

## **Is there a need for the receiving bank to validate the BIC of the sending bank against an external BIC directory when it receives a SEPA Credit Transfer or SEPA Direct Debit through a SEPA CSM?**

### **A note by the SEPA Migration Action Round Table**

#### *Background*

Some banks across Europe seem to have implemented a default check of the BIC of a sending bank against external directories, e.g. the SWIFT BIC Directory. Whenever these banks receive a SEPA Credit Transfer or a SEPA Direct Debit, they validate the BIC of the sending bank against this directory and reject the transaction if the result of this check is negative.

#### *Request for guidance on whether there is a need to carry out this BIC validation check*

The SEPA Migration Round Table (SMART) has been asked for guidance on the question whether there is a need for banks to validate the BIC of the sending bank against any external directory if the credit transfer or direct debit has been received through a SEPA Scheme-compliant Clearing and Settlement Mechanism (CSM).

#### *Understanding shared by the SEPA Migration Action Roundtable participants*

The SMART participants agreed that there is no need for the recipient bank to validate the BIC of the sending bank against an external directory if the transaction has been received through a SEPA Scheme-compliant CSM, since the BIC of the sending bank is registered in the routing table of that CSM and thus fulfills all SEPA Scheme compliance-related requirements as verified by the CSM.

Validating the BIC of the sending bank against a third party directory may cause SEPA Credit Transfers or SEPA Direct Debits to be returned to the sending bank even though the BIC of the sending bank is properly registered in the routing table of the CSM. There are different reasons for this. If the sending bank is the originator bank, it may for instance use an unconnected BIC that is not registered in every external directory. If the sending bank is an intermediary bank, it may for instance use a technical BIC that is not registered in external directories either.

Accordingly, the SEPA Migration Action Roundtable recommends not to validate the BIC of the sending bank against any external directory in addition to the checks being carried out by the SEPA CSM in its processing of SEPA Credit Transfers and SEPA Direct Debits.

## List of endorsing banks and banking communities

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  
Banco Comercial Português  
Bank of Ireland  
Bank of America Merrill Lynch  
Barclays  
Belfius  
BCEE Luxembourg  
BNP Paribas  
BNP Paribas Fortis  
Citibank  
Commerzbank AG  
Deutsche Bank  
Erste Group Bank  
Finnish Banking Community  
Helaba – Landesbank Hessen-Thüringen  
Hellenic Bank  
HSBC  
J.P. Morgan  
KBC  
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