

# SEPA

## Single Euro Payment Area



Better. Because we can.



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# CONTEXT

## European context

The establishment of the Single Euro Payment Area represents the outcome of an initiative taken by the European Union to create an integrated, transparent and competitive payment market. The goal of the Single Euro Payment Area is to eliminate the differences between national and cross-border payments denominated in Euro, so as to provide the natural and legal persons with safe, reliable and user-friendly Euro payment services.

The first step in developing a competitive Community market consisted of the adoption of the single currency, the "Euro", in 1999. From this moment on, all efforts of the European Community were focussed on the development, step by step, of the open path to a single market. The next step consisted of integrating the multitude of payment schemes such as used at national level by each Member State, into a single scheme, regulated by a single set of rules.

## SEPA

This is the geographical area where payments in Euro will be possible, between any accounts opened with banks operating on the territory of this geographical area, with the same easiness and security level as it is now applicable within national borders.



# SEPA countries



1. AUSTRIA	11. FRANCE	20. LITHUANIA	31. SAN MARINO
2. BELGIUM	12. GERMANY	21. LUXEMBOURG	32. SLOVAKIA
3. BULGARIA	13. GREECE	22. MALTA	33. SLOVENIA
4. CROATIA	14. HUNGARY	23. MONACO	34. SPAIN
5. CYPRUS	15. ISLAND	24. THE NETHERLANDS	35. CANARY ISLANDS
6. CZECH REPUBLIC	16. IRELAND	25. NORWAY	36. SWEDEN
7. DENMARK	17. ITALY	26. POLAND	37. SWITZERLAND
8. ESTONIA	18. LATVIA	27. PORTUGAL (28. AZORE, 29. MADEIRA)	38. GREAT BRITAIN
9. FINLAND (10. ÅLAND ISLAND)	19. LIECHTENSTEIN	30. ROMANIA	(39. GIBRALTAR, 40. GUERNSEY, 41. JERSEY, 42. ISLE OF MAN)

# LEGAL FRAMEWORK

## Directive 2007/64/EC on Payment Services in the Internal Market, transposed into Government Emergency Ordinance (GEO) No. 113/2009

**The Directive on Payment Services provides**, inter alia, for:

**Charges deduction principle:** For payment transactions falling under the provisions of the Directive, the amount shall be credited in full to the account of the payee, while the possibility to deduct the charges from the transferred amount is no longer applicable. The charges for such transaction will be shared between the payer and the payee (SHA/sharing charging method).

**Expression of consent**, as the moment starting from which a payment transaction is deemed to be authorised by the payer.

**Maximum deadline for crediting the account of the payee's bank**, as the latest by the end of the next business day after receipt of the payment order.

**Rules for a refund** of a direct debit instruction and conditions that the payer shall comply with so as to be entitled to request that a direct debit amount be refunded.

## Regulation (EU) No. 260/2012 of the European Parliament and of the Council

**Regulation No. 260/2012 provides**, inter alia, for:

**Maximum deadlines for implementation of SEPA standards.** For Member States in the euro area, the deadline was 1 February 2014, while for Member States not part of the euro area, this deadline is 31 October 2016.

**Use of ISO 20022 XML standard** for payment messages formats. The payer's credit institution shall guarantee the use of XML-type message formats whenever a payer which is not a consumer or a microenterprise initiates or receives individual credit transfers or individual direct debits which are bundled together for transmission.

**Elimination as mandatory information of BIC.** The payer's credit institution no longer requires the payer to indicate the BIC of the payee's credit institution.

**Exclusive use of IBAN codes** to identify the accounts of parties involved in a payment transaction.



# SEPA in ROMANIA

As Member State of the European Union, Romania is part of the geographical area characterised by no differences between national and cross-border payments denominated in Euro. As a country where the Euro currency has not been yet adopted, the deadline for taking over the SEPA standards is **31 October 2016**.

Pursuant to the principle of uniformity and standardisation established by the European Union, the banking sector, together with the National Bank of Romania and the Automated Clearing House TransFond, have laid the foundation required for the implementation of SEPA standards, also for payments denominated in the national currency RON.

## SEPA Credit Transfer SCT (EURO and RON)

SEPA Credit Transfer scheme (SCT) is an inter-bank payment system whereby a common set of rules and processes is defined and applied to **credit transfer** operations (payment instructions).

## SEPA Direct Debit SDD (EURO and RON)

SEPA Direct Debit (SDD) is an inter-bank payment system whereby a common set of rules and processes is defined and applied to **direct debit** operations (payment instructions transmitted through the payee).





# SEPA Credit Transfer - SCT (EURO and RON)

SEPA presents the following main features:

## XML format


For cases when a payer transmits a payment operation denominated in Euro to a payee in the SEPA area, the payer's credit institution of the payer shall make sure that the payer uses the **XML message format**. Consequently, the swift MT message formats are replaced by the new XML message formats.

 **Impact:** *adjustment* of internal systems to enable the generation of XML-format payment files;

 **Advantages:** *flexibility* provided by XML-format messages (eXtensible Markup Language) which, unlike the actual format, present a tree-like structure allowing the payer to enter a larger amount of information.

## "IBAN only" rule


The unique identifier of the payer's account is the **IBAN**. With the implementation of SEPA standards, the payer is no longer under the obligation to specify the BIC of the payee's credit institution, as the BIC is extracted from the IBAN.


 **Impact:** *elimination* of the obligation to know the BIC of the payee's bank;

 **Advantages:** *simplification* of the payment creation process.

## End to End Reference Number

The reconciliation of SEPA payments is made significantly easier by the introduction of a new field – "**End to End Reference No.**". The information entered by the payer in this field is transmitted throughout the processing of the operation, up to the payee.

 **Impact:** *management* of a new type of information under the in-house systems;

 **Advantages:** *improvement* of the reconciliation process, due to the use of a reference accompanying the payment throughout its processing.



# SEPA Direct Debit – SDD (RON)

SEPA Direct Debit schemes were implemented under RON Business to Business and CORE in April 2016.

## SDD features

- Implementation of RUM (Unique Register of Mandates);
- Standardisation of direct debit mandate forms at inter-bank level (initiation, modification and cancelation of the mandate);
- Each mandate is identified by a reference (Unique Mandate Reference – UMR);
- Each payee (Creditor) will be identified, within the European area, by a unique code (CID);
- The payer will be able to sign direct debit mandates both at his/her bank (Debtor Mandate Flow – DMF) and at the payee's premises (Creditor Mandate Flow – CMF);
- SEPA Direct Debit schemes make the difference between SDD CORE and SDD Business to Business;
- Implementation of R-type messages (Rejections, Refusals, Returns, Refunds, Revocations, Requests for cancellation, Reversals).

## SDD Advantages

- Standard-format mandate: uniformity of information for mandates subject to inter-banking relations;
- Centralised management of all inter-bank mandates and permanent notification of all participants on the modifications brought to status of a mandate;
- Guarantees automated and secure transmission of mandate-related information to all participants, while the payer is not obliged to go to the Creditor and to his/her bank as well;
- Mandates signed at the payee's premises become active once they are validated by the Debtor's bank.

# SEPA in BCR

BCR, a member of the Erste Group, is the most important financial group in Romania, providing a full range of financial products and services through its network of 22 business centres, 23 mobile units dedicated to companies and 508 units dedicated to retail operations.

## SCT (RON and EURO)

BCR will make available high-quality services so that, irrespective of the method you use to initiate a payment transaction, you will benefit from all advantages deriving from the implementation of SEPA standards.

## SDD (RON)

BCR is a bank participating in both direct debit schemes (CORE and Business to Business), being the first credit institution that recorded a beneficiary in RUM (Unique Register of Mandates) and transmitted the first direct debit instruction under the new system.



# SCT in BCR

As the No. 1 bank on the financial transactions market in Romania, the purpose pursued by BCR is to provide you with assistance throughout the transitional period for SEPA implementation. We will analyse together each and every modification, while never losing sight of the SEPA advantages.

## Paper-based documents

As of 31 October 2016, the forms used for **paper**-initiated payment orders (denominated in RON and in currency) will be improved, so as to enable the use of the End to End Reference No. field.

The **PrintOp** application (an application for companies that wish to print payment orders in a format pre-defined by the bank) will also be updated so as to be compatible with the SEPA requirements

## Electronic Banking

**The electronic banking service** is a secured channel for execution of national and cross-border payments, in RON and currency. Starting with 31 October 2016, irrespective of the solution you use – either Internet Banking online **e-BCR** or **Home Banking Multicash** – you will be able to benefit from the advantages of using XML-format messages.



# SCT in BCR – The next steps

## Paper-based documents

The transition to the new forms for initiation of paper-based payment orders will be carried-out gradually, as the current (non-SEPA) forms may only be used for a certain determined period of time after 31 October 2016.

Consequently, to facilitate the transitional process, BCR recommends that you use up the stock of current forms until the date mentioned above because, starting with 01 November 2016, you will use the new forms that will be made available by the BCR units.

Subsequent to the implementation of SEPA standards we will be available to assist you by providing additional information and we would highly appreciate your feedback.

## Electronic Banking

The generation of XML-format files and the use of those files under the Electronic Banking applications will be the result of the joint efforts made by **BCR** together with the **users** of e-BCR and MultiCash **applications**.

- ❶ The first step consists in the transmission, by BCR, of the pain.001.001.03 message structure, as agreed upon at national level, for initiation of payment instructions (this structure will also be published on the website of the Romanian Banking Association);
- ❷ The next step is the analysis of the file structure and its implementation under your accounting system. Throughout this step, BCR will provide you with all the support you might need, by means of implementation guides, test files, etc.;
- ❸ The final step, which we will take together before the date established for SEPA implementation, consists in the upgrade of the Electronic Banking applications so as to ensure its compatibility with SEPA.



# SDD in BCR

## BCR, Paying Bank

One of the major advantages following from the implementation of SEPA RON Direct Debit Schemes consists in the simplification of the signature flow for direct debit mandates. As such, once filled-in, signed and transmitted to the Bank, the direct debit mandate is dematerialised by BCR and recorded in RUM (Unique Register of Mandates).

## BCR, Beneficiary Bank

As Beneficiary Bank and in compliance with the Direct Debit Agreement, BCR will provide you with reports containing intra-bank and inter-bank direct debit mandates, according to the information received from RUM (Unique Register of Mandates). As for the transmission of direct debit files, BCR will provide you with the Electronic Banking secured applications.

## Useful links

### European Payment Council

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

### Romanian Banking Association

<http://www.arb.ro/>

### ISO 20022

<http://www.iso20022.org/>

### National Bank of Romania

<http://www.bnr.ro/>

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