



# CLARIFICATION PAPER ON SEPA DIRECT DEBIT CORE AND SEPA DIRECT DEBIT BUSINESS-TO-BUSINESS RULEBOOKS

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# Clarification Paper

on SDD Core and SDD B2B rulebooks

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## **Abstract**

This document addresses operational issues arising from the implementation of the SEPA Direct Debit (SDD) Core rulebook and the SDD Business-to-Business (B2B) rulebook.

This document applies to the version 1.2 of the 2017 SDD Core and SDD B2B rulebooks and to the version 1.0 of the 2019 SDD Core and SDD B2B rulebooks.



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## 0 Change history

Issue number	Dated	Reason for revision
V1.0	21/11/2017	Final review by the October 2017 Scheme Management Board meeting
V1.1	18/09/2018	Annual review
V1.2	27/05/2019	Inclusion of a new section 2.3 and an annual review

## 1 Introduction

This document has been created in order to avoid a fragmented approach in the manner in which the SEPA Direct Debit (SDD) Core rulebook and the SDD Business-to-Business (B2B) rulebook are implemented.

In this document the European Payments Council (EPC) provides guidance and, where feasible, recommendations to EPC SEPA scheme participants on how to handle situations that are not as such described in the rulebooks. This document will be updated from time to time by the EPC, once new questions and issues arise and need clarification.

## 2 General questions & answers on both SDD rulebooks

### 2.1 Receipt of an SDD collection by the Debtor Bank or CSM which includes characters not covered by the Latin character set

SDD scheme participants and their customers must be able to support the Latin character set commonly used in international communication, which are as follows:

a b c d e f g h i j k l m n o p q r s t u v w x y z  
 A B C D E F G H I J K L M N O P Q R S T U V W X Y Z  
 0 1 2 3 4 5 6 7 8 9  
 / - ? : ( ) . , ' +  
 Space

SDD scheme participants and their customers throughout SEPA cannot be required to support the full character set used in all SEPA countries.

However, there may be bilateral or multilateral agreements to support one or more sets of characters beyond the Latin character set referred to above.

More information on this subject can be found in the document [EPC217-08 'Best practices SEPA Requirements for an extended character set'](#) which contains a set of best practices to be used in dealing with local language and special characters used in some SEPA countries.

### 2.2 Non-euro denominated accounts held by SDD scheme participants

Section 2.5 of the SDD rulebooks specify that all SDD transactions are in euro in all process stages. The accounts of the Debtor or of the Creditor may be denominated in euro or any other currency.

Subject to the Terms and Conditions of the Debtor Bank or of the Creditor Bank, payment service users can use non-euro denominated accounts for SDD collections. This means an



SDD scheme participant may only reject or return SDD collections if the selected account is not designated for SDD collections.

In case of SDD r-transactions, the transferred amount will be the original euro amount of the initial SDD collection.

### 2.3 Relationship of Creditor and Creditor Reference Party and its use for the SDD Mandate and SDD Collection

Organizations or private persons who use the SDD schemes to collect funds from Debtors, may use another organization to do the collection of these funds on their behalf. Such funds collection set-up creates a relationship between a Creditor and a Creditor Reference Party. Confusion could thus arise about which party should be formally considered as the Creditor and the Creditor Reference Party in a) the SDD mandate and in b) the SDD collection file.

#### 2.3.1 SDD mandate

The SDD rulebook dataset DS-01 (The Mandate) specifies the following **mandatory** attributes to determine the full identity of the **Creditor**:

- Creditor name
- Creditor identifier
- Creditor's address
- Creditor's postal code and city
- Country of the Creditor

With this set of information mentioned on the mandate, the Debtor knows to whom precisely it gives its consent and authorisation to initiate SDD collections by debiting the specified Debtor's account.

The mandate signed by the Debtor may also contain attributes about the Creditor Reference Party. However, this Creditor Reference Party forms no legal counterparty for the Debtor under the signed SDD mandate. Consequently, there is no formal need for an extensive set of attributes for such Party on the SDD mandate.

#### 2.3.2 SDD collection file

With respect to the collection file itself presented to the Creditor Bank and to the Debtor Bank, the specified account to be credited in that collection can only be the 'Account of the Creditor' (AT-04) held at the Creditor Bank. The datasets DS-03 Customer to Bank Collection and DS-04 The Inter-bank Collection request this attribute together with the 'Creditor Identifier' (CI) (AT-02) and the 'Name of the Creditor' (AT-03).

#### 2.3.3 Clarification

The CI, the name of the Creditor and other Creditor-related attributes needed for the collection file must match with the Creditor attributes mentioned on the mandate signed with the Debtor. The definitions of the SDD mandate and of the formal scheme actors and their relationships in the sections 3.1, 3.2 and 4.1 of the SDD rulebooks are clear on this matter.



The account and other identification elements of the Creditor Reference Party (e.g., it may have also a CI) cannot replace those of the Creditor in the mandate and in the collection file.

A mixture of Creditor-and Creditor Reference Party identification elements to process the collection file (e.g., the CI of the Creditor Reference Party and the account of the Creditor) cannot occur either.

The substitution or the mixture of such attributes may lead to R-transactions initiated by the Debtor or the Debtor Bank. The Debtor may refuse the presented collection as the Debtor no longer recognizes the Creditor in the concerned collection or submits a request for a Refund.

#### 2.4 Change of Creditor or Creditor Reference Party

The SDD rulebooks allow the use of attributes on the SDD mandate relating to the name and the identification code of the Creditor Reference Party (attributes AT-38 and AT-39 respectively).

The Creditor can complete these Creditor Reference Party attributes on the SDD mandate when it wishes to collect funds from the Debtor.

Information relating to the name of the Creditor Reference Party (AT-38) is included only for the purpose of assisting the Debtor and/or Creditor in managing their payments and is not required to be provided to or by the Debtor Bank and/or Creditor Bank for the purpose of effecting the payment to which the information relates (please refer to section 4.8.32 of the SDD rulebooks).

Questions have been raised whether in the event of a change of a Creditor Reference Party, just a mandate amendment would be required or rather a new mandate must be concluded. Another question is what the requirements would be in circumstances in which there is a change of Creditor.

Section 4.1 of the SDD rulebooks defines the SDD mandate as the expression of consent and authorisation given by the Debtor to the Creditor to allow such Creditor to initiate collections for debiting the specified Debtor's account, and to allow the Debtor Bank to comply with such instructions in accordance with the SDD rulebook.

Section 3.1 of the SDD rulebooks defines the Creditor as the party who receives and stores the mandate from the Debtor to initiate collections. Based on this mandate, the Creditor collects the direct debits.

In the event of a change of the **Creditor Reference Party**, this change does not impact the validity of the mandate and does not require the amendment of a mandate or a new mandate.

In the event of a change of **Creditor**, the applicable law that rules the contractual or other relationship between the Creditor and the Debtor will determine the implications of such change including the handling of the previously existing mandate. In case the applicable law does not require a new mandate due to a change of the identity of the Creditor, the 'mandate amendment procedures' under section 4.6.2 of the SDD rulebooks should be applied (reference is made to PT-02.02 of the SDD rulebooks).



## 2.5 Other reasons to amend the SDD mandate

The SDD attribute AT-24 – The Reason for Amendment of the Mandate – specifies the specific SDD mandate attributes that the Creditor and/or the Debtor can amend.

With respect to the change of the attribute AT-07 – *The Debtor specifying another account to be debited in the same bank or in another bank* – the SDD Implementation Guidelines foresee the acronym SMNDA to highlight such change.

The acronym ‘SMNDA’ stands for Same Mandate with a **New Debtor Account** and helps to determine whether an account change took place within the same SDD scheme participant or whether this new account is held at another SDD scheme participant.

If the field ‘Amendment Indicator’ in the SDD collection message is set on ‘true’ and the field ‘Original Debtor Account’ is set to ‘SMNDA’ in the pacs.003 bank-to-bank collection message, it indicates the same mandate with new Debtor Account. In case of an account change within the same SDD scheme participant, the code ‘IBAN’ is allowed.

## 2.6 Requirements for the pre-notification to be sent by the Creditor

Prior to sending the collection to the Creditor Bank, the Creditor notifies the forthcoming debit to the Debtor. The pre-notification may take the following form:

- The schedule of several repetitive direct debits for an agreed period of time;
- The invoice which is to be paid by direct debit;
- An individual advice of a collection for a specified due date;
- Or any other document informing the Debtor of the amount and due date of the debit.

Alternatively, any electronic communication means as agreed between the Creditor and Debtor can be used for the pre-notification.

By default, the Creditor must send the pre-notification to the Debtor at the latest 14 calendar days before the due date. The Creditor and the Debtor are however free to agree on another timeline, depending mainly on the type of commercial transaction and on the form of the pre-notification. However, it is recommended that if a shorter timeline is agreed, it is done in such a manner that will allow the Debtor enough time to provide the required funds in his account. If such pre-notification is not carried out in a proper manner, this may result in a Return or a Refund.

## 2.7 Order in sequence types to be respected when presenting the first SDD collection and subsequent recurrent collections under a specific SDD mandate

The SDD attribute AT-21 – The Transaction / Sequence Type – specifies that the use of the sequence type ‘First’ (FRST) is optional to indicate the first collection of a series of recurrent collections.

This means that a collection being the first in a series of recurrent SDD collections can be presented as a “First” (FRST) or as a “Recurrent” (RCUR). Collections with the sequence type FRST or with RCUR are processed in the same way.



The Debtor Bank may check if the collection is the first of a series or a recurrent one against its mandate database and process accordingly.

The Creditor can continue to provide the sequence type FRST to present an SDD collection for a first time under a new SDD mandate, or can decide to present this first collection already with the sequence type RCUR.

The Debtor Bank will not reject a first SDD collection with the reason code AG02 “incorrect sequence type” if a Creditor does not use the optional sequence type FRST.

The Creditor needs to apply the sequence type LAST when it wants to indicate a collection as the last one in a series of recurrent collections under a given SDD mandate.

### 2.8 Recommendation to Debtor Bank for a receipt of an SDD collection that contains amendments which are the same as the original details

#### Recommendation: Reject.

Sending an SDD collection with mandate amendments which are the same as the original details is not consistent with the provisions of the SDD rulebooks.

When the amendments are the same as the original details, there may be an error in the collection. Processing based on erroneous details may be seen as an unauthorised direct debit collection. In such exceptional cases, the Debtor Bank may contact the Debtor before rejecting the collection.

In such cases, the reject reason code to be applied is MD02 “Mandate data missing or incorrect”.

### 2.9 Unique Mandate Reference (UMR)

The Unique Mandate Reference (UMR) must be unique within one scheme. It is furthermore recommended that the mandate reference is unique for one mandate among the two SDD schemes: either under the SDD Core scheme or under the SDD B2B scheme. The risk of not following such practice is that the Debtors who wish to block such collection by providing the UMR will block all other direct debit collections having the same mandate reference.

### 2.10 Original Creditor Identifier (CI) and/or UMR to be mentioned in the amendment indicators in case of subsequent changes of the CI and /or UMR

In case a Creditor changes his Creditor Identifier (CI) and/or the UMR, the Creditor Bank must set the amendment indicator to "true" in the pacs.003 bank-to-bank collection message and the original CI and/or UMR needs to be indicated in the tags for amendment details.

In case the Creditor would change his CI and/or UMR for a subsequent time, the question could be raised which CI and/or UMR should be indicated as original CI and/or UMR: the first one ever used, or the previous one (i.e. most recently used).

The SDD rulebooks do not describe a distinct handling for a first-time CI and/or UMR amendment versus a subsequent CI and/or UMR amendment. In case a CI and/or UMR





amendment would occur for a second time, the last valid (i.e. most recently applied) CI and/or UMR should be indicated as original CI and/or UMR in this second amendment.

### 2.11 SDD R-transaction reason codes

Creditors can consult the document [EPC173-14 'EPC Guidance on reason codes for SDD R-transactions'](#) to correctly interpret the reason codes given in the R-transaction related to their unsuccessful initial SDD collection. This document also provides the Creditor with suggested actions for each SDD R-transaction reason code.

### 2.12 Use of sequence type for the re-presentation of an SDD collection being part of a series of SDD collections

The Creditor can select the sequence type RCUR<sup>1</sup> to re-present a first or a subsequent collection within a series of SDD collections under a specific SDD mandate, irrespective if the original SDD collection led to one of the following SDD R-transactions:

- Reject by the Creditor Bank, the CSM or the Debtor Bank;
- Refusal by the Debtor;
- Return by the Debtor Bank;
- Refund within eight weeks under the SDD Core scheme;
- Refund linked to an unauthorised SDD collection.

### 2.13 Re-presentation of the SDD collection: in what instances

A **Reject** reason given by the **Creditor Bank** is an indication to the Creditor that the sent collection cannot be processed as such and must be corrected before being possibly re-sent and before further collections of the same series are sent. Depending on the reject reason given by the Creditor Bank, the Creditor may be able or not to re-send the collection.

A **Reject** reason given by the **CSM** informs the Creditor Bank that the collection cannot be routed as such and that either the Creditor Bank or the Creditor must review it before possibly re-sending it and before sending further collections of the same series. Depending on the reject reason given by the CSM, the Creditor Bank can decide to re-send or not the collection.

A **Reject** reason or a **Return** reason given by the **Debtor Bank** is an important information for the Creditor which may stall the re-sending of the collection and may even result in no longer sending any collection (e.g., if the Debtor is deceased or the account has been closed).

A **Refusal** by the **Debtor** expresses his decision not to pay the collection. The Creditor has then to decide whether to re-send the collection, in relation with the reason code and/or information received from the Debtor. In any case, it is recommended that the Creditor contacts the Debtor before re-sending the collection and/or sending the next collection in order to resolve the issue. Otherwise, this may result in the new collection also being refused.

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<sup>1</sup> Sequence type FRST is theoretically also possible but is not recommended as it is an optional sequence type



A **Refund** within eight weeks after the debit date of the SDD **Core** collection expresses the decision of the Debtor not to pay the collection. The Creditor has then to decide to send it again or not, in relation with the reason code and/or information received from the Debtor. In any case, it is recommended that the Creditor contacts the Debtor before re-sending the collection or sending the next collection. Otherwise the new collection may also be refused.

A **Refund** with reason “**Unauthorised transaction**” can only occur after a request for refund of an unauthorised transaction has been issued by the Debtor and the Creditor has not been able to provide unquestionable evidence of the mandate or has not answered the request at all. In any case, it is strongly recommended that the Creditor contacts the Debtor to clarify the issue before issuing any further collections.

If the mandate has been terminated (after 36 months starting from the date of the latest collection presented), cancelled, no proof of evidence of the mandate could be provided by the Creditor or the mandate has been never issued, a new mandate must be signed by the Debtor to allow sending new direct debits.

Therefore, it is then the responsibility of the Creditor to decide on sending a new collection based on the reasoning to the refund and/ or in line with the agreement found with the Debtor.

#### 2.14 Re-presentation of a One-off SDD collection

When a one-off collection is re-presented in case the original one-off collection failed, it must be re-presented as a one-off direct debit containing the same UMR and the CI as in the original one-off collection.



## 2.15 Overview of the different scenarios concerning sequence questions

Sequence type of the original SDD sent by the Creditor	Type of R-transaction <b>Before Due Date:</b> - Reject/Refusal Pain.002/Pacs.002 <b>After Due Date:</b> - Return/Refund Pacs.004	Sequence type of the re-presented collection (with same mandate based on R-transaction)
First	Reject/Request for cancellation <sup>2</sup>	Recurrent <sup>3</sup>
First	Return/Refund	
Recurrent	Reject/Request for cancellation	
Recurrent	Return/Refund	
Last	Reject/Request for cancellation	Last
Last	Return	
One-off	Reject/Request for cancellation	One-Off
One-off	Return	
Note: A <b>refunded</b> One-off or Last collection should not be represented as the mandate has expired.		

- Mandate amendments in the collection do not impact the sequence type of the next presented collection if an R-transaction has been received.
- If a collection with mandate amendments is rejected, the mandate amendments should be repeated in the re-representation of the collection.
- Reason codes do not impact the sequence type of the next presented collection if an R-transaction has been received.
- The initiating party of the R-transaction does not impact the sequence type of the next presented Collection if an R-transaction has been received.

## 2.16 Recommendation to Debtor Bank for the receipt of a first SDD collection which contains mandate amendments

### Recommendation: Process.

There may be a business reason behind the fact that in the time lapse between the date of signing the mandate and the first Collection date, some data elements of the mandate have changed (e.g., due to migration issues, some countries made amendments to the legacy mandates to be sent with the first collection).

## 2.17 Clarification on specific attributes to identify counterparties in SDD collections

The SDD rulebooks foresee the following attributes to identify counterparties in SDD collections:

- AT-27 Debtor Identification Code;
- AT-37 The identification code of the Debtor Reference Party;

<sup>2</sup> The use of the “Request for cancellation” is subject to a bilateral agreement between the Creditor Bank and CSM (see chapter 4.4 of the SDD rulebooks)

<sup>3</sup> Sequence type FRST is theoretically also possible but is not recommended as it is an optional sequence type



- AT-39 The identification code of the Creditor Reference Party.

These attributes refer to elements of the ISO 20022 XML message standard to transfer information or codes. The codes inserted in each of these attributes allow a unique and unambiguous way of identifying an organisation or an individual. This can be useful for the automated and straight-through-processing identification of the counterparties involved in the SDD collection.

Codes that can be used in these attributes are the Fiscal Code, the VAT Code, the Enterprise Registration Number, the Business Identity Code, the Organization Code, the Trade Register Number, the Business Register Number, the National Tax ID, the Customer Code (for AT-27 and AT-37 only) and the Supplier Code (for AT-39 only).

### 3 Mandate confirmations under the SDD B2B rulebook

#### 3.1 Principles described in the SDD B2B rulebook

A key element in the handling of SDD B2B collections is that the Debtor Bank must check whether there is a valid mandate in place prior to executing an SDD B2B collection.

Furthermore, the Debtor Bank must obtain confirmation from the Debtor on the SDD B2B mandate data received as part of the first SDD B2B collection, before debiting the Debtor's account. The Debtor Bank further must check the first and the subsequent collections against the stored mandate data, and the related verification instructions, if any, received from the Debtor. Sections 4.1 and 5.8 of the SDD B2B rulebook set these and other related obligations for the Debtor Bank.

After three inter-bank business days, the responsibility and the risks are for the Debtor Bank in case of any unauthorised transaction under the SDD B2B scheme. The Debtor Bank will not get a Refund from the Creditor Bank and will be obliged to refund its Debtor.

#### 3.2 Operational implementation of the SDD B2B rulebook principles

The Creditor Bank and the Debtor Bank first must adhere to the SDD B2B scheme with the EPC before the SDD B2B collection can be handled between the concerned Banks. The SDD B2B scheme is offered to Debtors and Creditors whereby the Debtor is a legal entity or a physical person who is authorised by national law to opt out from the refund right in respect of authorised transactions (i.e. the customer category "non-consumer" as defined in Article 61 (1) of the Payment Services Directive).

The data from the mandate must be confirmed with and registered at the Debtor Bank. If the Debtor Bank has not received the mandate related data, the Debtor Bank may reject the SDD B2B collection at its collection presentation due to the absence of authorization (by giving the R-transaction reason code MD01 - No Mandate).

- Scenario 1: The Debtor does not inform the Debtor Bank in advance about the signing of a SDD B2B mandate:  
Upon receipt of the SDD B2B collection, the Debtor Bank may reject the collection straight away or ask for confirmation from the Debtor based on mandate data shown in the received collection.



However, from an operational point of view it can be difficult to get a validation in time from the Debtor if the Debtor cannot use an electronic communication channel with the Debtor Bank or does not respond within the short timeframe.

- Scenario 2: The Debtor confirms the mandate data to the Debtor Bank before the presentation of the first SDD B2B collection at the Debtor Bank. This approach forms a good practice.
  - The Debtor can present itself at the branch and provide a copy of the mandate to the Debtor Bank which is then recorded by the Debtor Bank;
  - The Debtor can provide the mandate information through any electronic channels as agreed in advance with the Debtor Bank;
  - Any other method agreed between Debtor and Debtor Bank is valid (e.g., Debtor completes and signs a template provided by the Debtor Bank).

Such methods are processes which are agreed in advance between the Debtor and the Debtor Bank and must guarantee the accuracy and timelines of the information received by the Debtor Bank.

### 3.3 SDD B2B mandate confirmation practices outside the scope of the scheme

- The SDD B2B rulebook does not foresee that Creditors directly provide the SDD B2B mandate related data to the Debtor Bank for the Debtor Bank to store this data. The Debtor Bank is not obliged to accept these data from the Creditor because there is no relationship between the Debtor Bank and the Creditor.
- As the SDD B2B (and Core) mandate is a mandate agreed between the Creditor and the Debtor, it is not necessary to request in addition a signature or a stamp from the Debtor Bank. This requirement demanded by certain Creditors has no added value and does not provide any kind of confirmation or collection assurance whatsoever.
- In this stage of the mandate conclusion, the Debtor Bank does not play a role and is not a party to the underlying contract between the Debtor and Creditor. The affixing of any seal or stamp from the Debtor Bank does not add value to the mandate. The best practice is that the Creditor asks the Debtor to provide the Debtor Bank with the necessary mandate information.
- Some Creditors contact Payment Service Providers (PSPs) to see if they are reachable for the SDD B2B scheme. Such specific reachability check towards the individual PSPs is not necessary. The EPC maintains a publicly available register of SDD B2B scheme participants and this register can be found on the [Registers of EPC SEPA Scheme Participants webpage](#). However, this database does only include the main BICs of participating Debtor Banks for SDD B2B collections. Other databases (directories) of CSMs may be considered, if available.
- Other Creditors ask the Debtors to provide them with a certificate of the SDD B2B scheme service agreement with the Debtor Bank. Such certificate usually includes a statement that the Debtor Bank must complete and sign.

Such requests from Creditors do not fall under the rules of SDD B2B scheme currently established by the EPC.



## 4 Electronic mandate solutions other than Annex VII e-Mandates of the SDD rulebooks

The validity of an electronically signed mandate is primarily a matter of the law that applies in the relationship between the Debtor and the Creditor. The SDD scheme rulebooks do not prescribe nor limit the methods of signing electronic mandates in a legally binding manner<sup>4</sup>. SDD scheme participants and Creditors may consider continuing the use of any legally binding method of signature including those that were used under the local legacy direct debit scheme rules if they comply with the SEPA Regulation.

The Creditor is always liable for the proof of the validity of the mandate when requested to do so by the Debtor Bank (through the Creditor Bank). If the Creditor is unable to provide proof of the validity of the electronic mandate, it is possible that the Creditor would be exposed to a Refund claim from the Debtor (via the Creditor Bank).

The Creditor should be aware that not all kinds of legally binding methods of signature may allow for easy proof that a Debtor has signed such electronic mandate. The Creditor should take up this aspect in its business risks' analysis.

The European Banking Authority ("EBA") has issued guidance in December 2014 in its [guidelines on the security of internet payments](#) which also concern the issuance and amendment of electronic mandates used for direct debits. The EBA guidelines constitute minimum requirements as regards the security of internet payments. Procedures for strong customer authentication is one of the key requirements that PSPs are expected to have in place in line with the definition provided in the EBA guidelines. This requirement should be important in the case of cross-border SDD collections.

It is for the competent authorities in all Member States of the European Union to ensure the application of these EBA guidelines by PSPs in their jurisdictions. These [national competent authorities](#) issued their own guidance notes and / or frequently asked questions (so-called FAQs) in this context in 2015.

SDD scheme participants should carefully consider the above-mentioned guidance from the EBA and from their relevant national competent authority with respect to the security of internet payments. In the event of doubt as regards the validity of certain types of electronic mandates, the SDD scheme participants should refer to their competent national authority for more detailed questions.

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4 We refer to the [EPC Clarification Letter EPC098-13](#) from 1 October 2013 to the SDD scheme participants.