



INSIGHTS FROM CASH MANAGEMENT, US

# TreasuryPulse

## With Just a Few Months to Go, Are You Ready for SEPA?

On January 28, 2008, the Single Euro Payments Area (SEPA) will become a reality with the SEPA credit transfer being launched as a first step and the SEPA direct debit to follow the year after.

For corporations holding accounts in Europe, this brings major benefits, as euro-denominated payment instruments, processes, formats and standards will be harmonized across the SEPA area. This area includes the 27 European Union member states and the three European Free Trade Association (EFTA) countries as well as Switzerland. However, it also means that corporates will have to prepare for the introduction of the SEPA instruments, which, after a phase of co-existence with legacy local instruments, will fully replace today's payment instruments in these countries.

One of the main changes is the implementation of a new payment format, the SEPA XML, which is a subset of the ISO 20022 XML format. The SEPA XML is mandatory for interbank use and optional for corporate-to-bank use. Another important change is the use of certain new data elements, such as the International Bank Account Number (IBAN) and Bank Identifier Code (BIC), which will be the unique valid account identifiers in the SEPA environment.

Banks have been preparing their systems, products and processes for this event for many years, and the banking industry is well prepared to begin SEPA processing in January. Most corporations started their preparations this year and will need some more time to manage the full changeover to the SEPA transactions during the course of 2008 and 2009. In doing so, they will depend on their banks offering flexible SEPA solutions and supporting their migration efforts.

With this in mind, Deutsche Bank has developed a four-pronged approach, designed to deliver its clients instant benefits and a high level of flexibility following SEPA's launch in January 2008. These benefits also apply to US corporations holding accounts in the eurozone:

1. **Financial benefits now.** Deutsche Bank's corporate clients can reap the financial benefits of SEPA on day one as a result of the Bank's decision to handle all euro payments with SEPA criteria (i.e., containing IBANs and BICs) in the same way as legacy domestic mass payments — irrespective of format, access channel and amount. This approach will deliver immediate and significant savings to all corporates effecting cross-border euro transactions within Europe.

2. **Format conversion support.** Deutsche Bank will accept all current formats that accommodate IBAN and BIC information for SEPA transactions, including existing cross-border formats and industry standard EDI (Electronic Data Interchange) formats such as IDOC, CSV and EDIFACT, and convert them into SEPA XML to alleviate the need for clients to immediately change to the SEPA XML format. This will allow corporates some additional time to prepare for the changeover in their own processes and infrastructure. In addition, Deutsche Bank will support the XML format beyond the SEPA scope of countries and instruments for all other transactions globally.
3. **New flexible account model.** Deutsche Bank offers a flexible account model to make SEPA migration easier. Under this structure, existing client accounts in all Deutsche Bank branches within the eurozone and United Kingdom can be used to process all transactions, including SEPA-compliant transfers. As such, clients won't have to open new accounts in a central location in order to access and benefit from SEPA processing.
4. **New product features.** Deutsche Bank has developed a number of new product features aimed at helping clients with their transaction initiation and reconciliation processes in the SEPA environment. For example, we can complete certain payment orders when BICs are not provided in the original payment instruction.

Ultimately, these value-added services will allow for a SEPA transition that not only takes into consideration the migration challenges and timelines for corporates, but also the pace of changes within the markets with respect to the migration of clearing systems.