

**Action plan for migration to SEPA direct debits
and credit transfers in Spain**

December 2012

Introduction

Although various years have passed since the introduction of the new SEPA payment instruments, their use is still limited in the euro area. The use of SEPA direct debits is practically imperceptible, with migration to them standing at around 1% according to the figures published by the European Central Bank. In the case of credit transfers, although total migration of 29.6% is observed in the euro area, SEPA credit transfers are considered to account for an insufficient percentage of the total credit transfers at the present date.

In Spain the figures reveal a similar situation: although the indicator of migration in credit transfers stands at around 40%, an effort is required by payers to complete migration. In the case of direct debits, the figure is still negligible, and this poses a real challenge for the migration of a payment instrument which accounts for 70% of payments and has more than one hundred thousand issuers.

In order to spur the migration of national payment instruments to SEPA instruments and ensure compliance with the payment legislation that sets 1 February 2014 as the deadline for applying the stipulated technical requirements, the Spanish banking community considered it appropriate to prepare a new “action plan” setting out measures to promote the adoption of SEPA payment instruments.

The “action plan” seeks to set a specific timetable and a series of recommended actions to facilitate the efficient migration of Spanish credit transfers and direct debits to SEPA instruments. Rather than offering an exhaustive list of the actions needed at all levels, the plan enumerates the most important actions to be taken by both institutions and users of payment services, whether they be firms, individuals or government agencies, for the management of collections and payments.

These actions, and the main agents whose contribution is considered essential for their proper implementation, are set out in the following sections.

The payment instruments referred to in this action plan are as follows:

<p>Recibos (Cuaderno 19)</p>	<p><i>These relate to instalments or payments, generally periodic, for utilities or services provided.</i></p>
<p>Aportaciones de fondos</p>	<p><i>Direct debits in which the ordering customer and beneficiary coincide and in which, in addition, there are limits on amount and frequency.</i></p>
<p>Anticipos de crédito (Cuaderno 58)</p>	<p><i>These are legitimate financial claims of the ordering customer on his debtors arising from specific transactions in his commercial or business activity.</i></p>
<p>Recibos (Cuaderno 32)</p>	<p><i>Document issued in business dealings, on any written medium including electronic ones which by themselves accredit, literally and autonomously, the economic right of their legitimate holder to receive from the person designated by it and at the place and date — irrespective of the place and date of issuance — specified in the document, a certain amount in money or sign representing</i></p>

	<i>it.</i>
Transferencias	<i>These are mandated in Spain, by either residents or non-residents, as credit transfers, payrolls or pensions.</i>
Órdenes de Traspaso de Efectivo	<i>Money transfers between accounts of the same holder located in different institutions, executed by an instruction given by a customer to the institution which is to receive the money, so that the latter may transmit the instruction to the institution where the account is to be debited. The transfer is made from the institution where the debited account is located to an account of the same holder at the institution requesting the transfer.</i>

1. Advances in direct debits and SEPA credit transfers

After the launch of SEPA credit transfers in January 2008, from the outset almost all Spanish institutions stood ready to process the new European instrument.

Since November 2010, when the provisions established by Regulation 924/2009 came into force, all Spanish institutions providing legacy direct debits to customers are also able to process SEPA core direct debits. Also available to customers, if their financial institution has considered it appropriate, is the optional service consisting of the collection of SEPA B2B direct debits (between non-consumers).

Furthermore, interoperability agreements between clearing houses allow Spanish institutions to send and receive transactions involving SEPA instruments to/from any location in the SEPA geographical area.

Following Regulation 260/2012¹, which establishes certain requirements for credit transfers and direct debits in euro, deadlines have been set for the phasing out of traditional national payment instruments. By those deadlines, credit transfer and direct debit transactions must be compliant with the requirements laid down in the Regulation, i.e. they must be carried out using SEPA instruments. Thus, in the coming months the transition to the new European payment instruments will have to be accelerated.

2. Issuance of SEPA direct debits by corporates and public administrations.

The migration of credit transfers is to be continued, but the success of the transition will depend largely on the extensive use of SEPA direct debits by bank customers, mainly corporates and public administrations, as these are the main issuers of direct debits. That said, we should not overlook the numerous group formed by SMEs, self-employed workers, owners' associations, schools, etc. which use this payment instrument in a significant part of their invoicing.

Since the migration necessarily has to be accepted by the customers of the financial institutions

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:094:0022:0037:ES:PDF>

participating in the system, these agents are urged to take firm steps to adopt the aforementioned SEPA instruments. In this task they will be supported by the Spanish banking community, which reiterates its commitment to cooperate with customers and encourages the use of the new instruments.

In this respect, financial institutions will work closely with the various government bodies to prepare a specific action plan taking into account the importance and specific nature of the collection and payment procedures traditionally employed by these institutions.

3. Advances in standards

The Spanish banking community has been working to resolve all matters relating to the generation of payment orders by customers.

As regards the mechanisms for exchanging information with customers, the databases and the formats of the files to be exchanged by institutions and customers in XML language under the applicable legislation have been adapted by the banking associations to the needs of the Spanish community. For this purpose, the following banking rules and procedures were prepared:

- *Órdenes en formato ISO 20022 para emisión de adeudos directos SEPA en euros Esquema básico* (Mandates in ISO 20022 format for issuance of SEPA direct debits in euro under the core scheme)
- *Órdenes en formato ISO 20022 para emisión de adeudos directos SEPA en euros Esquema B2B* (Mandates in ISO 20022 format for issuance of SEPA direct debits in euro under the B2B scheme)
- *Órdenes en formato ISO 20022 para emisión de transferencias SEPA* (Mandates in ISO 20022 format for issuance of SEPA credit transfers)

Also, to facilitate customers' migration, aside from the technological implications of the new XML communication languages, equivalent implementation guidelines are being made available temporarily in the traditional formats which Spanish customers are more used to.

- *Adeudos Directos SEPA en fichero electrónico – Esquema básico (core): Serie normas y procedimientos bancarios Nº 19-14* (SEPA direct debits in electronic file – Core scheme: Banking rules and procedures No. 19-14)
- *Adeudos Directos SEPA en fichero electrónico – Esquema B2B: Serie normas y procedimientos bancarios Nº 19-44* (SEPA direct debits in electronic file –B2B scheme: Banking rules and procedures No. 19-44)
- *Transferencias SEPA en fichero electrónico: Serie normas y procedimientos bancarios N 34-14* (SEPA credit transfers in electronic file : Banking rules and procedures No. 34-14)

One of the most immediate results of the adoption of SEPA instruments is the replacement of the traditional Spanish bank account identifier (*Código Cuenta Cliente* or CCC) by the international identifier

of account number, known as IBAN.² For this reason, institutions will progressively phase out the CCC in communications to customers. It will be completely superseded by February 2014.

The Spanish banking community considers it of utmost importance for a smooth and successful migration to SEPA that customers make use of the IBAN as soon as possible and, where applicable, of the BIC provided in statements of account and in cheque books. These two identifiers can also be obtained through electronic banking applications and in numerous transaction notification forms.

The SEPA Migration Monitoring Committee makes available to citizens a tool, free of charge, which derives its corresponding IBAN code from each CCC. This tool, which can be accessed at the website www.sepaesp.es, also provides the BIC code, ISO standard of the bank identification code, of the institution corresponding to the Spanish CCC entered. The tool thus allows the general public the access to both codes for their particular case and for that of their counterparties in Spain.

Issuers of direct debits may make use of the *Fichero de comunicación de datos informativos de las entidades de depósito a los clientes ordenantes* (File communicating data from deposit-taking institutions to ordering customers) (Annex 5 of brochure 19) to update customer account numbers as a result of the bank reorganisation currently under way. This file will be adapted to SEPA.

4. Validity of pre-existing direct debit orders

This matter is addressed in Regulation 260/2012, which deems a valid payee authorisation to collect recurring direct debits in a legacy scheme prior to 1 February 2014 to continue to remain valid after that date. These authorisations are thus considered as representing the consent to the payer's payment service provider to execute recurring direct debits, a measure which removes any hindrance to migration.

To address any formal (technical) issue, technical rules³ have been drawn up whose compliance will ensure the acknowledgment of those mandates issued prior to the migration. These requirements ensure the validity and continuity of pre-existing direct debit mandates in the SEPA core direct debit scheme.

Separate mention needs to be made for the (optional) variant consisting of business-to-business (B2B) direct debits. The use of this instrument requires a new mandate to be established and the financial institution to be authorised by the debtor in order to debit the account, as it contains a waiver of the debtor's refund right.

5. Information on the purpose of payment

Traditionally, in Spain, for legacy direct debits the information on the purpose of the collection allows for

² The IBAN must not contain spaces when transmitted electronically, although in the print version it is preceded by the initials "IBAN" and arranged in groups of four characters separated by a space. In Spain, accounts in IBAN format have a total of 24 characters. Depending on the total number of digits, which differs across countries, the last group of numbers is of varying length.

³ Document available at http://www.sepaesp.es/docs/Migracion_de_adeudos_espanoles_en.pdf

a maximum of 640 characters. As indicated in Regulation 260/2012, and in accordance with the European standard on direct debits to which corporates issuing legacy instruments must adapt, the data field to be transcribed for transmission shall admit only up to 140 characters.

6. Direct debits collection cycles

To smooth migration for customers, the majority of Spanish institutions have agreed to participate in the optional shortened collection cycles as these resemble somehow the current practice for the equivalent legacy instruments used in Spain. This option will be available in June 2013.

7. Niche products.

To minimise the impact of migration on customers and of financial institutions having to adapt their business needs, the Spanish banking community has requested that the *anticipos de crédito* (cuaderno 58) and the *recibos* (cuaderno 32) be accepted as eligible for an extension of the migration process until February 2016. On the basis of specific business functions (credit financing, the management of direct debiting by financial institutions and returns in acceptance management), those products would require a longer migration time.

8. Migration key dates

October 2012	Updated versions of the implementation guidelines in the series "Banking rules and procedures" for the initiation of transfers and direct debits (core and B2B*).
February 2013	If each of the following options is authorised, February 2013 will be the deadline for the corresponding notification of <ul style="list-style-type: none"> • the authorisation of "niche" products • the authorisation for payment service providers making available to their customers who are consumers and only for their national transactions, free CCC-to-IBAN conversion services • exemption from the compulsory use of the XML ISO20022 standard by users who send or receive batch payments • deferral of the requirement to allow customers not to communicate the BIC in national transactions,
11 June 2013	The exchange service for <i>aportaciones de fondos</i> will cease to be offered in order to smooth migration (avoiding the convergence of all changes in February 2014).
	Adoption by the Spanish banking community of the Rulebook option consisting of direct debits with shorter collection cycles .

8 October 2013	Direct debit or transfer transactions with an erroneous or incomplete CCC will no longer be admitted in the SNCE (National Electronic Clearing System). Hence, the so-called órdenes de pago will cease to exist.
1 February 2014	<p>Deadline set in Regulation 260/2012 by which time the legacy payment instruments (except, where appropriate, niche products) should have been replaced by SEPA payment instruments.</p> <p>It will not be possible to process payment transactions with these legacy instruments (direct debits and credit transfers, including <i>órdenes de traspaso de efectivo</i>).</p>
	<p>Final removal of the CCC in communications to customers, to be replaced by the IBAN. The IBAN/BIC verification tool is available to customers at www.sepaesp.es.</p>
1 February 2016	<p>As regards the transitional provisions, 1 February 2016 will be the deadline for</p> <ul style="list-style-type: none"> • the provision of niche products; it will not be possible to process these payment instruments from that date on • payment service providers making available free CCC-to-IBAN conversion services for national payment transactions to the customers that are consumers • not requiring the use of the XML ISO20022 standard by users who send or receive batch payments • requiring customers to communicate the BIC in national transactions

* Insofar as the SEPA B2B direct debit is a new European instrument with no equivalent in the current Spanish range of payment instruments, this action plan does not envisage specific migration measures for this instrument. Conversely, the proper implementation and development of this option will depend on the knowledge and degree of acceptance of the instrument by customers, an aspect to which credit institutions will give due emphasis.

9. Frequently asked questions (FAQs)

In addition to the information of European institutional scope which is available on the EPC's⁴ website, a document with frequently asked questions regarding SEPA migration in Spain will be made available to the public on the website www.sepaesp.es.

10. Communication plan

To help achieve the aims of the action plan, the SEPA Migration Monitoring Committee considers it necessary to implement a communication plan to ensure, as far as possible, the widest dissemination of news regarding the SEPA initiative and its implications, including regulatory changes on payments.

Given the differences between the various sectors, the plan will have special features according to the sector at which the messages are targeted (individuals, SMEs, corporates or large issuers and public administrations).

To achieve effective and homogeneous communication, the Committee considers essential that all the stakeholders, on both the supply and demand side, are involved in the preparation and dissemination of the relevant information, as well as in the selection of the communication tools to be used.

As a basic element of the communication plan, product descriptions have been prepared for SEPA credit transfers, core direct debits and B2B direct debits, the basic contents of which are annexed hereto (in Spanish).

⁴ <http://www.europeanpaymentscouncil.eu>