

Frequently Asked Questions

SEPA Direct Debit: What Now? What Next?

This document summarizes questions that commonly arise when discussing SEPA Direct Debit. If you have any further questions or would like to receive more information on Citi's SEPA Direct Debit service, please contact your Citi representative.

Market perspective

1. What are the objectives of SEPA? Who is responsible for the actual migration?

The Single Euro Payments Area (SEPA) is an initiative of the European payments industry designed to establish an integrated European payments landscape whereby Euro payments will have a set of uniform rules, regulations and standards. It aims at creating an efficient European market which allows end-users to move capital around the region at minimal costs. SEPA focus on Credit Transfers, Direct Debits and cards.

2. What is SEPA Direct Debit (DD)?

SEPA DD is the first true cross-border and domestic Euro direct debit solution available in 32 countries throughout Europe using harmonized standards and procedures.

3. What countries will SEPA DD cover?

SEPA DD will be delivered in 32 countries which are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and the UK.

4. Is it possible to access the SEPA network from non-Euro countries?

Yes. Although SEPA Direct Debit will only support transactions denominated in Euro, banks in any of the 32 SEPA countries (of which only 16 currently use Euro as their national currency) can offer the service to their clients. Citi has launched the SEPA services in both Euro and non-Euro countries within SEPA.



5. What are the benefits of SEPA Direct Debit?

Advantages for creditors:

- Collection of domestic and cross-border direct debits across 32 countries through one standard channel
- Ability to determine the exact date of collection
- Payment completion within a pre-determined time cycle
- Straightforward reconciliation of payments received
- Ability to automate exception handling (refunds, returns, rejects)

Advantages for debtors:

- Simple means of settling invoices throughout 32 SEPA countries
- Easy reconciliation of debits on account statements
- No-questions-asked, fast and simple refund procedure

6. What are the two schemes under SEPA direct debit (Core and B2B)?

- The Core scheme allows a creditor to collect funds from a debtor's account provided that a signed mandate has been granted by the debtor to the creditor. The debtor and the creditor must each hold an account with a credit institution located within SEPA and the credit institutions executing the direct debit transaction must be scheme participants.
- The Business to Business (B2B) scheme builds on the characteristics of the Core scheme but adds specific features suitable for use in B2B transactions. It provides the foundations for the development of specific direct debit products and services that allow business customers in the role of debtors (payers) to make payments by direct debit to other businesses as part of their business transactions.

The most important differences between the SEPA Core Direct Debit Scheme and the SEPA Business to Business Direct Debit Scheme are:

- In the B2B Scheme the debtor is not entitled to obtain a refund of an authorized transaction.
- The B2B Scheme requires debtor banks to ensure that the collection is authorized by checking the collection against mandate information (debtor banks and debtors agree on the verification that must be performed for each direct debit).
- A debtor bank cannot offer the B2B Scheme to a debtor who is a 'consumer' under the law of the country where that debtor bank is providing the payments services.
- The B2B Scheme has a significantly shorter timeline for presenting direct debits and reduces the return period.

7. What impact will SEPA have on Direct Debit lead times?

The earliest that collection instructions can be sent from a creditor to its bank is 14 calendar days before the payment due date for both Core and B2B schemes.

The latest day on which collection instructions can be sent by a creditor's bank to the debtor's bank is:

- Core scheme: 5 inter-bank business days before the payment due date if it is a one-off collection or the first one in a series of collections. Subsequent collection instructions can then be sent 2 inter-bank business days before the payment due date.
- B2B scheme: 1 inter-bank business day before the payment due date for all one-off, 1st time and subsequent collections.

8. When will SEPA DD happen?

SEPA DD will be launched on 2 November 2009. Regulation mandates that EURO zone banks become reachable for SEPA Direct Debit collections from November 2010 at the latest.

CITI perspective

9. What is Citi's offering?

From 2 November 2009 Citi will be reachable as a debtor bank for the Core and B2B schemes in all of its 22¹ countries within SEPA. Citi will offer SEPA Direct Debit collections for creditor customers in 9 countries.²

From Q2 2010,³ Citi will be able to offer SEPA Direct Debit collections in all of its 22 branches.

10. What channels and file formats will Citi accept?

	Nov '09	Mar '10	Jul '10
CFX	X	XML	XML DirDeb CP2E iDoc
CitiDirect	User Interface CDDF	User Interface CDDF	User Interface CDDF

11. Are there uniform and standard codes for the R-messages?

Yes, R-messages are standard for all the countries. These are available through the following link:

<http://www.ebaclearing.eu/Repository.aspx?ID=db212251-48ae-4a9d-897a-435960cade41>

¹ Countries: Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the UK.

² Countries: Belgium, France, Germany, Italy, Ireland, the Netherlands, Portugal, Spain and the UK.

³ The rollout plan is subject to modifications.



12. Will there be any changes to the price of making Direct Debit payments/collections to Europe?

The overall goal of the European Payment Commission is to decrease the level of direct debit fees.

13. Is it possible to migrate existing mandates to SEPA DD?

This is still a point under discussion. However it is expected that most countries will probably either have no legal barrier ensuring ongoing validity, or will implement an enabling provision in their domestic PSD implementations. But SEPA DD mandates will require more information about the debtor than most existing mandates provide.

In Germany, creditors and debtors will need to agree new mandates.

The SEPA mandate is available in many languages:

For Core scheme:

http://www.europeanpaymentscouncil.eu/content.cfm?page=core_sdd_mandate_translations

For B2B scheme:

http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_b2b_dd_mandate_translations

14. What about the Local CBR rules?

The local CBR rules will still remain in place and we will keep you informed of any changes that are introduced due to the introduction of SEPA offerings.

15. Is there an amount limit for SEPA Direct Debit?

No, the schemes does not impose a limit. However the clearing house imposes a limit of 15 digits for the integer and 2 digits for the fraction.

16. What will be the language of the SEPA Direct Debit files?

Citi will support the SWIFT Character Set.

17. Where can I obtain more information about SEPA DD?

Please contact your client manager or alternatively visit our website:

<http://www.citigroup.com/transactionsservices/home/region/weur/sepa.jsp>

Global Transaction Services
www.transactionsservices.citigroup.com

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