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*Corporate Customer  
Information*

# Pan European Payment Transactions

SEPA – Single Euro Payments Area

August 2006



**Dresdner Bank**  
Advice you can bank on

Dear Customers,

Dresdner Bank has been at the forefront of the development of the single European payments market for many years. Since 1998, we have been involved in the European harmonisation activities of the Heathrow Group of Banks, and we are playing an active role in the current work of the European Payments Council (EPC). Dresdner Bank participates directly in the EPC's Electronic Credit Transfers Working Group.

European banks intend to carry out SEPA implementation, primarily in the euro zone, by the beginning of 2008. From the current standpoint, this will mean that the new SEPA procedures for money transfers and direct debits will exist alongside the old domestic and cross-border procedures for a number of years.

In addition to the Rulebooks relating to the SEPA procedure, which have been adopted, the precise definition of the SEPA data format for bulk payments in euros is extremely important. The globally applicable ISO 20022 standard was published by the standardisation bodies in mid-July 2006. However, before this standard can be used for SEPA applications, the SEPA model must be made compatible down to the lowest dataset. The work to achieve this is still underway.

It is our aim to serve all of our customers, regardless of whether they want to use the new SEPA procedure as soon as it is introduced or whether they are still submitting electronic payment orders in accordance with the German DTA Standard in 2010 or later.

At Dresdner Bank, the smooth and efficient implementation of the basic SEPA procedures and the appropriate extension of value-added services are of primary importance. The internal implementation work is to begin this year.

When making your decision, please take into account that the current position does not yet allow for a full implementation plan to be put forward. There is a long way to go before the SEPA procedure can be fully integrated. However, Dresdner Bank has its finger firmly on the pulse of SEPA developments and is therefore perfectly placed to provide you with sound advice and support throughout the SEPA implementation process.

We will also be calling for our customers' support during the changeover of master data for German account numbers and sort codes to valid IBAN and BIC numbers.

On the following pages, we have provided the answers to some frequently asked questions. We have also included some basic information regarding the ISO 20022 XML dataset.

The specialist advisors in our International Business and Transaction & E-Business divisions will be happy to provide you with any further information.

Kind regards

Your Dresdner Bank

# Questions and answers

## What does “SEPA” mean?

SEPA stands for Single Euro Payments Area.

## Do companies have to immediately adopt the new SEPA procedures on 1 January 2008?

No. It is currently planned that banks will offer the optional use of SEPA procedures from January 2008. All existing internal and cross-border payment procedures will operate in parallel for a number of years. Companies may choose when they wish to change over to SEPA procedures. There will be no blanket adoption.

## Will all of the new SEPA procedures be available for use as soon as SEPA is introduced in 2008?

As with any new processes, we do not currently have any experience of how the new data formats, in particular, will hold up in practice. The use of the XML format in bulk SEPA payments is totally new territory. Commonsense tells us that details will have to be fine-tuned and modified. In addition, not all EU/EEA banks will have adopted SEPA procedures by the beginning of 2008. We believe that a slow start is likely. However, at the end of 2008 or during 2009, the pace of change will increase considerably, especially as the advantages of the SEPA procedures become clear.

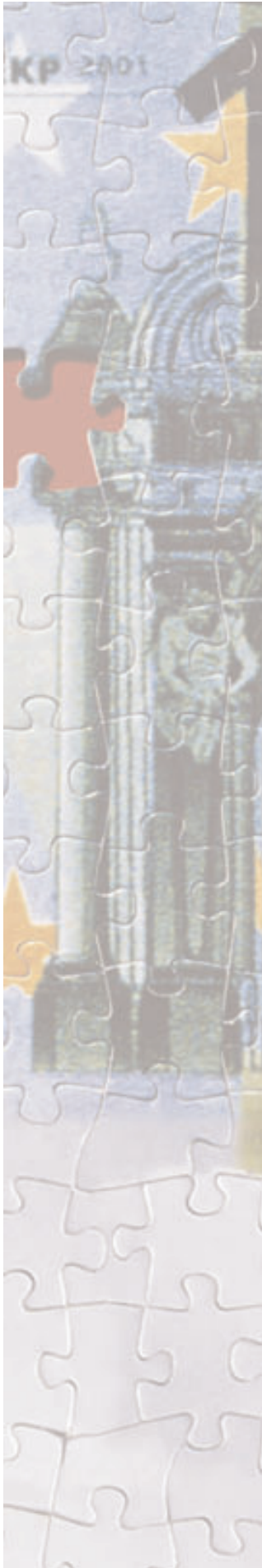
## What are the direct benefits of using the new SEPA payment instruments?

One of the direct benefits is the use of a single standard/format for all euro payments within the EU/EEA. This will make it easier for you to centralise payment transactions and cash management activities in-house. In addition, you can expect further improvement in automatic reconciliation of open items in your financial accounts, since you will be provided with a guaranteed up to 140 references indicating the purpose of the payment in the form of structured or unstructured information regarding the purpose of the payment, as well as new data fields.

## How will salary payments or contributions to capital formation be identified and processed in SEPA transfers?

To identify these payment orders on a European level, corresponding codes are being developed. Within Germany, an interim arrangement based on the current procedures is expected.





**Is it true that the ISO 20022 XML format can only be used for SEPA payment transactions? Will a number of formats have to be maintained to deal with SEPA payments and other payment transactions?**

The SEPA data format is a subset of the ISO 20022 XML standard. We are working to ensure that you will also be able to submit your other payment transactions (e.g. other destination countries/banks, other currencies, different fee structures or additional instructions) in ISO 20022 XML format. We will provide further information as and when it is available.

**With regard to direct debits carried out within the framework of an authorised collection procedure, can the existing direct debit authorisations be “taken over”?**

If the direct debit authorisations currently in place had to be replaced through a comprehensive physical exchange, it would be very expensive for all parties involved. This subject is currently under legal review. Dresdner Bank is involved in the relevant bodies to ensure that appropriate, customer-friendly alternatives are developed.

**IBAN and BIC: will a BIC need to be provided for every transaction or can the banks determine the correct BIC from the IBAN?**

In principle, the BIC number is required for routing purposes in inter-bank transactions and it must be provided by our customers. The databases currently available do not provide a reliable tool for determining the Bank Identifier Code (BIC). As a long-term solution, the parties involved are discussing the possibility of banks determining the BIC from the IBAN for their customers. This will probably require a longer timeframe.

**Can payment orders without IBAN/BIC still be submitted after 1 January 2007?**

In 2005, the European Payments Council adopted a resolution that, following a transition period of one year from 2007, at the latest, all cross-border euro payments within the EU/EEA must be accompanied by an IBAN and BIC. New transfer terms and conditions for Banks in Germany are also to stipulate the provision of IBAN and BIC for euro payments within the EU/EEA. According to the Resolution of 2005, from 2007 onwards, European banks will have the right to refuse euro payment transactions within the EU/EEA that are not accompanied by IBAN and BIC numbers. In addition, increased costs are likely for payment transactions not processed with the proper IBAN and BIC information. Our advice is that you submit all these payments with IBAN and BIC numbers. Should this information not be available to you, we will continue to accept and process these payment orders as a separate service.

**Is it possible to use SWIFT corporate access to submit money transfer and direct debit orders in SEPA format?**

The use of SWIFT corporate access (MA-CUG) represents an important element of our strategy. We will also be able to offer further submission options for your SEPA payment transactions.

**How will account information be presented during the transition period?****Will MT940 statements be supplemented with SEPA data?****Will SEPA transactions be shown separately on the account statement?**

It should be assumed that the current content of the MT940 will be supplemented with the SEPA information. Dresdner Bank is championing a regulation, covering German financial institutions at least, which defines the fields necessary for this. A separate breakdown of SEPA transactions on the account statement is likely.

**Will there still be an MT940 after 2010?**

The MX940 (daily statement in XML format) is unlikely to be introduced before 2008. From the current standpoint, it is probable that MX940 and MT940 will be used in parallel for a number of years.

**Will uniform SEPA transaction codes be established?**

International standardisation is set to begin shortly. This will probably ISO standards, in place from the end of 2007. Until this has been adopted, the current transaction codes will continue to be used nationally and may be supplemented to cover SEPA solutions.

**To what extent will the internal account consolidation of companies be influenced by the introduction of SEPA?**

The uniform application of formats and standards, coupled with the increased comparability of the terms for SEPA payments will simplify the further consolidation of your bank accounts for bulk payment transactions in euros. When selecting your preferred banks, it is all the more important to take into account to the range of SEPA services offered. Dresdner Bank has been actively involved in shaping the SEPA process from the very beginning and is able to offer services of the highest quality. Here, one of our key aims for the future is to enable our customers to use XML format (ISO 20022) to process as many of their payment transactions as possible.

However, the top priority for all parties involved should be the smooth implementation of the relevant basic SEPA procedures.





# We keep hearing about XML, ISO 20022, SEPA dataset, but...

## What is XML?

XML stands for “eXtensible Markup Language”.

XML is not a programming language, network protocol or database. XML is a structured data format and XML documents are text files.

## Where is it used?

XML is used to structure documents/data in fields such as economics, science, the Internet, the military and administration.

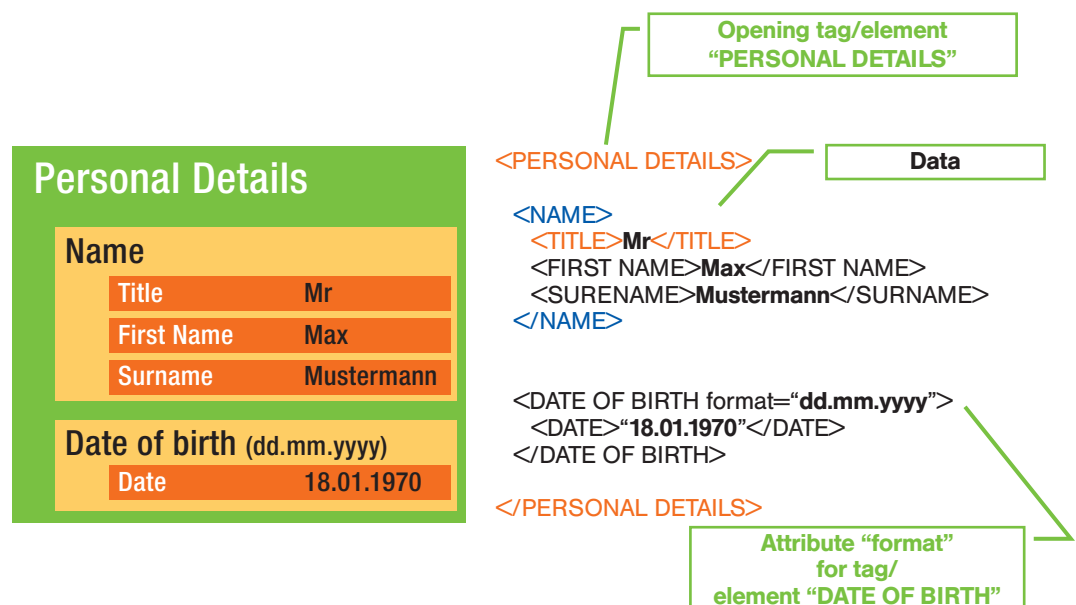
## How does it work?

XML is a very strict set of rules in the sense of a grammar used to define markup.

Markup is comprised of elements, so called **tags** (`<TagName>content</TagName>`) and **attributes** (`AttrName = “value”`) for tags (elements).

Documents/data are structured using tags, making them human readable, platform-independent and portable.

A simple example: a human being in XML



### What does ISO 20022 mean?

ISO 20022 defines the global parameters for the available components used in payment transaction orders and files.

Datasets that are generally relevant are standardised and grouped together for further use.

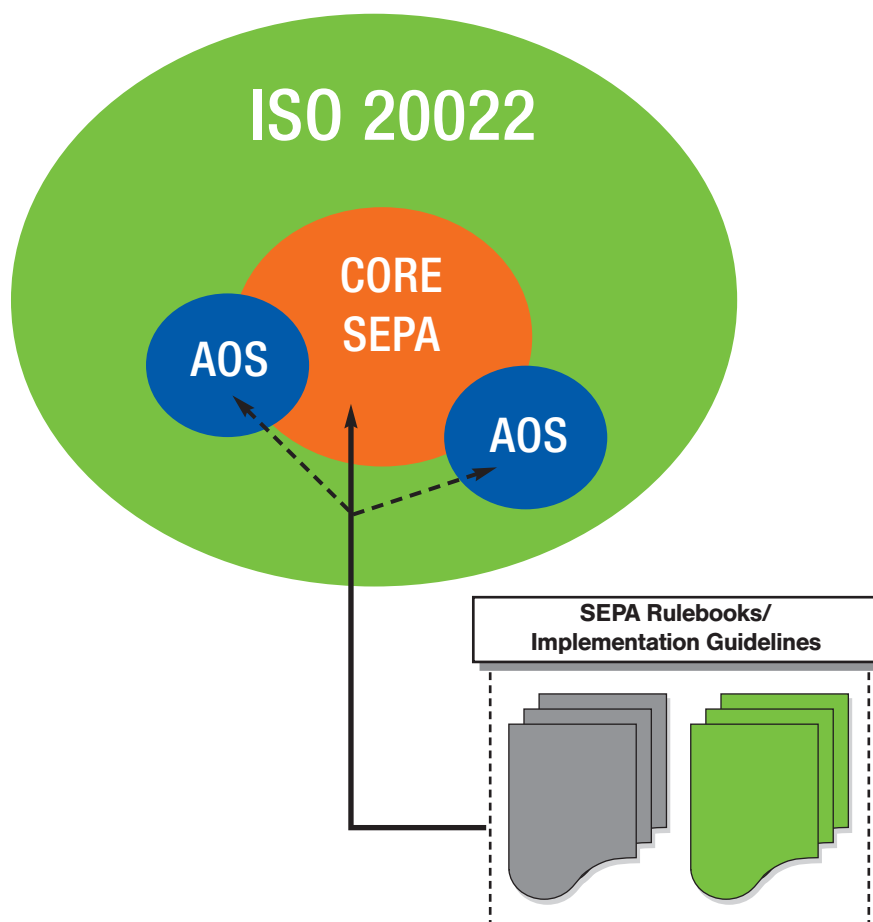
Within this framework, design rules for the implementation of XML are also established.

### Where does the SEPA dataset come into play?

The SEPA dataset (Core SEPA) is defined in the Rulebooks for SEPA money transfers and direct debits and the Implementation Guidelines of the EPC.

The SEPA dataset is a subset of the global ISO 20022 standard.

Additional Optional Services (AOS) expand this data spectrum with agreed ISO 20022 elements.



Information as at August 2006: we provide information in good faith and to our best knowledge, but cannot accept liability for the accuracy and completeness of all statements, the probability of events occurring or their actual occurrence or consequences thereof.



