

A GUIDE TO ISSUANCE OF INTERNATIONAL BANK ACCOUNT NUMBERS (IBAN) BY EUROPEAN BANK PROVIDERS

Written by Bwogi Sean

The International Bank Account Number, or IBAN for short is a Standardized International Bank Account Number Identification system consisting of 34 letters and numbers used to allow overseas banks to easily validate beneficiary's bank accounts for cross-border payment transactions.

Primarily used across Europe, it was adopted within the Single Euro Payment Area (SEPA) to make cross-border card and electronic payments of both individuals and businesses EURO (€) transactions as efficiently and cheaply across participating countries. [1] Since September 2017, it is compulsory for SEPA payments to be processed using only a customer's IBAN. This change, known as SEPA IBAN-Only (SEPAIO) has helped reduce the instances of payment errors by encouraging more SEPA payments to be made electronically.

There are 33 countries in the SEPA area. These are the existing 27 member states of the European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, and Sweden. It also includes areas not part of the Euro Union (EU) or European Economic Area (EAA) such as, Iceland, Lichtenstein, Monaco, Norway, Switzerland and the United Kingdom also are participants.

SEPA makes it possible for retail transactions to directly debit accounts in another member country and for those living, working, or traveling to use accounts in their home country to receive direct deposit payments and pay bills by electronic transfer. This helps promote labor mobility and economic integration among SEPA member countries.[2]

There are currently several payment schemes in the SEPA payment architecture. These are SEPA Credit Transfers (SCT), SEPA Credit Transfer Instant scheme (SCT Inst), SEPA Direct Debits (SDD) and SEPA Cards Framework (SCF).

Written below is a brief overview of the main uses of the following schemes with additional information available in the references:

1. **SEPA Credit Transfers (SCT)**

A SEPA credit transfer is a payment initiated by the payer. A payment instruction is sent to the payer's bank (the originator's bank), which transfers funds to the payee's bank (the beneficiary's bank). [3] SEPA Credit Transfer files can be used for salary payments. Once the transfer is authorized, the recipient should receive their money within one business day after the payment was made.[4]

2. **SEPA Credit Transfer Instant scheme (SCT Inst)**

SEPA Instant Credit Transfer is all about speed. Once the sender confirms a SEPA Instant Credit Transfer, the funds can be available in the recipient's bank account in less than 10 seconds.[5] However, to use the SEPA Instant Credit Transfer, both the sender and the receiver's banks must be registered as SEPA Instant members. So, before you hit send on

a SEPA Instant Credit Transfer request, be sure to check that both your bank account and your friend's bank account can accommodate SEPA Instant Credit Transfers.

3. SEPA Direct Debits (SDD)

SEPA Direct Debit will make it possible to set up automated collection to one account in one country from debtors in several countries. Initiated by the payee (the creditor) via the payee's bank after agreement between the payee and payer (debtor).[6] This is based on an authorization for the payee's bank and the payer's bank given to the payee by the payer for the debit of the payee's bank account. This authorization is referred to as the 'Mandate'.

Direct debits are often used for recurring payments (such as utility bills) with a pre-authorized agreement signed by the payer (debtor). [7]Direct debits can also be used for one-off payments where the payer (debtor) authorizes a single payment.

There are two types of SEPA Direct Debit Transfers:

- a) The SEPA Core Direct Debit Transfer is available to individuals, and must be offered by all banks participating in the SEPA scheme.
 - b) The SEPA B2B Direct Debit Transfer is only available between businesses, and banks participating in the SEPA scheme may choose to offer it to their customers, but it is not mandatory.
- ### 4. SEPA Cards Framework (SCF)

The SEPA Cards Framework (SCF) allows debit and credit card payments and cash withdrawals to be made as easily, safely and efficiently throughout the SEPA zone as at home. This will mean more flexible payment options for people living and travelling throughout the SEPA zone.[8]

Where customers have any concerns, they should confirm with their bank that the bank account they wish to use is SEPA reachable. A detailed list of Payment Service Providers (PSP) across the Single Europe Payment Area (SEPA) including banks that provide SEPA payment schemes has been provided by the [European Payments Council](#) and a full list is available [here](#)[9].

IBAN discrimination

It is still a commonplace for non-local SEPA bank accounts to reject payments although in 2014 the European Union passed Article 9 of the SEPA Regulation (*Regulation (EU) No 260/2012*), making it illegal to deny service to non-domestic SEPA-IBAN bank account numbers. This usually occurs when a company/institution specifically requires an IBAN starting with either a domestic country code of a distinct member country or an IBAN in a domestic format. due to low enforcement in practice, IBAN discrimination is still commonplace [11].

Cases of IBAN discrimination were particularly reported in countries where the usage of SEPA Direct Debit is high and/or deemed convenient by consumers or companies (such as Belgium, France, Italy, Germany, Spain or the Netherlands) who welcome the possibility to use them also across borders, as offered by the SEPA Regulation. Most reported cases are due to a lack of knowledge of the Regulation's requirement by payment services users or limitations in legacy processes that do not allow foreign IBANs to be used (e.g. online or paper forms limiting the IBAN number to a fixed number of digits or displaying a pre-filled country prefix). By contrast, countries

where SDD are not widely used or which are not members of the euro area generally receive fewer complaints. For instance, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Greece, Hungary, Ireland, Lithuania, Luxembourg, Malta, Poland, Romania, Slovenia and Sweden reported less than 20 complaints altogether since the end-date (1 August 2014 or 31 October 2016 depending on the country).

Among the most reported cases of IBAN discrimination involved cross-border e-commerce transactions, if customers experience IBAN discrimination in other forms they are strongly advised to file a complaint to relevant authorities, with forms available [here](#) as notable fines have been imposed on non-compliant participants such as Italian Mobile Operators WindTre and Vodafone's €800,000 Euro [fine](#).

Online alternatives opening up IBAN-SEPA account

A number of online platforms provide users the ability to create SEPA-IBAN's to conduct transactions across Europe, these include

1. [Monneo](#)

Monneo is an online platform dedicated to online merchants to provide multiple, multi-currency online IBAN accounts. Online IBAN accounts are linked to safeguarded bank accounts.

2. [Genome](#)

Provides a digital wallet, SEPA IBAN accounts, Debit Cards, personal and business accounts and EU SEPA money transfers.

3. [Wallter](#)

Provides an online platform that enables business and personal accounts to perform global payments and banking services, hold multiple currencies, SEPA and instant SEPA transfers with multiple user access with different payment plans available depending on business locations with a list available [here](#).

4. [Statrys](#)

Provides Virtual IBANS for Small Medium Enterprises (SME's), E-commerce companies and young companies Mastercard® cards at Bank beating forex rates enabling companies to make and receive payments within the European Union.

5. [B2B pay](#)

Though its online platform, B2B pay provides companies with multi-Currency IBANs, collection and payments from customers, currency conversions and international money transfers.

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