

Migration of the national direct debit system (DOM-2009 and bilateral direct debits) to the European SEPA direct debit system

General principles

Introduction

An analysis of the procedures used during migration reveals 3 different contexts, linked firstly to the mandate status (legacy, migrated legacy, new SEPA), and to the collection type (DOM-2009 or bilateral, SDD).

As such, one of the following three cases may be produced during the transitional phase:

1. Legacy mandate and DOM-2009 or bilateral collection
2. Migrated legacy mandate and SDD collection
3. New SEPA mandate and SDD collection

This is particularly important when analysing the procedures during an operation disputed by the debtor.

The migration comprises several stages:

1. Up to September 2012, the preparatory phase for banks participating in national direct debits, including consultation of creditors.
2. In September 2012, the banks actively inform the Luxembourg market (i.e. companies and the general public) regarding SDD products which may henceforth be used for domestic collections, through the opening of a new SDD mandate or via the migration of existing mandates:
 - a. The signature of a new SDD mandate should be done via the standardised SDD form.
 - b. The use of XML format is mandatory for SDD collections.
3. As of October 2012, creditors begin the migration of their national direct debits to SDD (Core and/or B2B).

Therefore, from October 2012 and until 1st February 2014, the creditor shall have the choice of:

- a. migrating all legacy mandates to SDD Core; including mandates signed by a professional debtor, (and for which collection is currently done with no right to reimbursement, i.e. the collection is known as "non-refundable" by the debtor bank).
- b. migrating legacy mandates signed by a consumer debtor (and for which the collection is currently done with the conditional right to reimbursement, i.e. the collection is known as "refundable" by the debtor bank) to SDD Core, and



migrating all or part of the legacy mandates signed by a non-consumer debtor (and for which the collection is currently done with no right to reimbursement, i.e. the collection is known as "non-refundable" by the debtor bank) to SDD B2B. In the event of migration to B2B, there is no obligation on the part of the debtor's bank to request confirmation of the mandate.

The creditor is free to migrate all his mandates in one go, or gradually, in several stages.

A step prior to migration for the creditor consists of sending a request to the various banks so that they may confirm the accuracy of data relating to the existing mandates for debtor clients (request to be sent using the procedure and format detailed in the document "SEPA Migration Scenario SDD v5 – Operational Appendix").

The creditor and the banks process SDD collections based on original legacy mandates (existing direct debits) signed prior to 1st February 2014 and held at the debtor's bank.

Any change (within the meaning of PT-02.02 Mandate Amendment Procedure) of a migrated mandate shall be done in accordance with the rules set out in the rulebook for the corresponding SDD scheme.

For all collections subsequent to such a change, the burden of proof for the debtor's consent falls on the creditor; as such, in the event of a disputed collection, it shall be the responsibility of the creditor to prove the existence of a valid mandate.

It is recommended that all creditors adopt SEPA (SDD) direct debits and actively migrate national direct debits well before 1st February 2014.

4. On 1st February 2014, the national direct debit will cease to exist.

Creditors will continue to have the choice of:

- a. migrating all legacy mandates to SDD Core; including mandates signed by a professional debtor, (and for which the collection is currently done with no right to reimbursement, i.e. the collection is known as "non-refundable" by the debtor bank).
- b. migrating legacy mandates signed by a consumer debtor (and for which the collection is currently done with the conditional right to reimbursement, i.e. the collection is known as "refundable" by the debtor bank) to SDD Core, and

migrating all or part of the legacy mandates signed by a non-consumer debtor (and for which the collection is currently done with no right to reimbursement, i.e. the collection is known as "non-refundable" by the debtor bank) to SDD B2B. In the event of migration to B2B, there is no obligation on the part of the debtor's bank to request confirmation of the mandate.

The migration will begin in October 2012.

From 1st January 2014, creditors may no longer issue original DOM-2009 files with a "due-date" later than 31 January 2014.

Although the CETREL DOM-2009 system will no longer enable collections to be initiated after 31 January 2014, return-DOM files corresponding to original files initiated prior to 1st February 2014 will still be managed within the necessary time frame.



5. From 1st February 2014:

- a. All collections will be made via SDD schemes.
- b. All new mandates will be SDD Core or SDD B2B type
- c. Creditors and banks process collections regarding migrated mandates (which have not experienced any change/amendment) based on the original mandate (existing direct debits) signed prior to 1st February 2014 and held at the debtor's bank
- d. Any change (within the meaning of PT-02.02 Mandate Amendment Procedure) of a migrated mandate shall be done in accordance with the rules set out in the rulebook for the corresponding SDD scheme.

For all collections subsequent to such a change, the burden of proof for the debtor's consent falls on the creditor; therefore, in the event of a disputed collection, it shall be the responsibility of the creditor to prove the existence of a valid mandate.

For creditors, a step prior to migration for the first SDD collection after 1st February 2014 consists of sending a request to the various banks so that they may confirm the accuracy of data relating to the existing mandates of debtor clients (request to be sent using the procedure and format detailed in the document "SEPA Migration Scenario SDD v5 – Operational Appendix").

6. From 1st January 2018

The following point applies to SDD Core collections based on migrated mandates that have not been modified.

In the event of a collection disputed (i.e. : a reimbursement request) by a debtor after 8 weeks following the date of debiting their account, the creditor must prove the existence of a valid mandate.

General migration principles during the transitional phase

- Creditors enter into a new creditor agreement with the bank.
- Creditors receive a new creditor identifier through their bank (AT-02 Identifier of the Creditor) using the European format. If the creditor already has such an identifier, they can then use it. The identifier generated by the ABBL is unique on the Luxembourg market.

- Regardless of the period during which the migration takes place, the creditor sends a request to the various banks so that they may confirm the accuracy of the data relating to existing mandates with debtor clients. (request to be sent in accordance with the procedure and in a format defined in the "SEPA Migration Scenario SDD v5 – Operational Appendix" document).

This clause appears in the agreement signed between the creditor and their bank.

- The creditor gives each mandate a unique mandate number (AT-01 Unique Mandate Reference) to identify it. This AT-01 attribute may (*) be identical to the mandate number currently used by the creditor in the DOM-2009 direct debit system.

(*) Creditors wishing to change mandate numbers at the same time as the migration of these should provide the former mandate number currently in use when submitting the aforementioned file, alongside the new mandate number. This is intended to avoid any subsequent operational issue with regard to checks made on this number by each bank.

- Creditors should inform their debtors of the migration of the existing DOM-2009 system direct debit orders to the new SEPA system.

This clause also appears in the agreement signed between the creditor and their bank.

- The bank has no obligation to provide **specific** information to its debtor clients within the context of existing direct debit orders which the creditor is seeking to migrate to a European scheme.

However, the provisions of the 'SEPA Direct Debit Rulebooks' state that the credit institution has the obligation to notify the creditor and the debtor of the rights and obligations of the various parties involved **prior** to the first collection.

- At the time of the first collection of SEPA direct debits, creditors must respect the formatting of the various fields in the file, as detailed in the "SEPA Migration Scenario SDD v5 – Operational Appendix" document.
- The debtor's bank checks the existence of the mandate and keeps this "link".



The former original mandates (paper) shall remain with the debtor bank, which shall store them.

In the specific case of an operation performed using the DOM-2009 procedure and which is disputed after the migration of mandates, the processing of disputes will follow the procedures applicable for DOM-2009.

- In accordance with the rulebooks, the former direct debit mandates, similar to the SEPA mandates, shall come to an end:
 - by revocation sent by the debtor to their bank;
 - in the event of "inactivity" (the failure to present a new request for collection by the creditor) over a period of 36 months as of the last request.
- Only banks established in Luxembourg offering the national "DOM-2009" or bilateral direct debit services prior to migration to SEPA direct debits are affected by the safekeeping of former mandates in their possession, and by the provision of information relating to them.
- The migration of existing mandates at national level in the bilateral direct debit system shall follow the same procedure as for mandates existing in the DOM-2009 system.
- As with the migration of existing mandates, be they full or partial, creditors may bring forward both DOM-2009 or European direct debits during the transitional period.
- The migration of a mandate is irrevocable. This means that a return to the DOM-2009 system will no longer be possible. As such, from the time when a creditor migrates the mandate of a given debtor, all subsequent presentations of this same mandate must go through the European SEPA direct debit system.

Mandates covering more than one service (eg: monthly direct debits for a service and annual direct debits for another service), shall be migrated for all services at the same time.

During the transitional phase, which will come to an end on 1st February 2014, the various systems currently in use (DOM-2009, bilateral direct debits) shall exist alongside SEPA direct debits.



The operational specifications of the migration are detailed in the document "SEPA Migration Scenario SDD v5 – Operational Appendix".

- This procedure and the operational specifications must be strictly observed.
If they are not adhered to, the debtor's bank shall not be in a position to determine whether or not a collection is based on a migrated mandate. If a debtor client subsequently disputes the validity of their mandate, it will be difficult to track, and the credit risk will have consequences for the creditor. This scenario should be avoided.
- In the event that the creditor fails to comply with the operational specifications in such a way that the banks are unable to create a link with existing legacy mandates, the creditor shall bear the full consequences and they will be required to produce a copy of the mandate.
- Standard scenarios and tests will be put in place. Each creditor will have to carry out prior tests with their creditor bank, based on standard scenarios, before proceeding to migration itself.
Upon completion of these tests, creditors will decide whether to not to migrate.



Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

Migration Scenario SDD v5

Operational Appendix

This appendix details the operational specifications to be adhered to by creditors when migrating existing (legacy) mandates to SDD schemes.



1. Description of the pain.008 fields in a migration FIRST

There are 2 cases which determine the content of the fields in a migration FIRST file in different ways:

1st case (suggested solution):

1. The creditor requests a SEPA Creditor-ID including their DOM2009 Cetrel creditor identifier (i.e. they give a pseudo-IBAN format to their current identifier).

AND

2. The creditor keeps their current registration numbers.

In this case (i.e. : the 2 conditions are strictly observed), to migrate their mandates, the creditor creates a FIRST collection with the following characteristics:

Field 2.27 "CreditorSchemelIdentification"

This field includes the new SDD-Creditor-ID (e.g. : LU13ZZZ0000000008641002015), in which the Creditor-ID DOM2009 Cetrel is included.

Field 2.31 "EndToEndIdentification"

This field shall take the value:

- "MIGRATION" followed by the "Reference at the creditor's choice".

Note: New-Multiline shall not impose any controls for this field. However, the value is pre-calculated (timestamp), but can be modified by the user. The creditor should therefore perform the modification as set out above in the event of manual coding.

This field notifies the debtor of the DOM2009 migration.

Field 2.48 "MandateIdentification"

This field includes the registration number, which remains unchanged

Field 2.49 "DateOfSignature"

This field shall take the value "2009-11-01"

Note: The special value in this field is not limited to the migration FIRST file, but is kept for subsequent collections.

2nd case:

If either of the 2 conditions or both the conditions set out above are not respected, the creditor shall be obliged to make a migration FIRST collection using the AmendmentIndicator = TRUE flag, with the following characteristics:

Field 2.27 "CreditorSchemeIdentification"

This field includes the new SDD-Creditor-ID (e.g. : LU83ZZZ00000000000000000001); this may be for example an incremental identification number or an identification number containing the VAT number or the trade register number.

Field 2.31 "EndToEndIdentification"

This field shall take the value:

- "MIGRATION" followed by the "Reference at the creditor's choice".

Note: New-Multiline shall not impose any controls for this field. However, the value is pre-calculated (timestamp), but can be modified by the user. The creditor should therefore perform the modification as set out above in the event of manual coding.

This field notifies the debtor of the DOM2009 migration.

Field 2.48 "MandateIdentification"

This field includes the new registration no. (if the value has changed) or the former registration no. (if it remains unchanged).

Field 2.49 "DateOfSignature"

This field takes the value "2009-11-01".

Note: The special value in this field is not limited to the migration FIRST file, but is kept for subsequent collections.

Field 2.50 "AmendmentIndicator"

This field takes the value "true" and is followed by information in field 2.51

Field 2.51 "AmendmentInformationDetails"

This field includes the list of mandate elements which have been modified.

Fields 2.52 and 2.53 are mandatory if their value has been modified

Field 2.52 "OriginalMandateIdentification"

This field includes the value of the former mandat-ID; If the coding is performed via New-Multiline, this latter will automatically place the word "MIGRATION" in front of the former mandat-ID.

Field 2.53 "OriginalCreditorSchemeIdentification"

This field includes the value: former creditor-ID (Cetrel or bilateral).



Notes

The operational specifications detailed above, especially case 1, must apply equally to creditors working bilaterally (i.e. submission of collection files directly to the debtor's bank which is also the creditor's bank, without going via Cetrel).

In this case, creditors do indeed hold a different identifier with each bank with which they operate such collections.

It is therefore necessary to build in a preliminary step so that a unique Creditor-ID prior to migration may be provided.

Procedure:

1. Banks supply the ABBL with a list of all their creditors working bilaterally
2. The ABBL aggregates all these lists and puts these into a series (removal of duplicates).
3. The ABBL sends this list to Cetrel
4. Cetrel generates a DOM2009 creditor identifier in a particular range (to differentiate them properly).
5. Cetrel returns this list to the ABBL.
6. The ABBL includes this identifier to get a SEPA format Creditor-ID
7. The ABBL returns the SEPA Creditor-ID information to each bank for the relevant creditors.



2. Unequivocal detection criterion for a migration FIRST by the bank

This unequivocal criterion is defined by the fields:

2.31 "EndToEndIdentification" **and** 2.49 "DateOfSignature"

A migration FIRST file is detected as such if, and only if, fields 2.31 and 2.49 are completed with the values provided below:

Field 2.31 "EndToEndIdentification"

This field shall contain the value: "MIGRATION" followed by the "Reference at the creditor's choice".

The word "MIGRATION" must be written correctly in block capitals and not shortened in any way. The information following the word "MIGRATION" may or may not be separated with a space, as this is in text format.

Field 2.49 "DateOfSignature"

This field must contain the following date: 2009-11-01

FIRST and mandate status processing algorithm

The status of a mandate (i.e. whether it is "migrated" or "not migrated" shall be the responsibility of the debtor's bank.

"Reception and checking of FIRST, prior to the settlement date by the debtor's bank"

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IF field 2.49 = "2009-11-01" AND field 2.31 = "MIGRATION" followed by a text zone
THEN /* This is a migration FIRST */
    IF the analysis of data belonging to the migration provides a link with the former
    mandate
        THEN /* Processing of a migration FIRST */
            The mandate is migrated
            IF the debit of the debtor account cannot be performed on the settlement date
            (insufficient funds, account blocked)
                THEN
                    RETURN the migration FIRST
                    /* The subsequent collections for this mandate must be classic FIRST
                    type. (The migration FIRST has not been paid, so the next collection
                    must be FIRST type and not contain the term MIGRATION in 2.31) */
                ELSE /* The debit of the debtor's account may be performed */
                    /* The subsequent collections for this mandate are RCUR type */
            ELSE /* The analysis of data does not provide a link with the former mandate */
                The mandate is not migrated
                Rejection of migration FIRST with R-reason code = "MD02"
        ELSE /* We must determine whether this is a normal SDD FIRST or something else */
            IF field 2.49 is not "2009-11-01" AND field 2.31 does not include "MIGRATION" followed
            by a text zone
                THEN /* This is a normal SDD */
                    Processing a file as a normal SDD FIRST
                ELSE /* One of the migration-specific fields does not hold the expected value */
                    The mandate is not migrated
                    Rejection of migration FIRST with R-reason code = "MD02"
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See the detailed description of the various cases ("SEPA Scénario de Migration SDD v5 - Critères analyse FIRST.xlsx" document) for additional information regarding error codes and the collection following the migration FIRST.



3. Prior file

For the creditor, a step prior to migration consists of sending a request to the various banks so that they may confirm the accuracy of the data relating to existing mandates of debtor clients.

This operational procedure is set out in a document drawn up by Cetrel S.A. : "Format des Fichiers Mandats pour migration.doc" version 1.4 of 05/06/2012

Analysis criteria of a FIRST migration

N°	Type of the first file:	End to End Identification contains:	Date of Signature contains:	CORE scheme	B2B scheme	(A) MIGRATION criteria	(B) Analysis of legacy mandate data	(C) Settlement	(D) return code:	Type of the next file:	Remarks:
1	FRST	MIGRATIONxyz...xyz	2009-11-01	Consumer ou Business		OK	OK	OK	n/a	RCUR	
2	FRST	MIGRATIONxyz...xyz	2009-11-01	Consumer ou Business		OK	NOK	NOK	MD02	FRST MIG	The analysis of data belonging to the migration does not provide a link with the former legacy mandate. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
3	FRST	MIGRATIONxyz...xyz	2009-01-11	Consumer ou Business		NOK	n.a	NOK	MD02	FRST MIG	One of the migration-specific fields does not hold the expected value. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
4	FRST	xyz...xyz	2009-11-01	Consumer ou Business		NOK	n.a	NOK	MD02	FRST MIG	One of the migration-specific fields does not hold the expected value. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
5	FRST	MIGRATIONxyz...xyz	2009-11-01	Consumer ou Business		OK	OK	NOK	≠ MD02 code as defined in the rulebook	FRST (without the End to End ID filled with MIGRATION)	The debtor account cannot be debited on the settlement date due to "SDD refusal" by the debtor or other problems such as: insufficient funds, account blocked. The mandate is migrated, but the FIRST collection is not settled. The creditor is obliged to send a FIRST collection without the migration specific fields.
6	FRST	xyz...xyz	2012-11-01	Consumer ou Business		NOK	new SDD	OK	n/a	RCUR	
7	FRST	xyz...xyz	2012-11-01	Consumer ou Business		NOK	new SDD	NOK	code as defined in the rulebook	FRST (without the End to End ID filled with MIGRATION)	
8	FRST	MIGRATIONxyz...xyz	2009-11-01		Business	OK	OK	OK	n/a	RCUR	
9	FRST	MIGRATIONxyz...xyz	2009-11-01		Consumer	NOK	n.a	NOK	MD02 (1)	FRST MIG (in the Core scheme)	The scheme used is not the correct one. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file in the Core scheme.
10	FRST	MIGRATIONxyz...xyz	2009-01-11		Consumer	NOK	n.a	NOK	MD02 (1)	FRST MIG	The analysis of data belonging to the migration does not provide a link with the former legacy mandate. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
11	FRST	xyz...xyz	2009-11-01		Consumer	NOK	n.a	NOK	MD02 (1)	FRST MIG (in the Core scheme)	The scheme used is not the correct one. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file in the Core scheme.
12	FRST	MIGRATIONxyz...xyz	2009-01-11		Business	NOK	n.a	NOK	MD02	FRST MIG	One of the migration-specific fields does not hold the expected value. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
13	FRST	xyz...xyz	2009-11-01		Business	NOK	n.a	NOK	MD02	FRST MIG	One of the migration-specific fields does not hold the expected value. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
14	FRST	MIGRATIONxyz...xyz	2009-11-01		Business	OK	OK	NOK	≠ MD02 code as defined in the rulebook	FRST (without the End to End ID filled with MIGRATION)	The debtor account cannot be debited on the settlement date due to "SDD refusal" by the debtor or other problems such as: insufficient funds, account blocked. The mandate is migrated, but the FIRST collection is not settled. The creditor is obliged to send a FIRST collection without the migration specific fields.
15	FRST	MIGRATIONxyz...xyz	2009-11-01		Business	OK	NOK	NOK	MD02	FRST MIG	The analysis of data belonging to the migration does not provide a link with the former legacy mandate. The mandate is not migrated. The creditor can send a legacy direct debit collection or a correct MIGRATION FIRST file.
16	FRST	xyz...xyz	2012-11-01		Business	NOK	new SDD	OK	n/a	RCUR	
17	FRST	xyz...xyz	2012-11-01		Business	NOK	new SDD	NOK	code as defined in the rulebook	FRST (without the End to End ID filled with MIGRATION)	
18	FRST	xyz...xyz	2012-11-01		Consumer	NOK	new SDD	NOK	code as defined in the rulebook	FRST (without the End to End ID filled with MIGRATION) in the Core scheme	Real SDD. The scheme used is not the correct one. The creditor must again send a FIRST file in the Core scheme.
SEPA Migration Scenario SDD v5 - Analysis Criteria FIRST-EN.xlsx											
19	FRST	MIGRATIONxyz...xyz	2009-11-01		Business	OK	NOK (*)		code as defined in the rulebook	RCUR that goes with the new SDD previously sent.	(*)The Original values correspond to a legacy mandate, but the new mandate with the new values is already present as SDD. The collection has to be rejected.

Analysis criteria of a FIRST migration

20	FRST	MIGRATIONxyz...xyz	2009-11-01	Consumer ou Business		OK	NOK (*)		code as defined in the rulebook	RCUR that goes with the new SDD previously sent.	(*)The Original values correspond to a legacy mandate, but the new mandate with the new values is already present as SDD. The collection has to be rejected.
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Line N° 1 to 18 deal with case N°1 in the migration scenario: Preferred solution for the creditor

Line N° 19 to 20 deal with case N°2 in the migration scenario

- (A) : Fields 2.31 and 2.49 are analysed in order to determine whether they contain the migration specific values AND whether the scheme used is the correct one (Core or B2B).
- (B) :
=>OK : The former legacy mandate was found on the basis of the data belonging to the file
=>NOK : The former legacy mandate was not found on the basis of the data belonging to the file
=>NOK (*) : The Original values correspond to one legacy mandate, but the new mandate with the new values is already present as SDD
=>n.a. : There is no need to have a look at the mandate related informations
=>New SDD : It is a FIRST real new SDD
- (C) :
=>OK : The settlement will occur
=>NOK : The settlement will not occur
- (D) :
=>MD02 : A migration FIRST file is rejected with reject-code MD02 : NON-MIGRATED MANDATE
=>code as defined in the rulebook: The reject-code must be the same than a RCUR collection would get with the same errors
=>MD02 (1) : After the 2012 release of the SDD rulebook, the MD02 code will always be used, even if a new code is defined