



BANCA D'ITALIA  
EUROSISTEMA

**Provisions of the Bank of Italy containing instructions for the implementation of Regulation 260/2012 of the European Parliament and of the Council establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009**

**Explanatory document**

***February 2013***

## Overview

The Single Euro Payments Area (SEPA) is a project integrating euro payment services carried out with instruments alternative to cash and is a crucial goal in the process of integration of the European single market. With its creation, European lawmakers aim to promote the provision of efficient and secure payment services at competitive prices with advantages for all participants in the payment chain: the users (consumers, businesses and government bodies) and providers (banks, post offices, payment institutions and electronic money institutions).

On 31 March 2012 Regulation (EU) No. 260/2012 entered into force establishing the technical and business requirements for SEPA-compliant credit transfers and direct debits and laying down the detailed terms of the adoption of pan-European standards for domestic and cross-border payments. In particular, as of 1 February 2014 all the credit transfers and direct debits of banks and other payment service providers must be made according to the standards contained in the Regulation rather than national procedures and standards.

The competent authorities designated by the member states will be responsible for the correct implementation of the Regulation. In Italy, the authority is the Bank of Italy, by virtue of its function as overseer of the payment system under Article 146 of the Consolidated Law on Banking.

A prerequisite for the correct fulfilment of obligations under the Regulation is the definition of the perimeter of its application, i.e. the identification of the national payment services corresponding to the credit transfer and direct debit services governed by the Regulation and destined to migrate to SEPA standards.

The Regulation also allows some derogations for member states. In particular, it is possible to postpone the migration date to 1 February 2016 for national products classifiable as credit transfers and direct debits but having technical features that prevent them from migrating by February 2014, as long as the share of such products does not exceed 10 per cent of the total volume of payments made by credit transfer or direct debit (niche products). It will also be possible to postpone to the same date of 1 February 2016 firms' obligation to use the message format ISO 20022 XML if they send or receive credit transfers or direct debits that are bundled together for transmission.

The Bank of Italy's Provisions provide the necessary indications for the correct and timely application of the Regulation; it takes account of the abovementioned provisions and of the need to facilitate the smooth migration to SEPA standards by detailing the rules for their application. Given the technical nature of the intervention, the large number of parties involved and the importance of the new obligations, the text of the Provisions was submitted to a public consultation ending on 26 November 2012. Furthermore, according to Article 127 (4) and Article 282 (5) of the Treaty on the Functioning of the European Union, the European Central Bank has formulated its own opinion of the text of the Provisions. The observations received and the consequent changes to the text are given, in anonymous form, in a summary table published on the Bank of Italy website.

## **Contents of the Provisions**

Article 1 contains the definitions of the terms used in the Provisions in addition to those already contained in Regulation 260/2012.

Article 2 governs the scope of the Provisions by referring to the corresponding provisions of the Regulation. For greater clarity of the indications to the market, the annex provides illustrative examples of the national payment procedures that will be replaced by pan-European payment procedures. In particular, credit transfer services managed through the BON interbank procedure, direct debits made via the RID interbank procedure, and those managed through the postal network are all subject to migration. Credit transfers initiated in cash (in which the funds are provided by the user to the payment service provider in this form) are also included in the scope of the Provisions. Also by way of example, indications are given in the annex as to some services falling outside the scope of the Regulation: Ri.Ba, MAV, RAV, banking and postal payment slips. These services are distinguished from credit transfer and direct debit services governed by the Regulation by their technical features: they may be on paper, they may include additional services (e.g. advance notice) that cannot be separated from the payment functions, or they may have funding components.

Article 3 gives the derogations for Italy: 1) *RID finanziari* and *RID a importo fisso* (financial debits and fixed-amount debits) are included among the niche products with the possibility of deferring compliance with SEPA standards to 1 February 2016; 2) until the same date, bundled credit transfers and direct debits sent or received by customers are not subject to the requirement to use the

ISO 20022 XML message formats; regardless of the derogation, payment service providers are nevertheless required to use this format if requested to do so by payment service users.

Article 4, on interoperability, provides that in order to make it easier to reach payment service providers, retail payment system operators must publish on their websites their links with other systems operating within the European Union.

Article 5 regulates some information obligations connected with the implementation of Regulation 260/2012: 1) payment service providers must activate, where necessary, the process required by law for unilateral changes to contracts to bring them into line with the new credit transfer and direct debit schemes. This obligation must be fulfilled by 1 May 2013 so as to allow customers (in particular payees of direct debits) to plan their migration activities in good time; 2) the payees of direct debit services must give their counterparties at least 30 days notice (and no later than 31 December 2013) of their intention to use the SEPA direct debit scheme; 3) payment service providers that currently store national direct debit mandates must give their payees all the mandate-related information necessary for the correct execution of SEPA direct debits.

Article 6 specifies that the storing of direct debit mandates, which under Regulation 260/2012 can be managed by the creditor or by a third party on behalf of the creditor, is not a payment service. This reflects the discontinuity between national direct debit services, which also include the function of managing the mandates issued by payers, and the SEPA direct debit, in which the mandate-managing service is completely external to the payment transaction.

Article 7, in consideration of the prohibition contained in Regulation 260/2012 on requiring customers to provide Business Identifier Codes (BICs) for national credit transfers and direct debits starting from 1 February 2014 and for cross-border transactions from 1 February 2016, makes it obligatory for payment service providers to develop procedures to guarantee the correct execution of payment transactions in respect of the aforementioned prohibition. The second paragraph provides that the managers of any system archives created to allow providers to derive BICs must inform the Bank of Italy of the characteristics of the service they provide.

Article 8 asks payment service providers (and their associations) in collaboration with the associations of payment service users to define and make available to their customers additional

optional services in order to guarantee levels of service for credit transfers and direct debits that are at least equal to those currently in place. Without prejudice to the voluntary nature of payment service providers' decisions to subscribe to additional optional services, this provision relates to the need to safeguard, through the creation of additional services to SEPA direct debits, some of the functions of the national direct debit service which, by means of the procedure of electronic database alignment (Allineamento Elettronico degli Archivi – AEA), today permits collection of payments to be managed securely and efficiently.

Article 9 requires payment service providers, with the involvement of decision-making bodies, to adopt organizational measures and migration plans for the correct management of the changeover to the new payment schemes. Similar organizational measures are required, under the second paragraph, of the firms using credit transfer and direct debit services. To promote the development of non-cash, non-paper-based electronic payment services, the third paragraph provides that payment service providers and users, including by means of their associations, must identify possible ways of rationalizing national payment services that do not fall within the scope of the Regulation. The goal is to seize the opportunity offered by SEPA to make the panorama of payment services in Italy more fully integrated and efficient.