The European payments landscape is changing

Let HSBC be your guide to SEPA
SEPA is redefining Euro payments

SEPA (Single Euro Payments Area) was developed by the European Payments Council (EPC) with the aim to create a borderless system of Euro payments throughout the 33 SEPA countries, making SEPA transactions as easy to effect and receive as domestic ACH (non-urgent) transactions are today.

SEPA is now a reality and HSBC is positioned to support you through the transition.

SEPA Today

Since the launch of SEPA in 2008, the European payment landscape has undergone significant changes.

- Most SEPA countries were required to implement the Payment Services Directive in November 2009 to apply further consistency to payment laws across Europe and establish the legal basis for SEPA.
- In March 2012, the SEPA End Date Regulation was passed by the European Parliament.
- This regulation established the mandatory deadline for all legacy Euro transactions within the Eurozone to migrate to harmonised SEPA schemes for both credit transfers and direct debits by 1 February 2014.
- This means that transactions in Euro where both the payer’s and the payee’s bank accounts are located within the Eurozone, including most domestic Euro transactions, will have to be SEPA compliant by this date. Euro transactions in non-Euro SEPA countries will have to be SEPA compliant by 31 October 2016.
- Businesses need to start planning their SEPA transition today to meet the deadline and realise the full benefits of SEPA.

SEPA Products

SEPA Direct Debits and SEPA Credit Transfers are available to customers and are both covered in this guide. SEPA has also paved the way for the harmonisation of bank cards through the SEPA Cards Framework.
33 SEPA COUNTRIES:

Eurozone members of EU
- Austria
- Belgium
- Cyprus
- Estonia
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- Malta
- Netherlands
- Portugal
- Slovakia
- Slovenia
- Spain

Non Eurozone members of EU
- Bulgaria
- Croatia
- Czech Republic
- Denmark
- Hungary
- Latvia
- Lithuania
- Poland
- Romania
- Sweden
- UK

EEA members
- Iceland
- Liechtenstein
- Norway

Additional SEPA members
- Monaco
- Switzerland

How this guide is designed to help you

HSBC understands the opportunities and challenges that your business is facing with the advance of SEPA. Your transition to SEPA will depend very much on your individual payment needs and how your payment operations are structured. This brochure has been prepared for general guidance to business customers on our SEPA proposition and how we can assist you to become SEPA compliant by the required deadline. As ever, we would be very happy to answer any questions you may have or discuss any aspect in greater depth.

Please contact your HSBC Representative or visit our website: www.hsbcnet.com/sepa for more information.
SEPA Credit Transfers

The SEPA Credit Transfer (SCT) was launched in January 2008 and creates a standardised payment scheme for non-urgent transactions in Euros within the SEPA area for businesses and consumers.

Features

• Simplified multi country processes
  – If you are managing Euro payments between multiple countries, SEPA makes one standardised payment method available for the whole SEPA zone.

• No limit on the amount of the payment

• More detailed information with your payment
  – The remittance allows for up to 140 characters - that cannot be altered by banks - and will be provided on your account statements.

• No deduction
  – Payments are made in full with no deduction from the principal amount allowed at any stage.

• Easier reconciliation
  – We provide you with improved reporting information to make reconciliation easier.
SEPA Core Direct Debit

The SEPA Direct Debit (SDD) scheme was launched on 1 November 2009. It is the pan-European Direct Debit scheme for both domestic and cross-border Euro collections throughout the 33 SEPA countries. Valid direct debit mandates obtained before your migration to the SDD core scheme will remain in force for SEPA collections.

Features for Creditors

- **Direct debit collections across borders in Euro for the first time**
  - Using a simplified scheme with a unique mandate and common rules for rejects and returns.

- **Single format**
  - Organise collections using a single format (XML) for the entire SEPA zone.

- **More detailed information on your receipts**
  - SDD provides up to 140 characters of narrative information that cannot be altered by banks.

- **Expand your horizons**
  - SDD makes the direct debit method of payment formally available for the first time between banks in countries such as Greece and Malta.

- **Obligations for creditors**
  - SEPA creates new obligations for Creditors, including the responsibility to manage mandates.

Features for Debtors

- One simple, consistent way to make regular Euro payments across 33 European countries

- A simple and straightforward refund, offering consumers transparency and protection – eight weeks from the due date to recall an authorised transaction without having to give a reason

- More information on their statements allowing debits to be easily reconciled
SEPA Business to Business Direct Debit

Features

The SEPA Business to Business Direct Debit Scheme (B2B) serves as the basis for the development of specific direct debit products and services allowing only business customers (not consumers) to make payments by direct debit to other businesses as part of their commercial transactions.

The SDD B2B scheme has no refunds and collections are guaranteed 2 days after their Value date. We can advise you on the important differences to help you select the best option for your business.

Please contact your HSBC Representative or visit our website: www.hsbcnet.com/sepa for more information on our SEPA products.
What does this mean for my business?

- **Easier to do business in the European market space**
  SEPA facilitates payments and collections throughout the SEPA zone, meaning you can make payments and collections from business partners across the SEPA zone as easily as from domestic ones today.

- **Centralisation**
  SEPA gives you the opportunity to centralise your internal operations and transactions into one point, for example to a Payment Factory or Shared Service Centre.

- **Explore cheaper options**
  Non-urgent cross border Euro payments within the SEPA zone that are currently being effected as high value payments can henceforth be effected as SEPA transactions, usually at a more competitive cost. It is important to note however that High Value Euro payments are outside the scope of the SEPA Regulation.

  Multilateral Interchange Fee (MIF) for Direct Debits will be abolished for cross border transactions by 1 Nov 2012 and for national transactions by 1 Feb 2017. This may result in more competitive prices from countries impacted.

- **Optimisation**
  Internal processes are optimised with a single standard for multi country payments; errors are reduced and reconciliation is made easier.
What is the timeline?

- **Domestic Euro Automated Clearing House (ACH) schemes will demise**
  From 1 February 2014, most domestic Euro ACH schemes will close and be replaced by the SEPA SDD and SCT schemes (some niche products, as announced by each Member State, will not be migrating in 2014*). You will need to become aware of the changes to the features of these schemes (such as submission timings and the changes to DD mandates).

- **Euro ACH domestic formats will be demised**
  From 1 February 2014, all local Euro ACH formats will be demised and with few exceptions, transactions in Euro delivered in files will have to be in ISO 20022 XML format including IBAN (Please note that Member States may waive this requirement until 1 February 2016*). However we would advise that you start preparing for those changes from now to ensure a smooth transition in the event that the above derogation is not sought in your community. In the meantime, if you have questions concerning your current formats or need guidance to plan your XML readiness, please discuss with your HSBC Representative.

- **BIC/IBAN required for all transactions**
  SEPA schemes require that BIC and IBAN details are provided for making payments and collecting direct debits, including domestic ones. BIC details may not be required after 1 February 2014 for domestic transactions (subject to country derogations*) and after 1 February 2016 for international transactions.

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* For more information on the latest country derogation updates, please refer to the country factsheets on ECB’s website (www.ecb.int/paym/sepa/about/countries/html/index.en.html).
Plan your migration as part of your deliverables for 2013
Set up a dedicated SEPA project team and engage key stakeholders as early as possible to assess the scope and impact of the transition.
- What services and internal processes are impacted?
- Who needs to be involved internally and externally?

Engage suppliers and customers now
- Obtain BIC/IBAN details from payees
- Ensure that your BIC/IBAN details are added to your invoices for customers to use

Simplify and Rationalise
- Consider consolidating redundant low volume local EUR accounts to centralise payments and collections
- Assess urgent and non-urgent Euro flows to leverage SEPA payments instead of high value payments where possible

Plan your SDD strategy
If you are a direct debit collector (creditor), you will be responsible for managing mandates and informing debtors of the changes. Mandates obtained before you migrate to SEPA will still be valid for the Core scheme. However you may need to change your process for obtaining new mandates thereafter. We can advise you of the options available to handle this.

Other points to consider:
- Have you agreed to sign a new bank contract to collect SEPA DD?
- Have you determined your strategy for migrating from legacy to SEPA mandates?
- Have you reviewed your end-to-end DD process to ensure it is SEPA compliant (submission timings, report delivery, etc)?
- Do you already have your SEPA creditor ID? We can help you to obtain it.

Check that your Enterprise Resource Planning (ERP) system is SEPA compliant
- Can it store BIC/IBAN details?
- Is it able to produce XML format?
- Can you receive our reports in XML format?
- Is your ERP system able to manage SEPA DD mandates?

Engagement from your IT vendor is required to change or upgrade your ERP if required. Please come back to us if you need to discuss other options.

Check that your bank connectivity is SEPA compliant
- Is your electronic banking system capable of making SEPA compliant transactions? If you are currently effecting payments only using HSBC screens, these will ultimately be replaced by SEPA compliant ones.

We will be happy to assist you to achieve this.

Plan for testing
- Ensure your plan has a testing phase before going live.

We can organise for you to send us test files to ensure less rejects and a smooth transition.
How will HSBC help me?

HSBC’s European presence gives us a real advantage in providing a coordinated delivery of SEPA. We can help you make a smooth transition by offering you the right solution and expertise you need:

• **Pan-European reach**
  A network of offices across Europe, with extensive payments capabilities. We can help you manage and centralise payments from many locations across Europe.

• **Thought Leadership and Expertise**
  We can keep you informed on the latest SEPA market news and derogation announcements in 2013, and talk to you about what this means for your business.

• **Dedicated Support**
  A dedicated team accompanying and advising you at every stage of your migration journey, whether it is at a country, regional or global level.

• **State of The Art Technical Capabilities**
  We have invested heavily in SEPA compliant payment systems and can deliver payments through a wide range of our award winning electronic channels.

• **An extensive XML offering**
  HSBC has been a key driver in the evolution of the ISO 20022 XML standard and is amongst the industry pioneers adopting the new SEPA messaging in standard formats that allow clients to integrate core treasury, payable and receivable applications and share with banking and other financial partners. Our XML offering covers 56 countries and our SEPA experts can advise you on technical aspects of the End Date Regulation, including value added services on conversion and data enrichment solutions.

• **Additional Services to Facilitate Transition**
  To help ensure a smoother transition for your business, we can also advise you on options regarding the conversion of domestic or Basic Bank Account Numbers (BBAN) to International Bank Account Numbers (IBAN) and the accompanying Bank Identifier Code (BIC) as well as services to derive the BIC from the IBAN.

For practical help with making the transition to SEPA, including our suggestion for how to structure your SEPA programme, please see our SEPA website [www.hsbcnet.com/sepa](http://www.hsbcnet.com/sepa) and click on ‘making the transition’.
What opportunities does SEPA bring over the long term?

- SEPA opens doors to new European markets and suppliers as it is now cheaper to do business anywhere in the SEPA zone.
- SEPA also allows for a simplified Euro account structure as there is no need to open local accounts for payments and collections. You may therefore only need one Euro account for all payments and collections and this will allow you greater control over your Euro liquidity management.
- You may want to consider implementing XML regionally or globally to have a consistent format for all your transactions and therefore standardise your payment processes.
- A unique standard and format will enhance straight through processing and reduce rejection rates. SEPA should assist the move towards a paperless payments strategy thanks to standard formats and easier reconciliation.

Contact your HSBC Representative now or visit www.hsbcnet.com/sepa to find out more about SEPA and how we can help you during your migration.
To find out more about SEPA visit our website www.hsbcnet.com/sepa or speak with your HSBC representative.