European Payments Council

SHORTCUT TO
THE S€PA CREDIT TRANSFER SCHEME

☞ Since January 2008, more than 4500 banks in 32 countries representing roughly 95 percent of payment volume in Europe took a historical first step to starting SEPA by launching the **SEPA Credit Transfer scheme (SCT)** for euro payments.

BENEFITS

☞ The scheme offers benefits to originators and beneficiaries in terms of functionality, cost efficiency, ease of use and straight-through-processing.

▣ Payments are made for the full original amount – there are no deductions, a customer involved in a credit transfer payment can be charged only by his own bank

▣ 140 characters of remittance information are delivered to the beneficiary without alteration or omission

▣ These 140 characters can be unstructured (free text) or structured, as agreed between business partners

▣ The accounts of all your business partners in SEPA can be reached as safely, quickly and easily as in your own country today

▣ Certainty is provided about the date when the money will be available in the account of your business partner and in your own account

▣ A single standard for identifying and validating an account with a bank in Europe based on IBAN (International Bank Account Number) allows you to store trusted information in a standardised way

▣ Rejects and returns can be automated, because they are handled in a uniform and predictable manner

▣ Single payments and bulk payments (e.g. one debit to the originator's account with multiple credits to different beneficiaries) are supported

▣ Separate data elements for an originator and / or a beneficiary reference party enable the initiation and receipt of "on behalf of" payments, subject to local regulation

▣ Identification of payment reasons thanks to the availability of specific data fields ("category purpose" and "purpose") to indicate payment types such as salaries or taxes, for example, allowing the originator bank or beneficiary bank to apply special processing rules

▣ There will be a process to recall funds transferred by mistake

FEATURES

☞ The SEPA Credit Transfer scheme involves the following features:

☞ The scheme enables payments services providers to offer a core and basic credit transfer service throughout SEPA whether for single or bulk payments. The scheme's standards facilitate payment initiation, processing and reconciliation based on straight-through-processing. The scope is limited to payments in euro within the 32 SEPA countries; the credit institution executing the credit transfer must be a scheme participant. There is no cap to the amount of the payment carried out under the scheme.

☞ The SEPA Credit Transfer Scheme Rulebook and the accompanying Implementation Guidelines approved by the EPC are the definitive sources of information regarding the rules and obligations of the scheme.

SEPA DATA FORMAT

➡ With the launch of the SEPA Credit Transfer, EU banks are the first in the world to deploy the global ISO 20022 message standards for mass euro payment transactions.

➡ The ISO 20022 message standards are binding between banks. It is recommended that business customers use the SEPA data formats to initiate payments. However, banks may continue to accept other formats from customers for the initiation of SEPA payments.

IBAN AND BIC

➡ IBAN (International Bank Account Number) and BIC (Bank Identifier Code) are the only permissible account and bank identifiers for SEPA transactions. Whereas until now they have been used only for cross-border payments in most countries, with SEPA this applies to domestic payments as well. The customer must provide IBAN identifying the beneficiary's account and should provide the related BIC to his bank unless otherwise agreed with its bank.

EXECUTION TIME

➡ The scheme currently provides for a maximum execution time of three banking business days following the date of acceptance of the credit transfer instruction. Adaptations reflecting the terms of the EU Payment Services Directive (PSD) have been prepared. Payments services providers may respond competitively to commercial customer needs by offering shorter execution times.

NO DEDUCTION

➡ Payments are made in full with no deduction from the principal amount allowed at any stage in the process. The Share (SHA) principle applies, meaning that the originator and beneficiary are charged separately and individually by the originator bank and beneficiary bank, respectively. The basis and level of charges to customers are entirely a matter for individual credit institutions.

REMITTANCE INFORMATION

➡ The length of the remittance information, which currently varies considerably, is now standardised. It has been fixed at a standard length of 140 characters and banks are obliged to pass on the full remittance information. The scheme permits the end-to-end carrying of remittance data on a structured or unstructured basis.

ORIGINATOR IDENTIFICATION

➡ An optional originator identification code was added in the SEPA data format. It allows the beneficiary of a payment to reconcile it with the information given in the invoice or the supporting document. In case of returns, the originator could automatically reconcile them. In such cases, the bank returns the information to the customer with the return booking.

RESPONSE TO CUSTOMER NEEDS

➡ **End-to-End Communication**

▣ Harmonised specifications for the customer-to-bank communication are available now for optional but strongly recommended implementation for SEPA Credit Transfer.

▣ Since the ISO standards necessary to allow the development of uniform reporting messages for SEPA transactions are now available, the EPC plans to give guidance on how to map SCT (and SDD) Rulebook requirements to the ISO 20022 reporting messages (bank-to-customer communication). The "Guidance on Customer Reporting of SEPA Credit Transfers and SEPA Direct Debits" will be published on the EPC web site once approved by the EPC.

STAKEHOLDERS GET INVOLVED

➡ The SEPA schemes and frameworks have been defined in close dialogue with all stakeholders including representatives of the user community. Stakeholders are actively involved in the further development of the schemes through participation in the EPC Customer Stakeholders Forum. Stakeholders are encouraged to provide feedback during public consultations carried by the EPC (for pending consultations visit www.europeanpaymentscouncil.eu).

For the latest version of the SEPA Credit Transfer Scheme Rulebook and accompanying Implementation Guidelines visit www.europeanpaymentscouncil.eu