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GUIDANCE ON REASON CODES FOR SDD R-TRANSACTIONS

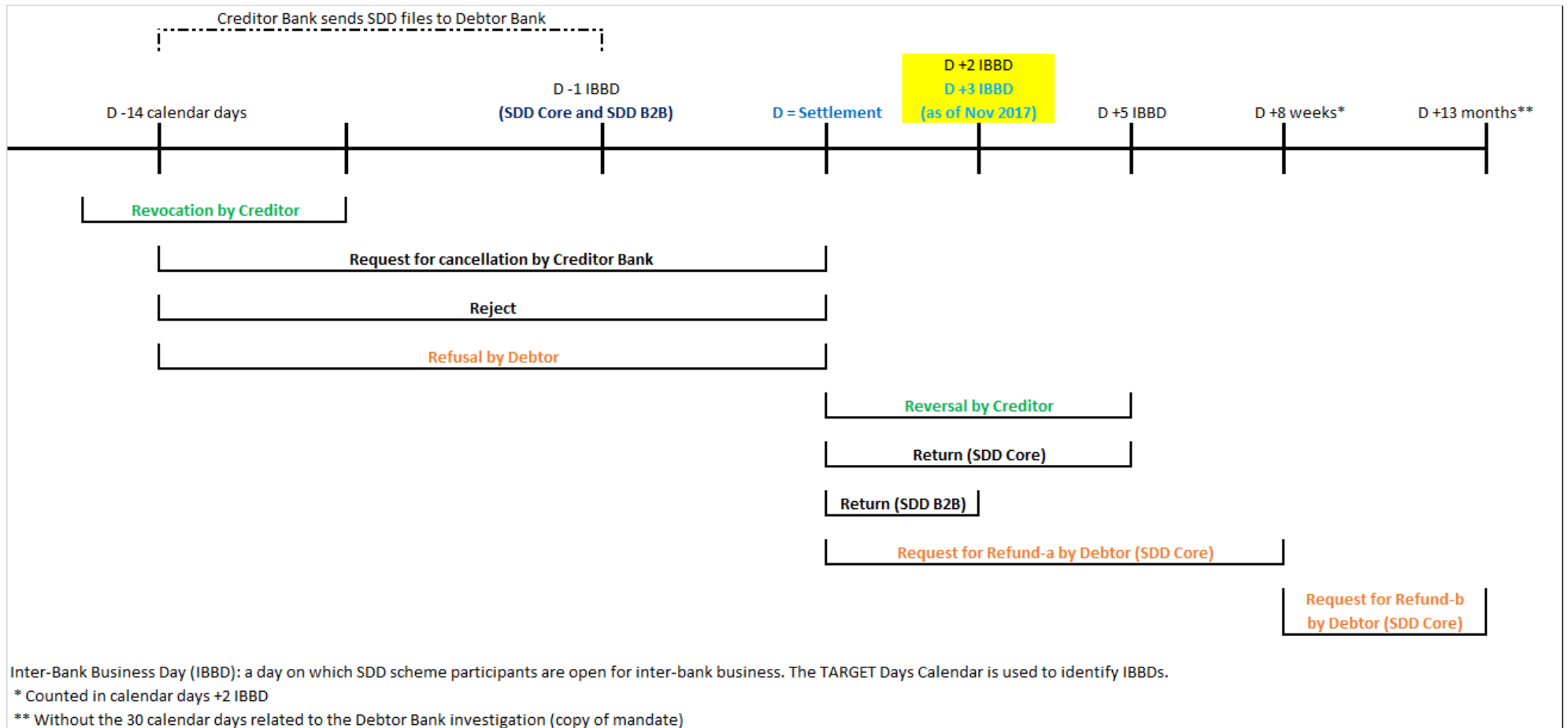
1. SDD R-transaction definition

The content of this document applies to the SEPA Direct Debit (SDD) Core Scheme Rulebooks and to the SDD Business to Business Scheme Rulebooks (B2B) becoming effective on 20 November 2016 (2016 SDD rulebooks) and on 19 November 2017 (2017 SDD rulebooks) respectively. Aspects of this document that are applicable only as of the 2017 SDD rulebooks are **yellow bold coloured**.

Some direct debit transactions require exception handling, because one of the parties involved does not or cannot process the collection in the normal way. This exception handling involves the sending of messages called R-transactions because their names all start with an R: refusals, rejects, returns, refunds, reversals. The definitions of the various SDD R-transactions are outlined in section 4.4 of both SDD Rulebooks.

The type of SDD R-transaction used depends on the point in time in the processing chain at which the R-transaction is initiated or sent as well as on the party initiating or sending the R-transaction. The process of exception handling starts at the point in the process where the problem is detected. It is important to note that a SDD scheme participant must channel rejects, returns and refunds of SDD collections through the same CSM used for the clearing and settlement of the initial SDD collection, unless otherwise agreed between the SDD scheme participants (see last paragraph under section 4.4 of both SDD Rulebooks).

The R-transactions presented within the SDD Scheme must be processed within the timeline described below (R-transaction scenarios under SDD Core and SDD B2B):





2. Issues reported in the use of SDD R-transaction reason codes

Some SDD scheme participants, when acting as a Debtor Bank, are not applying the correct R-transaction reason codes.

Therefore, all scheme participants are reminded to use the correct SDD R-transaction reason codes described in the SDD Rulebooks. Section 4 of this document provides guidance to the SDD scheme participants about the reason codes to be used to report specific SDD collection issues.

SDD scheme participants should avoid the use of general codes when a more precise reason can be given which is not legally forbidden in the Debtor Bank country.

3. Specific contexts leading to the use of certain SDD R-transaction reason codes

Firstly, there are some restrictions in the use of SDD R-transaction reason codes due to national legislation (e.g., data protection laws) in e.g., Austria, Belgium, Germany, Luxembourg, Netherlands, Slovakia and Slovenia.

Secondly, the Debtor Bank or communities of Debtor Banks could use different SDD R-transaction reason codes in specific situations:

- An R-transaction having different reasons (e.g., insufficient funds and Creditor blacklisted). This depends on the IT processing and the banking applications of the Debtor Bank.
- The level of control related to the risk policies and the Know-Your-Customer (KYC) principles of the Debtor Bank. The Debtor Bank decides whether it makes a check on the sequence type or Creditor Identifier (CI) and whether a SDD collection should be rejected accordingly.
- An R-transaction could be the result of a specific service provided by the Debtor Bank. An example is to limit a SDD collection to a certain amount and periodicity which could be part of a specific service (e.g., an “authorisation/stop payment” feature) implemented as a consumer protection mechanism.



4. Guidance in using SDD R-transaction reason codes

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action
AC01	Format of the account number specified is not correct	Account Identifier incorrect (i.e. invalid IBAN of the Debtor)	Reject Return	Reject: <ul style="list-style-type: none"> • Invalid format of the IBAN • IBAN not existing at the bank level Return: <ul style="list-style-type: none"> • IBAN not existing at the bank level 	<ul style="list-style-type: none"> • Debtor gave wrong data • Creditor used wrong IBAN data from its customers' database • Creditor had technical problem during the processing of collection issuance or in the conversion of BBAN into IBAN 	<ul style="list-style-type: none"> • Contact the Debtor in order to confirm the correctness of the Debtor's IBAN • In case of mandate amendment: check the data provided by the Debtor • Verify the database used for the BBAN conversion into IBAN
AC04	Account number specified has been closed	Account closed	Reject Return	The account of the Debtor is closed at the Debtor Bank Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.	<ul style="list-style-type: none"> • Creditor used an old account number • Debtor changed or closed his account since the mandate issuance 	Contact the Debtor for the new account
AC06	Account specified is blocked, prohibiting posting of transactions against it	Account blocked	Reject Return	<ul style="list-style-type: none"> • Account blocked • Account blocked for direct debit by the Debtor 	<ul style="list-style-type: none"> • Debtor Bank blocked the account or the SDD collection due to a Court Order • Debtor ordered the blocking of SDDs for his account 	Contact the Debtor for alternative account/ solution to pay



Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action
AC13	Invalid debtor account type	Debtor account is a consumer account (For SDD B2B collections only)	Reject Return	SDD B2B collection presented to a payment account whereby the Debtor account holder is a consumer or the payment account type is designed to consumers only	<ul style="list-style-type: none"> Debtor (consumer) was not aware that the signing of a B2B mandate is restricted to non-consumers Payment account type does not allow/ support the debiting of SDD B2B collections Debtor gave information of a wrong payment account 	<ul style="list-style-type: none"> Contact the Debtor for clarification and to agree on another means of payment Conclude SDD Core mandate with Debtor
AG01	Transaction forbidden on this type of account (formerly No Agreement)	Direct Debit forbidden on this account for regulatory reasons	Reject Return	Account not allowed for Direct Debit for regulatory reasons (such as savings account in several countries) Important note: AG01 cannot be used in the situation of a SDD B2B collection presented to a Debtor account that is a consumer account. The code AC13 needs to be used.	Debtor gave information of a wrong account	Contact the Debtor in order to get information about the payment account to be used
AG02	Bank Operation code specified in the message is not valid for receiver	Operation code/ transaction code/ sequence type incorrect, invalid file format	Reject Return	<ul style="list-style-type: none"> Recurrent after a one-off One-off after a recurrent Identification code of the scheme (i.e. service level or local instrument) specified in the message is incorrect 	Creditor: Technical error or error due to the process of the transaction or file (sequence type)	Correct the wrong information



Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action
AM04	Amount of funds available to cover specified message amount is insufficient	Insufficient funds	Reject Return	There are not sufficient funds on the Debtor account to debit the full amount of the transaction Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.	<ul style="list-style-type: none"> Debtor: Insufficient funds on his account Creditor: Lack of pre-notification announcing the upcoming SDD (date and amount) 	Contact the Debtor to ensure that the Debtor provides funds on his account
AM05	Duplication	Duplicate collection	Reject Return	Same SDD collection had been processed in the near past	Creditor/ Creditor Bank: Technical error	Check if the collection is really duplicated
BE05	Party who initiated the message is not recognised by the end customer	Identifier of the Creditor Incorrect	Reject Return	Creditor Identifier (CI) is not correct or has been changed without an amendment had been reported	Creditor: Technical error or omission to report a CI amendment	Correct the CI
CNOR	Creditor Bank is not registered under this BIC in the CSM	Creditor Bank is not registered under this BIC in the CSM	Reject	Creditor Bank is not registered under this BIC at the CSM	Direct Participant of the CSM: Creditor Bank not declared as indirect participant to this CSM	Creditor to contact the Creditor Bank
DNOR	Debtor Bank is not registered under this	Debtor Bank is not registered under this BIC in the CSM	Reject	Debtor Bank is not registered under this BIC at the CSM	Creditor Bank/ Creditor: Reachability of the Debtor Bank was not checked	<ul style="list-style-type: none"> Ask the Creditor Bank for checking the reachability of the Debtor Bank



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	BIC in the CSM					<ul style="list-style-type: none"> Contact Debtor to agree on another means of payment
FF01	File format incomplete or invalid	File Format incomplete or invalid	Reject	<ul style="list-style-type: none"> XML file was not duly filled out or is not correct There is a syntax error in the file Creditor Bank or its intermediary bank did not complete a XSD check before submitting the file into the Scheme 	<ul style="list-style-type: none"> Creditor/ Creditor Bank CSM or Debtor Bank 	Repair the XML file
MD01	No mandate	<p>No mandate <u>(For SDD Core collections only)</u></p> <p>No mandate or unable to obtain mandate confirmation from the Debtor <u>(For SDD B2B collections only)</u></p> <p>Unauthorised Transaction <u>(For Refunds of SDD Core collections only)</u></p>	Reject Return Refund	<ul style="list-style-type: none"> No mandate is existing B2B mandate not yet confirmed by the Debtor Refund unauthorised transaction (until 13 months after debit date) <u>(For SDD Core collections only)</u> Mandate cancellation 	<ul style="list-style-type: none"> Debtor Bank has cancelled the mandate under the rule of the 36 months inactivity period Debtor Bank was unable to obtain B2B mandate confirmation from the Debtor Debtor has cancelled his mandate Debtor had not confirmed yet the B2B mandate to the Debtor Bank Creditor: <ul style="list-style-type: none"> Did not use a Unique Mandate Reference (UMR) 	<ul style="list-style-type: none"> To analyse the characteristics of the SDD transaction To contact the Debtor in case of refund



Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action
					<ul style="list-style-type: none"> • Provided a SDD transaction with a UMR which was not consistent with the mandate information 	
MD02	Mandate related information data required by the scheme is missing	Mandate data missing or incorrect	Reject	<ul style="list-style-type: none"> • Mandate data in the mandate related information is not identical to those in the mandate (amendments had not been communicated) • Mandate data not consistent with version already received for the UMR • In case of mandate amendment: the original IBAN and the IBAN in the collection are the same 	<ul style="list-style-type: none"> • The way to amend the mandate is not in compliance with the SDD Rulebook • The amended information is not correct 	To repair the way to amend the mandate information or the amended information
MD06	Return of funds requested by end customer	Disputed authorized transaction <i>(For SDD Core collections only)</i>	Refund	Unconditional Refund of a transaction (SDD Core – until 8 weeks after debit date)	<ul style="list-style-type: none"> • Discrepancy between the amount announced in the pre-notification and the amount of the SDD Core collection • Unconditional Refund right under the Payment Services Directive (PSD) 	To contact the Debtor
MD07	End customer is deceased	Debtor Deceased <i>(Only for SDD Core collections until Nov. 2017)</i>	Reject Return	Debtor deceased Note: This code cannot be used in certain SEPA countries for reasons of data protection. In		To close the agreement with deceased Debtor



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		(For SDD B2B collections as well as of Nov. 2017)		this case AC06 or MS03 can be used as alternative.		
MS02	Reason has not been specified by end customer	Refusal by the Debtor	Reject Return	Refusal by Debtor at presentation	Debtor receiving the pre-notification decided to refuse the collection	To contact the Debtor
MS03	Reason has not been specified by agent	Reason not specified	Reject Return	Only to be used in case national legislation (e.g., data protection laws) does not allow the use of AC04, AM04, MD07, RR01, RR02, RR03 and RR04 Note: limit the use of the reason code MS03 and select the appropriate reason code in the list.		To contact the Debtor
RC01	Bank Identifier code specified in the message has an incorrect format	Bank Identifier (BIC) Incorrect	Reject Return	BIC of the Scheme Participant is not correct	<ul style="list-style-type: none"> • Creditor Bank or Debtor Bank: the BIC does not exist in the BIC database • Creditor: the BIC is not complete (BIC8 instead of BIC11) 	To contact the Debtor for the correct BIC
RR01	Specification of the Debtor's	Regulatory Reason	Reject Return	<ul style="list-style-type: none"> • Missing Debtor account or identification • Regulatory reason 	Creditor : The Debtor IBAN is a mandatory item for the	<ul style="list-style-type: none"> • To repair the SDD collection in order to complete the



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	account or unique identification needed for reasons of regulatory requirements is insufficient or missing			Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.	SDD collection on the Creditor Bank side	Debtor account information <ul style="list-style-type: none"> To contact the Creditor Bank
RR02	Specification of the Debtor's name and/or address needed for regulatory requirements is insufficient or missing	Regulatory Reason	Reject Return	<ul style="list-style-type: none"> Missing Debtor name (address is optional field) Regulatory reason Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.	Creditor : The Debtor name is a mandatory item for the SDD collection on the Creditor Bank side	<ul style="list-style-type: none"> To repair the SDD collection in order to complete the Debtor name information To contact the Creditor Bank
RR03	Specification of the creditor's name and/or address needed for regulatory requirements is insufficient or missing	Regulatory Reason	Reject Return	<ul style="list-style-type: none"> Missing Creditor name (address is optional field) Regulatory reason Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.	Creditor : The Creditor name is a mandatory item for the SDD collection on the Creditor Bank side	<ul style="list-style-type: none"> To repair the SDD collection in order to complete the Creditor name information To contact the Creditor Bank
RR04	Regulatory Reason	Regulatory Reason	Reject Return	Only to be used for Regulatory Reason other than RR01, RR02 or RR03		To contact the Creditor Bank



Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action
				<p>Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.</p>		
SL01	Due to specific service offered by the Debtor Agent	Specific Service offered by the Debtor Bank	Reject Return	<p>All Debtor-invoked consumer-right rejects:</p> <ul style="list-style-type: none"> • Creditor blocking • Collection amount limitations • Collection frequency limitations <p>Other services offered by the Debtor Bank</p>		To contact the Debtor