Introduction

This document provides an overview of all the country specific information you need to successfully implement your migration to SEPA in Germany. Intending to provide a global picture of the impact of SEPA on your organization, it will help you understand all the elements you need to take into account in order to migrate your payment activities.

REGULATORY UPDATE: ADDITIONAL TRANSITION PERIOD

The European authorities agreed on allowing banks and other payment providers to process payments that differ from the SEPA format for an extra six months (amending EU Regulation N° 260/2012). As a consequence, all parties (e.g. corporates, SMEs and Public Administrations) may continue to send payments and collections through non-XML formats until 1st of August 2014. Each Member State has taken a position towards the application of this proposal.

In Germany, legacy formats (such as DTAUS) are accepted until 1st August 2014.

Basically the validity of formats depend on which of the following three categories they fit in:

- **Phased out**: in scope of the SEPA end date, the format remains accepted for an additional transition period. After this period, you must use another format.
- **Waived**: Some formats are granted a waiver, making it possible to continue using them until 1 February 2016. There are no waivers in Germany.
- **Part of a “niche product”**: Member states can declare a niche product if a product has less than a 10% market share (based on ECB statistics). All niche products will remain valid until 1 February 2016.

Therefore, if you are using a waived format or a format supporting a niche product, the migration deadline is 1 February 2016. Obviously, you can start migrating now.
SEPA Credit Transfers (SCT)

Overview of the domestic formats
Today Germany is supporting two domestic formats of credit transfer (DTAUS for domestic and DTAZV for cross-border), additionally to SCT.

<table>
<thead>
<tr>
<th>Description</th>
<th>Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTAUS national format for domestic payments</td>
<td>phased out</td>
</tr>
<tr>
<td></td>
<td>Remains accepted until the 1\textsuperscript{st} August 2014</td>
</tr>
<tr>
<td>DTAZV national format for foreign payments</td>
<td>phased out</td>
</tr>
<tr>
<td></td>
<td>Remains accepted until the 1\textsuperscript{st} August 2014 for EUR denominated payments in the SEPA area</td>
</tr>
</tbody>
</table>

These two formats are used for both, standard and urgent payments as there are no separate formats for instructing urgent payments.

To instruct an urgent domestic payment (i.e. based on DTAUS) the distinction is made by using the order type “DTE” in electronic banking communications (“EUE” would be used for a cross-border EUR denominated urgent payment i.e. based on DTAZV respectively).

Since both formats will be phased out on the 1\textsuperscript{st} February 2014 in the context of SEPA the German banking industry needed to find also a replacement for EUR denominated urgent payments (domestic and cross-border). It has therefore been decided on national level to enhance pain.001-format to allow “URGP” as payment service level for urgent domestic and EUR denominated cross-border payments. This substitutes “DTAUS urgent” (order type DTE) and “DTAZV urgent” (order type EUE) with SEPA CT.

Comparison of domestic and SEPA transfers properties
It is important for you to understand the impact of switching from one scheme to another. In addition to using a new format, migrating to SEPA impacts your operational team and your beneficiaries. While choosing your migration approach, make sure you understand all the related impacts using the comparison table below.

<table>
<thead>
<tr>
<th>Does the local format allow SCT payments?</th>
<th>DTAUS</th>
<th>DTAZV</th>
<th>PAIN.001 (SCT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No: The accounts are mentioned in domestic 10 digit format and not as IBAN</td>
<td>Yes: All the mandatory information is in principal foreseen in the format</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Format</th>
<th>DTAUS</th>
<th>DTAZV</th>
<th>PAIN.001 (SCT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat file</td>
<td>Flat file</td>
<td></td>
<td>XML</td>
</tr>
<tr>
<td>Book date / Value date</td>
<td>Debit: D Credit: Standard: D+1 Urgent: D</td>
<td>Debit: D Credit: Standard: D+1* Urgent: D*</td>
<td>Debit: D Credit: Standard: D+1 Urgent: D</td>
</tr>
<tr>
<td>Settlement date</td>
<td>Standard: D+1 Urgent: D</td>
<td>Standard: D+1* Urgent: D</td>
<td>Standard: D+1 Urgent: D</td>
</tr>
</tbody>
</table>

D: Execution date set in the credit transfer
* in case of cross-border payments with currency conversion, the value date will be D+2
Implementing the PAIN.001

PAIN.001 is the XML standard used for communications between the debtor/initiator and their bank. In addition to considering the format provided by the EPC, two specific points must be taken into account:

Choosing the correct version

PAIN.001 currently exists in 3 versions. A company starting its migration today should implement the last version PAIN.001.001.03 as indicated in the Rulebook 6 (downloadable from the EPC website).

Local specificities regarding the PAIN.001

German banks agreed to follow the standard EPC recommendations. Specific enhancements introduced by the German banking industry (e.g. service level “URGP” to instruct urgent domestic or cross-border credit transfers) may apply on national level.

SEPA Direct Debits (SDD)

Overview of the domestic Formats

Direct debits in Germany are largely used as a payment collection instrument and are in general processed in DTAUS format (i.e. same file format as for domestic credit transfers).

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Validity</th>
<th>SDD Continuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTAUS – supporting \nEinzugsermächtigung</td>
<td>Einzugsermächtigung, is the mostly used type of direct debit</td>
<td>Phased out. Remains accepted until the 1st August 2014</td>
<td>Existing mandates remain valid for SDD Core</td>
</tr>
<tr>
<td>DTAUS – supporting \nAbbuchungsauftrag</td>
<td>Abbuchungsauftrag is a form of direct debit which for business to business purpose only.</td>
<td>Phased out since the 1st February 2014. No transitional period.</td>
<td>Existing mandates cannot be migrated. A new mandate should therefore be signed</td>
</tr>
</tbody>
</table>

German specificity: Elektronisches Lastschriftverfahren (ELV)

The direct debit ELV is a specific means broadly used especially in German retail stores. It allows to initiate single transactions based on bank cards for which the customer must sign a receipt (agreement), which acts then as a “mandate” for a one-off transaction. The product being largely used, cannot be considered as a niche product (as defined above). However, Germany requested an extension to maintain this product, so it is expected to remain valid until the 1st February 2016.
**Comparison of domestic and SEPA direct debits**

Regarding direct debits, it is particularly important to understand the consequences of switching from one scheme to another. In addition to using a new format, migrating to SEPA also impacts your operational team, and above all your customers. This is why, while designing your migration approach, you must make sure you understand all the related impacts using the comparison table below.

<table>
<thead>
<tr>
<th>Does the local format allow SDD collections?</th>
<th>DTAUS Einzugsermächtigung</th>
<th>DTAUS Abbuchungsauftrag</th>
<th>SDD Core</th>
<th>SDD B2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, local format does not contain all necessary data to allow SDD. Cfr <em>New mandatory mandate information in SDD collections</em></td>
<td>Flat file</td>
<td>XML</td>
<td>XML</td>
<td></td>
</tr>
<tr>
<td>Format</td>
<td>Flat file</td>
<td>Flat file</td>
<td>XML</td>
<td>XML</td>
</tr>
<tr>
<td>Currency</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>Frequency</td>
<td>Recurrent / One-off</td>
<td>Recurrent only</td>
<td>Recurrent / One-Off</td>
<td>Recurrent / One-Off</td>
</tr>
<tr>
<td>Eligible debtor</td>
<td>All</td>
<td>Business only *</td>
<td>All</td>
<td>Business only *</td>
</tr>
<tr>
<td>Collection sending date (D = payment due date)</td>
<td>D-1</td>
<td>D-1</td>
<td>D-5 (First / One-off)</td>
<td>D-1 (all)</td>
</tr>
<tr>
<td>Mandate management and archiving</td>
<td>Mandate is kept by the creditor, but no regulation on mandate archiving exists</td>
<td>Mandate is given by the debtor to its bank, but no regulation on mandate archiving exists</td>
<td>The creditor holds a paper version and manage the mandate</td>
<td></td>
</tr>
<tr>
<td>Refund right</td>
<td>Unconditional refund right within <strong>8 weeks</strong> following the date of debit. 13 months for an unauthorized transaction</td>
<td><strong>13 months</strong> for an unauthorized transaction</td>
<td>Unconditional refund right within <strong>8 weeks</strong> following the date of debit. 13 months for an unauthorized transaction</td>
<td>No refund right for an authorized transaction. <strong>13 months</strong> for an unauthorized transaction</td>
</tr>
<tr>
<td>Pre-Authorization (the debtor’s bank confirms the mandate with the debtor)</td>
<td>No control of mandate by the debtor bank</td>
<td>Control of mandate presence by the debtor bank</td>
<td>Not required</td>
<td>Control of mandate authorization by the debtor bank</td>
</tr>
<tr>
<td>Pre-Notification</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Must be sent 14 days before payment date**</td>
<td>Must be sent 14 days before payment date**</td>
</tr>
</tbody>
</table>

* In Germany, micro enterprises are seen as businesses and can therefore be declared debtors of B2B mandates.
** The pre-notification time can be reduced if agreed upon by both the debtor and the creditor.
*** According to article 62 of the PSD.
**New mandatory mandate information in SDD collections**

Generating SDD implies using certain mandatory data regarding the mandate, that were not necessary in the DTAUS format. In addition to managing all the XML collection constraints, this means you will probably need to adapt your IT and/or operational processes in order to collect, store and send the following information:

- **IBAN**: the accounts of both the creditor and of the debtor must be included in the IBAN format.
- **Debtor’s bank BIC**: this information is mandatory until the 1st of February 2014 for domestic transactions and the 1st of February 2016 for cross-border transactions. If you encounter difficulties in enriching the BIC of your debtor’s banks, BNP Paribas can provide a service for automatic enrichment.
- **Mandate Unique Reference**: Every mandate must now have an unique reference, that should be notified in every collection as well.
- **Date of signing**: The date of signing of the original mandate must be mentioned in every collection.

**Implementation of the PAIN.008 (SDD Collection)**

German banks agreed to follow the EPC standard recommendations, without any specifics.

**Mandate Migration**

Because they are widely used by the German banking industry, direct debit mandates have been a major concern as part of the discussions which took place in Germany regarding the SEPA migration. Though basically specified in the regulation N°260/2012, article 7 “Validity of mandates and right to a refund”, the validity of existing mandates for recurring direct debits in a legacy scheme after migrating to SEPA was extensively discussed due to uncertainties as to the legal aspects of the missing pre-authorization.

Further to discussions with government bodies, the German banking industry agreed upon and implemented a procedure to “migrate” the several millions of existing “Einzugsermächtigungsverfahren”-mandates. The banks’ underlying terms and conditions for direct debits have been adjusted as of 9th July 2012: they will probably integrate the obligation of an explicit authorization from the debtor to its bank in order to allow for his bank account to be debited.

It is interesting to note that a creditor can migrate gradually and continue using SDD and DTAUS collections simultaneously for different mandates.

To migrate your mandates, you should consider the two following major points:

**Schemes allowed for mandate continuity**

The existing “Einzugsermächtigungsverfahren” (non pre-authorized) mandates remain valid for SDD Core (see above).

Concerning the “Abbuchungsauftragsverfahren” (pre-authorized), a new mandate needs to be issued and signed by the debtor. SDD B2B will therefore always require the signature of a new mandate.
Migration rules

Germany follows the EPC standards and doesn’t have any specific migration rule. The “Sequence Type” of the first collection after the migration of an existing mandate should be set to “First”.

SEPA Creditor Identifier (CI)

In order to use SEPA direct debit, the first administrative step you must take is getting a SEPA Creditor Identifier. This number will identify your company wherever you will be collecting within the SEPA zone.

Note that you can request one SEPA CI for each of your business activities.

How to get a Creditor Identifier?

Germany has the particularity that the creditor should request its SEPA CI by himself. This can be done on the Deutsche Bundesbank’s website, which offers a complete explanation of the procedure in English language on the following page:

http://www.bundesbank.de/Navigation/EN/Core_business_areas/Payment_systems/SEPA/Creditor_Identifier/creditor_identifier.html#doc96004bodyText7

CI format

The German format is the following: **DE97ZZZ12345678901**

– Positions 1 to 2: ISO country code (DE for Germany)
– Positions 3 to 4: Check digit
– Positions 5 to 7: Creditor business code (“ZZZ” by default)
– Characters 8 to 18: creditor national identifier

Mandate information

Types of mandate

German mandates have to be manually signed, but can be transmitted by paper, fax or be attached e.g. as PDF in an email.

Mandate Forms

Germany proposes the usage of the standard EPC template.
Conversion of BBAN to BIC + IBAN

Conversion Service

A conversion service provided by the German banking community is available online, to convert any German BBAN to the related BIC and IBAN. This application is reachable via the address http://www.iban-service-portal.de/, and will require you to create an account.

Please note, the password will be given by the Bankverlag (subsidiary of the Association of German Banks). This service is chargeable:

- log-in / registration costs: EUR 45,00 (one off).
- conversion costs: EUR 27,50 per file (max. 100,000 lines / static data).

In case you need to convert a large database of accounts, your BNPP point of contact will be able to guide you to the best partners.

How to build up the IBAN

In Germany, the IBAN is composed of 22 characters with the following structure:

The first two characters identify the country of the account and are therefore always: DE.
The next two characters correspond to the standard IBAN check digit.
The position 5 to 12 are the bank and branch identifier, called BLZ (Bankleitzahl).
The remaining 10 positions contain the account number. Note that some German account numbers could have 9 positions only. In this case a 0 should be added before or after the account number itself, depending on the bank.

Example: DE79 3706 0590 1234 5678 93

How to build up the BIC

The German Central Bank published a list that allow to deduce BICs from the bank sort codes:
http://www.bundesbank.de/Redaktion/DE/Standardartikel/Kerngeschaeftsfelder/Unbarer_Zahlungsverkehr/bankleitzahlen_download.html

Example of BIC: BNPADEFF

To complete the overview on the local account information, you can also have a look on the bank sort code notice, also published by the Central Bank:
http://www.bundesbank.de/Redaktion/EN/Downloads/Core_business_areas/Payment_systems/zv_blz_richtlinie_062013.pdf?__blob=publicationFile