

Issuing of charge codes by sending banks

As a result of exchanging their practical experience with the implementation of the Payments Services Directive (PSD) into their day-to-day activities, participants in the PSD Practitioners Panel have identified, among others, the need to clarify charge code practices. For example, in the case of “SHA” payments, a number of banks providing indirect access to various CSM infrastructures to other financial institutions have started to send charge requests to the sending banks even though the billing banks actually provide the indirect CSM connection service to the receiving banks. Another problem identified is the rejection of payments solely on account of the charge code they contain.

Common understanding achieved within the PSD Practitioners Panel:

“SHA” is the appropriate and default charge code that a sending bank should offer to the originating customer for payments regulated by the PSD (i.e. payments in an EU/EEA currency to/from an EU/EEA BIC).

However, the following exceptions apply:

- A payer’s bank may apply the “OUR” charge code to payments involving a currency conversion;
- If national legislation allows for this (i.e. if it neither explicitly prohibits the use of the “OUR” charging practice nor makes the “SHA” charging practice mandatory), a bank may also offer “OUR” payments to its customers upon specific request.

Charge code practices for sending, intermediary and receiving banks:

- The sending bank is responsible for ensuring that any payment that is subject to the PSD is sent using either the “SHA” charging option or “OUR”, where “OUR” is permitted within that Member State’s legislation;
- Intermediary and receiving banks would be advised not to reject any payments carrying an “OUR” or “BEN” charge code just because these payments carry an “OUR” or “BEN” charge code. In respect of handling charge codes, the logical approach for an intermediary would be to forward on the charge code it receives in a payment message, unless there are contractual terms agreed with its client PSP to amend the code in some circumstances.

Practices concerning the handling of charge codes and related requests:

for “SHA” payments:

- A sending bank that has issued a “SHA” payment in general does not have to accept transaction charge requests from intermediary banks that are not acting on its behalf

for the execution of this particular payment;

- Intermediary banks should invoice their client bank directly and separately for any charges related to their handling of “SHA” payments on behalf of this client bank. Intermediary banks should not send charge requests related to the payment execution to parties in the processing chain with whom they do not have an agreement in place for handling this particular “SHA” payment. In particular, this means the following:
 - Where an intermediary bank is acting as service provider for a sending (originating) bank, e.g. by offering payment routing and/or formatting services to the originator bank based on a clearing arrangement, a vostro/nostro correspondent relationship or similar agreements, charging for “SHA” should be pre-agreed between the sending and the intermediary bank;
 - Where an intermediary bank is acting as a service provider for a receiving (beneficiary) bank, e.g. by offering indirect participant access to the PE-ACH platform STEP2 to that beneficiary bank, charging for “SHA” should be pre-agreed between the intermediary and the receiving bank.
- A receiving (beneficiary) bank may deduct charges from incoming “SHA” payments if it has agreed to do so with its customer and if it specifies the full amount and the charges deducted in the information it provides to the beneficiary. It does not have to accept any charge requests from intermediary banks that have not acted on its behalf for the execution of this particular payment.

for “OUR” payments:

The existing practice is that a bank receiving an “OUR” payment (i.e. a bank acting as an intermediary or as a beneficiary bank) charges that bank in the payment chain from which it has directly received the payment. The PSD Panel agrees that this existing practice, including the payment of bills, between banks with regard to the handling of the “OUR” charge code should remain unchanged.

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Contact details

For any comments or questions concerning the above note, please contact the PSD Practitioners Panel at PSD-Panel-Coordination@abe-eba.eu¹

¹ This note is issued on behalf of the PSD Practitioners Panel. It has been endorsed by representatives of Allied Irish Banks, Banco Popolare, Banco Sabadell, Bank of Ireland, Bank van Breda, Barclays, BNP Paribas Fortis, Commerzbank, Danske Bank, Deutsche Bank, ING, Intesa Sanpaolo, JPMorgan, Nordea, RZB, SEB and Société Générale.