

# INTERNATIONAL BANK ACCOUNT NUMBER (IBAN)

## INTRODUCTION

The EU regulation 2560/2001<sup>1</sup> effective from 1 July 2003 heightens the need for significant efficiency improvements with regard to cost, speed and quality. In parallel, the banking community created the European Payments Council to improve cross-border transfers. Such improvements clearly require a standard method to enable the proper interpretation and easy validation of foreign account numbers.

## WHAT IS THE PURPOSE OF THE IBAN

The aim of the IBAN is to facilitate the automatic processing of cross-border credit transfers. Data correctness will be assured and manual intervention will be reduced. The International Bank Account Number (IBAN) standard provides the means for the automatic capture and validation of account numbers. The EU regulation states that charges for cross-border credit transfers within the European Union in euro up to €12,500 shall be the same as those levied on corresponding domestic payments, provided the IBAN and related Bank Identifier Code (BIC) are specified.

The implementation of the IBAN resolves many problems. Customers are often puzzled by the variations in the domestic account numbers shown on invoices received from abroad. The result is often incorrect and incomplete data in cross-border transfer orders, leading to inefficiencies and high costs.

**Warning! Only the bank servicing an account can provide the correct IBAN of that account and the related BIC. If you need an IBAN, you need to contact the owner of the account.**

## THE USE OF THE IBAN AND THE BIC<sup>2</sup>

The BIC of the beneficiary's bank is used alongside the IBAN. This ensures the correct routing of cross-border payment messages to the beneficiary's bank account.

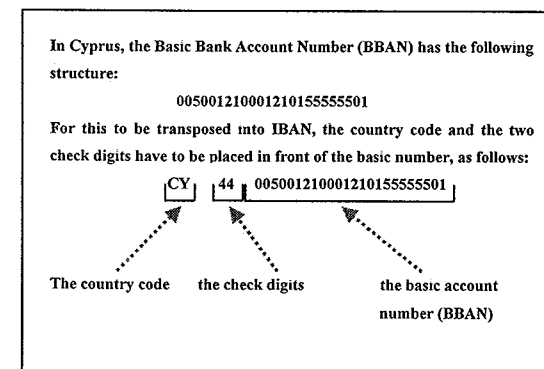
The EU regulation 2560/2001 explicitly requires banks to provide the IBAN and their BIC to their customers. The regulation also requires these customers to communicate the IBAN of their account and the related BIC to their business counterparties involved in cross-border invoicing.

Ordering customers are keen to use the IBAN and related BIC in their credit transfer orders since they would benefit from lower charges. It is, therefore, vital that the beneficiary customer pass on this information. Again, only the bank servicing the account can provide the correct IBAN and related BIC.

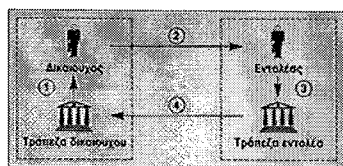
If incorrect IBANs and BICs are used, the ordering customer could face higher charges or wrong payment, while the beneficiary customer could face delayed payment or non-payment. It is, therefore, crucial that correct IBANs and BICs are used and that can only happen if all parties play their part in communicating this information.

When the IBAN is printed on paper it is split into groups of four characters, beginning from the left and separated by a space. The last group is of variable length up to four characters. This option for paper representation supports easy recognition and interpretation by the human eye, and smooth data entry without errors. The blank spaces do not count as characters.

For more details on the IBAN formats used in individual countries see the ECBS publication TR201 Register of *European Account Numbers*.



## DIAGRAM OF THE IBAN IN THE PAYMENTS FLOW



1. The beneficiary's bank provides the IBAN and related BIC to the beneficiary.
2. The beneficiary forwards the IBAN and related BIC to the ordering customer.
3. The ordering customer submits a cross-border credit transfer order, which includes the beneficiary's IBAN and related BIC.
4. The ordering customer's bank checks the IBAN and the BIC and sends the cross-border credit transfer to the beneficiary's bank. Upon receipt of the order, the beneficiary's account will be credited.

## HOW IS THE IBAN CONSTRUCTED

The IBAN is a series of alphanumeric characters that uniquely identifies an account held at a bank anywhere in the world. It is defined in the ECBS standard EBS204 *IBAN: The International Bank Account Number*<sup>3</sup>.

The IBAN has a maximum of 34 alphanumeric characters. The Cyprus IBAN has a length of 28 characters.

The IBAN contains the *ISO country code*<sup>4</sup>, two *check digits* and the *basic bank account number*, which is derived from, but cannot always be relied on to be, the actual domestic account number. The check digits are used for the validation of the complete IBAN.

An IBAN that is processed and stored in an electronic environment («electronic IBAN») does not contain spaces or separators.

## Example of Cyprus IBAN

Basic Bank Account Number (BBAN)

005001210001210155555501

IBAN in electronic format

CY44005001210001210155555501

IBAN in paper format

CY44 0050 0121 0001 2101 5555 5501

## Example of Greek IBAN

Basic Bank Account Number (BBAN)

01101250000000012300695

IBAN in electronic format

GR1601101250000000012300695

IBAN in paper format

GR16 0110 1250 0000 0001 2300 695