**Introduction**

This document provides an overview of all the country specific information you need to successfully implement your migration to SEPA in the United Kingdom. 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.

The United Kingdom, where the local currency is the Pound, is less impacted by the SEPA migration than the other Euro countries. The main reason is that all the schemes in domestic currency are not in scope of SEPA, which concern only transactions in Euro. Furthermore, the end-date for the migration to SEPA in the non-Euro countries is the 31st October 2016.

**SEPA Credit Transfers (SCT)**

*Overview of the domestic formats*

Today the United Kingdom is supporting two types of credit transfers, each supported by its own clearing house: BACS and CHAPS. BACS payments are initiated in a dedicated format, and mainly support low value transactions. On the other side, CHAPS is a RTGS system used for high value payments. CHAPS is free of format, and is commonly used with MT101 messages. Both are supporting GBP payments only.
Comparison of domestic and SEPA transfers properties

If you plan to start processing EUR payments in the UK, it is important for you to understand the impact of from the new scheme. 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></th>
<th>BACS</th>
<th>CHAPS</th>
<th>SCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>File Format</td>
<td>Flat file</td>
<td>Free</td>
<td>XML</td>
</tr>
<tr>
<td>Does the local format allow SCT payments?</td>
<td>No, BACS supports GBP only</td>
<td>No, CHAPS supports GBP only</td>
<td></td>
</tr>
<tr>
<td>Book date / Value date</td>
<td>Debit: D</td>
<td>Debit: D</td>
<td>Debit: D</td>
</tr>
<tr>
<td></td>
<td>Credit: D+2</td>
<td>Credit: D</td>
<td>Credit: D</td>
</tr>
<tr>
<td>Settlement date</td>
<td>D+2</td>
<td>D</td>
<td>Standard: D+1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Urgent: D</td>
</tr>
</tbody>
</table>

D: Execution date set in the credit transfer

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

British banks agreed to follow the standard EPC recommendations.
**SEPA Direct Debits (SDD)**

*Overview of the domestic scheme*

Direct debit is a widely used mean of collection in the UK market, especially in the utilities sector. It is supported by the domestic clearing house BACS, which works with its own direct debit format. Since the current collections are processed in GBP only, the SEPA regulation hasn’t any impact on BACS. An interesting point regarding the UK scheme is that it already offers to consumers a better protection than the SDD, thanks to the “direct debit guarantee” which has no finality. Therefore SDD B2B brings a new logic on the market, that could allow creditors to avoid any treasury risk.

*Comparison of domestic and SEPA direct debits*

As the local scheme will not be phased out, SEPA doesn’t affect the creditors that are currently collecting in GBP within UK. But SDD opens a new opportunity for British creditors, to collect Euro within the SEPA zone. To do so, it is important to understand the consequences for your operational team and your customers:

<table>
<thead>
<tr>
<th>Format</th>
<th>BACS</th>
<th>SDD Core</th>
<th>SDD B2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the local format allow SDD collections?</td>
<td>No, local format supports GBP transactions only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</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>All</td>
<td>Business only*</td>
</tr>
<tr>
<td>Collection sending date (D = payment due date)</td>
<td>D-2</td>
<td>D-5 (First / One-off) D-2 (Recurrent)</td>
<td>D-1 (all)</td>
</tr>
<tr>
<td>Mandate management and Archiving</td>
<td>Debtor’s bank</td>
<td>The creditor holds a paper version and manages the mandate</td>
<td></td>
</tr>
<tr>
<td>Refund right</td>
<td>Unlimited in time</td>
<td>Unconditional refund right within 8 weeks following the date of debit. 13 months for an unauthorized transaction</td>
<td>No refund right for an authorized transaction. 13 months for an unauthorized transaction</td>
</tr>
<tr>
<td>Pre-Authorization (the debtor’s bank confirms the mandate with the debtor)</td>
<td>Control of existence of the mandate for each collection</td>
<td>Not required</td>
<td>Debtor must confirm the mandate with his bank before first collection</td>
</tr>
<tr>
<td>Pre-Notification</td>
<td>Must be sent 10 days before the payment date</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 United Kingdom, micro enterprises are not seen as businesses and cannot be declared debtors of B2B mandates.

** The pre-notification time can be reduced if agreed upon by both the debtor and the creditor.
Mandatory mandate information in SDD collections

Generating SDD implies using certain mandatory data regarding the mandate, that are not necessary in the domestic format. If you plan to initiate EUR collections -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 February 2014 for domestic transactions and the 1st 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 reference**: Each mandate should be identified by an unique mandate reference.
- **Date of signing**: The date of signing of the original mandate must be mentioned in every collection.

Implementation of the PAIN.008 (SDD Collection)

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

Mandate Migration

As the current mandates are stated in GBP only, there is no migration required in the United Kingdom.

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 SEPA Creditor Identifier?

You can get your SEPA Creditor Identifier via your preferred bank, which will be responsible for its generation. It can then be used in any SEPA country, for any scheme and whichever bank you will collect through.

SEPA Creditor Identifier format

Positions 1 and 2: GB (ISO Code of United Kingdom)
Positions 3 and 4 : Check digit
Positions 5 to 7 : Creditor Business Code
Positions 11 to 14: Participant Code i.e. the first four characters of the issuing Creditor Bank’s BIC
Positions 15 to 20: Bacs Service User Number (SUN) if one exists or six zeros in the absence of a Bacs SUN
Positions 21 up to 35: determined by the issuing Creditor Bank (alphanumeric Latin characters only).
Mandate information

Types of mandate
Currently, there are 3 types of mandates for Direct Debits in UK:

- **Paper mandate**
- **Electronic mandate**: The creditor stores the mandate and sends an electronic copy to the debtor bank.
- **Paperless Direct debit**: Electronic bank details are sent to the debtor’s bank and no signed mandate is required, but a proof of agreement (e.g. record of a conversation by call) should be stored by the creditor. In each payment, the Mandate references should always match. If not, the debtor bank can refuse the payment.

**Conversion of BBAN to BIC + IBAN**

The structure of an IBAN
In the United Kingdom, an IBAN contains 22 digits structured as follows:

Digits 1 to 2 identify the country: GB.
Digits 3 to 4 correspond to the standard IBAN check digit.
Digits 5 to 22 identify the current BBAN.

Example: GB 71 BNPA 234635 12345678

The structure of a BIC
The BIC can easily be deduced from the current BBAN account:

- The 4 first digits identify the first 4 digits of the BIC
- The 6 next digits identify the bank and branch code
- The last 8 digits identify the account

By using the correct referential, this information is sufficient to derive the related BIC.

Example: BNPAGB22