You may have heard about SEPA being implemented in Europe. This document provides information that is crucial for you to know to prevent difficulties with payments and/or vendors/suppliers that are paid by electronic means.

The Deadline for this Change in Procedure has been extended to 1 August 2014

What is changing?
Banks in Europe are changing the way payments and automatic-payment withdrawals (auto-debit) are conducted. This means the way you pay your bills will change slightly. The national account specifications (account number, bank identification number) will be replaced by the so-called IBAN. As an example, your landlord, utility companies, phone companies, etc. will start to require utilization of the IBAN and BIC (Bank Identifier Code) for payments. Sometimes, the BIC is also referred to as SWIFT-Code. This new system is referred to as SEPA (Single European Payments Area). The SEPA area consists of a total of 33 countries in Europe (incl. Iceland, Switzerland, Lichtenstein, Monaco, and Norway).

Regular payment transactions using cash or credit/debit cards in a store will continue to function as they do now. Only electronic fund transfers (EFT) and automatic payment withdrawals (auto-debit) will change slightly.

When is it changing/When is it effective?
Currently both the old and the new processes can be used. As of 1 February 2014 (now extended to 01 August 2014), only the new way of electronic payments should be used.

Old/Current system:
1. You initiate wire transfers using the yellow transfer slips, filled in with the recipients Bank Number (BLZ), account number, amount, and a reference (what the payment is for).
2. You signed an automatic payment withdrawal form that contained your bank number (BLZ) and account number, authorizing the other party to withdraw money from your account.

New System:
1. You initiate wire transfers using the new yellow transfer slips, filled in with the recipients IBAN and BIC numbers, amount, and a reference (what the payment is for).
2. Vendor/supplier may require you to sign a new automatic payment-withdrawal form that asks for your IBAN and BIC/Swift numbers to authorize withdrawals from your account. These forms are now called “Mandat” instead of “Einzugsermächtigung”.

So what is really different?
Instead of writing the bank number (BLZ) in one block and your account number into a second block you will now write one long string of letters and numbers (your IBAN) into one block on various forms. In a second block you will write your bank’s BIC.

Where/How do I get the IBAN/BIC?
Go to your bank and ask them or look on your current bank statements for this information.
What does a IBAN look like?
An IBAN in Germany is a series of letters and numbers that are made up from the letters DE, two check-digits, followed by your current bank number (BLZ) and your current account number. A total of no more than 22 digits.

Example IBAN: DE81500400000739461378

What does a BIC look like?
A BIC or SWIFT-Code is an international bank number to identify your exact bank and branch consisting of 8 or 11 characters/numbers.
Example: DEUTDEDB672 = Deutsche Bank, Heidelberg Branch
Example: BOFAUS3N = Bank of America, Chicago Branch

Why is it changing?
In the past a wire transfer to another country in Europe was handled as a foreign transfer, which was rather costly. With this new standardized payment mechanism across 33 countries in Europe (incl. Iceland, Switzerland, Lichtenstein, Monaco, and Norway) such transfers will work faster and at normal domestic wire transfer pricing. This mechanism was implemented to ease free trade within Europe and to reduce transfer fees and time.

How does it affect me?
1. You need to know your IBAN and BIC/Swift Codes to initiate wire transfers
2. Companies/suppliers may ask you to fill out new automatic-payment withdrawal forms (with your IBAN/BIC). These forms are now called "Mandat" rather than "Einzugsermächtigung" but the new form serves the same purpose.

Advantages/Disadvantages:
Current safeguards when signing an automatic-withdrawal form (auto-debit) to be provided to a vendor will be replaced by equal safeguards. You can demand reversal of a withdrawal within 8 weeks in case of a dispute. This protects you from the unlikely event that a vendor withdraws money they were not supposed to withdraw. In case of an unauthorized withdrawal by a vendor (you did not sign the auto-debit form) you can demand reversal of the withdrawal within 13 months. Another advantage would be the ability to make wire transfers at lower cost to companies in the SEPA area should you have any dealings in other countries within the SEPA area.

What do I need to do?
Keep in mind this applies only to relationships where you are making electronic payments, such as utility companies, landlords etc. Normal transactions in a store will continue to function as they do now using cash or credit/debit cards.
1. Ask your bank for your IBAN and BIC codes so you have them when a vendor asks for them.
2. Ask companies you receive services/products from for their IBAN/BIC codes to be able to send them money.

References:
http://www.ecb.europa.eu/paym/sepa/
http://www.iban.de/

In case of questions feel free to call us at 0611-143-544-9888 (DSN: 544-9888).