

Which reason code should be used for an R-transaction if the IBAN of the receiver does not belong to the BIC indicated for the receiving bank?

A note by the SEPA Migration Action Round Table

Background

SEPA payments are routed to the receiving bank based on the BIC. If a payment is accidentally routed to the wrong BIC, it is important for the sending bank to understand from the reason code given in the R-transaction that it has sent the payment to the wrong bank.

Currently, the provision of an incorrect BIC for the receiving bank leads to the receiving bank either using the reason code AC01 (incorrect account number) or RC01 (incorrect bank identifier) in its R-transaction to the sending bank. This makes it difficult for the sending bank to easily and correctly identify the problem that led to R-transaction.

Request for guidance on reason code to be used

The SEPA Migration Round Table (SMART) has been asked for guidance on the reason code to be used in a situation where both IBAN and BIC may be correct but simply do not belong to each other. Neither AC01 nor RC01 were seen as fully applying to this situation since they do not allow the original sender and its bank to understand the cause of the R-transaction.

Understanding shared by the SEPA Migration Action Roundtable participants

The SMART participants agreed that one single reason code should be used to reflect this particular situation. Given the fact that many banks do not have any checks in place to validate that an IBAN is indeed correct and belongs to another bank, receiving banks are today not in a position to clearly identify the IBAN – BIC mismatch as the root cause of the problem. Accordingly, many banks indicate the reason code AC01 (incorrect account number) in the R-transaction. Against this background, the SMART participants have concluded that AC01 should be the standard reason code used for communicating an IBAN – BIC mismatch to the sending bank. The reason code RC01 should no longer be used in this situation.

Furthermore, banks receiving R-transactions with the reason code AC01 and investigating this matter are advised to take into consideration the possibility that the IBAN of the receiver was correct in the initial transaction but that the BIC may have been incorrect. In other words, these banks should be aware that the reason code AC01 may stand for an IBAN – BIC mismatch rather than an incorrect IBAN. This may be particularly relevant for the sending bank's investigation if this bank derived the BIC of the receiving bank from the receiver's IBAN or retrieved this BIC from a database provided by a third party.

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.

List of endorsing banks

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. The following institutions have endorsed the present note:

ABN AMRO Bank
Aktia Bank
Banco Comercial Português
Bank of Ireland
BCEE Luxembourg
Citibank
Commerzbank
Deutsche Bank
Erste Bank
Helaba - Landesbank Hessen-Thüringen
HSBC
J.P. Morgan
Rabobank
Raiffeisen Bank International AG
Raiffeisen Landesbank Südtirol AG
SEB
Svenska Handelsbanken
Swedbank
The Royal Bank of Scotland
UniCredit Bank AG