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NOTE

from:	Presidency
to:	Delegations
Subject:	Proposal for a Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009 - Presidency compromise

Delegations will find below a Presidency compromise text on the above Commission proposal, to be discussed at the 11 April 2011 meeting.

With respect to the Commission's proposal, additions are underlined. Additions compared to the last Presidency compromise are bolded.

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of

establishing technical requirements for credit transfers and direct debits in euros and
amending Regulation (EC) No 924/2009

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission^{*},

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee[†],

Having regard to the opinion of the Committee of the Regions[‡],

Having regard to the opinion of the European Central Bank[§],

Acting in accordance with the ordinary legislative procedure,

Whereas:

^{*} OJ C , , p. .
[†] OJ C , , p. .
[‡] OJ C , , p. .
[§] OJ C , , p. .

- (1) The creation of an integrated market for electronic payments in euros, with no basic distinction between national and cross-border payments is necessary for the proper functioning of the internal market. To this end, the Single Euro Payments Area (SEPA) project aims to develop common Union-wide payment services to replace current national payment services. As a result of the introduction of open, common payment standards, rules and practices, and through integrated payment processing, SEPA should provide Union citizens and businesses with secure, competitively priced, user-friendly, and reliable payment services in euros. Completing SEPA should also create favourable conditions for increased competition in payment services and for the unhindered development and swift, Union-wide implementation of innovations related to payments. Consequently, as a result of improved economies of scale, increased operating efficiency and strengthened competition, electronic payment services in euros should create downward price pressure on a best-of-breed basis. The effects of this should be significant, in particular in Member States where payments are, compared to other Member States, relatively expensive. The transition to SEPA should therefore not be accompanied by overall price increases for payment service users (PSU) in general and for consumers, in particular.
- (2) The success of SEPA is very important economically, financially and politically. It is fully in line with the Europe 2020 strategy which aims at a smarter economy in which prosperity results from innovation and from more efficient use of available resources. Both the European Parliament through its resolutions of 12 March 2009 and 10 March 2010* on the implementation of SEPA and the Council in its conclusions adopted on 2 December 2009† have underlined the importance of achieving rapid migration to SEPA.
- (3) Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market‡ provides a modern legal foundation for the creation of an internal market for payments for which SEPA is a fundamental element.

* OJ L 319, 5.12.2007, p. 1.

- (4) Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001^{*} also provides a number of facilitating measures for the success of SEPA such as the extension of the principle of equal charges to cross-border direct debits.
- (5) In addition, self-regulatory efforts of the European banking sector through the SEPA initiative have not proven sufficient to drive forward concerted migration to Union-wide schemes for credit transfers and direct debits on both the supply and demand sides. Moreover, this self-regulatory process has not been subject to appropriate governance mechanisms, which may partly explain the slow uptake on the demand side. Only rapid and comprehensive migration to Union-wide credit transfers and direct debits will generate the full benefits of an integrated payments market, so that the high costs of running both 'legacy' and SEPA products in parallel can be eliminated.
- (6) Rules should therefore be laid down to cover the execution of all credit transfers and direct debit transactions denominated in euros within the Union, **including payment transactions between payment service providers (PSP) for their own account**. However, card transactions should not be covered at this stage, since common standards for Union card payments are still under development. Money remittance, payment transactions processed via large-value payment systems and payments via mobile phone should not fall under the scope of those rules since these payment services are not comparable to credit transfers and direct debits. **Nevertheless, where a payment card or some other device such as a mobile phone is used as the means to initiate a payment transaction at the point of sale which directly results in a credit transfer or a direct debit to and from a payment account identified by BBAN or IBAN, such a payment transaction shall be included.**

^{*} OJ L 266, 9.10.2009, p. 11.

- (7) Several payment services currently exist, mostly for payments through the internet, which also use the international bank account number (IBAN) and the **business** identifier code (BIC) and are based on credit transfers or direct debits but which have additional features. Those schemes are foreseen to expand beyond their current national borders and could fulfil a consumer demand for innovative, safe and cheap payment services. In order not to foreclose such schemes from the market, the regulation on end dates for direct debit and credit transfer should only apply to the credit transfer or direct debit underlying the transaction.
- (8) For a credit transfer to be executed, the payee's account has to be reachable. Therefore, in order to encourage the successful take-up of these payment **services**, a reachability obligation should be established across the Union. To improve transparency, that obligation and the reachability obligation for direct debits already established under Regulation (EC) No 924/2009 should be consolidated in one single act.
- (9) Technical interoperability is a prerequisite for competition. In order to create an integrated market for electronic payments systems in euros, it is essential that the processing of credit transfers and direct debits are not hindered by technical obstacles and are carried out under a scheme whose basic rules are adhered to by a majority of payment services providers from a majority of Member States and be the same both for cross-border and for purely national credit transfer and direct debit transactions. Where there is more than one payment system for the processing of such payments, these systems should be interoperable **through the use of European and international standards** so that all users and PSPs can enjoy the benefits of seamless euro payments across the Union.

- (10) It is crucial to identify technical requirements unambiguously determining the features which Union-wide payment schemes to be developed under appropriate governance arrangements have to respect in order to ensure inter-operability. Such technical requirements should not restrict flexibility and innovation but should be open to and neutral towards potential new developments and improvements in the payments market. In addition, the processing of credit transfers and direct debits should not be hindered by technical obstacles or business rules. Technical requirements should be designed taking into account the special characteristics of credit transfers and direct debits, in particular with regard to the data elements contained in the payment message. They should also contain, especially for direct debits, measures to strengthen the confidence of PSUs in the use of such services. Such measures should allow payers to **instruct** their PSPs to **limit direct debit collection to certain amount or periodicity** as well as establish specific **positive** or **negative** lists of payees. Within the framework of establishment of mandatory Union-wide direct debit schemes, it would seem appropriate that consumers can benefit from such checks. Nevertheless for the practical implementation of such checks on payees, it is important that PSPs are able to make such checks on the basis of the IBAN, and where necessary the BIC, **or some other unique creditor identifier** of specified payees.
- (11) Technical standardisation is a cornerstone for the integration of networks, such as the Union payments market. The use of standards developed by international or European standardisation bodies should be mandatory as of a given date for all relevant transactions. In the payment context, these would be the IBAN, BIC, and the financial services messaging standard 'ISO 20022 XML'. The use of those standards by all PSPs is therefore a requirement for full interoperability throughout the Union. In particular, the mandatory use of IBAN and BIC where necessary should be promoted through comprehensive communication and facilitating measures in Member States in order to allow a smooth and easy transition to Union-wide credit transfers and direct debits, in particular for consumers.

- (11a) For a transitional period, competent authorities should have the option to permit PSPs to allow **consumers** to keep on using BBAN for national payment transactions on the condition that interoperability is ensured by converting BBAN technically and securely into the respective IBAN and BIC by the PSP concerned. The PSP **shall** not levy any direct or indirect charges or other fees linked to this obligation.
- (12) It is appropriate to set dates by when all credit transfers and direct debit transactions should comply with technical requirements, while leaving the market open for further development and innovation.
- (13) Separate migration dates should be set in order to take into account the differences between credit transfers and direct debits. Union-wide credit transfers and direct debits do not have the same level of maturity, since a direct debit is a more complex **service** than a credit transfer and, consequently, migration to Union-wide direct debits requires significantly more resources than migration to Union-wide credit transfers.

- (14) It is important to provide legal certainty to the payments industry on business models for Union-wide direct debits. Regulation of multilateral interchange fees (MIF) for direct debits is essential to create neutral conditions of competition between the PSPs and so to permit the development of a single market for direct debits. Per transaction MIFs for direct debit restrict competition between payees' PSPs and inflate the charges such banks impose on payees and thus lead to hidden price increases to payers. Whilst no or limited objective efficiencies have been demonstrated for per transaction MIF, such fees for transactions which are rejected, refused, **refunded**, returned or reversed because they cannot be properly executed **or result in exception processing** (R-transactions), could help to allocate costs efficiently within the single market. Therefore, it would appear beneficial for the creation of an effective European direct debit market to prohibit per transaction MIF. Nevertheless, R-transactions fees should be allowed, provided that they comply with certain conditions. In any event, **these rules are without prejudice to the application of Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU)** to MIFs for R-transactions. Furthermore, it should be noted that in general direct debits and card payments have different characteristics, notably in terms of the higher potential for payees to incentivise the use of a direct debit by payers through a pre-existing contract between the payee and the payer whilst for card payments no such prior contract exists and the payment transaction is often an isolated and irregular event. Therefore, the provisions in this Regulation on MIFs for direct debits are without prejudice to the analysis under EU competition rules of MIFs for payment card transactions. **Additional optional services are not covered under this Regulation where they are clearly and unequivocally distinct from the core direct debit services and where PSPs and PSUs are completely at liberty to offer or use such services. They are subject to the Union and national competition rules.**
- (15) Therefore, the possibility to apply per transaction MIF for national and cross-border direct debits should be limited in time and general conditions should be laid down for the application of interchange fees for R-transactions.

- (16) In some Member States, there are certain legacy payment **services** which are credit transfers or direct debits but have very specific functionalities, often due to historical or legal reasons. The transaction volume of such products is usually marginal; they could therefore be classified as niche products. A transitional period for such niche products, sufficiently long to minimise the impact of the migration on **PSUs**, should help both sides of the market to focus first on the migration of the bulk of credit transfers and direct debits, thereby allowing the majority of the potential benefits of an integrated payments market in the Union to be reaped earlier.
- (17) For the practical functioning of the internal market in payments it is essential to ensure that payers such as businesses or public authorities are able to send credit transfers to payment accounts held by the payees with **PSPs** which are located in other Member States and reachable in accordance with this Regulation.
- (18) Competent authorities should be empowered to fulfil their monitoring duties efficiently and to take all necessary measures to ensure **that PSPs** comply with this Regulation.
- (19) It is necessary that Member States lay down effective, proportionate and dissuasive penalties in national law for failure to comply with this Regulation.
- (20) In order to ensure that redress is possible where this Regulation has been incorrectly applied, Member States should establish adequate and effective out-of-court complaint and redress procedures for settling any dispute arising therefrom.
- (21) It is desirable that the Commission present a report on the effectiveness of the provisions of this Regulation.

- (22) The Commission should be empowered to adopt delegated acts in accordance with Article 290 of the TFEU in respect of the update of the technical requirements for credit transfers and direct debits.
- (22a) In the Declaration (No 39) on Article 290 TFEU, annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, the Conference took note of the Commission's intention to continue to consult experts appointed by the Member States in the preparation of draft delegated acts in the financial services area, in accordance with its established practice. The Commission also intends to continue to consult all relevant stakeholders, **including the European Central Bank**.
- (23) Since PSPs from Member States outside the euro area would need to undertake more preparatory work, such PSPs should be allowed to defer the application of these technical requirements for a certain period.
- (24) In order to enhance legal certainty it is appropriate to align the deadlines for interchange fees provided for in Articles 6 and 7 of Regulation (EC) No 924/2009 with the provisions laid down in this Regulation.
- (25) Regulation (EC) No 924/2009 should be amended accordingly.
- (26) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data^{*} governs the processing of personal data carried out pursuant to this Regulation.

^{*} OJ L 281, 23.11.1995, p. 31.

- (27) Financial messages relating to payments and transfers in the SEPA are outside the scope of the EU-US Agreement of 8 July 2010 on the processing and transfer of Financial Messaging Data for the purposes of the Terrorist Finance Tracking Program ^{*}.
- (28) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on the European Union (TEU). In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

HAVE ADOPTED THIS REGULATION:

^{*} OJ L 195, 27.7.2010, p. 1.

Article 1
Subject matter and scope

1. This Regulation lays down rules for the execution of credit transfer and direct debit transactions denominated in euros within the Union where both the payer's payment service provider (PSP) and the payee's PSP are located within the Union, or where the sole PSP in the payment transaction is located in the Union.
2. This Regulation shall not apply to the following:
 - (a) payment transactions **carried out between PSP, their agents or branches for their own account**;
 - (b) payment transactions processed and settled through large value payment systems;
 - (c) payment card **transactions**;
 - (d) payment transactions through means of any telecommunication, digital or IT device, if such payment transactions do not result in a credit transfer or direct debit to and from a payment account identified by BBAN or IBAN; and,
 - (e) transactions **of money** remittance as defined in Article 4(13) of the PSD
 - (f) payment transactions where electronic money as defined in Article 2 No. 2 of Directive 2009/110/EC is transferred, **unless such payment transaction is initiated at the point of sale through a payment card and results in a credit transfer or a direct debit to and from a payment account identified by BBAN or IBAN**
 - (g) **PSPs, PSUs, payment schemes and payment systems to the extent that they correspond to payment transactions in currencies other than the euro.**

3. Where payment schemes are based on payment transactions by credit transfers or direct debits but have additional features, this Regulation shall apply only to the underlying credit transfers or direct debits.

Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (1) 'credit transfer' means a payment service for crediting a payee's payment account, where a payment transaction or a series of payment transactions is initiated by the payer on the basis of **an instruction given, for the execution of such a payment transaction, to the payer's PSP which holds its payment account;**
- (2) 'direct debit' means a payment service for debiting a payer's payment account, where a payment transaction is initiated by the payee on the basis of the payer's consent;
- (3) 'payer' means a natural or legal person who holds a payment account and allows a payment order from that payment account;
- (4) 'payee' means a natural or legal person **who holds a payment account and** who is the intended recipient of funds which have been the subject of a payment transaction;
- (5) 'payment account' means an account held in the name of one or more PSUs which is used for the execution of payment transactions;
- (6) 'payment system' means a funds transfer system with formal and standardised arrangements and common rules for the processing, clearing or settlement of payment transactions;

- (7) 'payment scheme' means a **common** set of rules, practices and standards **agreed** between the scheme participants **for the execution of payment transactions**, and which is separated from any infrastructure or payment system that supports its operation across the Union and within Member States;
- (8) 'PSP' means a payment service provider falling under any of the categories referred to in Article 1(1) of Directive 2007/64/EC and the legal and natural persons referred to in Article 26 of that Directive, but excludes those institutions listed in Article 2 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions* benefiting from a Member State waiver exercised under Article 2(3) of Directive 2007/64/EC;
- (9) 'PSU' means a natural or legal person **in the Union** making use of a payment service in the capacity of either payer or payee, or both;
- (10) 'payment transaction' means an act, initiated by the payer or by the payee of transferring funds, irrespective of any underlying obligations between the payer and the payee;
- (11) 'payment order' means any instruction by a payer or payee to his PSP requesting the execution of a payment transaction;
- (12) 'interchange fee' means a fee paid between the PSPs of the payer and of the payee for direct debit transactions;
- (13) 'MIF' means a multilateral interchange fee which is subject to a collective agreement between **more than two** PSPs;
- (14) 'BBAN' means a **payment** account number identifier, which uniquely identifies an individual **payment** account with a PSP in a Member State and which is used for national transactions;

* OJ L 177, 30.6.2006, p. 1.

- (15) 'IBAN' means an international **payment** account number identifier, which uniquely identifies an individual **payment** account in a Member State, the elements of which are specified by ISO 13616, set by the International Organization for Standardisation (ISO);
- (16) 'BIC' means a **business identifier** code that unambiguously identifies a **PSP**, the elements of which are specified by ISO 9362, set by the International Organization for Standardisation (ISO);
- (17) 'ISO 20022 XML standard' means a standard for the development of electronic financial messages as defined by the International Organisation for Standardisation (ISO), encompassing the physical representation of the payment transactions in XML syntax, in accordance with business rules and implementation guidelines of Union-wide schemes for payment transactions in scope of this Regulation;
- (17a) 'large-value payment systems' means payment systems whose main purpose is to process, clear or settle single payment transactions of high priority and urgency, and primarily of a large amount;
- (17b) 'settlement date' means a date on which obligations with respect to the transfer of funds are discharged between the payer's PSP and the payee's PSP;
- (17c) 'collection' means a part of a direct debit transaction starting from the initiation made by the payee until its end through the normal debiting of the payer's account;
- (17d) 'mandate' means the expression of consent and authorisation given by the payer to the payee **and (directly or indirectly via the payee) to the PSP of the payer** to allow the payee to initiate a collection for debiting the payer's specified payment account.
- (17e) **'retail payment system' means a payment system that is not a large value payment system**

(17f) 'micro-enterprise' means an enterprise, which at the time of conclusion of the payment service contract, is an enterprise as defined in Article 1 and Article 2(1) and (3) of the Annex to Recommendation 2003/361/EC

(17g) 'consumer' means a natural person who, in payment service contracts covered by this Directive, is acting for purposes other than his trade, business or profession

(17h) 'payment card transaction' means a payment transactions initiated with the help of a payment card (i) either for making a payment at a card accepting device or remotely, including by mail, telephone or through the Internet; or (ii) for making access to cash at an automatic teller machine

(17i) 'R-transactions' are transactions that cannot be properly executed by a PSP or result in exception processing. The causes for these transactions can include lack of funds, revocation, wrong amount or date, lack of mandate, wrong and closed account. Therefore, the letter "R" can for example stand for (i) rejects , (ii) refusals and refunds (only for direct debits) (iii) returns, (iv) reversals (only for direct debits), (v) revocations and requests for cancellation (only for direct debits) and (vi) recalls (only for credit transfers),

(17j) 'cross-border payment transaction' means an electronically processed payment transaction initiated by a payer or by or through a payee where the payer's PSP and the payee's PSP are located in different Member States,

(17k) 'national payment transaction' means an electronically processed payment transaction initiated by a payer, or by or through a payee, where the payer's PSP and the payee's PSP are located in the same Member State,

(17l) 'reference party' means a per on behalf of or in connection with a payer makes or a payee receives a payment.

Article 3
Reachability

1. **The PSP of the payee** reachable for a national credit transfer transaction denominated in euro on a given payment account shall be reachable, in accordance with the rules of the payment scheme, **meeting the requirement set out in the Regulation**, for credit transfer transactions denominated in euro initiated through a PSP located in any Member State.
2. **The PSP of the payer** reachable for a national direct debit transaction denominated in euro on a given payment account shall be reachable, in accordance with the rules of the **direct debit** scheme, **meeting the requirement set out in the Regulation**, for direct debit transactions denominated in euro initiated by a payee through a PSP located in any Member State.

Article 4
Interoperability

1. Payment schemes to be used by PSPs for the purposes of carrying out credit transfers and direct debits **denominated in euro** shall comply with the following conditions:
 - (a) their rules are the same for national and cross-border credit transfer and direct debit transactions across and within Member States; and,
 - (b) the participants in the **payment** scheme represent a majority of PSPs within a majority of Member States.
2. **The operator of a retail payment system within the Union shall ensure that its payment system is technically interoperable with other retail payment systems within the Union through the use of standards developed by international or European standardisation bodies.**

Article 5

Requirements for credit transfer and direct debit transactions

1. PSPs shall carry out credit transfers and direct debits in accordance with the following requirements:
 - (a) PSPs shall use the account identifier specified in the Annex for the identification of payment accounts regardless of the location of the PSPs concerned;
 - (b) PSPs shall use the message formats specified in the Annex, when transmitting payment transactions to another **PSP** or a **retail** payment system.
 - (c) For a direct debit transaction payers shall have the possibility to:
 - (i) instruct their PSP to limit a direct debit collection to a certain amount or periodicity; or both.
 - (ii) request their PSP, where the **mandate under a scheme which provides for no refund right according to the PSD** right to a refund, to verify each direct debit transaction and to check whether the amount of the submitted direct debit transaction is equal to the amount agreed in the mandate, before debiting their account, based on the mandate-related information.
 - (iii) instruct their PSP to block any direct debits to their account or to block any direct debits coming from one or more specified payees or to authorise direct debits only coming from one or more specified payees.
 - (d) The PSU shall be informed of the possibilities referred to in paragraph 1 (c) by his PSP in accordance with Articles 41 and 42, as regards the framework contract, or 36 and 37, as regards single payment transactions, of the PSD.

(e) The PSP shall ensure that the PSU uses the account identifier specified in the Annex for the identification of payments account regardless of whether both the payer's PSP and the payee's PSP or the sole PSP in the payment transaction are located in the same Member State or whether one of the PSPs is located in another Member State by providing the specification of the unique identifier in line with Articles 36, 37(1)(a), 41 and 42(2)(b) of PSD;

(f) The PSP shall ensure that a PSU that is not a consumer or a micro-enterprise, and initiates or receives individual credit transfers or direct debits which are bundled together for transmission, uses message formats specified in the Annex..

4. In order to take account of technical progress and market developments, the Commission may adopt, by means of delegated acts in accordance with Article 12, and subject to the conditions of Articles 13 and 14, measures to amend the Annex.

Article 5a

End dates

1. Credit transfers shall be carried out in accordance with the requirements set out in Article 5(1) and (2) and in the Annex by 1 February 2013.
2. Direct debits shall be carried out in accordance with the requirements set out in Article 5(1) and (2) and in the Annex by 1 February 2014.
3. Direct debits shall be subject to the conditions set out in Article 6 by 1 February **2016** for national payments and by 1 **November 2012** for cross-border payments.
4. Member States may set earlier dates than those referred to in paragraphs 1 to 3.

Article 6

Interchange fees for direct debit transactions

1. Without prejudice to paragraph 2, no MIF per direct debit transaction or other agreed remuneration with an equivalent object or effect shall apply to direct debit transactions.
2. For direct debit transactions which **result in** R-transactions a MIF may be applied provided that the following conditions are complied with:
 - (a) the arrangement shall **aim at** efficiently allocating costs to the **PSP or to the PSP of the party** that has caused the R-transaction, **as appropriate**, while taking into account the existence of transaction costs and the aim of consumer protection;
 - (b) the level of the fees shall not exceed the actual costs of handling an R-transaction by the most cost-efficient comparable PSP that is a representative party to the multilateral arrangement in terms of volume of transactions and nature of services;
 - (c) the application of the fees in accordance with points (a), and (b) shall prevent the PSPs to charge additional fees related to the costs covered by these interchange fees to their respective PSUs; and
 - (d) there must be no practical and economically viable alternative to the collective agreement which would lead to an equally or more efficient handling of R-transactions at equal or lower cost to consumers.

For the purposes of the first subparagraph, only cost categories directly and unequivocally relevant to the handling of the R-transaction shall be considered in the calculation of the R-transaction fees. These costs shall be precisely determined. The breakdown of the amount of the costs, including separate identification of each of its components, shall be part of the collective agreement to allow for easy verification and monitoring.

- 3 Paragraphs 1 and 2 shall apply ***mutatis mutandis*** to bilateral and unilateral arrangements that have an equivalent object or effect.

Article 8

Payment accessibility

1. A payer making a credit transfer with **up to the amount set out in Article 3(1) of Regulation 924/2009** to a payee with a payment account located within the Union **shall** not specify in which Member State that payment account should be located, provided that the account is reachable in accordance with Article 3.
2. A payee using a direct debit to collect funds **up to the amount of individual collections than set out in Article 3(1) of Regulation 924/2009** from a payer with a payment account located within the Union **shall** not specify in which Member State that payment account should be located, provided that the account is reachable in accordance with Article 3.

Article 9

Competent authorities

1. Member States shall designate as the competent authorities responsible for ensuring compliance with this Regulation either public authorities, or bodies recognised by national law or public authorities expressly empowered for that purpose by national law, including national central banks. Member States may designate existing bodies to act as competent authorities.
2. Member States shall notify the Commission of the competent authorities referred to in paragraph 1 by ...^{*}. They shall notify the Commission without delay of any subsequent change concerning those authorities.
3. Member States shall ensure that the competent authorities referred to in paragraph 1 have all the powers necessary for the performance of their duties. Where there is more than one competent authority for matters covered by this Regulation on its territory, Member States shall ensure that those authorities cooperate closely so that they can discharge their respective duties effectively.
4. The competent authorities shall monitor compliance with this Regulation effectively and take all necessary measures to ensure such compliance.

^{*} **[insert concrete date 12 months after entry into force of this Regulation]**

Article 10

Penalties

1. Member States shall, by ...^{*}, lay down rules on the penalties applicable to infringements to this Regulation and shall take all measures necessary to ensure that they are implemented. Such penalties shall be effective, proportionate and dissuasive. Member States shall notify the Commission of those provisions by ...^{**} and shall notify it without delay of any subsequent amendment affecting them.
2. Penalties referred to in paragraph 1 shall not be applied to consumers.

Article 11

Out-of-court complaint and redress procedures

1. Member States shall establish adequate and effective out-of-court complaint and redress procedures for the settlement of disputes arising under this Regulation between PSUs and their PSPs. For those purposes, Member States shall designate existing bodies, where appropriate, or set up new bodies.
2. Member States shall notify the Commission of the bodies referred to in paragraph 1 by ...^{*}. They shall notify the Commission without delay of any subsequent change concerning those bodies.
3. Member States may provide that this Article applies only to PSUs which are consumers or micro-enterprises. In such event Member States shall inform the Commission accordingly.

^{*} [insert concrete date 12 months after entry into force of this Regulation]

^{**} [insert concrete date 18 months after entry into force of this Regulation]

Article 12
Exercise of the delegation

1. The power to adopt delegated acts referred to in Article 5(4) shall be conferred on the Commission for an indeterminate period of time.

Where imperative grounds of urgency so require, Article 15 shall apply.

2. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
3. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in Articles 13 and 14.

Article 13
Revocation of the delegation

1. The delegation of power referred to in Article 5(4) may be revoked at any time by the European Parliament or by the Council.
2. The institution which has commenced an internal procedure for deciding whether to revoke a delegation of power shall endeavour to inform the other institution and the Commission within a reasonable time before the final decision is taken, indicating the delegated power which could be subject to revocation.
3. The decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect immediately or at a later date specified therein. It shall not affect the validity of the delegated acts already in force. It shall be published in the *Official Journal of the European Union*.

Article 14
Objections to delegated acts

1. The European Parliament or the Council may object to a delegated act within a period of two months from the date of notification. At the initiative of the European Parliament or the Council that period shall be extended by one month.
2. If, on expiry of the period referred to in paragraph 1, neither the European Parliament nor the Council has objected to the delegated act, it shall be published in the *Official Journal of the European Union* and shall enter into force on the date stated therein.

The delegated act may be published in the *Official Journal of the European Union* and enter into force before the expiry of the period referred to in paragraph 1 if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.

3. If either the European Parliament or the Council objects to the delegated act within the period referred to in paragraph 1, it shall not enter into force. In accordance with Article 296 of the Treaty, the institution which objects shall state the reasons for objecting to the delegated act.

Article 15
Urgency procedure

1. A delegated act adopted under the urgency procedure shall enter into force without delay and apply as long as no objection is expressed in accordance with paragraph 2. The notification of the act to the European Parliament and to the Council shall state the reasons for the use of the urgency procedure.
2. The European Parliament and the Council may within a period of six weeks from the date of notification object to the delegated act. In such a case, the act shall cease to be applicable. The institution which objects shall state the reasons for objecting to the delegated act.

Article 16
Review

By **1 February 2016**, the Commission shall present to the European Parliament, the Council, the European Economic and Social Committee and the European Central Bank a report on the application of this Regulation accompanied, if appropriate, by a proposal.

Article 17
Transitional provisions

0a. Notwithstanding Article 5(1):

- (a) Member States shall be eligible for a derogation, in accordance with point (c), until 1 August 2015, where in their territory certain specific credit transfer transactions have a cumulative market share, based on the official payment statistics published annually by the European Central Bank, of less than 10 % of the total number of credit transfer transactions;**
- (a1) Member States shall be eligible for a derogation, in accordance with point (c), until 1 August 2016, where in their territory certain specific direct debit transactions have a cumulative market share, based on the official payment statistics published annually by the European Central Bank, of less than 10 % of the total number of direct debit transactions;**
- (b) Member States shall be eligible for a derogation, in accordance with point (c), until 1 August 2016, where in their territory certain specific payment transactions initiated through or by means of a payment card at the point of sale directly result in direct debit from a payment account identified by BBAN or IBAN;**
- (c) Where a Member State eligible for a derogation as mentioned in points (a), (a1) and (b) of this paragraph intends to make use of it, that Member State shall notify the Commission accordingly, by ...^{*}, and shall subsequently allow its competent authority to waive all or some of the requirements set out in Article 5(1) for the relevant transactions as mentioned in subparagraphs (a), (a1) and (b) of this paragraph and for a period not exceeding that of the derogation. Member States shall notify the Commission of the specific transactions becoming subject to a derogation and of any subsequent change.**

^{*} [insert concrete date: within 6 months after the entry into force of the Regulation]

(d) By way of derogation from Article 5a(1), Member States shall, until 1 August 2015, allow PSPs to provide conversion services for national payment transactions to their PSUs that are consumers, enabling them to keep on using BBAN instead of the account identifier specified in paragraph (1)(a1) of the Annex on the condition that interoperability is ensured by converting the BBAN of the payer and the payee technically and securely into the respective IBAN. In such case PSPs shall not levy any charges or other fees on the PSU directly or indirectly linked to these conversion services. Where a Member State intends to make use of a derogation as mentioned in this subparagraph, it shall notify the Commission accordingly by....* .Member States shall notify the Commission of any subsequent change.

(e) By way of derogation from Article 5a(2), Member States shall, until 1 February 2016, be allowed to permit their competent authorities to waive the requirements set out in that provision for PSUs which initiate or receive individual credit transfers or direct debits that are bundled together for transmission. Where a Member State intends to make use of a derogation as mentioned in this subparagraph, that Member State shall notify the Commission accordingly by ...* and shall subsequently allow their competent authorities to waive the requirements set out in paragraph 2 of Article 5a for the relevant transactions and for a period not exceeding that of the derogation. Member States shall notify the Commission of any subsequent change.

1. PSPs located in a Member State which does not have the euro as its currency shall comply with Article 3 by 31 October 2014. If, however, the euro is introduced as the currency of any such Member State before 1 November 2013, the PSP located in that Member State shall comply with Article 3 within one year of the date on which the Member State concerned joined the euro area.

* [insert concrete date: within 6 months after the entry into force of the Regulation]

2. PSPs located in a Member State which does not have the euro as its currency shall comply with the requirements set out in Article 4(2) until 1 February 2016. If, however, the euro is introduced as the currency of any such Member State before 1 February 2013, the PSP located in that Member State shall meet those requirements within one year of the date on which the Member State concerned joined the euro area.

2a. PSPs located in a Member State which does not have the euro as its currency shall comply with the requirements set out in Article 5 for credit transfers denominated in euros until 1 February 2016. If, however, the euro is introduced as the currency of any such Member State before 1 February 2013, the PSP located in that Member State shall meet those requirements within one year of the date on which the Member State concerned joined the euro area.

PSPs located in a Member State which does not have the euro as its currency shall comply with the requirements set out in Article 5 for direct debit transactions denominated in euros until 1 February 2017. If, however, the euro is introduced as the currency of any such Member State before 1 February 2013, the PSP located in that Member State shall meet those requirements within one year of the date on which the Member State concerned joined the euro area.

Article 18
Amendment of Regulation (EC) No 924/2009

Regulation (EC) No 924/2009 is hereby amended as follows:

1. Article 7 is amended as follows:

(a) in paragraph 1, the words "before 1 November 2012" are replaced by the following:

"before ...*

* [insert concrete date 1 February 2016]".

(b) in paragraph 2, the words "before 1 November 2012" are replaced by the following:

"before ...*

* [insert concrete date 1 February 2016]".

(c) in paragraph 3, the words "before 1 November 2012" are replaced by the following:

"before ...*

* [insert concrete date 1 February 2016]".

32 Article 8 is deleted.

Article 19
Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

TECHNICAL REQUIREMENTS (ARTICLE 5)

- (1) The following technical requirements shall apply to both credit transfer and direct debit transactions:
- (a1) The payment account identifier referred to in Article 5(1)(a) and 2(a) and Article 17(0a)(b) and (c) 17 shall be the IBAN.
 - (a2) The standard for message format referred to in Article 5(1)(b) and 2(b) shall be the ISO 20022 XML standard.
 - (d) The remittance data field shall allow for 140 characters. Payment schemes may allow for a higher number of characters, except if the device used to remit information has technical limitations related to the number of characters, in which case the technical limit of the device shall apply.
 - (e) Remittance reference information and all the other data elements provided in accordance with points 2 and 3 of this Annex, shall be passed in full and without alteration between PSPs in the payment chain.
 - (f) Once data is available in electronic form payment transactions must allow for a fully automated, electronic processing in all process stages throughout the payment chain (end-to-end straight through processing), enabling the entire payment process to be conducted electronically without the need for re-keying or manual intervention. This shall also apply to exceptional handling of credit transfer and direct debit transactions, whenever possible.

- (g) Payment schemes shall not set any minimum threshold for the amount of the payment transaction allowing for credit transfers and direct debits.
 - (h) Payment schemes shall not be obliged to carry out credit transfers and direct debits exceeding the amount of EUR 999 999 999,99.
- (2) In addition to the requirements referred to in point (1), the following requirements shall apply to credit transfer transactions, subject to any obligation laid down in the national law implementing Directive 95/46/EC:
- (a) A payee accepting credit transfers shall communicate its IBAN and the BIC of its PSP to its payers, **when** a credit transfer is requested.
 - (b) The following mandatory data elements shall be provided by the payer to his or her PSP:
 - (i) the name of the payer;
 - (iA) the IBAN of the payer's account
 - (ii) the amount of the credit transfer;
 - (iii) the IBAN of the payee's account;
 - (iv) the name of the payee;
 - (v) the remittance information, if any.

(c) The following mandatory data elements shall be provided by the payer's PSP to the payee's PSP:

(iA) the name of the payer;

(iB) the IBAN of the payer's account

(iC) the amount of the credit transfer;

(iD) the IBAN of the payee's account;

(iE) the name of the payee;

(iF) the remittance information, if any;

(i) the BIC of the payer's PSP (if not agreed otherwise by the PSPs involved in the payment transaction);

(ii) the BIC of the payee's PSP (if not agreed otherwise by the PSPs involved in the payment transaction);

(iii) the identification code of the payment scheme;

(iv) the settlement date of the credit transfer;

(c1) The following mandatory data elements shall be provided by the payee's PSP to the payee:

- (i) the name of the payer;
- (ii) the amount of the credit transfer;
- (iii) the remittance information, if any.

(3) In addition to the requirements referred to in point (1), the following requirements shall apply to direct debit transactions subject to any obligation laid down in the national law implementing Directive 95/49/EC:

- (a) Only once before the first direct debit transaction, a payer shall communicate its IBAN and, where applicable, the BIC of its PSP to its payee.
- (b) With each direct debit transaction, the payee shall send the mandate-related information to his or her PSP. The payee's PSP shall transmit such mandate related information to the payer's PSP with each direct debit transaction.
- (f) Consent shall be given both to the payee and to the PSP of the payer (directly or indirectly via the payee) and the mandates, together with later modifications and/or cancellation, shall be stored by the payee or by a third party on behalf of the payee.

- (g) The following mandatory data elements shall be provided by the payee to his PSP:
- (i) the type of direct debit (recurrent, one-off, first, last or reversal);
 - (ii) the name of the payee;
 - (iii) the IBAN of the payment account of the payee to be credited for the collection
 - (iv) the name of the payer;
 - (v) the IBAN of the payment account of the payer to be debited for the collection;
 - (vi) the unique mandate reference;
 - (vii) the date of signing of the mandate **if the mandate is given by the payer after the entry of this Regulation into force;**
 - (viii) the amount of the collection;
 - (ix) the unique mandate reference as given by the original payee who issued the mandate (if the mandate has been taken over by another payee than the payee who issued the mandate);
 - (x) the identifier of the payee;

- (xi) the identifier of the original payee who issued the mandate (if the mandate has been taken over by a payee other than the payee who issued the mandate);
- (xii) the remittance information from the payee to the payer, if any.

(h) The following mandatory data elements shall be provided by the payee's PSP to the payer's PSP:

- (i) the BIC code of the payee's PSP (if not agreed otherwise by the PSPs involved in the payment transaction);
- (ii) the BIC code of the payer's PSP (if not agreed otherwise by the PSPs involved in the payment transaction);
- (iii) the name of the payer reference party (if present in dematerialised mandate);
- (iv) the identification code of the payer reference party (if present in dematerialised mandate);
- (v) the name of the payee reference party (if present in the dematerialised mandate);
- (vi) the identification code of the payee reference party (if present in dematerialised mandate);
- (vii) the identification code of the payment scheme;
- (viii) the settlement date of the collection;

- (ix) the payee's PSP's reference for the collection;
- (x) the type of mandate;
- (xiA) the type of direct debit (recurrent, one-off, first, last or reversal);
- (xiB) the name of the payee;
- (xiC) the IBAN of the payment account of the payee to be credited for the collection
- (xiD) the name of the payer;
- (xiE) the IBAN of the payment account of the payer to be debited for the collection;
- (xiF) the unique mandate reference;
- (xiG) the date of signing of the mandate
- (xiH) the amount of the collection;
- (xiI) the unique mandate reference as given by the original payee who issued the mandate (if the mandate has been taken over by another payee than the payee who issued the mandate);

(xiJ) the identifier of the payee;

(xiL) the identifier of the original payee who issued the mandate (if the mandate has been taken over by a payee other than the payee who issued the mandate);

(xiM) the remittance information from the payee to the payer, if any.

(i) The following mandatory data elements shall be provided by the payer's PSP to the payer.

(i) the unique mandate reference;

(ii) the identifier of the payee;

(iii) the name of the payee;

(iv) the amount of the collection

(v) the remittance information, if any;

(vi) the identification code of the scheme.
