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Deutsche Bank

Summer 2007

INSIGHTS FROM CASH MANAGEMENT, US

TreasuryPulse

## More Frequently Asked Questions (and Answers) about the SEPA Transition

The Single Euro Payments Area (SEPA) is scheduled to go live in January 2008, with the introduction of a SEPA credit transfer. Below is another installment of frequently asked questions about SEPA and its potential impact on corporate payment practices:

*What will be required for credit transfers in 2008 (i.e., International Bank Account Number [IBAN], Bank Identifier Code [BIC], Sort Code, SWIFT, etc.)?*

Corporations intending to migrate to SEPA with their credit transfers at the beginning of 2008 must use the IBAN and BIC instead of local account numbers and bank sort codes in the payment order. Furthermore, there are some new fields in the SEPA formats that can be used optionally (e.g., a dedicated orderer reference field).

Ask your bank whether it will accept legacy formats to initiate a SEPA payment or whether you need to use XML. For example, Deutsche Bank accepts XML formats in addition to the global formats EDIFACT, CSV and IDoc.

*How will SEPA impact communication channels between corporations and banks?*

SEPA does not address these communication channels. This means that the presently used communication channels (electronic banking tools, host-to-host applications, etc.) will be used in the future SEPA environment. Banks in Europe will need to upgrade their electronic banking tools to become SEPA-compliant.

*What kind of companies will need to upgrade their infrastructure?*

There can be large differences between various corporations depending on their structure and type of business in Europe. At a minimum, all companies doing business within the European Union will be impacted when they move their local payments to SEPA and hence have to use the new data required for SEPA payments (e.g., IBAN and BIC).

*If banks can convert corporate data to the new SEPA-compliant format, do corporates still need to change to the SEPA-compliant format?*

If your bank accepts formats other than the SEPA XML formats for the initiation of payments, then no format change has to take place on the corporate side. For example, Deutsche Bank will, in addition to accepting the XML formats, also enhance the global formats EDIFACT, CSV and IDoc in order to initiate SEPA payments. These formats will have to be enhanced so they can hold the new SEPA data elements (e.g., IBAN and BIC, reference numbers, etc.), which means there will be some element of change for the corporate.

*In order to accomplish SEPA objectives, what information technology and software will be required?*

This will vary significantly from corporation to corporation. Generally, systems that contain databases with account and bank information — e.g., enterprise resource planning (ERP) systems, accounts payable/accounts receivable systems and human resources systems containing account information of employees in Europe — need to be upgraded to include IBANs, which are much longer than account numbers, and BICs.

Furthermore, for some countries the change in the length of remittance information (4 x 35 digits) or the optional use of dedicated reference fields may require system adaptations.

Also, for SEPA direct debits (starting in 2009), there will be system requirements to reflect certain mandated changes in processes (e.g., timeliness for submission and exception handling of direct debits).

*Are US-dollar (USD) denominated accounts held at European banks also covered in the scope of SEPA, particularly regarding the use of IBAN and BIC for intra-Europe USD payments?*

Although USD payments are outside the scope of SEPA, it is generally recommended to use the IBAN and BIC for all intra-European payments, as this information has become the general market standard for straight-through processing. Also, many banks have started charging clients for any cross-border payments within the EU that do not contain the IBAN.

*Who pays repair charges, the sender or receiver of the funds, or both?*

Typically, the sender of the funds pays the repair charges, as the sender is the one who provided the data that needs to be repaired. Repair charges can often be the smaller concern, compared to value date issues, where the problem often ends up with the beneficiary. As a result, we encourage use of IBAN and BIC even for payments where they are technically not required.

*If a wire is currently sent from the United States, does it need an IBAN?*

Payments from the United States to Europe do not fall under SEPA and are therefore beyond the scope of these changes. However, we recommend using the beneficiary IBAN and BIC for these payments whenever they are available.

*How does SEPA influence or impact lending/mortgage companies?*

Lending and mortgage companies are impacted in accordance with how much they use the SEPA instruments (credit transfers and direct debits) for their transactions. Usually, these

types of companies are large users of direct debits, so this will be the most significant change for them. Once the Europe-wide SEPA direct debit is implemented, likely in mid to late 2009, it will provide such companies an opportunity to collect money with the same payment instrument and under the same conditions throughout the Euro zone.

*Eventually, will all European currencies (such as pounds, francs, etc.) vanish, leaving only euro currency to be used for all cash transactions?*

For the British pound as well as the Swedish and Danish kronor, we are not aware of any plans to move to the euro. The remaining 11 countries that have not yet introduced the euro will be doing so once they meet the so-called "convergence criteria" — a number of European Union economic benchmarks. However, in some cases this will still take a number of years.