NIF/SUFIJO (8)

Referencia

CUENTA DE CARGO				
C.C.C	ENT.	OFIC.	DC	CUENTA
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
IBAN (5)				
<input type="text"/>				
Titular				
..... (1)				

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

1-2

EMISORA	Nombre o Razón Social
	Dirección
	Localidad

DETALLE DE LA DOMICILIACIÓN	Concepto
	Titular

ENTIDAD DE CRÉDITO	Banco / Caja
	Oficina
	Dirección
	Localidad

ORDEN DE DOMICILIACIÓN

Fecha

NIF/SUFIJO	<input type="text"/>	<input type="text"/>
-------------------	----------------------	----------------------

Referencia	<input type="text"/>
-------------------	----------------------

Cuenta de Cargo				
C.C.C	ENT.	OFIC.	DC	CUENTA
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
IBAN				
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Muy sres míos :
 Con cargo a mi cuenta y hasta nuevo aviso,
 atiendan la presente orden de domiciliación.
 (Firma del titular de la cuenta)