

Recommendations with regard to the issuing, handling and validation of creditor identifiers

A note by the SEPA Migration Action Round Table

Background

The SEPA Direct Debit (SDD) Scheme collections and mandates require the use of a creditor identifier, which is a unique number that identifies without ambiguity the entity or person assuming the role of the creditor in an SDD transaction. This identification helps the debtor and the debtor bank “to Return to the Creditor for Refund and complaints and check the existence of a Mandate at the presentation of Collections by the Creditor.” (SDD Core Scheme RB, v6.1, p. 82)

Need for guidance on the issuing and handling of creditor identifiers across SEPA

Creditor identifiers are issued at national level. This means that the rules and procedures around the issuing of this identification and the structure of the country-specific part of the identifier may considerably differ from one European country to the next. The designated role that the creditor bank has to play in this issuing process (if any) is different from country to country as well.

Since creditors should be in a position to use their creditor identifier all over SEPA, creditor and debtor banks are faced with creditor identifiers from different European countries. The validation and handling of creditor identifiers issued in different countries confronts both creditor and debtor banks with a number of challenges.

In this context, banks across Europe have identified the need for practical guidance to support banks in dealing with these challenges. That is why the SEPA Migration Action Round Table (SMART) has put together the following clarifications and practical recommendations.

1. Recommendations on the issuing of creditor identifiers

Rules and procedures around the issuing of creditor identifiers considerably differ across Europe. A *Creditor Identifier Overview* document compiled by the European Payments Council provides detailed information on the practices in place around the issuing of creditor-identifiers in the different EU countries and lists the issuing bodies.¹

- Creditor banks should support their creditors in receiving a creditor identifier in line with the role assigned to creditor banks by the different national communities. In case the creditor has to directly request a creditor identifier from the issuing authority, the creditor bank should inform the creditor about the need for this identification for SDD collections.

The present document is based on the input and feedback of the participants in the SEPA Migration Action Round Table (SMART). SMART is a forum for banks and by banks, which is logistically supported by the Euro Banking Association. A list of the institutions that have endorsed the present note can be found on the last page of the document.

¹ The *EPC Creditor Identifier Overview*, version 3.1 of 14th February 2014, is available for download at http://www.europeanpaymentscouncil.eu/knowledge_bank_download.cfm?file=EPC262%2D08%20Creditor%20Identifier%20Overview%20v2%2E5%2Epdf.

2. Recommendations on the handling of creditor identifiers

- While a creditor is free to use different creditor identifiers in different countries, there is no need for the creditor to use more than one creditor identifier for its SDD collections all over SEPA.
 - Creditor banks should ensure that they are able to technically process the creditor identifier of any creditor they agree to provide creditor bank services to.
 - Creditor banks should also ensure that the collections including this creditor identifier can be properly executed by the CSM used by the banks. It should be noted that some national CSMs may provide certain optional services only to creditors with a national creditor identifier and/or in cases where both the creditor bank and the debtor bank are registered at that local CSM.
 - Debtor banks should ensure that they are in a position to accept SDD collections from creditor identifiers issued in any SEPA country.

3. Recommendations on validation checks at bank level

- Since a creditor switching from one creditor bank in one country to another creditor bank in another country should be able to continue using its existing creditor identifier (so that no change of any existing mandates containing this ID needs to take place), the new creditor bank should be able to check the validity of the creditor's identification. However, as the EPC overview document points out, it is currently not possible for banks to implement checks that would allow them to validate the correctness of each creditor identifier in Europe. Some issuing authorities do not share information about creditor identifiers with any third parties for data protection reasons while others do not share this type of information with banks that are not registered in this country.
 - Creditor banks should validate the existing creditor identity of new creditors wherever this is possible.
- The creditor identifier included in the SDD collection must be identical to the creditor identifier provided on the mandate and must belong to the account-holder at the creditor bank.
 - Creditor banks should cross-check the creditor identifier included in the SDD collection with the creditor identifier provided as part of the mandate-related information. If these identifiers are not identical, the collection should be rejected to the creditor prior to settlement.
 - In case this account-holder is a shared service centre acting on behalf of the company that sells the goods or services purchased by the debtor, the identification used in the collection should be the creditor identifier of the shared service centre. The company that it acts on behalf of should be listed as creditor reference party in the mandate and in the collection(s).

List of endorsing banks

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ABN AMRO Bank
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