



BNP Paribas SEPA Newsletter

Issue February 2015



NEW GUIDANCE ON THE USE OF REASON CODES FOR SEPA DIRECT DEBIT R-TRANSACTIONS TO BE APPLIED BY BNP PARIBAS ON THE 2ND OF MARCH 2015.

Some direct debit transactions need to be handled in exceptional ways because one of the parties involved does not or cannot process the collection in the normal way. This exceptional handling involves sending messages, called R-transactions, because their **names all start with an R: refusals, rejects, returns, refunds, reversals.**

The definitions of the various SDD R-transactions are outlined in both SDD Rulebooks.

The European Payments Council has published guidelines on the use of reason codes because the use of the codes associated to R-transactions is not harmonised among Debtor's banks, and they do not always reveal the root cause of the R-transaction.

WHAT IS THE REASON CODE OF AN SDD R-TRANSACTION?

The SDD Core and SDD Business to Business Rulebooks specify reasons which trigger an R-transaction, i.e. data elements required to convey information to the payee (biller) with regard to the R-transaction.

The correct application of the reason codes is partially due to Creditor's Banks, but mainly due to Debtor's Banks that participate in the SDD Schemes.

It aims to inform the Creditor's Banks, and therefore the Biller about the exact reason for a failed transaction.



WHY DO REASON CODES NOT ALWAYS REVEAL WHAT CAUSED THE R-TRANSACTION?

It is, today, not always possible to reach a conclusion on the cause of an R-transaction based on the reason code provided. In a number of European countries, some reason codes are not used because of legal restrictions (e.g. data protection laws) or local business practices.

Some SDD Scheme Participants are not applying the correct R-transaction reason codes when acting as a Debtor's Bank.

SDD Scheme Participants should also avoid the use of general codes when a more precise reason can be given, which is not legally forbidden in the country of the Debtor's Bank.

The European Payments Council (EPC) published the first document 'Guidance on Reason Codes for SDD R-transactions'.

It gives recommendations on the use of Reason codes by Banks, and is therefore not mandatory.

The market practice will continuously move in the direction of harmonised practice. Notice: the French and the Belgian bank communities already recommend a fully aligned guidance on reason codes for SDD R-transactions.

As per the 2nd of March 2015, BNP Paribas will apply the new EPC recommendations for the use of reason codes for all R-transactions generated by the bank.

It is important to note that not all Banks will start applying the EPC recommendations at the same time. The reason codes applied by BNP Paribas will already follow the guidance, but the 'R'-messages, generated by other banks, can still communicate different reason codes.

HOW DOES THIS IMPACT YOU AS A CREDITOR?

The use of reason codes will become more and more harmonised among banks and it will allow you, as a creditor, to have a better understanding and react more appropriately when receiving an R-transaction.

For example, the use of the Reason Code 'MS03: Reason not specified' will gradually reduce.

Eventually, it will increase the efficiency of collections and reduce the volumes of R-transactions.

More information, on the EPC guidance can be downloaded from:

<http://www.europeanpaymentscouncil.eu/index.cfm/about-epc/epc-news/epc-publishes-guidance-on-reason-codes-for-sepa-direct-debit-sdd-r-transactions/>

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