

Clarification Paper

SEPA Credit Transfer and SEPA Direct Debit

Abstract	This document addresses operational issues arising from implementation of the SEPA Credit Transfer Scheme Rulebook, SEPA Core Direct Debit Scheme Rulebook and SEPA Business-to-Business Direct Debit Scheme Rulebook
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0. Document Information

0.1 Change History

Issue number	Dated	Reason for revision
V0.9	29/11/2012	Reviewed and finalised by SPS WG
V0.91	14/12/2012	Comments addressed by EPC Plenary
V1.0	15/01/2013	Final review completed by SPS WG
V1.1	23/01/2013	Correction done in section 3.5 point 5)
V2.0	19/06/2013	Reviewed by SPS WG and approved by EPC Plenary <ul style="list-style-type: none"> - Title correction in section 3.3 - Section 3.5 added - Removal of the text between brackets under 3.6 point 4) second paragraph - Page 8 - Overview of the different scenarios concerning sequence questions: 'request for cancellation' added alongside 'Reject' for First as sequence type of the original SDD. Footnote 1 included.

1. Introduction

This document has been created in order to avoid a fragmented approach in the manner in which the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Rulebooks are implemented and processed.

In this document the SPS WG provides guidance and, where feasible, recommendations to Scheme Participants on how to handle situations that are not as such described in the Rulebooks. This document will be updated from time to time by the SPS WG, once new questions and issues arise and need clarification.

2. General Questions & Answers on SCT & SDD

2.1 How should a Debtor Bank or CSM act if it receives an SCT or an SDD transaction which includes characters not supported by the Latin character set?

Banks and their customers must be able to support the Latin character set commonly used in international communication, which are as follows:

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
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
0 1 2 3 4 5 6 7 8 9
/ - ? : () . , ' +
Space

Banks and their customers throughout SEPA cannot be required to support the full character set used in all SEPA countries.

However, there may be bilateral or multilateral agreements to support one or more sets of characters beyond the Latin character set referred to above.

More information on this subject can be found in document EPC217-08 'SEPA Requirements for an Extended Character Set (UNICODE Subset) - Best Practices' which contains a set of best practices to be used in dealing with local language and special characters used in some SEPA countries.

3. Questions & Answers SEPA Direct Debit (SDD)

3.1 Does the sequence of a Collection need to be verified by the Debtor Bank against Collections previously received on the same Mandate and should collections with an incorrect sequence be rejected?

The Debtor Bank decides whether it makes a check on the sequence and whether a collection should be rejected accordingly. Not respecting the sequence may expose the Creditor to reject from the Debtor Bank side.

3.2 How should a Debtor Bank act if it receives an SDD transaction that contains amendments which are the same as the original details? Process or reject?

Recommendation: Reject.

Sending an SDD transaction with mandate amendments which are the same as the original ones is not consistent with the provisions of the Rulebook. When the amendments are the same as the original details, it may be an error in the transaction and processing on the basis of erroneous details may be seen as an unauthorised direct debit.

Debtor Banks may contact the Debtor before rejecting in such exceptional cases.

In such cases, the reject reason code to be applied is MD02 “Mandate data missing or incorrect”.

3.3 How should a Debtor Bank act if it receives a recurrent SDD transaction without having received a first one under this Unique Mandate Reference (UMR)? Process or reject?

Recommendation: Reject.

Sending a recurrent SDD transaction before the first one is not in line with the provisions of the Rulebook and is an error. Recurrent transactions can only be accepted when their settlement date is later or the same as the settlement date of the relevant first transaction (see answer to question 3.4) First transactions generate at the Debtor Bank side certain procedures, e.g. create a new record in the database for a new mandate, AOSs offered to the Debtor etc.

Debtor Banks always have the option to ask the Debtor before rejecting in such exceptional cases or agree with the Debtor a common procedure in advance.

3.4 For the same given mandate, can the second collection be cleared before the settlement of the first SDD? If yes, can such SDD RCUR be settled:

- before the settlement of the first SDD?
- at the earliest on the same day as the first SDD?
- only after the first SDD was settled?

Main condition for accepting the recurrent collection is that the first collection must always be received before the recurrent one and that the due date of the recurrent collection is not before the due date of the first collection.

The 5-day rule for the first transaction is very important for Debtor Banks for creating their database and as a result acting on a new mandate. Settling the second SDD collection before the first one would make such handling difficult for the Debtor Bank.

3.5 What original Creditor ID (CID) and/or Unique Mandate Reference (UMR) needs to be mentioned in the amendment indicators in case of subsequent changes of the CID and/or UMR?

In case a Creditor changes his CID and/or the UMR, The Creditor Bank has to set the amendment indicator to "true" in the pacs.003 bank-to-bank collection message and the original CID and/or UMR needs to be indicated in the tags for amendment details.

In case the Creditor would change his CID and/or UMR for a subsequent time, the question could be raised which CID and/or UMR should be indicated as original CID and/or UMR: the first one ever used, or the previous one (i.e. most recently used).

The SDD Rulebooks do not describe a distinct handling for a first-time CID and/or UMR amendment versus a subsequent CID and/or UMR amendment. In case a CID and/or UMR amendment would occur for a second time, the last valid (i.e. most recently applied) CID and/or UMR should be indicated as original CID and/or UMR covered by this second amendment.

3.6 Re-presentation of First and recurrent transactions – Correct sequence to be followed:

What impact does it have on a direct debit collection and possibly on the following ones:

- 1) If there is a reject by the Creditor Bank? Does the reject reason have any influence on the possible re-sending of the Collection and on the collections thereafter?**

Response:

The reject reason given by the Creditor Bank is an indication to the Creditor that the previously sent Collection cannot be processed as such and has to be corrected before being possibly re-sent and before further collections of the same series are sent. Depending on the reject reason given by the Creditor Bank, the Creditor may be able or not to re-send the Collection.

In any case, as defined in PT-04.04, when a rejected Collection is a first of a recurrent series of direct debits, the Collection, when re-presented after correction, must be presented as a first of a recurrent series of direct debits respecting the longer time-line for these Collections.

When a recurrent Collection is rejected, the Collection presented thereafter must be re-presented as a recurrent Collection. This is valid also for Collections containing amendments.

- 2) If there is a reject by the CSM? Does the reject reason have any influence on the possible re-sending of the Collection?**

Response:

The reject reason given by the CSM shows the Creditor Bank that the collection cannot be routed as such and that either the Creditor Bank or its customer has to review it before possibly re-sending it and before sending further collections of the same series. Depending on the reject reason given by the CSM, the Creditor Bank could re-send or decide not to re-send the Collection.

In any case, as defined in PT-04.06, when a rejected Collection is a first of a recurrent series of direct debits, the Collection, when re-presented after correction, must be presented as a first of a recurrent series of direct debits respecting the longer time-line for these Collections.

When a recurrent Collection is rejected, the Collection thereafter must be re-presented as a recurrent Collection. This is valid also for Collections containing amendments.

3) If there is a reject by the Debtor Bank? Does the reject reason have any influence on the possible re-sending of the Collection and on the ones thereafter?

Response:

The reject reason given by the Debtor Bank is an important information for the Creditor which may inhibit the re-sending of the collection and may even result in no further sending of collections (e.g. if the Debtor is deceased or the Account has been closed).

In any case, as defined in PT-04.08, when a rejected Collection is a first of a recurrent series of direct debits, the Collection, when re-presented after correction, must be presented as a first of a recurrent series of direct debits respecting the longer time-line for these Collections.

When a recurrent Collection is rejected, the Collection thereafter must be re-presented as a recurrent Collection. This is valid also for Collections containing amendments.

4) If there is a refusal by the Debtor? Does the refusal reason have any influence on the possible re-sending of the Collection and on the collections thereafter?

Response:

The refusal by the Debtor expresses his will not to pay the Collection. The Creditor has then to decide whether or not to re-send the collection, in relation with the reason code and/or information received from the Debtor. In any case, it is recommended that the Creditor contacts the Debtor before re-sending the collection and/or sending the next collection in order to resolve the issue. Otherwise, this may result in the new transaction also being refused.

The refusal of the Debtor is routed by the Debtor Bank in form of a Reject message and follows the same re-presentation rules as a reject.

5) If there is a return by the Debtor Bank? Does the return reason have any influence on the possible re-sending of the Collection and on the following ones?

Response:

The return reason given by the Debtor Bank provides the Creditor with important information which may inhibit the re-sending of the collection or even may result in no further collections being sent (e.g. if the Debtor is deceased or the Account has been closed)

When a returned Collection is a first of a recurrent series of direct debits, the Collection, when re-presented after correction, must be presented as a recurrent Collection.

When a recurrent Collection is returned, the following Collection must be re-presented as a recurrent Collection. This is valid also for Collections containing amendments.

6) If there is a refund within 8 weeks? Does the refund reason have any influence on the possible re-sending of the Collection and on the collections thereafter?

Response:

The refund expresses the will of the Debtor not to pay the Collection. The Creditor has then to decide to send it again or not, in relation with the reason code and/or information received from the Debtor. In any case, it is recommended that the creditor contacts the debtor before re-sending the collection or sending the next transaction. Otherwise the new transaction may also be refused.

After a Refund, the following collection should always be re-presented as a recurrent direct debit.

7) If there is a refund of a non-authorised Collection? Does the refund reason have any influence on the possible re-sending of the Collection and on the collections thereafter?

Response:

A refund with reason “unauthorised transaction” can only occur after a request for refund of an unauthorised transaction has been issued by the Debtor and if the Creditor has not been in a position to provide indubitable evidence of the mandate or has not answered the request at all. In any case, it is more than strongly recommended that the Creditor contacts the Debtor to clarify the issue before issuing any further collections. It is then the responsibility of the Creditor to decide on sending a new collection in line with the agreement found with the Debtor.

3.7 Re-presentation of One-off Collections

When a one-off collection is re-presented in any of the situations below, it must be re-presented as a one-off direct debit respecting the longer time-line for these type of Collections.

Is a one-off direct debit (OOFF) allowed to be sent again:

1) If it has been rejected by the creditor bank? Does the reject reason have any influence?

Response:

The reject reason given by the Creditor Bank serves as a warning to the Creditor that the Collection that was previously sent cannot be processed as such and has to be fixed before being possibly re-sent after correction. Depending on the reject reason given by the Creditor Bank, the Creditor may or may not be able to re-send the Collection.

2) If it has been rejected by the CSM? Does the reject reason have any influence?

Response:

The reject reason given by the CSM shows the Creditor Bank that the collection cannot be routed as such and that either the Creditor Bank or its customer has to review it before possibly re-sending it. Depending on the reject reason given by the CSM, the Creditor Bank could re-send or not the Collection.

3) If it has been rejected by the debtor bank? Does the reject reason have any influence?

Response:

The reject reason given by the Debtor Bank provides important information for the Creditor which may inhibit the re-sending of the collection (e.g. if the Debtor is deceased or the Account has been closed)

4) If it has been refused by the debtor? Does the refusal reason have any influence?

Response:

The refusal by the Debtor expresses his will not to pay the Collection. The Creditor has then to decide to send it again or not, in relation with the reason code and/or information received from the Debtor. In any case, it is recommended that the Creditor contacts the Debtor before re-sending the collection to clear the issue. Otherwise the refusal may still be active on this transaction.

5) If it has been returned by the debtor bank (pacs.004 with initiator=debtor bank)? Does the return reason have any influence?

Response:

The return reason given by the Debtor Bank provides the Creditor with important information which may inhibit the re-sending of the collection (e.g. if the Debtor is deceased or the Account has been closed).

6) If there is a refund within 8 weeks (pacs.004 with initiator=debtor)? Does the refund reason have any impact?

Response:

The refund expresses the will of the Debtor not to pay the Collection. Depending on the refund reason given by the Debtor, the Creditor may decide or not to re-send the transaction. It is recommended that the creditor contacts the debtor before re-sending the collection. Otherwise it may also be refused.

7) If there is a refund of a non-authorised Collection? Does the refund reason also impact the following Collections?

Response:

A refund with reason “unauthorised transaction” can only occur after a request for refund of an unauthorised transaction has been issued by the Debtor and if the Creditor has not been in a position to provide indubitable evidence of the mandate or has not answered the request at all.

Overview of the different scenarios concerning sequence questions:

Sequence type of the original SDD sent by the Creditor	Type of R-transaction <u>Before Due Date:</u> - Reject/Refusal Pain.002/Pacs.002 <u>After Due Date:</u> - Return/Refund Pacs.004	Sequence type of the Re-presented collection (with same mandate based on R-transaction)
First	Reject/Request for cancellation ¹	First
First	Return	Recurrent
First	Refund	Recurrent
Recurrent	Reject/Return/Refund/Request for cancellation ¹	Recurrent
Last	Reject/Request for cancellation ¹	Last
Last	Return/Refund	Mandate expired
One-off	Reject/Request for cancellation ¹	One-off
One-off	Return/Refund	Mandate expired

¹ The use of the “Request for cancellation” is subject to a bilateral agreement between the Creditor Bank and CSM (see chapter 4.4 of the SDD Rulebooks)

- Mandate Amendments in the collection do not have any additional impact on the sequence type of the next presented collection if an R-transaction has been received.
- If a collection with mandate amendments is rejected, the mandate amendments should be repeated in the re-presentation of the collection.
- Reason codes do not have any additional impact on the sequence type of the next presented collection if an R-transaction has been received.
- The initiating party of the R-transaction does not have any additional impact on the sequence type of the next presented collection if an R-transaction has been received.

3.8 What are the requirements for the pre-notification to be sent by the Creditor?

Response:

Prior to sending the Collection to the Creditor Bank, the Creditor notifies the forthcoming debit to the Debtor.

The pre-notification may take the following form:

- The schedule of payments for a number of repetitive direct debits for an agreed period of time
- The invoice which is to be paid by direct debit
- An individual advice of a Collection for a specified Due Date
- Or any other document informing the debtor of the amount and due date of the debit

Alternatively, the pre-notification can use any electronic communication means as agreed between the creditor and debtor.

By default, the Creditor must send the pre-notification to the Debtor at the latest 14 calendar days before the due date. The Creditor and the Debtor are however free to agree on another timeline, depending mainly on the type of commercial transaction and on the form of the pre-notification. However, it is recommended that if a shorter timeline is agreed, it is done in such a manner that will allow the Debtor sufficient time to provide the required funds in his account. If such pre-notification is not carried out in a proper manner, this may result in a return or a refund.

3.9 How should a Debtor Bank act if it receives a first SDD transaction which contains mandate amendments? Process or reject?

Recommendation: Process.

There may be a business reason behind the fact that in the time lapsed between the date of signing the mandate and the first transaction date, some data elements of the mandate have changed.

Due to migration issues, some countries will also need to make amendments to the legacy mandates to be sent with the first SDD collection.

4. Questions & Answers SEPA Credit Transfers (SCT)

4.1 In the event of an SCT recall, where the SCT was subject to a currency conversion at the Beneficiary Bank, who should be liable for any potential currency loss?

A recall is always initiated by the Originator Bank, possibly on behalf of its customer. Neither the Beneficiary nor the Beneficiary Bank has any influence on it. As a consequence, they should not bear any loss related to it.

The positive response of the Beneficiary Bank to a recall request is a return message with a specific return reason “following cancellation request” (FOCR). The scheme allows for the Beneficiary Bank to charge a fee for such a positive response. This fee is clearly identified in the return message, which also contains the amount of the original SCT and the amount of the return transaction. Currency conversion losses may be included in the recall fee that may be charged by the Beneficiary Bank.

In exceptional cases, currency conversion loss can be settled outside the Recall procedure by rejecting the Recall request and settling the issue in a bi-lateral way.

4.2 Auto-conversion practices: can an SCT be converted into a non-euro currency before reaching the Beneficiary Bank?

Reference is made to Section 2.4 of the SCT Rulebook which states that “all transactions are in euro in all process stages”. In other words the amount of the transaction must remain unchanged and expressed in euro until it reaches the Beneficiary Bank. This also means that currency conversion of an SCT to be credited to a non-euro account can only be carried out by the Beneficiary Bank, and currency conversion of an SCT to be debited from a non-euro account can only be carried out by the Originator Bank.