

SEPA Guide

October 2021

Executive Summary

Developed by the European Payments Council ('EPC'), the Single Euro Payments Area ('SEPA') expands on the vision behind the Euro to establish a single monetary and economic union.

Specifically, SEPA is geared toward creating a borderless system of Euro payments throughout SEPA countries and territories by putting a consistent set of standards, rules and conditions in place. The ultimate goal is to make sending and receiving SEPA zone payments as easy and cost effective as non-urgent domestic payments.

The adoption by EU of Payment Services Directive 1 & 2 in 2007 and 2015 also facilitated this objective as it established the legal foundation for the payments within European Union.

In 2021, the geographical scope of the SEPA schemes covers 36 countries and territories including the 27 EU Member States of European Union plus Iceland, Norway, Liechtenstein, Switzerland, Monaco, San Marino, Andorra, Vatican City State/Holy See and UK.

The SEPA zone brings numerous benefits to the corporates:

- ◆ SEPA Credit Transfer ('SCT') is a harmonised payment method for both cross-border and domestic Euro payments within the SEPA zone. It allows the Originator to have full control over the delivery of the funds and gives the assurance that the payment is made in full to the Beneficiary;
- ◆ SEPA Credit Transfer Instant ('SCT Inst') is a pan-European payment method launched in 2017. It allows the Beneficiary to immediately get the funds and reuse them. Payments will be made within 10 seconds to the Beneficiary;
- ◆ SEPA Direct Debit allows the corporates to collect the funds on an agreed future date. There are 2 schemes, B2B and CORE in SEPA zone;
- ◆ The Usage of XML ISO 20022 increases the standardisation of Payment processes and saves time and money during the implementation of Payment Treasury solutions in Europe. Then, XML based payment factory is a real benefit for the construction PAN European POBO & COBO structures; the reconciliation is simplified by standardised items forwarded without alteration to the Beneficiary and reflected in the account statements.

We've created '**Your Guide to SEPA**' to provide you with concise, expert knowledge on the key SEPA characteristics and benefits of harnessing the full potential of SEPA and ISO 20022 XML. In the pages that follow, you'll benefit from the experience we've gained as we've helped a number of companies across the entire SEPA zone transition from their legacy systems to SEPA and assisted in capitalising on the SEPA opportunities.

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1. The Purpose of SEPA

On 1 January 1999, the Euro became the new official currency of eleven European Union Member States. This currency enabled harmonisation of domestic and cross-border cash transactions. However, the national payment systems used by European Union countries for cashless exchanges were still not compatible with one another. This made cross-border transactions complex, costly and often cumbersome - even though they were denominated in the same currency.

Thus it was decided to create a new payment scheme covering Single Euro Payments Area - SEPA. In June 2002, European Payment Council (EPC) was created. At the request of the EU authorities, the EPC committed to develop the harmonised electronic Euro payment schemes.

As a result of SEPA standards, the cross-border euro transactions within the SEPA zone became as secure, cost-effective and simple as domestic transactions.

Taking into account that instant payment methods have become the reality across the world and in order to prevent the return of real time national schemes, a decision was made to create a new SEPA scheme. In November 2017, SEPA Credit Transfer Inst scheme became operational.

SEPA Credit Transfer Inst is a new payment method allowing the funds transfers to the Beneficiary in less than 10 seconds - 24 hours a day, 365 days a year - which aims to reduce the cash usage in Europe and accelerate business exchanges across the SEPA zone.

Today, the SEPA zone includes 36 countries and territories 27 EU Member States plus Iceland, Norway, Liechtenstein, Switzerland, Monaco, San Marino, Andorra, Vatican City State/Holy See and UK.

2. ISO 20022 XML – A Global ISO

XML stands for 'eXtensible Markup Language'. It's an international standard for modelling data, and is administered by the World Wide Web Consortium ('w3c').

In order to use the XML format efficiently in the financial world, the International Organisation for Standardisation ('ISO') has introduced ISO standard 20022. The data formats of SEPA Rulebook are based on this standard as well as on EPC guidelines.

ISO 20022 XML is mandatory for the exchange of SEPA payments between Banks and for the Client-to-Bank instructions.

Given the ISO 20022 XML format is an international standard, it's supported by IT systems around the world.

With this, it's anticipated that ISO 20022 XML will be used in other payment transfer procedures in the future (such as foreign currency payments), in addition to the SEPA process.

For more specific information on ISO 20022 XML and EPC guidelines visit: w3c.org & <https://www.europeanpaymentscouncil.eu>.

3. SEPA Credit Transfer

SEPA Credit Transfer is a harmonised payment method used for both cross-border and domestic Euro payments within the SEPA zone.

a. What You Need to Know about SEPA Credit Transfer

- ◆ SEPA Credit Transfer only supports Euro currency transactions between two accounts located in the SEPA zone;
- ◆ The amount is credited to the Beneficiary account in full. In contrast to the international transfers, the amount of the SEPA transfer cannot change;
- ◆ The SEPA Credit Transfer involves each side bearing its own fees and is charged separately;
- ◆ SEPA Credit Transfer takes a maximum of one Banking Business Day. The amount of the SEPA credit transfer is credited at latest on D+1 Banking Business Day, where D is day of SEPA Credit Transfer debit. In regard to payment orders received before the HSBC cut-off time on D, with D being the day of the SEPA Credit Transfer debit, HSBC will credit the Beneficiary's bank account on D, provided D is a Banking Business Day;
- ◆ The maximum amount of SEPA payment is 999.999.999,99 Euro per Credit Transfers; and

- ◆ The Remittance Information and end-to-end ID supplied by the Originator are forwarded in full and without alteration to the Beneficiary.

The transaction information within SEPA Credit Transfer is indicated in:

- ◆ End-to-End ID which is limited to 35 characters; and
- ◆ Remittance Information allows up to 140 characters* which can be sent in structured and unstructured ways.

* From November 2019, the SCT Scheme offers the Extended REMITTANCE INFORMATION ('ERI') option to Participants which allows them to carry up to 999 occurrences of 280 characters. ERI option will not be supported by HSBC.

Two exceptional procedures exist for funds return under SEPA Credit Transfers scheme:

- ◆ Recall used in case of duplicated sending, technical problems and fraudulent originated SEPA Credit Transfer. Recall can be used by the Originator Bank on its behalf or on behalf of the payer within a maximum of 10 Banking Business Days* after the execution of the initial SCT Transaction, given that from 21 November 2021, this request shall be made at the latest within the period of 13 Months following the date of the execution of the initial SCT Transaction when such request is based on a fraudulent originated SEPA Credit Transfer. Note that in the case of the Recall initiated by the Originator, it should be provided to the Bank within 8 Banking Business Days * in order to leave the time for the Originator's Bank checks and interbank treatments
- ◆ Request for Recall by the Originator (RFRO) which can be initiated within 13 months after the execution of the initial SEPA Credit Transfer for the reasons other than Recall as wrong amount, incorrect IBAN, etc.

Note that neither the Request for Recall by the Originator, nor the Recall is a guarantee of the return of the funds to the Originator. In all the cases, the decision of fund return should be taken by the Beneficiary and/or Beneficiary Bank.

Returned amount may be less than the amount of the original SEPA credit transfer, primarily due to fees which the Beneficiary's payment services provider has the right to withhold from this amount

SEPA Credit Transfer files can be used for salary payments. If a SEPA payroll file is submitted, via e-channel, to HSBC before 12:00 CET during a Banking Business Days, HSBC shall settle the payroll instructions on Beneficiary Bank accounts on the same day, subject to standard internal compliance checks. If a SEPA payroll file is submitted, via e-channel, to HSBC after 12:00 CET, HSBC shall process it on a best efforts basis and at latest on D+1 (except where D+1 is not a Banking Business Day).

* Banking Business Day is equals a TARGET2 day and applies to the inter-PSP execution of a SEPA Credit Transfer, and of any related r-transactions and SCT inquiries.



4. SEPA Credit Transfer Instant

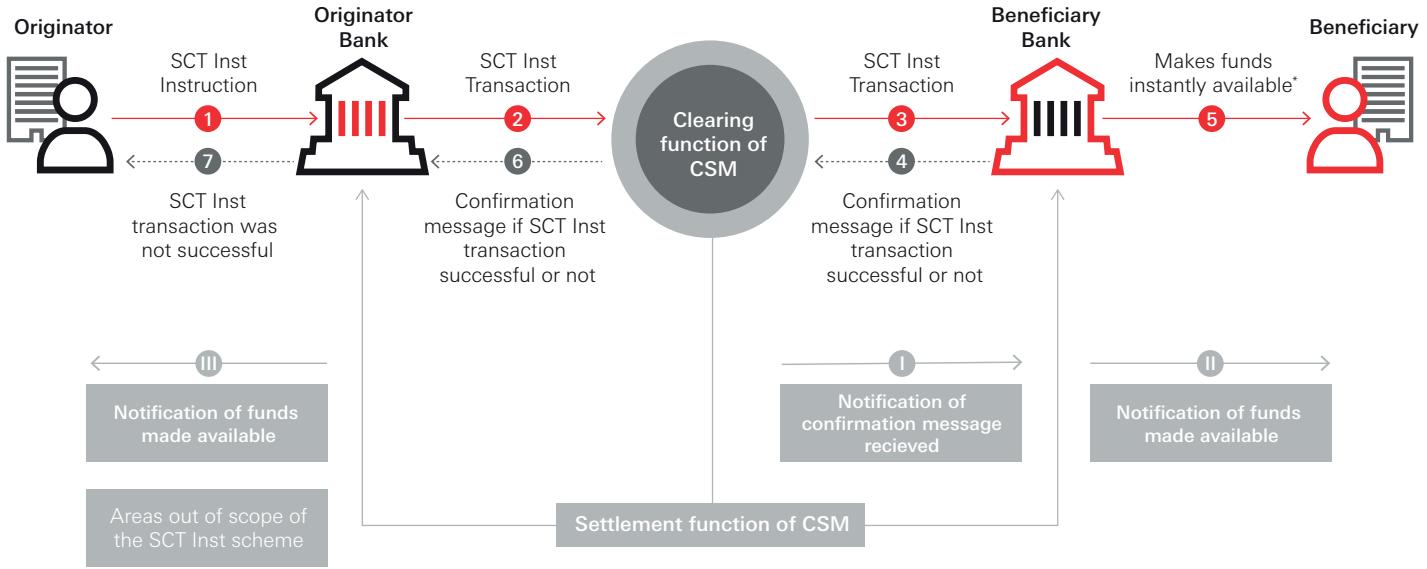
On 21 November 2017, the SEPA Credit Transfer Instant ('SCT Inst'), a real-time payment method, was launched by the European Payment Council.

The SCT Inst payment scheme aims to accelerate the exchanges between European economic parties for both cross-border and domestic Euro payments, promote a cashless society, and avoid the segmentation of the European payment market with the appearance of real time national schemes.

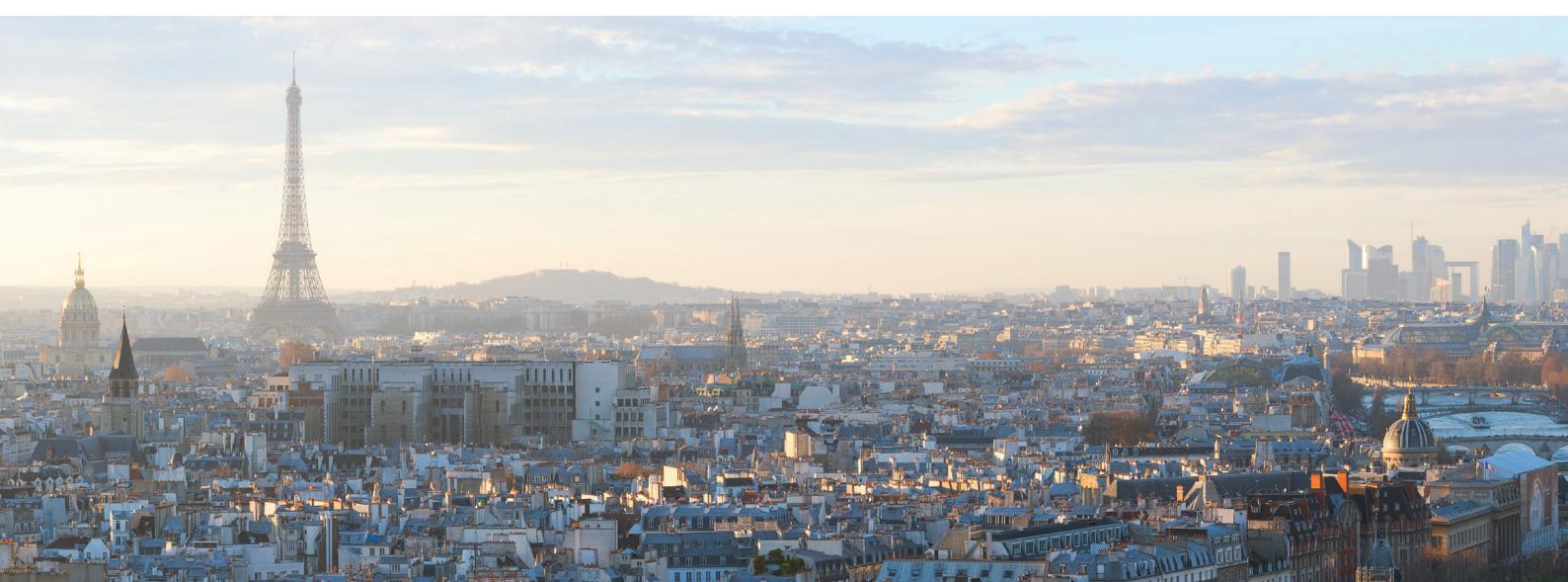
SCT Inst is fully live at HSBC CE for accounts in France, Netherlands, Ireland; and SCT Inst will be live in HSBC CE Luxembourg in January 2022.

SCT Inst enables the Beneficiary to receive funds immediately and reuse them.

HSBC intends, within the coming years, to implement this new European Real Time Payment method for customers in its 10 other SEPA countries: Belgium, Italy, Greece, Germany, Malta, Spain, Czech Republic, Poland and UK.



* Only when the Beneficiary Bank has sent a positive confirmation and the Beneficiary Bank has the certainty that this message has been successfully delivered to the CSM of the Beneficiary Bank, it Instantly Makes the Funds Available to the Beneficiary.



a. What you need to know about SEPA Credit Instant ('SCT Inst')

- ◆ SCT Inst is an optional payment scheme.
- ◆ SCT Inst can be done in Euro currency between accounts located in the SEPA zone;
- ◆ SCT Inst is available 24 hours a day, 365 days a year; there are no cut-off times;
- ◆ The maximum execution time for SCT Inst payment is 10 seconds;
- ◆ The funds are immediately available for the Beneficiary;
- ◆ The maximum amount of SEPA Instant Payment is of 100.000 Euros.
- ◆ SCT Inst payment is based on XML ISO 20022 and SEPA Credit Transfer standards;
- ◆ SCT Inst is IBAN-only compliant; only the account number of the Beneficiary is requested for the payment initiation. The BIC code of the Beneficiary Bank only has to be provided when the Originator Bank is technically not able to derive the BIC from the IBAN of the account of the Beneficiary when held at a Beneficiary Bank in a non-EEA SEPA country or territory ***;
- ◆ The full amount is credited to the Beneficiary; and the shared fees are mandatory;
- ◆ The Remittance Information of 140 characters and End-to-End ID of 35 characters supplied by the payer are forwarded in full and without alteration to the Beneficiary.

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Use cases of SEPA Credit Transfer Inst

The SCT Inst can be used in many business cases.

Below are examples of the use of the European Real Time payment scheme:

- ◆ SCT Inst can replace cash and cheque payments between two individuals for debt reimbursement, payment for second hand items, restaurant bill sharing, etc...
- ◆ Customer-to-Business ('C2B'): integrated into dedicated applications as Request-to-Pay and Payment Initiation, SCT Inst can replace the cards, cash and cheque payments in the Point-of-Sales and Ecommerce. Additionally, it can integrate into existing online payment methods/wallets;
- ◆ SCT Inst can be a substitute for SEPA Credit Transfers and cheque payments. It can also be used for time sensitive payments such as payroll payments or insurance payments, as well as promotional and time critical payments; and
- ◆ Business-to-Business ('B2B'): SCT Inst allows perfect day-to-day business management and counterparty risks reduction. For the payer, it allows for delaying the payment until the last moment or even paying on receipt of goods. The receiver of the funds has the ability to reinvest them immediately.

HSBC offers their clients different solutions focused on Business-to-Customer ('B2C'), Business-to-Business ('B2B') and Customer-to-Business ('C2B') models.

Main benefits of the SCT Inst in comparison to the "traditional" payment methods:

- ◆ Day-to-day payments without timing constraints - 24 hours a day, 365 days a year;
- ◆ Immediate funds availability for the Beneficiary;
- ◆ Growth of cashless exchanges and improved security; and
- ◆ Easy reconciliation process.

* Banking Business Day is equals a TARGET2 day and applies to the inter-PSD execution of a SEPA Credit Transfer, and of any related r-transactions and SCT inquiries.

** Business Day is a day on which Originator Bank in the relevant jurisdiction is open for business with customers.

*** Switzerland, San Marino, Monaco, Andorra, Vatican City State/Holy See and UK

5. SEPA Direct Debit

SEPA Direct Debit schemes ('CORE' & 'B2B') were created to cover the consumer and business needs of recurrent payments within the SEPA zone.

SDD allows customers to avoid the risk of missing a payment deadline and being charged additional fees for late payments, or suffering from an interruption of service.

SEPA Direct Debit can become an alternative payment method in business-to-business relations, as well as in the retailer and e-commerce markets.

a. What you need to know

There are two versions of the SEPA Direct Debit scheme:

- ◆ **SEPA Direct Debit Core ('SDD Core') scheme**, which is available to both corporates and consumers; and
 - ◆ **SEPA Direct Debit Business to Business ('SDD B2B') scheme**, which is used strictly between corporates.

When a collection agreement is established, the Debtor and Creditor can decide which scheme is applicable and which they prefer to use. The fundamental difference between the SDD Core and SDD B2B schemes lies in the finality of the payment:

- ◆ In the SDD Core scheme, Debtors can request refunds on authorised collections for up to eight weeks after the debit has been made; and
 - ◆ In the SDD B2B scheme, refunds are not permitted. However, to ensure Debtors are protected against unauthorised Direct Debits, the Debtor's Bank is required to check the Direct Debit against the Mandates provided prior to payment.

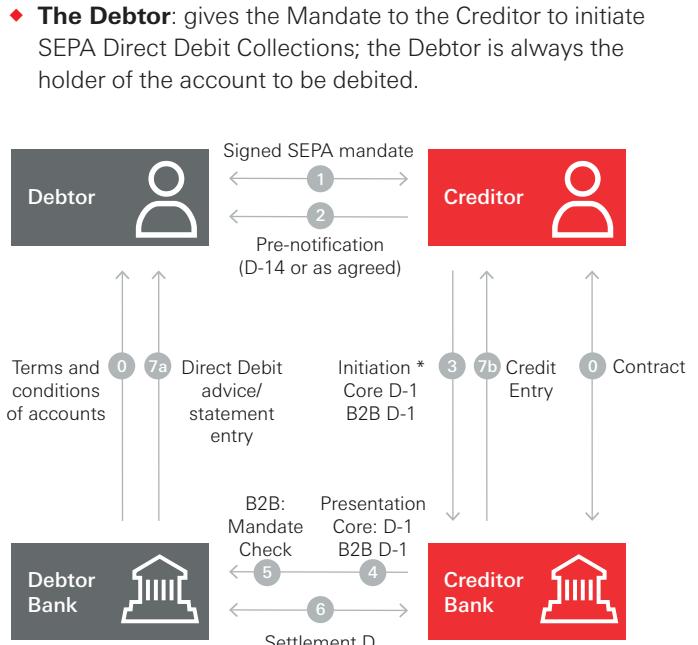
With SDD Core and SDD B2B, the Debtor's Bank can also offer additional options for added protection against unauthorised electronic debits.

For example: for SDD Core, the Debtors can choose to limit the collections to the White list (closed list of authorised creditors) and Black list (closed list of non-authorised creditors).

SDD B2B is a voluntary scheme for all Banks within the SEPA zone and thus SDD B2B Mandates can be refused by some SEPA zone Banks.

The execution of a SEPA Direct Debit involves four main actors:

- ◆ The **Creditor**: receives and stores the Mandate from the Debtor to initiate SEPA Direct Debit Collections;
 - ◆ The **Creditor Bank**: the Bank where the Creditor's account is held and which has an agreement with the Creditor about the rules and conditions of SEPA Direct Debit Collections;
 - ◆ The **Debtor Bank**: the Bank where the account to be debited is held and which has concluded an agreement with the Debtor about the rules and conditions of SEPA Direct Debit Collections; and



b. The SEPA Direct Debit Mandate

In order to collect funds via a SEPA Direct Debit, the Creditor must have the Debtor's authorisation to debit the account in the form of a Mandate.

- ◆ A Mandate may exist as a paper document which is physically signed by the Debtor. Alternatively, the Mandate may be an electronic document which is signed using a legally binding method of signature;
 - ◆ The Mandate, whether it be in paper or electronic form, must contain the necessary legal text, and the names of the parties signing it;
 - ◆ The Mandate must be written in the language of the Debtor's home country or in English if the Creditor cannot precisely determine the language required to issue the Mandate;
 - ◆ The Mandate can be used for national and cross-border transactions;
 - ◆ The Mandate may be an individual document or part of a contract. If it's part of a document, it must be clearly separated from the rest of the content;
 - ◆ The Mandate is sent from the Creditor to the Debtor;
 - ◆ The Debtor signs the Mandate and sends it back;
 - ◆ The Debtor can cancel the Mandate at any time; if the Debtor does not cancel the Mandate, it automatically expires 36 months after the last collected Direct Debit; and
 - ◆ The Creditor should check the validity of the Mandate in advance of submitting a SEPA Direct Debit. Using an invalid Mandate would lead to an unauthorised Direct Debit.

Storage of the Mandate

The signed Mandate, whether it be paper-based or electronic, must be stored by the Creditor for as long as the Mandate exists and for the period of its possible dispute.

The Creditor is responsible for maintaining the Mandate, as well as its history. The Creditor must be able to present a copy of the Mandate to the Debtor's Bank upon request. If the Creditor isn't able to do so, a refund and compensation will be required if the Debtor objects to the debit.

Please note that:

- ◆ SDD B2B collections can only be executed once a signed Mandate is registered by Debtor Banks.
- ◆ SDD CORE collections is done without a Bank's validation of the validity of the Mandate but can be refunded without any reason during 8 weeks for an authorised Mandate.

SEPA Direct Debit Mandate attributes

Mandatory attributes:

- ◆ Unique Mandate reference
- ◆ Name of the Debtor
- ◆ Address of the Debtor (mandatory when the Creditor Bank or the Debtor Bank is located in a non-EEA SEPA country or territory)
- ◆ Postal code/city of the Debtor
- ◆ Debtor's country of residence
- ◆ Debtor's account number (IBAN)
- ◆ The BIC code of the Debtor Bank*
- ◆ Creditor company name
- ◆ Creditor's identifier
- ◆ Creditor's address street and number
- ◆ Creditor's postal code and city
- ◆ Country of the Creditor
- ◆ Type of payment (only the value 'one-off' and 'recurrent' are allowed)
- ◆ Signature place and time
- ◆ Signature(s) of the Debtor(s)

* The delivery of the BIC of the Debtor Bank in SDD collections is optional when both the Creditor Bank and the Debtor Bank are based in a country of the European Economic Area (EEA).

The provision of the BIC of the Debtor Bank in SDD collections remains mandatory when the Creditor Bank or the Debtor Bank is in a non-EEA SEPA country.

Mandate Reference

Every SEPA Direct Debit Mandate must have a unique Mandate reference, also referred to as a Mandate ID or 'UMR'. This reference is assigned by the Creditor and enables the Debtor to clearly identify the Mandate in connection with the creditor ID. The Debtor can therefore automatically check whether incoming direct debits are permitted.

When assigning the Mandate reference, using existing customer or contract numbers, expanded by one number or date value, is typically the easiest. A Mandate reference can be up to 35 characters long, and include any combination of the following:

- ◆ A–Z
- ◆ a–z
- ◆ 0–9
- ◆ + ? \ : () . , '
- ◆ Blank spaces

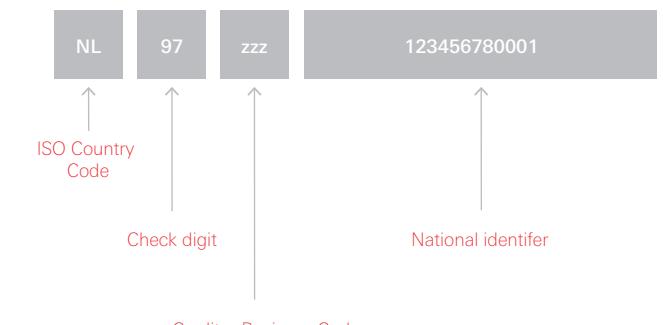
The Mandate reference in combination with the identifier of the Creditor (without the extension, called Creditor Business Code) must be unique for each Mandate

Creditor Reference/Creditor Identifier

The Creditor Identifier is unique in the SDD Scheme, it allows to identify a legal entity, or an association that is not a legal entity, or a person assuming the role of the Creditor.

A Creditor may use more than one Identifier*; for example, if the client needs to have local (on country level) identification for their customers. In parallel, the same creditor identifier can be used in different SEPA countries.

Likewise, a Creditor may use the 'Creditor Business Code' extension to identify different business activities. As a reminder, the Creditor may use the same Creditor Identifier for both the SDD CORE & B2B Schemes.



* Can be limited in accordance with local banking laws and/or regulations.

The Creditor Identifier includes:

- ◆ The ISO country code;
- ◆ The check digit;
- ◆ The Creditor Business Code, allowing the Creditor to identify different business lines or different services; and
- ◆ National Identifier.

All legal entities wanting to submit SEPA Direct Debits for collections must apply for a creditor Identifier. While this process varies from country to country, Creditors will generally apply for and receive their creditor Identifier in the country their headquarters are located. The creditor Identifier can be used for any accounts of the same legal entity in all SEPA countries. For example, if a creditor Identifier is obtained in France, it can also be used for SEPA collections from one of the Creditor's accounts in Belgium. Additionally, if the creditor Identifier has been obtained from a specific Bank, it remains valid even if the Creditor changes Banks and no longer has a relationship with the original Bank.

In the SDD B2B scheme the Debtor's Bank uses the creditor Identifier in combination with the unique Mandate reference to perform Mandate verification before the Debtor's account is debited, which is required.

For the SDD Core scheme, the Debtor undertakes verification and has 13 months (unless other period was defined with its Bank) to object if the transaction was unauthorised.

HSBC can provide support in helping you obtain a creditor Identifier.

Date of the Mandate

The date of the Mandate is required information for every SEPA Direct Debit. When new Mandates are received, the actual date of the Mandate should be used.

Some situations in which the Creditor and Debtor relations request amendments of the Mandate are:

- ◆ Change of Unique Mandate reference ('UMR') of an existing Mandate due to internal organizational modifications;
- ◆ Change of the Creditor Identifier due to the merger, acquisition, spin-off or organisational restructure;
- ◆ Modification of the Creditor name; and
- ◆ Change of the Debtor IBAN.

When the identity of the Creditor has changed because of merger or acquisition, the 'new' Creditor must inform the Debtor of the related Mandate amendments by any means (letter, mail, etc.) to avoid any further dispute by the Debtor on a Collection, not recognising the Creditor name or identifier on their account statement.

The SDD Rulebooks allows new optional functionality: the issuing of electronic Mandates (e-Mandates). HSBC will not offer this option.





c. Pre-notification

Creditors must inform their Debtors of a planned SDD Core and B2B debit prior to the collection. This pre-notification must be sent at least 14 calendar days before the due date, unless the Creditor and Debtor have previously agreed to a shorter timeframe. Pre-notification can be included as part of other documentation, such as an invoice.

The method of delivery for the pre-notification is not specified by the Rulebook. Possible delivery methods include letter, fax, text messages, email or a telephone call. Under certain conditions, the pre-notification can be incorporated into a contract.

The aim of the pre-notification is to keep the number of Direct Debit returns due to insufficient account funds, for example, to a minimum.

Each pre-notification must contain the following information:

- ◆ Amount;
- ◆ Due date;
- ◆ Creditor Identifier; and
- ◆ Unique Mandate reference.

What else you should know about Pre-notification

It's not possible to contractually agree to waive pre-notification.

The Creditor's Bank and Debtor's Bank are not required to check whether a pre-notification exists, as this only affects the contractual relationship between the Creditor and the Debtor. Failure to provide a pre-notification does not mean that the Direct Debit is unauthorised.

For recurring Direct Debits of the same amount, such as for instalment plans, informing the Debtor once before the first Direct Debit collection while indicating the future due dates is sufficient. A new pre-notification is only necessary if the amount or frequency changes.

d. Submission or Notice Periods

Under SEPA Direct Debit schemes, there are 5 collection types that determine the submission or notice period of a transaction.

1. One-off Collection
2. Recurrent, not the last Collection of the recurrent Collections
3. First Collection of the recurrent Collections (optional)
4. Last Collection of the recurrent Collections
5. Reversal

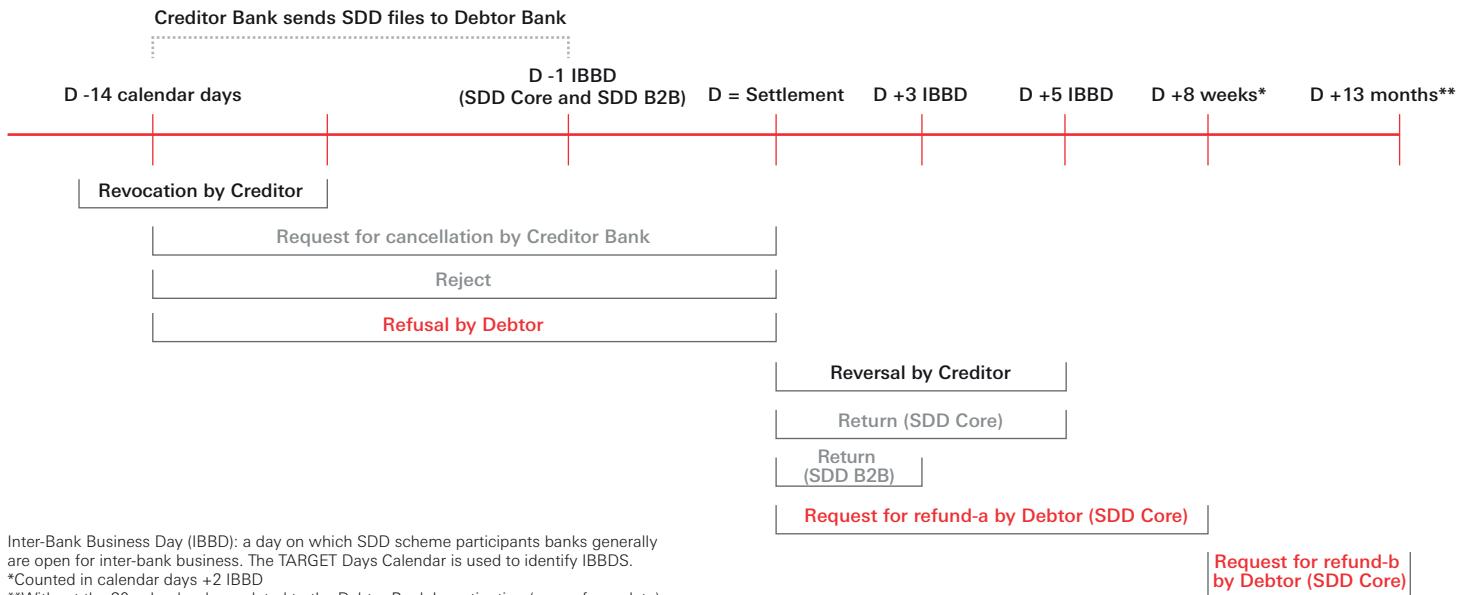
The values given for the collection types are used for inventory purposes only, the Bank does not control them. A Collection with the optional transaction types "first" and "last" are processed as a recurrent Collection.

Submission of the Direct debit files for the SDD Core and SDD B2B schemes

The Creditor communicates via the Creditor's Bank to the Debtor's Bank at least one inter-bank business day before the due date (D-1).

e. R-Transactions

Some Direct Debit transactions require specific management through R-transactions: refusals, rejects, returns, refunds, reversals.



Inter-Bank Business Day (IBBD): a day on which SDD scheme participants banks generally are open for inter-bank business. The TARGET Days Calendar is used to identify IBBDS.

*Counted in calendar days +2 IBBD

**Without the 30 calendar days related to the Debtor Bank Investigation (copy of mandate)

Returns

> **SDD Core:** Returns by the Debtor's Bank (e.g. in the event of insufficient funds in the Debtor's account, refusal by the Debtor, etc.) must be made within five inter-bank business days after the due date of the original SDD Core.

> **SDD B2B:** The Debtor Bank may return direct debit up to three inter-bank business days after the Due Date, either for technical reasons or because the Debtor Bank is unable to accept the Collection for other reasons, e.g. account closed, customer deceased, account does not accept Direct Debit, or because the debtor wishes to refuse the debit.

Refunds

The Debtor is able to obtain a refund of an authorised SDD Core transaction up to eight weeks after the debit date.

For SDD B2B, the Debtor's Bank checks the Direct Debit against the Mandates provided before the payment is made. Then, neither the Debtor nor its Bank has the refund rights.

In SDD CORE scheme, if no Mandate or no valid Mandate exists, the Debtor can object up to 13 months after the debit and should be refunded by Debtor Bank. Please note that for the corporate clients this period can be reduced.

Revocations, Requests for Cancellation and Reversals

Creditors can request revocation or cancellation of a SEPA Direct Debit collection or batch prior to settlement.

Creditors can also reverse their transaction(s) up to 5 inter-bank business days after the due date.

f. New regulation aiming to identify representation of unpaid SDD CORE at first presentation (applicable in France only)

From November 30, 2021 onwards, all Creditors (or any service provider offering representation services) that represent at payment a SDD CORE which has gone unpaid at first presentation, will have the **obligation** to implement new rules in order to enable the Debtor's Bank and its client to identify this SDD CORE as the representation of an unpaid SDD CORE at first presentation.

This new regulation is directly applicable if the Debtor is in French SEPA zone *.

For further information, follow this link to be connected to website under which an article explains this French regulation: www.business.hsbc.fr/fr-fr/reglementaire/sepa-core

* France, Guyana, Guadeloupe, Martinique, Mayotte, La Réunion, Saint Barthélémy, Saint Martin (French part) and Miquelon

Comparison of periods for Core and B2B schemes

SEPA Core Direct Debit		SEPA B2B Direct Debit	
D	Due date = debtor's debit date = inter-bank settlement date	D	Due date = debtor's debit date = inter-bank settlement date
D-14 CD	Customer pre-notification of amount and due date (unless other timeframe is agreed)	D-14 CD	Customer pre-notification of amount and due date (unless other timeframe is agreed)
D-1 IBBD	Submission of first one-off, recurrent or last SDD	D-1 IBBD	Submission of first one-off, recurrent and last SDD
D+5 IBBD	Latest date for bank returns	D +3 IBBD	Latest date for bank returns
D+ 8 W :	Maximum refund period for debtor for authorised transactions		No refund right for debtor
D+13 M*	Maximum refund period for unauthorised transactions	D+13 M*	Maximum refund period for unauthorised transactions
D+36 M	Mandate expires 36months after last SDD Submission	XD+36 M	Mandate expires 36months after last SDD Submission

* Unless another time period was agreed with the Debtor Bank.



6. SEPA Benefits

SEPA within the legal framework of the Payments Service Directives provides for a boundary free payments landscape throughout 36 countries and territories. It's introduced standards with the ISO 20022 XML that puts all stakeholders on the same playing field.

SEPA and XML uplift provides an opportunity for companies doing business in Europe to revisit their operations, organisations and account structures to allow better control of their liquidity and engage in cost savings as part of the treasury transformation.

Companies are no longer doing business in a fragmented payments landscape, but in a standardised payments area with a common message format, a common ACH clearing system and harmonised clearing cycles.

The standardisations of SEPA and the use of the ISO 20022 XML and EPC guidelines across the region and beyond facilitate end-to-end transparency, enhance automated reconciliation rates and reduce manual intervention.

This generally entails the optimisation of technology through a single instance of an ERP/TMS systems and the appropriate Bank connectivity, either proprietary or multiBank, such as SWIFT.

Payables and receivables can be centralised into fewer accounts, after review of existing payment types, entailing rationalisation of accounts, but equally a better control and visibility of the transaction flows.

The ISO 20022 XML format allows for 'payments on behalf of' ('PoBo') and 'collections on behalf of' ('CoBo'), which naturally integrates itself into centralised payments or collections. Optimisation can further be achieved through a Collection or a Payment Factory, Shared Service Center or in-house Bank.

A treasurer can further leverage their treasury transformation through appropriate cash and liquidity management, hence no issues with missed 'sweeps', pockets of cash left overnight or unforeseen charges.

The decision to move from local treasuries to in-country centralisation or regional centralisation, is a means to better managing resources far beyond payables and receivables, with Foreign Exchange management and Trade Finance. These initiatives will increase visibility and control, positively impacting working capital.

Our teams can provide you with the right level of consultancy and further insights about challenges to centralisation, such as niche products, market practices or local restrictions. To capitalise on centralisation and rationalisation, you will also need to ensure that you have carried out the necessary due diligence.

7. Why HSBC?

HSBC has made a significant investment in SEPA compliant payment systems, and has an extensive ISO 20022 XML offering that covers all the countries in the SEPA zone as well as others around the world. This is combined with a network of offices across Europe with extensive payments capabilities – giving us the ability to provide a coordinated delivery of SEPA compliant transactions.

When you choose HSBC, you'll have access to a dedicated team of SEPA experts who will work with you through SEPA implementation at the country, regional and global level to:

- ◆ keep you informed on the latest SEPA market news and talk to you about what this means for your business;
- ◆ advise you on technical and strategic aspects of SEPA End Date Regulation, including how best to go about implementing ISO 20022 XML;
- ◆ help manage and centralise payments from many locations across Europe, assisting you in your rationalisation and treasury transformation project; and
- ◆ provide you with insights about niche products, market practices or local restrictions to be taken into account when rationalising.

In addition to this, HSBC is among industry pioneers that are adopting the ISO 20022 XML messaging in standard formats to allow clients to integrate core treasury, payables and receivables applications to share with Banking and other financial partners.

If you have any questions, please refer to hsbcnet.com/sepa or contact your HSBC representative. Our SEPA specialists will be happy to speak with you and provide you guidance to help you through the SEPA integration.

Appendix: Useful Links & Contact Information

Useful Links

1) About SEPA: europeanpaymentscouncil.eu/about-sepa

2) Guidelines for the appearance of Mandate: <https://www.europeanpaymentscouncil.eu/document-library/guidance-documents/guidelines-appearance-mandates-sepa-direct-debit-schemes>

3) Translation of the SDD Mandate in all SEPA languages

SDD CORE: europeanpaymentscouncil.eu/other/core-sdd-mandate-translations

SDD B2B: europeanpaymentscouncil.eu/other/sepa-b2b-dd-mandate-translations

Contact Information

Find out more about SEPA by visiting our website at: hsbcnet.com/sepa

Alternatively, speak with your usual HSBC representative.

Features and functionality may vary by country. Please confirm availability with your local HSBC Representative.

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