

International Bank Account Number (IBAN)

Introduction

Implementation of International Bank Account Number (IBAN) is an initiative of the Bahrain Economic Vision 2030 to further strengthen Bahrain's status as the regional financial center.

IBAN is the internationally accepted ISO (International Organization for Standardization) 13616-1 standard numbering system to identify bank accounts.

The IBAN provides a unique account number for each customer account, which allows the sending and receiving bank to validate the accuracy of the IBAN of the beneficiary. Accordingly, any Electronic Payment containing a validated IBAN could be credited faster to the beneficiary's account.

The main objective of adopting IBAN is to facilitate Straight through Processing (STP) of Electronic Payments by minimising delays as well as extra costs associated with incorrect account numbers. The adoption of IBAN does not require changing the existing account numbers. Instead, the IBAN will represent the existing account numbers in a standardised format, which could be validated by banks using one common ISO standard methodology.

The IBAN Committee, which comprises representatives of the Central Bank of Bahrain (CBB), Bahrain Association of Banks (BAB) and banks, was formed in early 2010 to work out the structure of the IBAN for the Kingdom of Bahrain and its implementation plan. Having considered the ISO IBAN Standards and views of banks, the IBAN Committee drafted the IBAN format for the Kingdom of Bahrain. The CBB, BAB and banks are involved in the implementation of the IBAN Standard in the Kingdom of Bahrain.

The IBAN format and its structure are defined in the IBAN Standard ISO 13616-1:2007. The IBAN Standard ISO 13616-1:2007 can be obtained from the ISO website www.iso.org. SWIFT (Society for Worldwide Interbank Financial Telecommunication) acts as the registration authority for ISO 13616 compliant national IBAN formats. As on February, 2011, 52 countries were registered in the IBAN Registry available at <http://www.swift.com>.

Scope

As directed by the CBB, the IBAN shall be used by banks and their customers for Electronic Payments which take place between banks. This includes:

- (a) Domestic Electronic Payments to and from customer accounts of banks in the Kingdom of Bahrain
- (b) Cross-border outgoing Electronic Payments from customer accounts of banks in the Kingdom of Bahrain to customer accounts of banks/financial institutions in "Countries that have adopted IBAN" where the use of IBAN is mandatory
- (c) Cross-border incoming Electronic Payments to customer accounts of banks in the Kingdom of Bahrain from customer accounts of banks/financial institutions in "Countries that have adopted IBAN" as well as "Countries that have not adopted IBAN".

Customers may use IBAN for making cross-border, outgoing Electronic Payments from their bank accounts in the Kingdom of Bahrain to customer accounts of banks/financial institutions in "Countries that have adopted IBAN" but the use of IBAN is not mandatory.

In this IBAN Standard 'Countries that have adopted IBAN' include:

- (a) Countries registered in the IBAN registry at SWIFT; and
- (b) Any other country (which adopted IBAN but not registered at SWIFT) specified by the CBB.

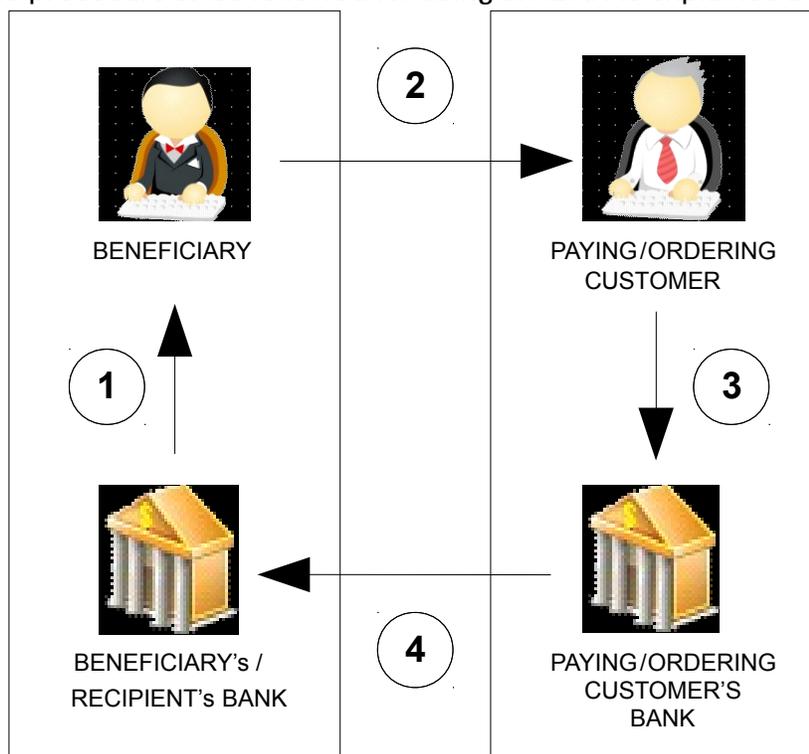
Banks and their customers may also use IBAN for paper based customer payments which take place between Banks.

IBAN Usage

Banks shall use IBAN to identify a customer account which makes or receives an Electronic Payment through a bank. Accordingly, any customer who makes or receives an electronic financial transaction, as specified in "Scope" above, needs to use IBAN. The role of banks in using IBAN in the processing of an Electronic Payment involves recognition, capturing and validation of IBAN.

Banks shall request the customer initiating an Electronic Payment to a customer in another country, where the use of IBAN is mandatory, to provide the IBAN of the beneficiary.

The procedure to be followed for using an IBAN is explained below:



1. The Bank holding the beneficiary's (recipient's) account generates and provides the IBAN to the beneficiary;
2. The beneficiary communicates the IBAN to the paying customer/ordering customer;
3. The paying/ordering customer submits an electronic fund transfer/payment order, which includes the beneficiary's IBAN; and
4. The paying/ordering customer's Bank validates the IBAN (using MOD 97-10 method developed according to the ISO/IEC 7064) in the outgoing payment message. After the receipt of the incoming payment message, the beneficiary's (recipient's) Bank validates the IBAN and credits the money to the beneficiary's account.