

There is ongoing industry debate over this issue but the reality is repair charges are being taken and this can add considerably to the cost of making your payments to EU counterparties.

Unfortunately, use of the IBAN is not all that is required to ensure full compliance with the EU's STP requirements. The IBAN must also be associated with the Bank Identifier Code (BIC) of the receiving financial institution. It is this unique combination of the BIC and IBAN that allows for high levels of STP in routing and processing payments in the EU.

WHAT ACTIONS DO YOU NEED TO TAKE?

To ensure your payments into the EU are not returned unexecuted and that they are handled quickly and without extra charges,

here are several steps you can take:

- * Ensure you have an IBAN for each of your European counterparties. If not, request it
- * Update your counterparty database to change legacy account numbers to IBANs
- * Contact us if you have any problems using the IBAN
- * Contact us to help you add the associated BIC so that your payments are fully compliant with the EU's requirements for STP

IF YOU HAVE ANY QUESTIONS ON THIS OR REQUIRE FURTHER INFORMATION, PLEASE CONTACT YOUR RELATIONSHIP MANAGER MANAGER.

Prepared by:



**What Every
U.S.
Corporation
Should Know
About the
IBAN**

If you make payments to counterparties in Europe, you should be aware of the introduction of the International Bank Account Number (IBAN) and the information now required to avoid delayed execution of your payments, repair charges or even rejected payments.

WHAT IS THE *IBAN*?

Over the past few years a series of regulatory changes have been made within the European Union (and adopted in Norway, Iceland, Liechtenstein and Switzerland as well) which are designed to improve straight-through processing of payments and reduce costs as Europe moves to the Single Euro Payments Area (SEPA).

A key element of this transition is the introduction of the IBAN which is (in some countries and will be in others) the new

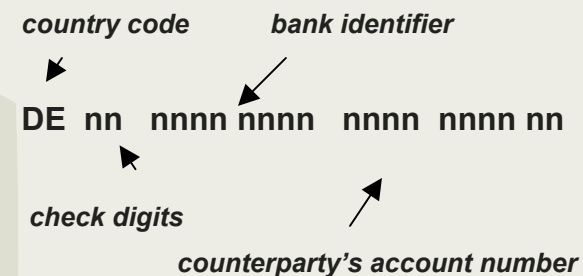
domestic account number standard for all retail and commercial accounts in the EU.

The IBAN is not just another reference number. It is the counterparty's new account number going forward. IBANs are assigned by the European banks to their corporate customers. You should find the IBAN on invoices and / or settlement instructions you receive from your counterparties.

The IBAN consists of up to 34 alphanumeric characters. Two characters are used to identify the country in which the counterparty's account resides; two characters are used for check digit verification; the rest of the characters identify the account holding bank and the counterparty's account number.

A typical IBAN from Germany might look like this:

country code *bank identifier*
DE nn nnn nnnn nnnn nnnn nn
check digits *counterparty's account number*

The diagram shows a typical German IBAN: DE nn nnn nnnn nnnn nnnn nn. Arrows point from labels to specific parts of the IBAN: 'country code' points to 'DE', 'bank identifier' points to the first two 'nn', 'check digits' points to the next two 'nn', and 'counterparty's account number' points to the remaining ten characters.

WHY IS THE *IBAN* SO IMPORTANT?

If you do not supply the IBAN in your payment instructions, you are, in effect, supplying an incorrect account number. Failure to provide the IBAN reduces the opportunity to process the payment straight-through (STP). This may subject you to additional repair charges and could result in return of the payment.

While these STP requirements started out applying only to intra-EU Euro payments, they are now applied by many European banks to any payment which originates outside the EU regardless of currency.