

FREQUENTLY ASKED QUESTIONS ABOUT SEPA

1. What does SEPA mean?

SEPA stands for **Single Euro Payments Area**.

2. What countries are part of SEPA?

The SEPA includes 31 countries: the 27 EU members plus Norway, Iceland, Liechtenstein and Switzerland.

3. What is SEPA's objective?

The aim is to create a single geographical area in which customers can make and receive payments in Euros either within their countries or abroad (but within the SEPA) at the same conditions and with the same rights and obligations, regardless of their location.

This means that there is **no difference** between making payments in Euros at local or national level or to/from another SEPA country for any customer (individual, companies of all sizes, state body or financial institutions).

4. When will SEPA be operational and what services will be available?

As of **1 January 2008**, there are specific rules to be complied with for the **issue and acceptance of payment cards** while banks may offer their customers the new **Single European Transfer service** (based on the SEPA Credit Transfer scheme) from **28 January 2008**.

Once SEPA has been rolled out, two additional products will also be available: the **pre-authorised direct debit** instrument (based on the SEPA Direct Debit scheme) and the **priority payment** instrument (based on the Priority Payment scheme).

5. Who will be affected?

SEPA will affect all those that make or receive payments or provide payment services: individuals, companies (of all sizes), state bodies, financial institutions, banks and payment exchange infrastructures.

6. What documents is SEPA based on?

The main reference frameworks are:

1. The European Payments Council (EPC) has issued a number of documents on a self-regulating basis. They include schemes and reference frameworks setting out the regulations (nearly all for interbank transactions) to be adhered to by entities providing or using the different SEPA payment services, such as the SEPA Credit Transfer Scheme and the SEPA Cards Framework. These are the blueprints for entities providing/using transfers and payment cards within the SEPA.
2. The European Parliament recently adopted the Payments Service Directive which mainly covers:
 - a. payment service providers, especially the new category of payment institutions;
 - b. the requirement for transparent payment service supply conditions;
 - c. payment service supply conditions.

It must be pointed out that this directive - although a benchmark - is not yet effective, as it has to be transposed by each SEPA country. It currently appears that they intend to transpose it by the deadline set by the directive itself, ie 1 November 2009.

7. What currency is used for SEPA-based payments?

Payments are **exclusively** in **Euros**. This also applies to payments to and from countries that have not yet adopted the Euro as their national currency.

8. Do the current accounts to be used for SEPA transactions have to be in Euros?

No, they can be in any currency. However, Intesa Sanpaolo will only carry out SEPA transfers on Euro accounts during the first roll out stage.

9. What are the key characteristics of the SEPA transfer?

- The transfers are exclusively made in Euros.
- The payer and payee shall have accounts in banks within the SEPA and such banks must have adhered to the interbank SEPA Credit Transfer scheme
- The maximum settlement time is three business days (after the date of acceptance of the transfer instructions by the payer's bank) after which the funds must be available to the payee
- The payer and payee pay commissions to their banks; the amount transferred cannot be decreased along the payment chain
- IBAN is the account identifier and is mandatory

Already starting from 28 January 2008, Intesa Sanpaolo will give its **corporate customers** a **significant advantage** with the **Single European Transfer** in

addition to that established for such transfers at European level: it will guarantee a maximum settlement time of two business days after acceptance of the payment instructions (rather than the three days provided for by the SEPA regulations) for electronic transactions.

10. How long is the settlement time for a SEPA transfer?

The maximum settlement time for a SEPA transfer is **three business days** after the date of acceptance of the payment instructions by the payer's bank.

Already starting from 28 January 2008, Intesa Sanpaolo will give its corporate customers a **significant advantage** with the **Single European Transfer** in addition to that established for such transfers at European level: it will guarantee a maximum settlement time of two business days after acceptance of the payment instructions (rather than the three days provided for by the SEPA regulations) for electronic transactions.

11. At what stage of the SEPA transfer transaction is the total settlement time calculated?

The settlement time is calculated on the day the instructions have been accepted by the payer's bank.

12. What does this actually mean?

Assuming a business week **without bank holidays**, if the bank acts as the payer's bank and **accepts a paper based transfer at the counter on Monday 4 February**, it will have to make the funds available to the payee's bank no later than 6 February (two business days after the acceptance date). The payee's bank will have to credit its account by 7 February at the latest. This ensures compliance with the maximum settlement time of three business days.

13. Will Intesa Sanpaolo provide its customers with the SEPA transfer service?

Yes, Intesa Sanpaolo will make the **Single European Transfer** instrument available from the start date for SEPA transfers (28 January 2008). This instrument will be used alongside the traditional transfers used in the EU (domestic and cross border transfers).

14. How can Intesa Sanpaolo customers access/use the Single European Transfer?

This instrument is available at bank counters or via the internet service, ie internet banking, phone banking or remote banking.

15. Is Intesa Sanpaolo able to assist companies migrate to the SEPA transfer?

Yes. Intesa Sanpaolo will actively assist with the migration of local flows towards the new pan European payment instruments with a "**facilitation**" service available to its **corporate customers**. They may continue to use the traditional instruments (eg, the CBI) to make transfers and, **if they specifically request it and the data involved allows it**, their payment instructions will be channelled towards the SEPA transfer (this means using the UNIFI ISO 20022 XML format at interbank level).

16. Will it always be possible to request a Single European Transfer if the payee has an account with a bank located in the SEPA?

- It must be pointed out that the SEPA banks will voluntarily and steadily migrate to the new pan European transfer service. It may happen that in the first few months even if the payment instructions comply with the Single European Transfer regulations it may not be possible to carry out the transaction because the payee's bank may not yet have joined the SEPA scheme. The procedures available to the bank tellers and customers that use internet banking will show that the transaction is not possible. It will obviously be possible to use the traditional transfer product (domestic or cross border transfers).
- As most of the larger European banks have already joined the SEPA Credit Transfer Scheme, we believe that it will that the availability of the payee's bank will almost always be ensured.

17. Apart from the IBAN, are there other ways to identify a payee's account in a SEPA transfer?

No, the only way to identify the payee's current account is the IBAN for a SEPA transfer (Single European Transfer for Intesa Sanpaolo).

18. Can companies obtain the IBANs of their long-standing payees?

Yes, the banks in Italy have made a specific procedure available called the "Electronic archive alignment".

19. Can the IBAN be obtained using the account identifiers?

Certain programmes exist that are able to calculate the IBAN using the Italian bank account identifiers.

However, we strongly discourage use of these programmes as there is no certainty that the resulting IBAN is correct. We recommend that the payee be requested directly to provide its IBAN. Corporate customers that use the corporate remote banking service may use the Electronic Archive Alignment Service.

20. Is it possible to ask one's bank to cancel a SEPA transfer if instructions have been given by mistake or a transfer has been received by mistake?

Yes; as in the case of traditional transfers, customers may ask for a SEPA transfer to be returned (eg, because the payer has indicated the wrong payee) or to reject a transfer received (eg, because the payee does not believe it is due).

21. How will Intesa Sanpaolo's offer for payment cards be structured from January 2008?

Starting from January 2008, the issuers, acquirers, card schemes and operators will have to comply with a number of general instructions set out by the European Payments Council in the SEPA Cards Framework. These rules include the full implementation of the EMV (Europay-Mastercard-Visa) chip safety standards in all SEPA countries before 2010.

The options provided by the European Payment Council include co-branding, favoured by Intesa Sanpaolo. This involves the joint possibility for a card to be used on the traditional local circuit and an international circuit also available for utilization at a domestic level.

Accordingly, Intesa Sanpaolo's offer for payment cards from January 2008 is based on the following assumptions:

- co-branding solutions for debit cards, transferring the Pagobancomat/Bancomat and international circuit functions to the microchip in the cards. The main objective is to only issue EMV/Microcircuit certificated cards from January 2008 with the gradual substitution of the non-compliant cards;
- completion of the migration to the EMV microprocessor, already used in previous years for credit and prepaid cards, in as short a time as possible;
- alignment of the entire ATM/POS network with EMV/Microcircuit before the end of 2008.

22. What will be the real benefits for customer that use SEPA compliant cards?

Just one payment card can be used both in the cardholder's country and in the other SEPA countries at the same (financial) conditions (as long as the international card brands are accepted by the merchant, etc).

In terms of safety, all the cards allow customers to check their use by SMS and to be informed on a timely basis of expenditure deemed to be irregular by the bank, as well as having the EMV chip. All the credit and prepaid cards ensure safe purchasing on the internet using a user code and a password provided together with the card.

23. Will the use of cards with chips be different to using cards with just a magnetic strip?

No. Holders of cards with micro chips may use their cards in ATMs and at POS that have not yet migrated to the new technology, as they will still have magnetic bands. This implies that the cards will continue to be "swiped" using the "old method" at

POS without the microchip function. It also means that the old cards without chips can still be used (at least until 31 December 2010).

24. What are the other SEPA services that Intesa Sanpaolo will offer to its customers after the launching of SEPA in January 2008?

- There will be a (pre-authorized) direct debit service, similar to the RID (based on the SEPA Direct Debit scheme), to be used for recurrent and one-off payments. This means that, for example, a customer may have a recurring debit instrument in countries other than that in which it resides to pay, for example, utility bills for an apartment in another SEPA country. Once again it should be stressed that Banca Intesa plans to provide this service by the end of 2008 although it will only be launched at banking industry level at the end of 2009.
- Intesa Sanpaolo will also offer a priority payment product (based on the SEPA Priority Payment scheme). This instrument enables the transfer of funds making them available to the payee within a maximum of four hours from acceptance of the payment instructions.

25. Will the introduction of collection services based on the SEPA Direct Debit scheme lead to the immediately disappearance of the RID?

No. As in the case for transfers, the new SEPA instrument will be available alongside the traditional payment product (RID) for a certain period before becoming the only direct debit instrument.

26. What are the key benefits of SEPA for consumers?

- Consumers will only need one bank account. From this account, they will be able to pay rent for children studying abroad, pay for a holiday home, or pay for services provided by European companies, e.g. mobile telephone services, insurance, utilities, etc. (people who live, work or study outside their home country will no longer need one bank account at home and another one abroad).
- One debit card for all payments within the SEPA and smaller need for cash.

27. What are the key benefits of SEPA for merchants?

- Freedom of choice: there will no longer be **technical barriers**, or any other constraints, impeding the use of cards at any terminals. In technical terms, acceptance of one brand rather than another will have no difference.
- Standardised POS terminals: thanks to the use of common technical standards throughout the SEPA, merchants will be able to accept a wider range of cards with a single terminal. This terminal will be able to process information about the payment and cardholder.
- Increased competition between card schemes: acceptance of a card will depend **solely** on the **merchant's assessment of its cost effectiveness**.

28. What are the key benefits of SEPA for companies?

Improved collection and payment management encouraging liquidity management centralisation. The introduction of common instruments and rules for the entire SEPA is a key element for the concentration of collection and payment flows in just one account in one country. Centralisation of liquidity management will be easier and will lead to cost savings making the management of different accounts in different countries less complex.

Efficiency leading to cost savings. One of the sources of cost for a company is the management of the different collection and payment systems existing in the different countries in which it operates together with the related complex reconciliation process. Introduction of standard, harmonized formats and the exchange of complete and structured information will resolve these problems and improve the automation of end-to-end processes.

Harmonized collection instruments. Endorsement of the Payments Service Directive and the introduction of the Direct Debit scheme by all the SEPA countries will enable certain companies to expand their business outside their national borders.

29. Will the SEPA payment services substitute the traditional ones?

The new SEPA payment instruments will firstly coexist with the existing instruments. For example, the SEPA Credit Transfer (**Single European Transfer** for Intesa Sanpaolo) will be available alongside the domestic and crossborder transfers. Eventually, it will substitute the traditional instruments.

The objective is to have a gradual transition to the SEPA led by the market to ensure the migration (ie, commencement of use of the SEPA payment instruments instead of the "traditional" ones) of large amount of transactions before the end of 2010 (at least for the transfers).

End of document