



THE SEPA DIRECT DEBIT SCHEME

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1. What is a Scheme?
2. SDD Scheme
 - Vision and objectives
 - Key features
 - Characteristics
 - Relationship model
3. SDD Rulebook and related documents
4. Timescale
5. Work in progress



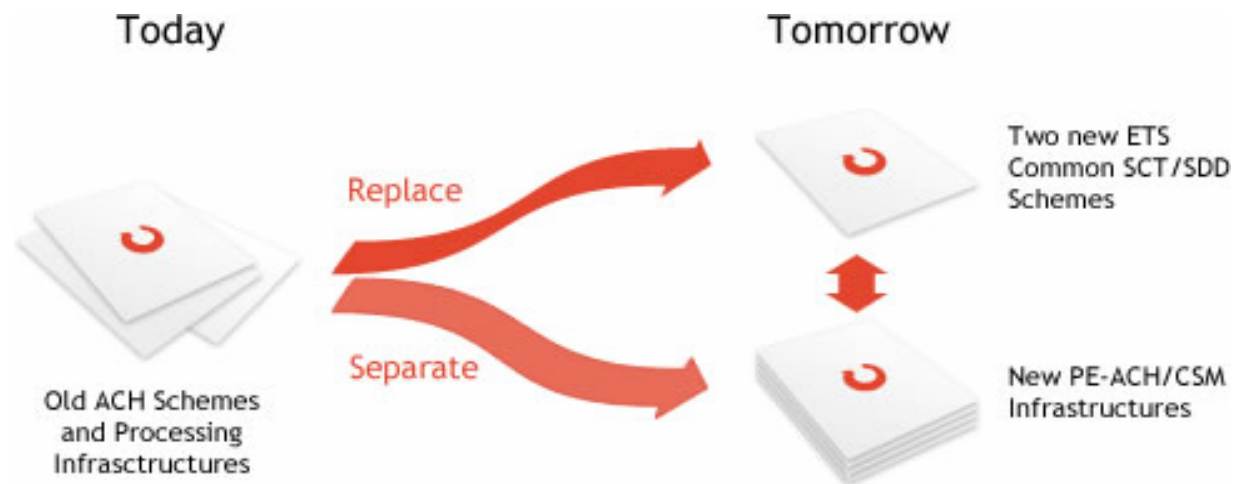
What is a Scheme?

A Scheme is a set of rules, practices and standards agreed between providers of payments services

- **SEPA Credit Transfer (SCT) Scheme**
- **SEPA Direct Debit (SDD) Scheme**

The strategy adopted for payment schemes includes:

- replacement of current schemes (25+ today)
- separation of Scheme from Clearing & Settlement Mechanism (CSM)





SEPA Direct Debit Scheme Vision

- The establishment of a set of inter-bank rules practices and standards for direct debits in euro in SEPA
- To provide the basis for direct debit products which are straightforward and reliable with predictable execution times and reach
- **All** Direct debits within SEPA will be able to be processed under the conditions of the Scheme
- SEPA Direct Debits will be fully automatable and based on the use of open standard and the best practices of straight-through-processing (STP) without manual intervention
- Needs of SEPA best met with new scheme rather than harmonising existing schemes
- Transitional period of co-existence with national schemes



SEPA Direct Debit Scheme Objectives

- No disparities between national and SEPA-wide direct debits
- Full reachability throughout SEPA
- To meet the actual and future needs of parties via a simple, well-controlled, fully dematerialised, secure, reliable, transparent and cost-efficient instrument
- To enable the achievement of best-in-class security, low risk and improved cost efficiency for all participants in the payments process
- To allow the further development of a healthy and competitive market for payment services
- To improve the current level of service provided today to customers towards the highest existing service level experienced in Europe today
- To provide a framework for the removal of local inhibitors and the harmonisation of standards and practices
- To develop a core scheme that is flexible enough to be adapted to various kinds of future market requirements and processes **such as internet-based business, EBBP**



Key Features of the Scheme

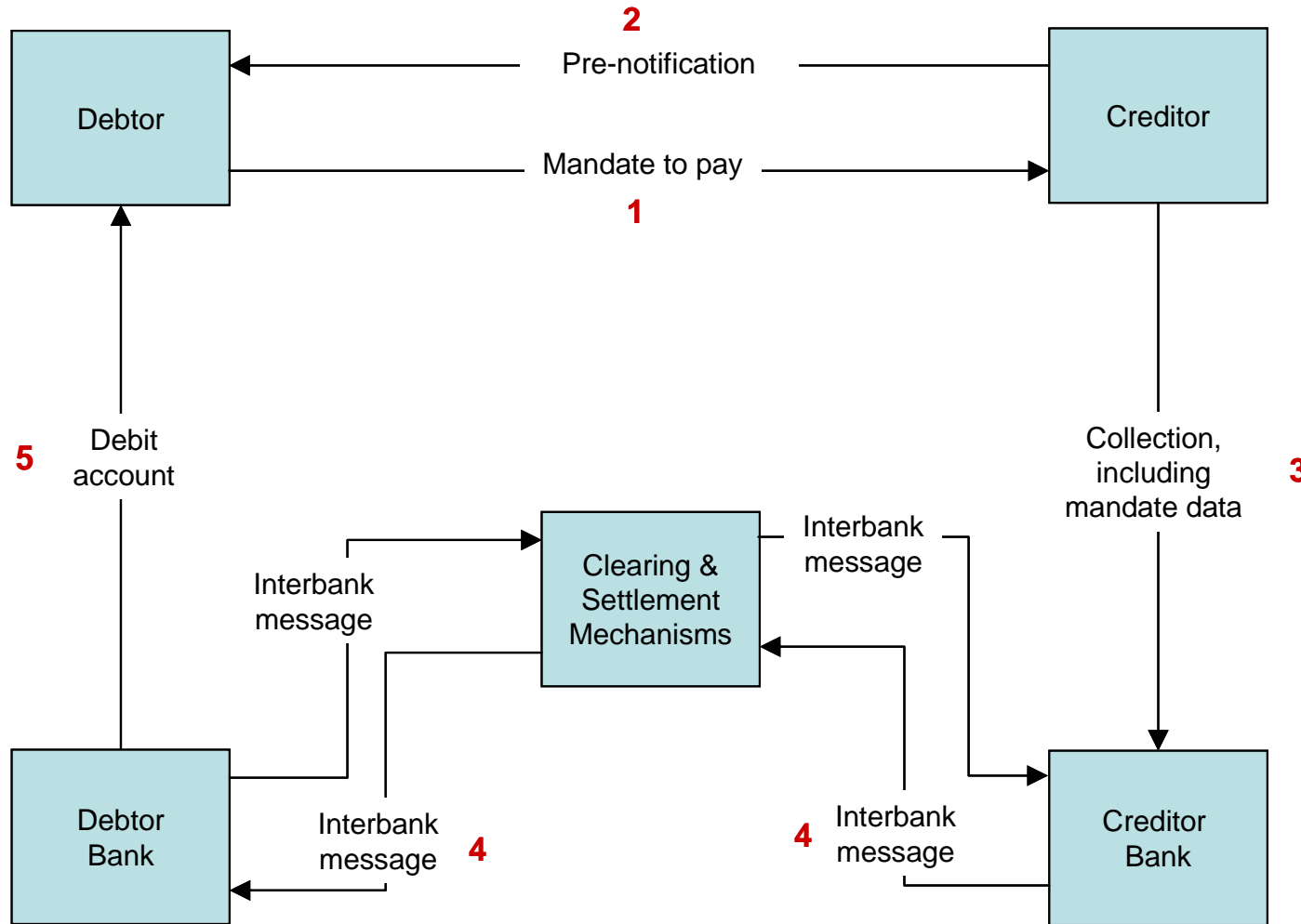
- Mandate agreed between creditor and debtor
 - Authorises creditor to collect
 - Authorises debtor bank to debit
 - Banks not involved in mandate process
- Payments authorised until mandate cancelled
- 8-week refund period for debtor (in line with the PSD)
- 13 months refund period when the validity of the mandate is disputed
- Maximisation of STP
- Core scheme provides basis for products and value-added services for creditor banks and debtor banks



- Recurrent and one-off
- On Inter-bank level in euro only, including exceptions
- Any account domiciled in SEPA
- BIC & IBAN as account identifiers
- D-2 time cycle (creditor bank/settlement/due date)
- Aim for full reachability through self-regulation
- Clearing and settlement mechanisms left to market solutions operated on basis of Scheme rules
- Clear and solid R-transactions processes, e.g. reasons, time cycles, liabilities



SEPA Direct Debit Scheme Relationship Model





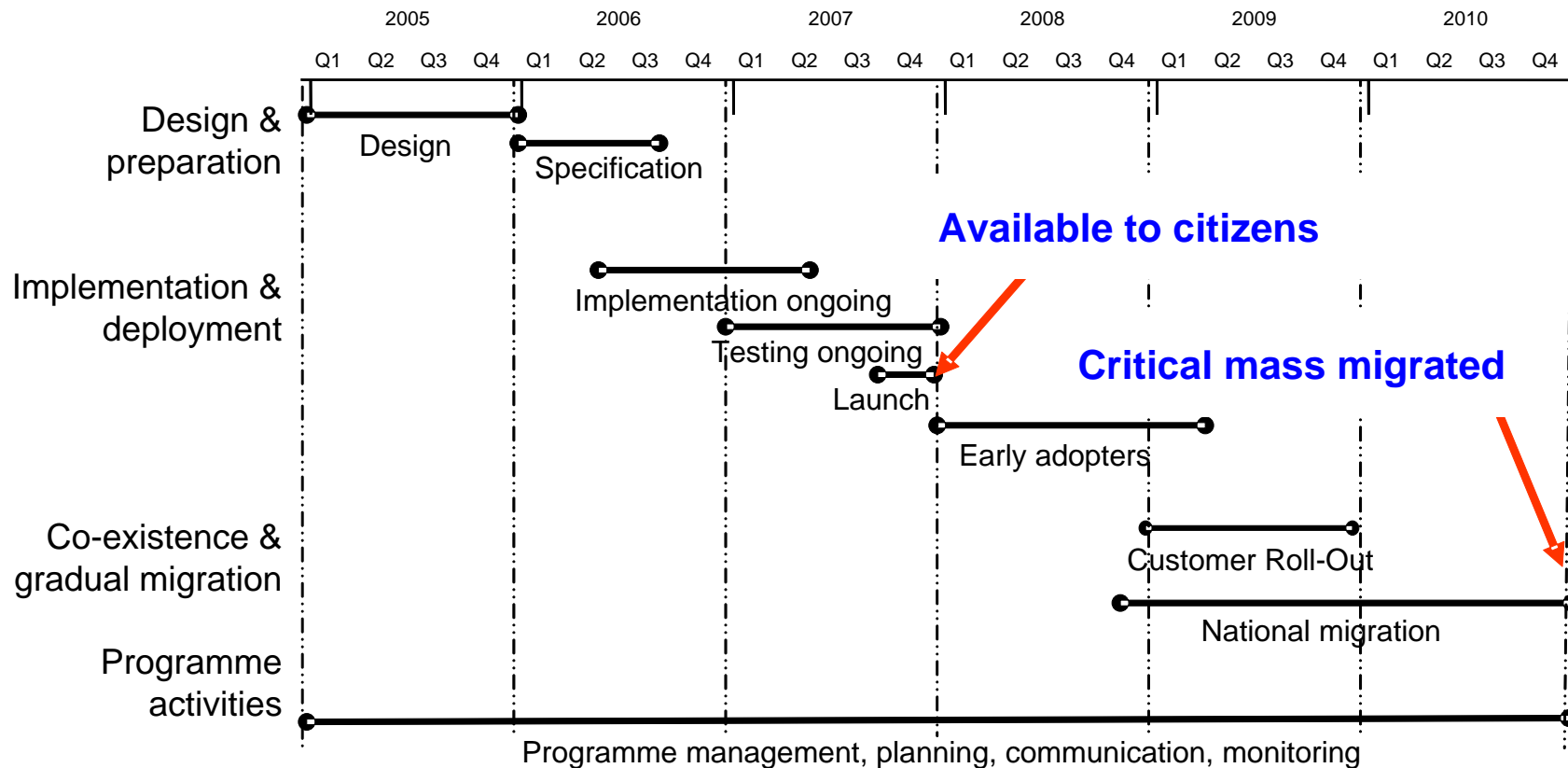
- Scheme developed 2004 - 2006
- Rulebook version 1.0 issued for national consultation September 2005
- Version 2.0 approved by EPC Plenary March 2006
- Rulebook Series 2 is the baseline for the 1st implementation
- Small modifications have been made since then → Version 2.2 December 2006
- Further minor modifications + Scheme Governance considerations → Version 2.3 June 2007
- Rulebook objectives:
 - Primary source for the definition of Scheme rules/obligations
 - Source of authoritative information on how Scheme functions
 - Provide relevant information to support development and operational projects



- SEPA Direct Debit Scheme Rulebook (version 2.2)
- Supporting documents:
 1. SEPA Data Model – recognises 3 layers
 - Business process layer → Rulebook
 - Logical data layer → Rulebook and SEPA Data Model
 - Physical data layer → SEPA Data Model
 2. UNIFI (ISO 20022) XML Standards
 3. Implementation Guidelines
 - Specify the SEPA core requirements that apply to the UNIFI (ISO20022) XML Standards
 - Cover mandatory bank-to-bank messages and optional recommended customer-to-bank messages
 4. PE-ACH/CSM Framework
 5. Technical Validation Subsets
 - SEPA-specific tools for validating the SEPA requirements
 6. SEPA Testing Framework



- From 2008 : SEPA payment instruments will operate alongside existing national processes
- End 2010: full migration, purely national solutions will no longer exist



Rem: Developments in local markets will be monitored

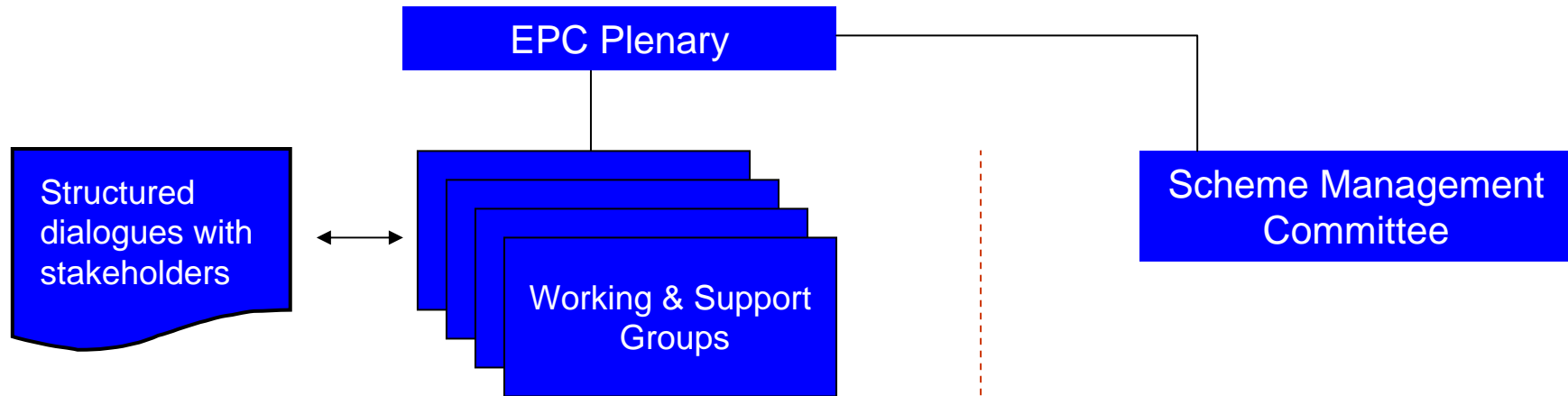


SEPA Direct Debit Scheme Work in Progress

- Scheme Management Structure and Rules (see next slide) – for inclusion in Rulebook 2.3 in June 2007
- Payment Services Directive impact on Rulebook – possible modifications → Version 2.4, time of issue not yet decided
Roll-out date January 2008 + X months (dependent on PSD transposition)
- A specific business-to-business solution
 - for inclusion in Rulebook 3.x
 - not for first implementation
 - Principles paper June 2007
 - Rulebook draft September 2007
- An Electronic Mandate solution
 - for inclusion in Rulebook 3.y
 - not for first implementation
 - Principles paper June 2007



Scheme Management Governance Structure



SM Functions:

1. Structured dialogue with stakeholders
2. Change management for the Scheme Rulebooks
3. Introduction and design of new Schemes

SM functions:

1. Management of adherence process
2. Management and promotion of compliance
3. Conciliation of disputes
4. The provision of an information service





Thank you for your attention

Any questions?