

SEPA DIRECT DEBIT

Novelty in cross-border payments

NA PARTNERSTVE ZÁLEŽÍ



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CHAPTER 01

SEPA Direct Debit

General Information

SEPA Direct Debit (SDD)

- **direct debit in EUR cleared via the SEPA Scheme**
- both the Debtor bank and the Creditor bank must adhere to the SEPA Scheme
- transactions are initiated by the Creditor via the Creditor bank
- a Mandate must be signed between the Debtor and the Creditor

SEPA Scheme

- associates member countries of the EEA and territories where EU Treaties apply, as well as other countries adhering to the Scheme on a voluntary basis (Switzerland, Monaco and San Marino); the bank must adhere to the SEPA Scheme as well
- to see the list of banks taking part in the SEPA Scheme, refer to the European Payments Council (EPC) Website:
http://epc.cbnet.info/content/adherence_database

SEPA Direct Debit

Since February 2, 2014 – KB offers services for the Debtor – the debit side.

- in accordance with the notification forwarded by the Creditor bank, the Debtor bank debits the transaction amount from the Debtor account

Since April 27, 2015 – KB offers services for the Creditor – the credit side.

- KB's client (creditor) can issue a SEPA Direct Debit order and collect his payment in EUR from business partners and clients with whom he had signed the Mandate

At Komerční banka (including KB Business Division Slovakia), only accounts denominated in EUR are eligible for SEPA Direct Debit transactions.

We offer both debit and credit services for the following payment schemes:

- Business to Business (B2B) – irrevocable SEPA collection
- Business to Customer (CORE) – revocable SEPA collection

SEPA Direct Debit orders can be submitted or accepted:

- within Komerční banka
- from/to KB Business Division Slovakia
- from/to other participating banks that adhered to the SEPA Scheme and SEPA Direct Debit

Use and benefits of SEPA Direct Debit

For the first time in history, SEPA Direct Debit allows also cross-border collections.

The **Debtor** shall sign with KB and KBSK a “SEPA Direct Debit Agreement” stipulating the terms and conditions of settlement.

In accordance with the SEPA Direct Debit Agreement, the Debtor can reimburse to the Creditor recurrent amounts in EUR, e.g. lease of a chalet in the Alps, customs duties, payment for the provision of goods, etc.

Who can benefit from SEPA Direct Debit?

- Businesses making periodic payments in EUR for goods and services
- Businesses receiving periodic payments in EUR for goods and services

What are the benefits of SEPA Direct Debit for Creditors?

- Businesses can efficiently plan their cash-flow; the payment specified in the Direct Debit order will be credited at the specified amount within the specified timeline
- the Creditor will not need to wait for the business partner to give a payment order to his bank

SEPA Direct Debit – Payment Schemes

Two main types of SEPA Direct Debit

Payment schemes:

Business to Business – B2B (irrevocable)

- Business Direct Debit, available to businesses only
- the Debtor is not entitled to obtain a refund of a processed transaction

Business to Customer – CORE (revocable)

- Consumer Direct Debit, available to private individuals (consumers) and businesses
- grants the Debtor of an authorised transaction a “no-question-asked” refund right during the eight weeks following the date on which the Debtor account was debited with the transaction amount
- **risk for the Creditor:** during eight weeks after the due date (after the debit date), the Debtor can request a refund and the funds collected by Direct Debit will be credited back to the Debtor account
- the rules governing the refund right of an authorised Direct Debit transaction are stipulated in the SEPA Direct Debit Rulebook

CHAPTER 02

SEPA Direct Debit

Debtor

SEPA Direct Debit – the Debtor

- available at Komerční banka since February 1, 2014
- credit transfers in EUR initiated by the Creditor
- at KB, can be used only with accounts held in EUR
- at Komerční banka (including KB Business Division Slovakia), accounts are blocked for in-coming SEPA direct debit orders (no Debtor’s approval)
- clients wishing to use the product must sign with the bank a “SEPA Direct Debit Agreement” authorising a specific Creditor to collect money from his account in EUR in accordance with the terms and conditions defined in the Mandate
- KB adheres to and operates the B2B scheme and the CORE scheme

Steps to be taken by the Client wishing to pay via SEPA Direct Debit:



CHAPTER 03

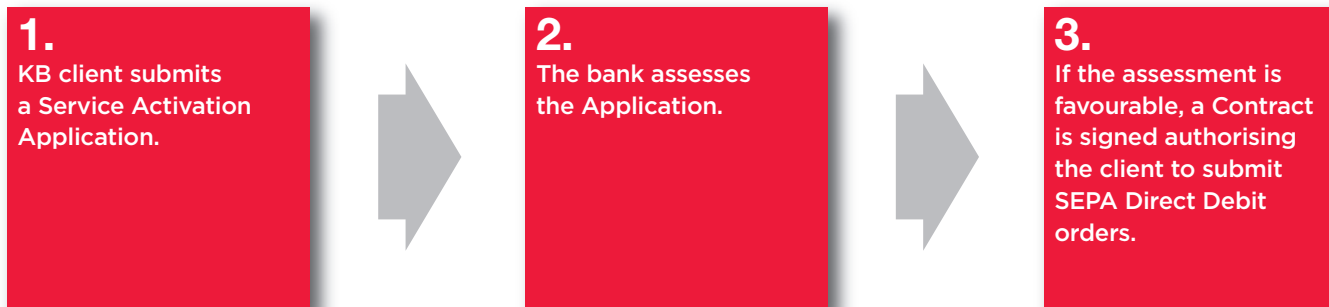
SEPA Direct Debit

Creditor

SEPA Direct Debit – Creditor

- available at KB and KBSK since April 27, 2015
- credit transfers in EUR initiated by the Creditor
- at KB, SEPA Direct Debit can be used only with accounts held in EUR
- SEPA Direct Debit can be used at Komerční banka and Komerční banka Bratislava provided a contract is signed stipulating the terms and condition of SEPA Direct Debit
- KB adheres to and operates the B2B scheme and the CORE scheme

The steps to be taken by clients wishing to submit SEPA Direct Debit orders and collect funds from business partners:



Additional Information on SEPA Direct Debit

SEPA Scheme Countries

| | |
|--|---|
| Austria | Latvia |
| Belgium | Lichtenstein |
| Bulgaria | Lithuania |
| Croatia | Luxembourg |
| Cyprus | Malta |
| Czech Republic | Monaco |
| Denmark | Netherlands |
| Estonia | Norway |
| Finland | Portugal (incl. Azores, Madeira) |
| France (incl. Guadeloupe, Martinique, French Guiana) | Romania |
| Germany | Slovakia |
| Greece | Slovenia |
| Hungary | Spain (incl. Canary Islands, Ceuta and Mellila) |
| Iceland | Sweden |
| Ireland | Switzerland |
| Italy | UK |

Mandate

Mandate:

- is an agreement in writing signed between a Debtor and a Creditor
- based on the agreement, the Creditor is entitled to collect money from Debtor account
- the mandate is established in two copies (for the Debtor and the Creditor)
- the Creditor is responsible for storing the mandate during its validity period
- it is to be stored for a minimum of 14 months after the last Direct Debit order (after its expiration)
- its validity expires automatically after 36 months following the execution of the last Direct Debit order
- see models of mandate layouts at the EPC Website:
CORE: <http://www.europeanpaymentscouncil.eu/index.cfm/other/core-sdd-mandate-translations/>
B2B: <http://www.europeanpaymentscouncil.eu/index.cfm/other/sepa-b2b-dd-mandate-translations/>

Mandatory data elements on the mandate form:

- Creditor and Debtor identifier
- declaration stating that the mandate is a SEPA Direct Debit mandate
- payment scheme specification - B2B, CORE
- CID - Creditor identifier
- UMR - Unique Mandate Reference
- Debtor's IBAN account number and BIC code of the Debtor bank

Mandate types:

- **single** - can be used only for one-off Direct Debit collections
- **recurring** - for repeated collections

CID - Creditor Identifier

- necessary for SEPA Direct Debit orders
- in the Czech Republic, the CID is allocated by the Czech National Bank, in accordance with the rules published at the CNB Website; the beneficiaries of Direct Debit shall be allocated a single CID in the Czech Republic.
http://www.cnb.cz/cs/platbni_styk/ucty_kody_bank/pravidla_rip.html
- the allocation and administration of CID in the CNB registry is subject to a fee
- the CID can be requested through KB branches
- the National Bank of Slovakia allocates CID in Slovakia
- **CID example in the Czech Republic: CZ12 ZZZ 10012 (positions 5 to 7 can be modified)**
- beneficiaries of Direct Debit orders can be assigned only one CID in the Czech Republic that can then be used with any other bank
- clients can be assigned a CID from another country, the CID can then be used to submit SEPA Direct Debit orders in the Czech Republic or in Slovakia
- clients can hold several CID (e.g. a Czech CID and another CID allocated in another country)

SEPA Direct Debit – important terms

CID – Creditor identifier, unique identification of the Creditor used by the Creditor with all Direct Debit orders

- CID example: CZ34 ZZZ 10058 (positions 5 to 7 can be modified)

UMR – Unique Mandate Reference, unique UMR for each mandate, the reference is determined by the Creditor and must be forwarded to the Debtor via the mandate

Payment Scheme is indicated on the mandate:

- B2B – business to business (business Direct Debit)
- CORE (consumer Direct Debit)

Debtor – the payer, the debit side of the transaction, his account is debited with the specified amount in accordance with the SEPA Direct Debit order

Creditor – the biller, the credit side of the transaction, his account is credited with the specified amount in accordance with the SEPA Direct Debit order

R-messages – specific types of reports generated by the Debtor/Creditor (the Debtor bank/the Creditor bank) to revoke a SEPA Direct Debit

R-Messages

Specific types of reports allowing the Debtor/Creditor (Debtor bank/Creditor bank) to prevent or reverse a SEPA Direct Debit order.

Reject – rejection of a transaction by the **Debtor bank** based on clearly defined grounds (e.g. technical reasons identified by the Creditor bank, the CSM or the Debtor bank – invalid format, incorrect IBAN).

Refusal – the Debtor requests transaction cancellation **prior to its processing for any reason** in accordance with the clearly defined rules agreed upon by the Debtor and the Bank. If the transaction is cancelled **after its processing, Refusal** switches to **Refund**.

Refund – the **Debtor** can request a Direct Debit refund (of an authorised and unauthorised transaction). The request for refund must be sent to the Debtor bank after the processing of Direct Debit. An authorised transaction grants a **“no-question-asked” refund right** during the eight weeks following the date that the Debtor account was debited. The Debtor can request his bank for a Refund of an unauthorised transaction **within 13 months** following the date that the Debtor account was debited. The Debtor shall submit documents to demonstrate the unauthorised character of the transaction with the request.

Return – Direct Debit cancellation **initiated by the Debtor bank** within 5 banking days following its processing (within 2 days for B2B). Return can occur if the Debtor account was cancelled, the format is invalid, etc.

Reversal – reversal of a payment (not later than 5 days after submission day/due date) that has been **already processed** if it is discovered that the payment **should not have been initiated**. The Debtor bank is obliged to process a Reversal initiated by the Creditor bank. The Creditor bank does not have any such obligation (is not obliged to offer the service).

Revocation – request of the Creditor for a temporary recall of a Direct Debit order up to a specified date agreed upon with the Debtor.

Request for cancellation – request of the Creditor bank for transaction cancellation prior to its processing.



To get more information on SEPA Direct Debit, please contact Komerční banka Relationship Managers.

For more information, refer to: www.kb.cz and www.koba.sk

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