SEPA Direct Debit
Readiness Checklist

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Introduction

Understanding SEPA

SEPA, the Single Euro Payments Area, is a European-driven regulation which aims to create one single, integrated and standardised payments market making it easier to do business across Europe.

In February 2012, the European legislator adopted regulation (EU) No. 260/2012 which established 1st February 2014 as the mandatory deadline for migration to SEPA for electronic payments in countries where euro is the domestic currency (i.e. Bank of Ireland and its customers in the Republic of Ireland). For countries where euro is not the domestic currency, the deadline is 31st October 2016 (i.e. Bank of Ireland and its customers in Northern Ireland & Great Britain).

Domestic direct debits that you currently submit to Bank of Ireland under the existing IRECC scheme will be replaced with the SEPA Direct Debit scheme by 1st February 2014.

The SEPA Direct Debit (SDD) scheme allows both domestic and cross-border collections to be made in euro throughout the 32 SEPA countries. Consumers are able to pay for goods or services throughout Europe via direct debit as easily, securely and efficiently as they do at home. Some of the key features of the SEPA Direct Debit scheme include:

▶ Terms and conditions for the consumer are standardised across all 32 SEPA countries

▶ The SEPA Direct Debit scheme covers both recurring and one-off direct debit collections

▶ Maximum settlement times are defined for recurring and one-off direct debit collections

▶ BIC and IBAN are the only permissible account and bank identifiers

▶ There is an extensive set of rules for handling rejected, returned, refused and refunded SEPA Direct Debit collections

This guide will provide your business with an understanding of the steps required to be ready for the SEPA deadline of 1st February 2014.

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Step 1

Mobilise Your SEPA Project

Whether your company deals purely within Ireland or throughout Europe you will need to migrate to SEPA if you initiate direct debit collections. It is important for you to mobilise your internal business and IT SEPA project team to support your transition to SEPA by 1st February 2014.

Therefore, it is prudent to understand what SEPA means for your company and what steps you need to take:

- ► Identify somebody within your company who is responsible for SEPA
- ► Highlight the importance of SEPA at senior management level and consider the strategic options and implications for your business
- ► Review this document to understand what the impacts of SEPA are on your business, as well what you need to do next as a direct debit originator

Have you mobilised your SEPA project team? ☐

Step 2

SEPA XML – New File Format

Direct debit originators (collectors) will need to submit the new SEPA file format (SEPA XML) to our dedicated SEPA online channel (Business On Line Payments Plus). Bank of Ireland is implementing the industry PAIN formats (e.g. PAIN.008.001.02) as outlined on the IPSO website: http://www.ipso.ie/section/SepaCustomerFileFormats

You will need to consider internal system upgrades or engage with your accounts software provider to understand their current readiness and what level of development is required to ensure SEPA compliance by 1st February 2014.

Accounts Software Provider Process:

Engage with accounts software provider → Determine SEPA readiness → Receive updated software → Produce & submit XML file to Bank of Ireland

Where your accounts software provider is unable to provide you with SEPA compliant files, Bank of Ireland can refer you to our preferred conversion service provider, Sentenial, to assist you converting your files to the new SEPA standards. For further information on Sentenial, visit: http://www.sentenial.com/en

Sentenial Conversion Service Process:

Engage with conversion service provider → Send file to conversion service provider → Provider converts & returns SEPA XML file → Submit SEPA XML File to Bank of Ireland

Have you decided how your business will generate the SEPA XML file format?

- Internal system upgrade? ☐
- Accounts software provider? ☐
- 3rd party conversion service provider? ☐

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Step 3

Direct Debit Mandate & SEPA Creditor ID

Your business will have to update its current direct debit mandate used to sign-up new customers before you migrate to the SEPA Direct Debit scheme. Note: existing direct debit (& DD+) customers do not need to sign a new mandate as the existing mandate will continue to be valid after 1st February 2014.

A sample of a SEPA Direct Debit mandate can be found on the European Payments Council website below (See section 4.7.2 of the PDF download):

http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=553

Your business is required to send its new SEPA Direct Debit mandate form to Bank of Ireland for approval. Upon receipt and approval of your updated mandate, Bank of Ireland will issue you with your new SEPA Creditor ID which replaces your current OIN.

Note: Under the new SEPA legislation, the direct debit OIN will be known as the 'SEPA Creditor ID'. This will be used in all your payment files and on your mandates.

Have you downloaded the new SEPA Direct Debit mandate template? ☐

Have you sent Bank of Ireland your new SEPA Direct Debit mandate for approval? ☐

Has Bank of Ireland approved your new SEPA Direct Debit mandate? ☐

Have you received your SEPA Creditor ID from Bank of Ireland? ☐

Step 4

Move to BIC & IBAN Account Identifiers

Under the SEPA regulation, your direct debit file must contain your debtors (the customers you are debiting) BIC and IBAN instead of their NSC and Account Number. We recommend that you contact your customers to obtain their BIC and IBAN information if you do not already have it.

The Irish Payment Services Organisation (IPSO) also provide a BIC and IBAN conversion service to convert your existing domestic debtor's NSC and Account Numbers. Simply log onto the IPSO website below for further information*:

IPSO BIC & IBAN Converter:
http://www.ipso.ie/section/IPSOSEPAServices

Have you converted your Customer's NSC and Account Numbers to BIC and IBAN equivalents? ☐

Step 5

Mandate Management

Today, your business holds a copy of your customer's direct debit mandate and submits the original mandate to the debtor bank authorising the direct debit collection from your customer's account.

By 1st February 2014, direct debit mandates must now be held and maintained solely by you, the originating company. In the event of a dispute you must be able to produce a copy of the original mandate. Direct debit mandate information must also be sent electronically as part of each payment file along with a unique mandate reference (UMR).

Ensure you understand your mandate management obligations. Please refer to the IPSO Creditors Guide for further information: http://www.ipso.ie/section/SEPACreditorsGuide

Have you a process and/or system for storing all of your SEPA Direct Debit mandates? ☐

Are you in a position to provide a copy of any SEPA Direct Debit mandate on demand? ☐

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Step 6

Customer Information and Correspondence

Under the SEPA Direct Debit scheme, there are a number of communications that are mandatory and some have to be made available to your customer. These include the agreed pre-notification period with your customer, provision of a unique mandate reference (UMR) before collection of the 1st direct debit and making the new Creditor ID available to existing customers.

Ensure that you understand your obligations to your customers as a direct debit originator. Please refer to the IPSO Creditor Guide for further information: http://www.ipso.ie/section/SEPACreditorsGuide

Have you downloaded the IPSO Creditor Guide and understood your obligations? ☐

Step 7

Confirm Business Readiness

SEPA will bring about multiple changes to your internal business and system processes. Prior to your transition to SEPA, it is important that you have a clear understanding of SEPA's impact on your end-to-end processing in order to develop your readiness plan. Some of the key impacts include:

Submission Times:
All first time presentations on your customer's account must be submitted to Bank of Ireland 6 days before the value/collection date. Recurring presentations must be submitted to Bank of Ireland 3 days before the value/collection date.

It is important to consider how changes to submission times will impact your funding and liquidity.

When you migrate to SEPA all your existing collections must be submitted as a 'first' as part of migration to the new scheme, thereafter continuing as 'recurring' collections.

Rejections and Returns:
SEPA introduces an extended list of potential rejection and return reasons. Your business processes must be able to manage these rejections and returns. You can download a list of these codes from the Bank of Ireland SEPA website: http://bankofireland.com/SEPA

Consumer Rights:
There will be an increased number of consumer rights (debtor services). Your business must be aware of them and have business processes in place to manage them. Please refer to the IPSO Creditor Guide for further information on these rights: http://www.ipso.ie/section/SEPACreditorsGuide

Have you considered how the new SEPA payment submission timelines willimpact your business? ☐

Have you designed new business processes to manage SEPA rejectionsand returns? ☐

Have you considered how new consumer rights will affect your business? ☐

Have you a business readiness plan in place? ☐

Step 8

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Business On Line Payments Plus

Dedicated Bank of Ireland SEPA online channel (Business On Line Payments Plus)
Bank of Ireland will be in contact with your business directly in relation to the launch of our dedicated SEPA online channel (Business On Line Payments Plus) and the steps you need to take to migrate in order to submit SEPA XML files.

Bank of Ireland will be in touch with you directly to prepare your migration dates

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Step 9

Bank of Ireland Communications

Further Bank of Ireland SEPA communications and training updates will be provided throughout 2013. You are encouraged to visit Bank of Ireland's website regularly for our latest information on SEPA:

http://bankofireland.com/SEPA

Bank of Ireland will also be issuing other direct communications as required (including customer letters, emails and phone calls).

Further Queries & Support

For general SEPA queries, please contact our BOL Customer Helpdesk:

Phone: 1890 818 265

Our team of dedicated SEPA Migration Consultants are also available to support our business customers through their migration to SEPA. For **SEPA XML file-submitter queries**, please contact our *SEPA Migration Helpdesk*:

Email: sepacustomermigration@boi.com

Phone: 1890 818 208

Have you checked the Bank of Ireland website for further information on SEPA?

Additional SEPA Information Sources:

Bank of Ireland SEPA Website:
http://www.bankofireland.com/sepa

Irish Payment Services Organisation (IPSO) SEPA Website:
http://www.ipso.ie/section/SEPA

Industry Agreed SEPA Customer File Formats:
http://www.ipso.ie/section/SepaCustomerFileFormats

IPSO NSC & Account BIC & IBAN converter:
http://www.ipso.ie/section/IPSOSEPAServices

Central Bank of Ireland SEPA Website:
http://www.centralbank.ie/PAYCURR/SEPA/Pages/default.aspx

European Payments Council SEPA Website:
http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_vision_and_goals

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Direct Debit Checklist

| Step 1 | **Mobilise your SEPA Project** | |
| | Have you mobilised your SEPA project team? | ☐ |

Step 2	**SEPA XML – New File Format**	
	Have you decided how your business will generate the SEPA XML file format?	
	• Internal system upgrade?	☐
	• Accounts software provider?	☐
	• 3rd party conversion service provider?	☐

Step 3	**Direct Debit Mandate & SEPA Creditor ID**	
	Have you downloaded the new SEPA Direct Debit mandate template?	☐
	Have you sent Bank of Ireland your new SEPA Direct Debit mandate for approval?	☐
	Has Bank of Ireland approved your new SEPA Direct Debit mandate?	☐
	Have you received your SEPA Creditor ID from Bank of Ireland?	☐

| Step 4 | **Move to BIC & IBAN Account Identifiers** | |
| | Have you converted your Customer's NSC and Account Numbers to BIC and IBAN equivalents? | ☐ |

Step 5	**Mandate Management**	
	Have you a process and/or system for storing all of your SEPA Direct Debit mandates?	☐
	Are you in a position to provide a copy of any SEPA Direct Debit mandate on demand?	☐

| Step 6 | **Customer Information and Correspondence** | |
| | Have you downloaded the IPSO Creditor Guide and understood your obligations? | ☐ |

Step 7	**Confirm Business Readiness**	
	Have you considered how the new SEPA payment submission timelines willimpact your business?	☐
	Have you designed new business processes to manage SEPA rejectionsand returns?	☐
	Have you considered how new consumer rights will affect your business?	☐
	Have you a business readiness plan in place?	☐

| Step 8 | **Dedicated Bank of Ireland SEPA online channel (Business On Line Payments Plus)** | |
| | Bank of Ireland will be in touch with you directly to prepare your migration dates | |

| Step 9 | **Bank of Ireland Communications** | |
| | Have you checked the Bank of Ireland website for further information on SEPA? | ☐ |

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Disclaimer: The links and information contained there within, is up to date and valid at the time of issuing.

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