

SEPA DIRECT DEBIT (SDD) – NEWS FROM 1 JANUARY 2023

From the day the euro is introduced as the official currency of the Republic of Croatia, new SEPA Direct Debit documentation will be applied and it is published here: <https://www.sepa.hr/upute-za-korisnike/uvodenje-eura-kao-sluzbene-valute-u-republici-hrvatskoj-dokumentacija-za-sepa-izravno-terecenje-s-primjenom-od-01-01-2023/>

In addition to other documentation, new “ISO 20022 XML Standard Implementation Guidelines for the Creation of SEPA Direct Debit Messages pain.008.001.02” were published, in which the most significant changes are as follows:

- different treatment for national and cross-border transactions
- change of schedule for the return by the Creditor PSP
- HRK currency is replaced by EUR currency
- new optional fields were added:
 - 2.36 Currency
 - 2.75 Payment Type Information (at order level)
 - 2.174 Unstructured Remittance Information (not used for national payment transactions)
 - 2.183 Issuer
- the following existing fields became mandatory:
 - 1.5 Control Sum
 - 2.4 Number of Transactions
 - 2.5 Control Sum
- the following existing fields became optional:
 - 2.6 Payment Type Information
 - 2.175 Structured Remittance Information
 - 2.187 Additional Remittance Information
- change of link in item 7. USE OF ISO 20022 STANDARD IN THE XSD SCHEME.

In addition to amending the entire documentation for clients, new xsd schemes for pain.008, pain.002 and pain.007 were created and published.

Among the most significant provisions for SDD Creditors are the following:

- The scope of the SDD service for Creditors remains unchanged. Payments using the SDD service will still be possible **exclusively for charging Debtor accounts opened in banks in the Republic of Croatia**. The introduction of cross-border payments using the SDD service (payment in favour of a Creditor account opened in a Croatian bank from a Debtor account opened in cross-border banks) is planned in the coming periods, about which the Creditor will be informed in time by their payment service provider.

- **Business days** are counted in accordance with the calendar of business days of the **TARGET2 payment system**, instead of the current national calendar of business/closing days in the Republic of Croatia. The aforementioned change is mandatory due to compliance with the SDD standards of the European Payments Council (EPC). This refers to the execution dates of SDD orders and the counting of days for R-transactions. The closing days of the TARGET2 system are: Saturdays, Sundays, New Year's Day; Good Friday, Easter Monday; 1 May; Christmas Day; and 26 December (<https://www.ecb.europa.eu/paym/target/target2/profuse/calendar/html/index.en.html>).

In accordance with the above, a day that is a closing day in Croatia and is at the same time a business day in the TARGET2 system will be considered a business day for the execution of the SDD order and the associated R-transaction. At the same time, Good Friday becomes a closing day for SDD and R-transactions, as it is a closing day in the TARGET2 system, and SDD orders due on Good Friday will be rejected.

- SDD orders in EUR currency are issued starting from the date of migration to EUR (file submission and execution date from 1 January 2023 onwards).

The most significant change for SDD Direct Debit Debtors consumers is that with the entry of the Republic of Croatia into the eurozone, they will be able to contract the settlement of their obligations using SEPA Direct Debit, i.e. payment to the benefit of the Creditor account within the entire eurozone will be possible under the same conditions as it has been possible so far for Creditors in the Republic of Croatia. For Debtors business entities, the introduction of cross-border SDD payments is planned in the coming periods.