



16 June 2022

Re: International Bank Account Number (IBAN) Discrimination

Dear Sir/Madam,

I am writing to you today in relation to the growing problem of International Bank Account Number (IBAN) discrimination. Your Board and your membership will likely be aware of their role in relation to providing for or facilitating payments between payment accounts under the Single European Payments Area (“SEPA”) initiative. We at the Central Bank of Ireland (the “Central Bank”) would like to provide you with some information that will assist your members as they seek to meet their legal obligations under SEPA. Specifically, this information will assist your members as they work to prevent IBAN discrimination.

The SEPA initiative, which came into force in 2014, creates a single market for euro-denominated retail payments, allowing payment services users to make cashless, euro-denominated payments to payees located anywhere in the area that it covers under the same basic terms and conditions, using just one payment account and a single set of payment instruments.

In simple terms, the SEPA initiative provides that anyone who holds a payment account with a bank or other payment service provider (PSP) located in the countries covered by the SEPA¹ initiative will, regardless of where in SEPA they are themselves located, be able to send euro-denominated payments to, and receive such payments from, accounts anywhere else in the SEPA geographical scope.

The legislation governing these matters is contained in the SEPA Regulation², with Statutory Instrument No. 132 of 2013 (the “Irish SEPA Regulations”) giving full effect to the SEPA Regulation in Ireland. Discrimination between an Irish IBAN and an IBAN in any other SEPA Member State, when making or receiving payments (commonly referred to as IBAN discrimination), is prohibited by Article 3 and Article 9 of the SEPA Regulation³.

In Ireland, the Central Bank is the competent authority in the State for the purposes of the SEPA Regulation and the Irish SEPA Regulations subject to the following exceptions - with respect to: (a)

¹ List of countries currently in the Single Euro Payments Area:

<https://www.ecb.europa.eu/paym/integration/retail/sepa/html/index.en.html>

² Regulation (EU) No.260/2012 of the European Parliament and of the Council of 14 March 2012.

³ See Appendix 1 for full text of Articles 3 and 9.



a case under Article 9(1) of the SEPA Regulation where the payee is a consumer and the payer is a trader; and (b) a case under Article 9(2) of that Regulation where the payer is a consumer and the payee is a trader. In these instances, the Competition and Consumer Protection Commission (CCPC) is the competent authority in the State. The Central Bank and CCPC work together as appropriate to ensure mutual co-operation in the interests of consumers, employees and other payments stakeholders. Within its scope of competence, the Central Bank is responsible for monitoring compliance with the SEPA Regulation effectively and taking all necessary measures to ensure compliance.

The practice of IBAN discrimination undermines the objectives of the SEPA initiative by creating barriers to the smooth functioning of payments processing in the EU, which causes considerable consumer detriment. In many instances, the refusal to accept non-Irish IBANs is caused by a lack of awareness of the obligations under the SEPA Regulation or by outdated technical infrastructure.

As potential providers or facilitators of SEPA credit transfer and direct debit services⁴, I request that you share this letter with your respective members to ensure that they are aware of their obligations under the SEPA Regulation, and to direct them to take immediate action to implement any technical and/or policy changes, that may be required to achieve full compliance with the SEPA Regulation, thereby preventing cases of IBAN discrimination from occurring at the outset.

Vigilance in ensuring full compliance with these obligations, and the objectives they seek to achieve for consumers, is especially important in the context of the pending exits of Ulster Bank Ireland DAC and KBC Bank Ireland plc from the Irish retail-banking sector. As a result of these exits, a large number of customers will be required to relocate their payment accounts to another PSP, and it is important that those customers who choose to use a non-Irish PSP are facilitated and supported in doing so.

If you have any queries in relation to the content of this letter, please contact paymentsystemspolicy@centralbank.ie.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W. Molloy', written over a grey rectangular background.

William Molloy

Director of Financial Operations

⁴ For example, making salary payments to employees, making credit transfers to merchants / customers or the collection of direct debits.



Appendix 1 – SEPA Regulation, Articles 3 and 9

Article 3 - Reachability

1. A payee's PSP, which is reachable for a national credit transfer under a payment scheme, shall be reachable, in accordance with the rules of a Union-wide payment scheme, for credit transfers initiated by a payer through a PSP located in any Member State.
2. A payer's PSP, which is reachable for a national direct debit under a payment scheme, shall be reachable, in accordance with the rules of a Union-wide payment scheme, for direct debits initiated by a payee through a PSP located in any Member State.
3. Paragraph 2 shall apply only to direct debits, which are available to consumers as payers under the payment scheme.

Article 9 - Payment accessibility

1. A payer making a credit transfer to a payee holding a payment account located within the Union shall not specify the Member State in which that payment account is to be located, provided that the payment account is reachable in accordance with Article 3.
2. A payee accepting a credit transfer or using a direct debit to collect funds from a payer holding a payment account located within the Union shall not specify the Member State in which that payment account is to be located, provided that the payment account is reachable in accordance with Article 3.