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# AN INTRODUCTION TO OFFICIAL TRANSFER ORDERS AS A METHOD OF PAYMENT AND POSSIBLE FUTURE IMPROVEMENTS

***What is the worth of collection?*[1]**

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## ABSTRACT

More than HUF 220–250 billion is collected yearly in Hungary in the form official transfer orders, submitted by bodies for the enforcement of their financial claims. This study introduces first the legislative framework and the functioning of official transfer orders, followed by an evaluation of the effectiveness and efficiency of their application in Hungary based on 2015 payment data. It is a common feature of all participants of the sector of Hungarian payment service providers, whether they are banks, branches or cooperative banks, that the processing of official transfer orders is based more or less on manual workflows, many of which could be automated if the management of these orders was standardised and simplified. Several proposals are made at the end of the study in this respect.


*JEL codes:* G14, G20, G28

*Keywords:* official transfer order, collection, direct debit, payments, enforcement, NTCA, regulation

## 1. INTRODUCTION

Official transfer order, direct debit, collection – hearing these words in everyday life tends to create a sense of unease in personally involved holders of debited accounts. One may find various websites and fora on the Internet where desperate account holders, who believe that the balance of their payment account is lower than it should be according to their calculations, seek advice from others who are trying to help them by answering questions as to what is legal and illegal, where and to whom they may turn to in such a situation. This form of payment – commonly known as collection, previously officially referred to as direct debit and currently called official transfer order – is the quickest and maybe less costly

1 This article presents the opinions of the author and does not necessarily reflect the point of view of Magyar Nemzeti Bank (the Central Bank of Hungary, MNB).

method of recovery against debtors having a payment account. This study describes the legislative framework of the institution of official transfer orders, paying special attention to the matter of amounts exempt from enforcement in the case of natural persons. Afterwards, the characteristics of the functioning of official transfer orders are presented in general terms on the basis of data from the last few years and in detail based on 2015 data, together with obstacles to the more effective functioning and the untapped potential of this payment method. Anonymized data sent and received to and from the interbank settlement (clearing) system, accompanied or not accompanied by cash flow (clearing and non-clearing data), were used for our numerical analysis. These data include all relevant information at transaction level of the official transfer orders executed between payment service providers.

At the end of the study, we are trying to draw conclusions as to obstacles to the more effective functioning of official transfer orders and make recommendations for their improvement – by legislators and main users – in order to make a modern payment method available to users which is in line with the 21st century payment regime.

This study is addressed to anyone who wants to learn a bit more about the background of collection – which seems simple only at first sight – as well as to those working at initiating bodies, or are possibly subject to this collection method as entrepreneurs or private debtors. The article may offer interesting new information also to participants of the financial sector involved in the day-to-day execution of official transfer orders.

## 2. THE INSTITUTION AND LEGISLATIVE FRAMEWORK OF OFFICIAL TRANSFER ORDERS

**Official transfer orders refer to transfers executed on the request and for the benefit of a payee without the disposition or consent[2] of the account holder.** As its name indicates, an official transfer order is like an ordinary credit transfer. The only difference is that in the case of ordinary transfers, the payer itself disposes over the balance on his/her account and initiates cash flows, while in the case of official transfer orders, the payment account is debited and the transfer is initiated for the claimant, i.e. the payee, without the authorisation or contribution of the payer. An official transfer order is essentially a payment method which involves the fulfillment of the initiator's request – generally for the collection of overdue debt – by payment service providers by a special type of credit transfer, an official transfer order.

2 In this case, disposition over the account needed for the execution of the credit transfer is granted by the relevant legislative provisions

### 2.1. Parties involved in the execution of official transfer orders

**The execution of official transfer orders typically involves five parties: the payee, the payer, their payment service providers and the overnight settlement platform of the Interbank Clearing System (hereinafter: 'ICS').** Payees may be persons or bodies who are entitled under judicial, administrative and tax enforcement proceedings to initiate the collection of the amounts claimed or debt owed from the payment account of the payer – i.e. force the debtor to pay – even against their will[3]. Initiating entities are typically local governments, enforcement offices, independent court bailiffs and the National Tax and Customs Administration of Hungary (hereinafter: 'NTCA'). The NTCA is the competent authority for tax debts to the Hungarian state but is legally entitled for enforcement for the benefit of other parties as well (e.g. student loans, overdue fees for public waste management services etc.) (NAV, A végrehajtási eljárás alapvető szabályai 2017., 2017). Both natural and legal persons may be payers, including enterprises and even local governments.

**The competence of payment service providers is limited to the execution of official transfer orders. They are not aware of and are not entitled to examine the underlying reasons and details of such orders.** When the payment accounts of both parties are held with the same payment service provider, this service provider will be responsible for execution for both the payee and the payer. In this case, no further parties are involved. When the payment accounts are held with different service providers, all providers are involved in execution, together with the overnight settlement platform of the ICS ensuring electronic communication between the providers. This platform is responsible for the standardised transmission of electronic messages relating to the official transfer order and not involving any cash flow (non-clearing messages) between the two payment service providers and for settling the amount of official transfer orders between the parties during their (partial) execution.

### 2.2. The execution of official transfer orders

**The practical functioning of official transfer orders and the details of execution for payment service providers are regulated in several pieces of legislation jointly. The most important ones are the Payment Services Act, the MNB**

3 Section 64(1) of Act LXXXV of 2009 on the Pursuit of the Business of Payment Services (hereinafter: 'Payment Services Act' or 'PSA')

**Decree on the Execution of Payment Transactions[4] and the Judicial Execution Act[5].** The acts on the Labour Code[6] and on the rules of taxation[7] lay down further detailed provisions. In addition to the latter, from 2018 also the act on the enforcement proceedings of the tax authority is applicable[8]. The notion of 'official transfer orders' was introduced in 2009 in conjunction with the implementation of the EU Directive on payment services in the internal market[9], replacing the earlier technical term of 'direct debit' established in the relevant legislation. The colloquial term 'collection' ('inkasszó' in Hungarian) stems from French *encaisser*, literally meaning recovery or enforcement (*Kovácsné Bisits*, 1981). With the change of the official term, the scope of the submitters and the application of official transfer orders narrowed. The following section describes the life cycle of official transfer orders, starting form initiation over queuing to execution, or in case of failure, refusal. As a common trait, the parties involved notify each other about the status of the order at every step of the process.

*2.2.1. Initiation*

**The payee, i.e. the claimant of the official transfer order, may initiate the official transfer order at its own or at the payer's payment service provider.** The first one is typically the simpler and established procedure in the majority of the cases. However, none of the account providers may refuse to accept the order.[10] Upon initiation, the payee provides its name, account number and signature, the name and account number of the payer and indicates the decision on which the order is based together with the name of the issuing authority in the information field. When the transfer order is initiated for the collection of child support or costs related to childbirth, the abbreviation 'CA' or 'CC' should be indicated in the information field, respectively. These abbreviations will have an importance for the calculation of the amounts exempt from enforcement (see also the sec

4 The rules on official transfer orders in the focus of this study were laid down by MNB Decree No 18/2009 of 6 August 2009 of the Governor of the Magyar Nemzeti Bank on Payment Services Activities, adopted in identical form by MNB Decree No 35/2017 of 14 December 2017 of the Governor of the Magyar Nemzeti Bank on the Execution of Payment Transactions (hereinafter: 'MNB Decree'), effective as of 13 January 2018. References to legislative provisions in this study are based on the latter Decree.

5 Act LIII of 1994 on Judicial Enforcement (hereinafter: 'Enforcement Act' or 'EA')

6 Act I of 2012 on the Labour Code

7 Act XCII of 2003 on the Rules of Taxation (hereinafter: 'Tax Act')

8 Act CLIII of 2017 on the enforcement proceedings of the tax authority (Tax Authority Enforcement Act)

9 Directive 2007/64/EC

10 Section 64(3) and (5) of the PSA

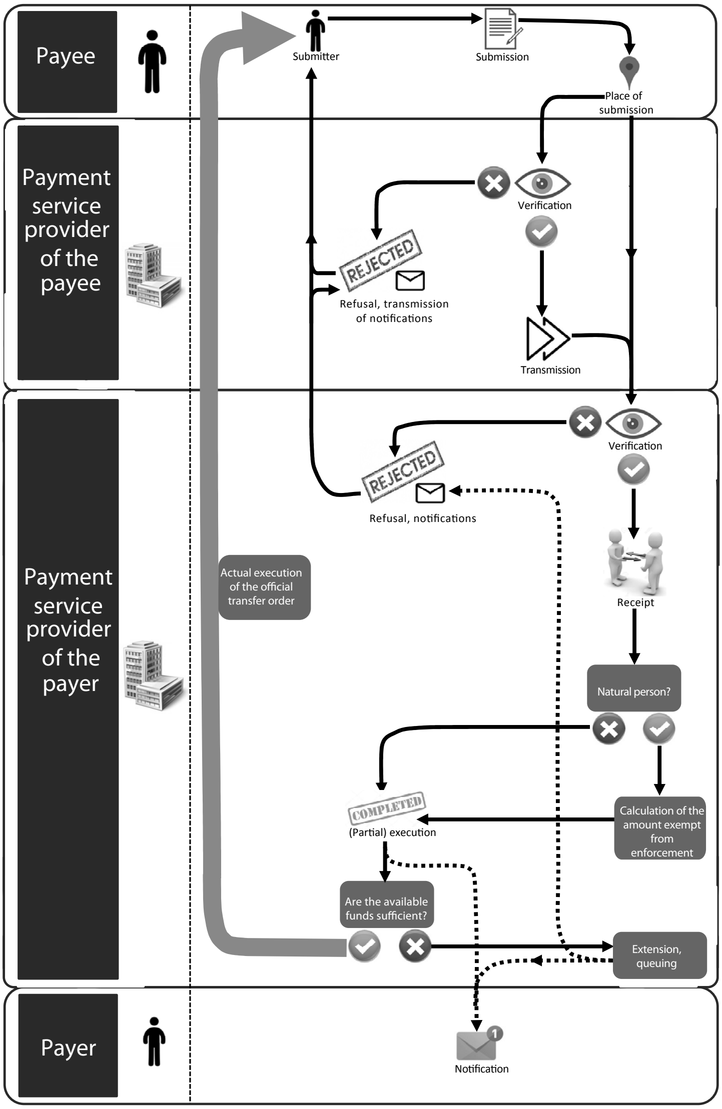
tion *Calculation of the amount exempt from enforcement*).[11] Initiators generally transmit the orders electronically to their payment service provider. When the payment service provider finds that the order meets all requirements (verification of formal requirements and entitlement), it is obliged to forward it to the account provider of the payer.[12] When the payment service provider of the payer is not identical with that of the payee, the message is sent in a standardised form over the overnight settlement platform of the ICS.

***How do they know my account number?***

***Account numbers (typically of enterprises) are publicly accessible, while obtaining the number of other payment accounts (mostly of private persons) is lengthy and costly.*** *Payment service providers have an obligation to forward the number of the accounts of enterprises subject to registration to the competent Registry Court by electronic means within eight days of the date on which the account was opened[13]. In the case of other payment accounts (not included in the records of the Registry Court), there is a notification obligation towards the NTCA[14], which receives, among others, the account numbers of entities subject to registration from the Registry Court. When the payee does not know the payment account number of the payer – according to current practice – it contacts all or at least the majority of payment service providers. Such requests may be sent in a conventional form by post (on paper or saved on a data carrier) or electronically. In the latter case, the Electronic Delivery System of Enforcement Documents (VIEKR) may be used by enforcers as initiators and by payment service providers as (mandatory) respondents. The system may also be used by other parties involved in enforcement. This is a more quick and cost-effective option than requests on paper and data carriers, as in this case, respondents' replies are mostly automatic and are therefore received in a short time. The NTCA maintains a similar system (the NTCA EBT). Local governments, which issue the second highest number of orders after the NTCA, typically send their requests to payment service providers by post (on paper or a data carrier).*

11 Section 79/A of the EA; Article 14(2) of the MNB Decree; Point 2 of Annex III to the MNB Decree
12 Article 34(2) and (3) of the MNB Decree
13 Section 24(6) of Act V of 2006 on public company information, company registration and winding-up proceedings
14 Paragraph D/I of Annex 3 to the Tax Act

**Figure 1**
**The process of executing official transfer orders and interfaces between the parties involved**




2.2.1.1.. Receipt and assessment for executability of official transfer orders

**The payment service provider of the payer is obliged to start processing the request for the execution of an official transfer order immediately after receipt. It does not notify the payer at this point.** Such immediate processing and prohibition of notification ensure that the payees recover the amount claimed as quickly as possible and that payers cannot hinder or delay this process by removing funds from their account. As a first step of processing, it is checked whether the payment account number specified in the transfer order is actually held with the payment service provider and whether it is of a type suitable for the execution of the official transfer order, e.g. if it is not an escrow account. When these criteria are met, it must additionally be verified if the name of the debtor specified in the order and the account holder – or in the case of multiple account holders, one of the account holders assigned in the records of the payment service provider to the account – are matching. If the account number does not exist or is not suitable for collection, or if it has been previously closed, or there is a mismatch between the name specified in the order and the name in the records, the execution of the order must be refused and the reason for refusal communicated to the payment service provider of the payee.[15] The service provider of the payee also transmits this information to the payee who can decide on how to proceed with his/her claim or may resubmit the official transfer order after correction.

**Within the framework of execution, a minimum amount for the means of subsistence must be appropriated in the case of natural persons, which is exempt from the claim.** When the formal requirements for the order are met, the payment service provider can begin the tasks related to actual execution. At this point, it must obligatorily be examined whether the payer is a natural person. In the case of natural persons, part of the balance of the payment account may not be subject to enforcement in order to ensure a minimum amount for subsistence for the person concerned. (See also the section *Calculation of the amount exempt from enforcement*) When the payer is other than a natural person, the full balance of the payment account may be subject to enforcement.[16]

### *2.2.2. Execution, queuing, refusal*

**When sufficient funds are available to cover the claim, the official transfer order is executed. Otherwise, the order is queued until the amount is available, but no longer than for a period of 35 days.** When executing the order, the provider of the account must first examine the balance of the payment account specified in the official transfer order. When the balance is sufficient for the execution of the order, the amount claimed is credited to the payee, i.e. the official transfer is executed.[17] It must be emphasised, that the payment service provider is obliged to appropriate the amount to be credited by official transfer immediately and with-

15 Article 11(1), (2) and (5) and Article 34(4) and (5) of the MNB Decree; Section 79/D and 79/F of the EA

16 Section 79/A(1) of the EA

17 Section 61(2) and 64(2) of the PSA; Section 82/A(1) of the EA

out delay, regardless of the other orders it has received from the payer.[18] When the full amount claimed is not available on the payment account, the payment service provider extends the official transfer order to other payment accounts of the payer held with the payment service provider, in the order laid down in the legislation. When the amount claimed cannot be collected in this manner either, the transfer order is queued for 35 calendar days. During this period, any amount (over the amount exempt from enforcement) credited to any of the payment accounts concerned must be appropriated for the execution of the official transfer order. The payment service provider of the payer notifies both the payee and the payer of execution or queuing. When the official transfer order is not executed within the period of queuing, execution must be refused after the 35th day.

***Calculation of the amount exempt from enforcement***

***The rules on the calculation of the amount exempt from enforcement allow for several interpretations. Accordingly, there are several methods of calculation in practice.*** *The Enforcement Act provides for calculation as follows*[19]*: 'Of the funds managed by payment service providers and due to natural persons, a portion exceeding four times the amount of the minimum old age pension may be subject to enforcement without limitation; of the funds under that threshold, 50 % of the portion between the minimum old age pension and four times the amount of the minimum old age pension may be subject to enforcement'. The difficulty of interpretation gave rise to multiple methods of calculations which are now used in practice. Numerically, i.e. in terms of the amount subject to official transfer, there is no significant difference between them. Still, inconsistent application creates confusion in the parties involved, especially the payer. The paragraphs below provide an example for the two most widespread methods of calculation. As a common feature, these methods assume that funds exceeding four times the amount of the minimum old age pension (currently HUF 28,500 x 4 = HUF 114,000) may be subject to enforcement without limitation.*

*Under one of the methods, the amount exempt from enforcement is regarded as a fixed amount by the payment service provider. With the sums above taken into account, the upper limit under which the provider does not execute the official transfer order is constantly HUF 71,250. (This method has several 'offshoots', e.g. when the sum is applicable for one month, or is set repeatedly on a daily basis, taking spending by the client into account etc.). For the other calculation method,*

18 Section 62(3) of the PSA; Article 34(4) of the MNB Decree
19 Section 79/A(2) of the EA

*three different examples are provided in Table 1. In these examples, the payment service provider of the payer considers the actual balance between the minimum old age pension and four times the minimum amount, and appropriates half of that balance for the purpose of executing the transfer order. The examples in the table involve different opening balances, and therefore clearly illustrate which of the calculations result in a difference from the fixed value of HUF 71,250 above. In the three examples (A, B and C), the minimum old age pension is HUF 28,500 and the value of the official transfer order is HUF 1,000,000.*

**Table 1**

**Examples for the calculation of the amount exempt from enforcement**.

| | A | B | C |
|---|---|---|---|
| Opening balance | HUF 26,500 | HUF 71,250 | HUF 170,000 |
| Amount exempt from enforcement | HUF 26,500 | 28,500 + (71,250 – 28,500) × 50% = HUF 49,875 | 28,500 + (4 ×28,500 – – 28,500) × 50%=71,250 |
| Amount available for the execution of the official transfer order | 0 | 71,250 – 49,875 = HUF 21,375 | 170,000 – 71,250 = HUF 98,750 |
| Balance after 1st execution | HUF 26,500 | HUF 49,875 | HUF 71,250 |
| Balance after HUF 40 000 credited | HUF 66,500 | HUF 89,875 | HUF 111,250 |
| Balance, without execution | HUF 66,500 | HUF 111,250 | HUF 210,000 |
| Amount exempt from enforcement | 28,500 + (66,500 – 28,500) × 50%= HUF 47,500 | 28,500 + (111,250 – 28,500) × 50%= HUF 69,875 | 28,500 + (4 ×28,500 – 28,500) × 50% = 71,250 |
| Amount available for the execution of the official transfer order (less the already transferred amount) | 66,500 – 47,500 – 0 = HUF 19,000 | 111,250 – 69,875 – 21,375 = HUF 20,000 | 210,000 – 71,250 – 98,750 = HUF 40,000 |

*After the opening balance of the accounts has been examined in each case (of which in example A, where the balance is below HUF 28,500, there is no immediate execution) and the first execution has taken place in examples B and C, HUF 40,000 is credited to the payer's account. This is followed by the recalculation of the amount exempt from enforcement and a second partial execution.*

*There is no difference between example C in the Table and the first method of calculation introduced above, as the balance of the account is exceeding four times the amount of the minimum old age pension. However, that is not the case for examples A and B. In these examples, the amount recovered by the payee is lower than would be due using the second method of calculation. Under the first method, there is no execution below HUF 71,250 and therefore*

- *in example A the payee loses HUF 19,000.*
- *For example B, if the two methods are compared before the HUF 40,000 credited to the account, the amount lost by the payee is HUF 21,375. Such loss, however, is consolidated when the credited amount is also taken into account, as it is fully transferred to the payee. Under the second method, HUF 41,375 would be transferred, which also means a minor loss for the payee.*

*As the examples illustrate, the method of calculation makes a difference when the balance is low. Significant differences may arise also when the limit of HUF 71,250 is not applied on a monthly basis or per transfer order by the payment service provider (e.g. when it is applied on a daily basis, the payer may spend that sum each day). In the latter case, the payer retains more and the payee receives less.*

2.2.2.1. Extension and the order of execution

**All the funds over which the payer disposes freely and are managed by his/her payment service provider (e.g. term deposits, funds on a long-term investment account, or funds already made available to the client on a home savings account) must be involved in the execution of the official transfer order, except for the amount exempt from enforcement and certain other special products (e.g. when a certificate of deposit must be presented for payment[20], accounts for security deposits etc.).** In case the balance of the payment account to be debited is insufficient for the execution of the official transfer order, the account provider of the payer must examine whether the payer has other funds which may be used for execution. According to the legislation[21], all the accounts of the payer must be treated as a single account, so that the payee does not need to submit an

20 Government Decree No 180/2001 of 4 October 2001 on the forced collection of deposits and savings deposits
21 Section 61(1) of the PSA

order for each payment account of the payer separately. This way, the payer is also spared the inconvenience of a repeated collection, which may even add up to several times the original amount. (If the payer has an account with several payment service providers –and the available funds are sufficient to cover the claim – overpayment is unavoidable. This, however, may be recovered once the amount claimed in the official transfer order and, for claims by the tax authority, additional debts falling within the authority's competence have been fully paid.) The regulation also has the aim to ensure – in respect of the parties involved – that the amount exempt from enforcement is calculated per client and not for each account. The Enforcement Act lays down further detailed rules on the extension of enforcement to sums managed based on a deposit contract or savings deposit contract with the client as well. During the examination for extension, first funds denominated in HUF and then funds in other currencies must be involved in the execution of the transfer order, in the following order:

- sums on a payment account,
- sums managed under a deposit contract,
- sums received under a savings deposit account.

When several sums of the same category are available, enforcement is extended first to deposits of a lower interest rate and then to deposits of a higher interest rate. In the case of deposits with the same interest rate, enforcement is extended from the earliest to the latest date of conclusion.[22] In the absence of an agreement between the payer and its account provider to the contrary, the provider is obliged to exhaust the credit limit provided for the payer's payment account as well to execute the official transfer order.[23]

**For the purpose of executing official transfer orders, assets from the entrepreneurial activities of a self-employed natural person are not treated differently from their other assets.** When the subject of an official transfer order is a self-employed natural person, execution should be extended also to their commercial accounts in case of insufficient funds. The reason behind this provision is that while certain self-employed persons are considered business operators, a self-employed individual is still a natural person. Their entrepreneurial assets are therefore not separated from their private assets. (BH. 2009. 150. eseti döntés)

**When a payment account is associated with several account holders, the payment service provider must execute official transfer orders involving any of the account holders**. In such cases, the official transfer order may not be refused by the payment service provider on the ground that its execution would be contrary to the interest of account holders not specified in the order. Execution by the ser-

22 Section 79/B of the EA
23 Section 62(2) of the PSA

vice provider is mandatory. Upon execution or queuing, the payment service provider informs the enforcer of the address for notification of the account holder not specified as debtor. The enforcer is obliged to inform such account holder that his/her account may be potentially debited. Account holders not specified as debtors may bring action for the recovery of the sums they are entitled to in accordance with the applicable procedural rules.[24]

### 2.3. Difficulty of interpretation and application of the legislation on official transfer orders

- **No 'period' is defined in the calculation of the amount exempt from enforcement, which affects the order of execution of official transfer orders received in a given period.** Assuming that in calculation example C in Table 1, after the last step, the queuing period for the official transfer order ends and its execution is refused (amount not recovered: HUF 1,000,000 – 98,750– 40,000 = 861,250). However, during the queuing period (after the last transaction in the example but before refusal) another official transfer order is received, which is also queued, since the order of execution is based on the order of receipt of transfer orders. To calculate the amount exempt from enforcement for the new official transfer order, payment service providers generally choose between two methods. They either continue to calculate with the same amount, i.e. they are only making any new amount exempt from enforcement – HUF 71,250 in our example – available to the client when he/she is not subject to any official transfer order for at least a full day. This is quite unfavourably for payers as they may not receive any new income for months as a result. By contrast, if the payment service provider recalculates the amount exempt from enforcement from the date of receipt of the second official transfer order, we arrive at example B, where HUF 21,375 may be appropriated for execution. This, however, is unfavourable for the party submitting the second official transfer order who loses that amount. Of course, there may be further variations in the applied method of calculation.

- **Communication of the method of calculation to the payer is problematic**. The examples of calculation of the amount exempt from enforcement and the anomaly set out in the previous section clearly illustrate that a single sum credited to the affected account makes it difficult to determine the amount available for the execution of an official transfer order. When the payer uses part of the amount exempt from enforcement, or several amounts are credited

24 Section 79/C of the EA

to his/her account, it is difficult to explain how much they are entitled to and how is this amount determined. Furthermore, it makes the calculations even more complex when a transaction with a payment card takes place before the receipt of the official transfer order, i.e. the amount paid by card is reserved but not yet debited to the payment account. In this case, the payment transaction by card is debited to (recorded on) the payment account after the registration of the official transfer order. However, the provider of the account need not take the amount already spent this way into consideration when calculating the amount exempt from enforcement.

- **Debtors with a payment account may be worse off than debtors not having a payment account.** The Enforcement Act provides a possibility for the enforcer to block the income of the payer at source[25]. This means that an obligation may be imposed on the employer or the entity paying the pension of the payer to transfer part of the payer's income to the payee. When the income is afterwards paid in cash, it will not be subject to further deductions. By contrast, when it is paid to a payment account, the payment service provider of the payer must transfer the portion exceeding the amount exempt from enforcement as set out above to the payee. The Commissioner for Fundamental Rights has already called the attention to this problem twice (Prof. Dr. *Szabó*, 2012), (Dr. *Székely*, 2016.) and requested an amendment to the Enforcement Act that would eliminate such differential treatment.

- **In the message initiating the official transfer order, there is no standardised (fixed) place for the indication that the order is issued for the collection of child support or costs related to childbirth. Therefore, it cannot be monitored automatically**. According to the provisions of the Enforcement Act[26], 50% of the minimum old age pension, i.e. the exempt amount of HUF 28,500 may be used for enforcement if the purpose of the transfer order is the collection of child support or costs related to childbirth. The MNB Decree provides for a possibility to place this indication in the information field, however, it does not lay down any requirement for a fixed place of indication in the case of messages used for electronic transfer orders. Furthermore, the ICS standard regulating the content of messages used in communication between account providers (Giro Zrt., Bankközi Klíring Rendszer IG1 szabványok, 2014) does not specify any rules in this respect either. For this reason, a manual monitoring of each order received is required by the payment service provider in the form of a visual inspection of the information field, as it may feature the indication anywhere and in any context.

25 Chapter IV of the EA
26 Section 79/A(3) of the EA

- **The rules on extension lay down treatment as a 'single account' as a requirement for the payment service provider of the payer. Still, payees often submit a transfer order for several payment accounts of the payer held with the same service provider. As a result, several times the original amount of debt may be collected from the payer.** To avoid this, it is common practice in the processing of apparently identical official transfer orders (of the same amount, submitter and underlying decision) concerning the same account holder received on the same date to accept only one and refuse all the others. Manual workforce is required for such monitoring, which, in addition, is not uniformly applied. Furthermore, the monitoring of identical transfer orders received on different working days is not feasible. Following this practice, the provider of the payer runs the risk of potential compensation – as the tax authority may require it to pay the amount claimed under an incorrectly refused official transfer order[27] – while it should act as a prudent and sound account provider in relation to its client. While trying to serve competing interests, it may find itself in an unpleasant situation.

- **There is no standard practice regarding extension and the calculation of the amount exempt from enforcement in respect of self-employed natural persons having an account in both capacities.** Payment service providers do not always respect the consolidated treatment of accounts set out in Section 2.2.32.1. There is variation also in the method of calculation of the amount exempt from enforcement. It is a common procedure not to take the exemption into account when the transfer order is received for the commercial account of the client as a self-employed person, and to take into account the rules on calculation for orders received for the client's payment account as a natural person.

- **The rules on extension do not aim to keep payers' losses to the minimum.** If the payer has several deposit accounts, according to the legislation, the deposit of the lowest interest rate must be the first to be withdrawn. In the case of deposits paying the same interest rate, enforcement is extended first to the sum under the earlier deposit contract. When all the deposits of the debtor must be withdrawn to execute the official transfer order, the order of extension is not important. However, when only parts of the deposits are affected, it would be more advantageous for the payer if the account provider started with deposit contracts concluded at later dates for the purpose of execution. For example, withdrawing a certain amount managed under a long-term investment contract in its fourth year of maturity incurs greater loss than withdrawing a deposit of the same amount concluded on the day before, even if the latter pays higher interest.

27 Section 102 of the Tax Authority Enforcement Act

## 3. OFFICIAL TRANSFER ORDERS IN FIGURES

**Payees recovered HUF 258 billion in 2014, HUF 255 billion in 2015 and HUF 221 billion in 2016 from payers by submitting an official transfer order.** Having regard to the magnitude of the sums involved and the need to ensure the recovery of justified claims, the significance of official transfer orders as a method of payment is not to be neglected. To assess the effectiveness of official transfer orders based on cash flows, we have analysed all official credit transfers and the related messages (execution, queuing, refusal) exchanged between payment service providers in 2015. Although official transfer orders processed within the same payment service provider account for only 5% of the total volume in terms of both value and number, there is no reason to assume that official transfer orders within and across payment service providers have different characteristics.

The following sections present the three consecutive stages of the life cycle of official transfer orders chronologically. First, submission data will be analysed, with a focussed examination of the number of transfer orders which cannot be executed from the outset due to an error. The second section, featuring an analysis of execution data, discusses the effectiveness of queuing, whether queuing orders has any use whatsoever and the rate of execution of official transfer orders. The third section provides an analysis of numerical data on refusals. In the last section, general characteristics are identified based on a categorisation of submitting entities.

### 3.1. Characteristics of submission

**In 2015 official transfer orders were submitted for more than 574,000 different payment accounts on three occasions on average.** When official transfer orders are categorised by value, it is noticeable that a relatively small number of debtors owe a larger sum (exceeding HUF 10 million) while debts between HUF 100,000 and HUF 500,000 are the most frequent. It should not be forgotten in this respect that the almost HUF 5,655 billion to be collected by official transfer orders represents several times the actual amount of debt, since orders may be submitted repeatedly for the same debtor during the year, and when the payer has several payment accounts, sometimes with several different payment service providers, an order may be issued for each account.

**The average value of the transfer orders was HUF 3.3 million in 2015, or 660,000 when orders above HUF 10 million are excluded.** The relevant legislation does not lay down any minimum amount for which an order may be submitted. However, having regard to the submission fee of HUF 5 and fee of HUF 12 per transfer applicable in 2015 (Giro Zrt. , Bankközi Klíring Rendszer Díjszabályzata, 2014), such a lower limit would be worthy of consideration at least as part of the rules of procedures of payees, if not in the legislation. There were 208 attempts in the reference period for the collection of a value of HUF 17 or less, mostly by local governments.

***What are the fees of official transfer orders?***

***Payers typically incur fees in connection with official transfer orders for the actual credit transfer and for queuing, while payees are charged for submission.*** *Payment service providers may also charge fees in connection with the processing of official transfer orders, e.g. for both the initiation and the execution of the order, but also for failed execution. The extent of the fees is different, but the costs of ICS messages and transaction fees are always included. On the payer's side, payment service providers are trying to cover the high costs associated with the management of official transfer orders (e.g. the cost of notification of clients, the maintenance and operation of systems used for looking up accounts (see also the section 'How do they know my account number?') and manual workforce needed for processing) in their pricing, e.g. in setting the fee of queuing.*

**Table 2**
**The distribution and the rate of refusal of official transfer orders after receipt, by value**

| | Number | | Value | | Refusal after receipt | |
|---|---|---|---|---|---|---|
| | number | proportion | HUF million | proportion | relative to number | relative to value |
| From HUF 10,000,001 | 52,630 | 3.05% | 4,549,310 | 80.44% | 31.35% | 35.72% |
| HUF 1,000,001 – 10,000,000 | 279,200 | 16.16% | 811,148 | 14.34% | 26.15% | 27.08% |
| HUF 500,001 – 1,000,000 | 186,637 | 10.81% | 131,734 | 2.33% | 21.08% | 21.24% |
| HUF 100,001 – 500,000 | 572,870 | 33.17% | 143,443 | 2.54% | 19.36% | 19.44% |
| HUF 20,001 – 100,000 | 313,540 | 18.15% | 17,515 | 0.31% | 23.71% | 22.82% |
| HUF 0 – 20,000 | 322,334 | 18.66% | 2,501 | 0.04% | 21.77% | 23.21% |
| Total | 1,727,211 | | 5,655,651 | | 22.25% | 33.68% |

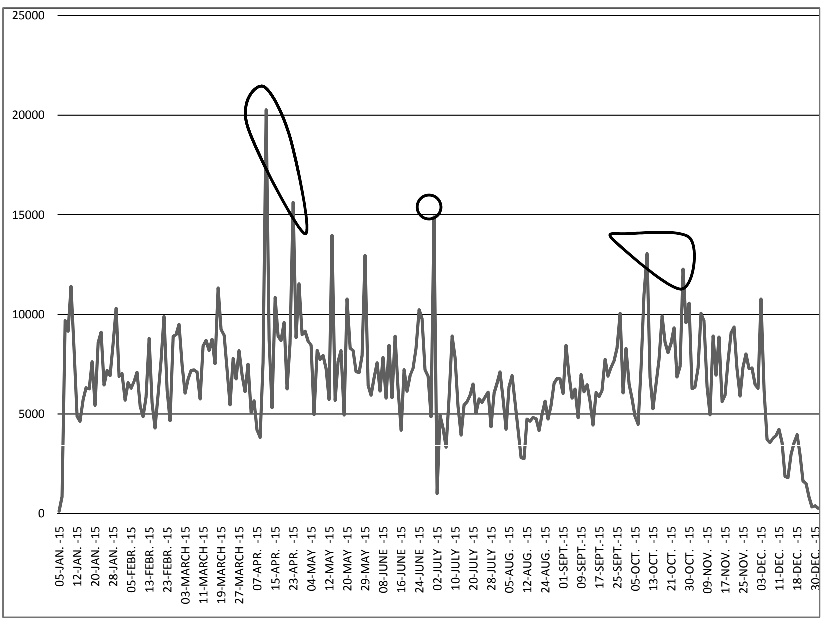
**More than 22% of the official transfer orders have been submitted for a closed, incorrect or non-existent account number.** In 2015, payees attempted to collect claims of HUF 5,655 billion of which one in three orders for an amount exceeding HUF 10 million, and one in five orders below that value have been submitted for a wrong account number. As a consequence, these orders were refused already upon receipt (Table 2). The most frequent grounds for refusal were 'account already closed' (65%) and 'nonexistent account number' (15%), while cases where there was a mismatch between the holder of the payment account and the name specified in the order account for 5.5%. Similarly to the number of submission attempts for all orders, in these cases, an order was submitted 2.5 times on average. This may be explained – regardless of the ground for refusal – by a mistake of the administrative staff submitting the order, inaccuracies in the databases used and the incorrect indication of codes for refusal, or the misinterpretation of, or disregard to, a correct code. As a further possibility, different payees may submit several incorrect transfer orders for the same account.

**The submission of official transfer orders is highly cyclical, with the highest number of orders submitted in April and October, and the lowest in December and August.** An analysis of the habits of claimants reveals that most official transfer orders were submitted on Friday for payers' accounts. The months of April and October were especially busy, when account providers received almost 6,500 transfer orders for a correctly specified account number on an average working day. By contrast, the number of orders received was less than half in December – with a daily average of 2,605 – and in August 2015, an average of 4,078 official transfer orders were submitted by payees on each working day.

When cyclical lows are concerned, payees submitted only 4,000 or even fewer official transfer orders daily from the 7th day of December, probably due to the end-of-the-year holidays. In addition, the closing procedures of Central Bank of Hungary preclude the initiation of orders of this kind on the last three working days of the year. (The ca. 300 received orders shown in the figure were submitted by payees not having an account with the State Treasury.) The steadily low number of submissions (below 5,000) in mid-August also reflect a holiday season typical to Hungary. Another negative peak is visible in the Figure on 2 July due to the Public Officers' Day, celebrated on 1 July.

**Figure 2**

**The daily number of official transfer orders submitted in 2015**



**The peak in submissions in April and October arises from the fact that unpaid taxes to local governments become overdue in these months.** The annual deadlines for certain types of taxes payable to local governments (e.g. the motor vehicle tax) are 15 March and 15 September. Missing these payment deadlines entitles the local government concerned to issue an official transfer order to enforce the payment obligation. The above-average number of submissions in both April and October is attributable to orders issued by two local governments. The record number of orders on 1 July (submitted by payees on 30 June) is the result of working in advance of the holiday on the next day. While official transfer orders are widely used as a method of payment for the collection of taxes, the example of the two local governments referred to above suggests further potential for growth in the use of official transfer orders by local governments.

### 3.2. Characteristics of execution

**Information fields filled in incorrectly and transmitted to the payment service provider of the payee by the payment service provider of the payer give rise to problems on the side of the payee.** For the status of official transfer orders (execution, queuing, refusal) to be traceable by all parties involved, all types of replies must be appropriately linked with the underlying message. The ICS standard specifies that this must be ensured by a reference to the initiating message in the messages sent in reply. Analysing 2015 data, it may be established that the payment service providers of payers indicated the identifiers in messages on refusals and queuing in accordance with the rules. They did not always include the identifiers of the original message upon the execution of orders. The reason for this omission is the possibility of initiating official transfer orders on paper. In this case, no reference can be made to a previous – non-existent – electronic request and it is not mandatory to fill in the reference field. Taking advantage of the fact that the reference field is identified as an optional field in the book of standards of the ICS, in 2015, five bigger payment service providers managing payers' payment accounts failed to indicate the identifier of the initiating transaction upon execution. As a result, execution was not clearly identifiable for the payment service providers of the payees. This may not be an obstacle to crediting the amounts involved, as the account number is the only information the payment service provider of the payee needs to know. However, when a reference to the initiating message is missing and there are several official transfer orders pending at the same time against the same payer, it is not always clear which official transfer order the message (incoming payment transaction) concerns. Furthermore, due to the specificities of the ICS standard, it may not be clearly established either whether the message is about the execution of an official transfer order or a direct debit based on a letter of authorisation, as this information is included only in the initiating message and the same type of message is used for the execution of both. The lack of this information is problematic also from an analytical and reporting point of view. All these issues highlight the importance for payment service providers to adhere to the standard. The following analysis of execution data includes only payment transactions where the data specified above were fully available. These transaction data will be referred to below as the *Sample* (*Table 3*).

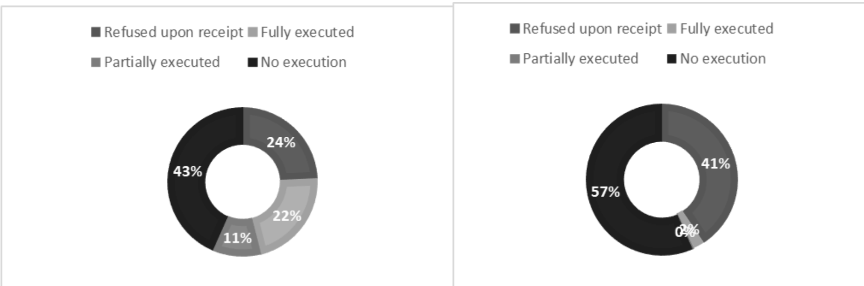
**Table 3**
**The relation of the Sample to all transactions and the description of the Sample in terms of refusal**

| The relation of the Sample to all transactions | | | Refusal after receipt | |
|---|---|---|---|---|
| Amount of the submitted official transfer order | number | value | number | value |
| From HUF 10,000,001 | 46.6% | 43.1% | 36.6% | 44.0% |
| HUF 1,000,001 – 10,000,000 | 46.8% | 46.9% | 29.1% | 30.3% |
| HUF 500,001 – 1,000,000 | 46.7% | 46.7% | 22.9% | 23.1% |
| HUF 100,001 – 500,000 | 48.1% | 47.8% | 21.0% | 21.1% |
| HUF 20,001 – 100,000 | 50.8% | 50.4% | 25.5% | 24.5% |
| HUF 0 – 20,000 | 52.2% | 51.9% | 23.6% | 25.3% |
| Total: | 48.9% | 43.9% | 24.3% | 40.7% |

In the Sample, which accounts for almost 50% of the total number of official transfer orders, the proportion of requests for the official transfer of lower amounts is higher than in the total population. A comparison of the values of orders with the data in Table 2 reveals that transfer orders submitted for a larger sum are more frequent in the case of payment service providers not included in the Sample and that the rate of refusal –after receipt – of these requests is significantly lower than in the case of payment service providers included in the Sample. When the amounts transferred during execution are analysed, it is found that executed official transfer orders within the Sample represent HUF 68.5 billion, only 29% of the total amount of all executed official transfer orders (HUF 244 billion). Based on the foregoing, the results of the analysis cannot be regarded as generally applicable, however, they are indicative of certain characteristics and patterns of use.

**Almost one third of the Sample was (partially) executed based on the number of official transfer orders.** Examining the total life cycle of official transfer orders, it is found that while one in five orders was fully executed and one in ten orders also involved partial execution, in terms of value, the actually collected amount is negligible compared with the amount claimed in the orders.

**Figure 3 The life cycle of official transfer orders in terms of number (left) and value (right)**




**The success rate of execution of official transfer orders diminishes as the amount to be collected increases.** Of official transfer orders received by the payment service providers of payers and not refused upon receipt, 29% was fully executed (typically orders below HUF 100,000) while the rate of recovery of larger debts (exceeding HUF 10 million) was meagre (*Table 4*). When the order was only partially executed, the success rate of partial execution depended on the magnitude of the sum to be recovered (except in the case of orders exceeding HUF 10 million). However, only one fifth of the amount was recovered by partial execution, when fully recovered orders are taken into account.

**Table 4**
**Data on the execution of the Sample – amount specified in the order, by value**

| | **Percentage of fully executed orders in the Sample** | | **Percentage of partially executed orders in the Sample (without fully executed orders)** | | **Rate of execution, in case of (partial) execution** |
|---|---|---|---|---|---|
| Amount of the submitted official transfer order | value | number | value | number | value |
| From HUF 10,000,001 | 0.5% | 1.8% | 0.2% | 14.9% | 8.0% |
| HUF 1,000,001 – 10,000,000 | 8.4% | 11.0% | 2.0% | 20.1% | 37.3% |
| HUF 500,001 – 1,000,000 | 22.5% | 23.0% | 3.7% | 19.1% | 62.8% |
| HUF 100,001 – 500,000 | 28.5% | 29.0% | 3.9% | 16.7% | 70.9% |
| HUF 20,001 – 100,000 | 30.2% | 30.3% | 3.8% | 12.1% | 79.3% |
| HUF 0 – 20,000 | 41.2% | 46.3% | 1.8% | 3.1% | 94.0% |
| Total | 3.8% | 28.8% | 0.8% | 13.8% | 30.4% |

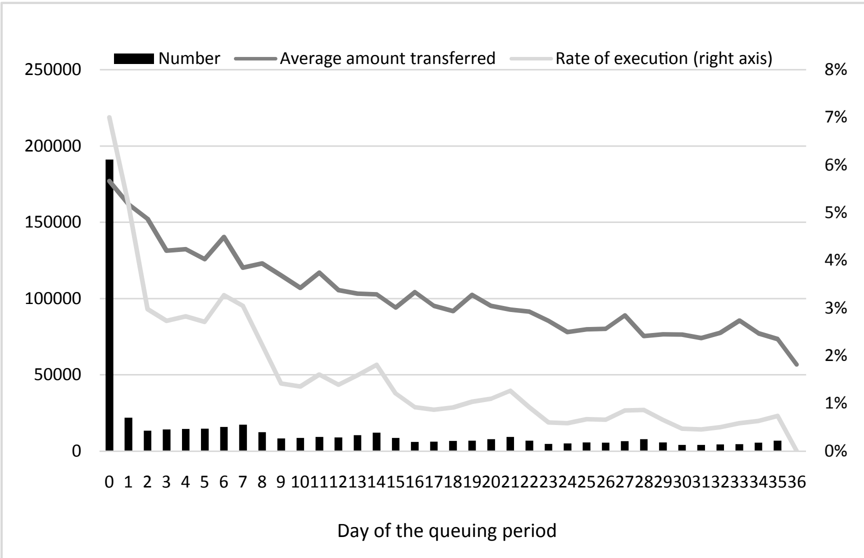
**A single instance of partial execution significantly increased the likelihood of recovery of the full amount of the official transfer order.** In such cases, 30% of the value of the orders were recovered on average (last column in Table 4). The rate of partial execution was considerably high in the case of orders below HUF 20,000 where HUF 94 of every HUF 100 was recovered. 60–80% of the amount claimed was recovered even when the order was submitted for an amount below HUF 1 million.

**When the number of orders is considered, 43% of official transfer orders within the Sample not refused upon receipt was fully or partially executed. Notwithstanding, 93.5% of the amount to be collected could not be recovered, which is due in a large part to the unsuccessful execution of orders submitted for a large sum and to repeated submissions.** The number of attempts of payees to recover the same debt cannot be definitively established based on the available data (since a debtor may have several accounts with several different payment service providers, the amount may change over time and/or due to claims recovered earlier etc.). However, it is clear that debts can be more effectively collected at an early stage, when the outstanding amount is still low – an assumption which was also corroborated by our analysis. Recovery by the payee becomes less and less likely as the amount of debt increases. Considering the difference between the Sample and all official transfer orders submitted in 2015, we arrive at a similar rate of failure in terms of value: of the HUF 3,750 billion to be collected by official transfer orders, only HUF 245 billion was recovered, which means that execution was not successful for 93.5% of the amounts claimed.

### 3.3. The relationship between execution and queuing

**Half of the amount collected by official transfer orders was credited to the payee on the date of receipt of the transfer order.** When the available funds are not sufficient to cover an official transfer order, the order is queued for 35 calendar days. The intention of the legislator was clearly to ensure – based on Hungarian payment practices – that the payer receives salary at least once in the queuing period and that the queuing period is long enough for enforcing claims against enterprises as well.

**Figure 4**
**Rate of execution of official transfer orders upon receipt and during the queuing period**



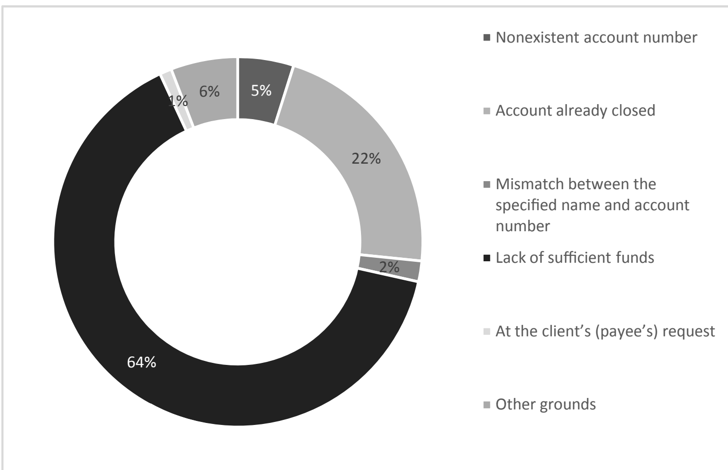

The diagram shows that the average amount recovered decreases gradually over time, i.e. effectiveness decreases . However, it should be highlighted that – translating the corresponding rate of 0.6–0.7 in the Figure into HUF – an average amount of HUF 400,000 was transferred to payees even on the last five days of queuing. Considering that less than a third of the value of orders within the Sample were collected, the same figure projected to the total population may be as much as HUF 1.2–1.4 billion. The rationale of queuing is further reinforced by the fact that, based on the rate of execution (i.e. the distribution of execution over the 35-day period), half of successfully recovered claims were settled during the queuing period at largely equal rates (although a general decrease is observable between day 2 and day 35).

**The average balance of clients subject to an official transfer order is significantly lower than the balance of clients not subject to an official transfer order.** The average value of transfers decreased from the HUF 177,000 on the date of receipt to as low as HUF 73,000 during the queuing period, which is less than the average 2015 sight and term deposit stocks of Hungarian households and non-financial companies (MNB, A monetáris pénzügyi intézmények mérlegei és a pénzmennyiségek, 2016), (MNB, Pénzforgalmi táblakészlet - infrastruktúra, 2016), which was HUF 737,000 in the case of households and HUF 5,579,000 in the case of non-financial companies. It is obvious that clients subject to an official transfer order have considerably less savings on average than other clients, which also reinforces the prior assumption that there is a link between low material status and official transfer orders.

### 3.4. Characteristics of refusals

**Proper application of the grounds for refusal supports payees in the effective management of claims.** As mentioned in the discussion of submission data, part of the orders are refused during processing by the account provider of the payer. Refusal may take place also during the queuing period for several reasons (i.e. the payment account is closed after termination of the framework agreement, the payee withdraws the previously submitted official transfer order) and even after the last day of queuing. The ICS standard proposes the use of several pre-defined refusal codes to inform the payee properly of the actual ground for refusal.

**Figure 5**
**The distribution of refusals, by ground – all transfer orders in 2015**




**The reason for 60% of the refusals is the lack of sufficient funds.** As discussed above, the most frequent ground for refusal after receipt is that the transfer order is issued for an already *closed account*. *Nonexistent account number* and *mismatch between the specified name and account number* follow as the second and third most frequent reasons. Some debts are settled during the queuing period of the official transfer order, and therefore, the payee requests the cancellation of the queued order submitted for the payment account. In this case, execution is refused on *'other grounds'* or *'at the client's (payee's) request'*, in accordance with the ICS standard. On the whole, regarding the entire life cycle of official transfer orders, lack of funds is the most frequent ground for refusal. This is also in line with the findings in previous sections of this study, namely that the full amount is not settled in the case of most transfer orders, which are subsequently refused by the payment service provider of the payer after the queuing period expires.

### 3.5. Characteristics of submitters

**Two thirds of official transfer orders were issued by the NTCA, 21% by local governments and 13% by bailiffs.** Payees submitting official transfer orders were grouped into four main categories: the NTCA (the biggest submitter in terms of both number and value), local governments, bailiffs and other bodies (disaster management bodies, etc.), and finally regional courts and government offices. Of the almost HUF 255 billion transferred in 2015, HUF 174 billion covered claims by the NTCA (NAV, NAV évkönyv 2015, 2016). As to value, collection of debts of a smaller amount was the most typical in the case of local governments, while the value of the orders submitted by the NTCA and bailiffs was HUF 3–4 million on average. The rate of refusal after receipt of orders issued by local governments was the highest (27.28%). This may be due to their failure to use any of the electronic systems available for identifying the payment accounts of payers. As a result, the payment account had already been closed by the time they could submit an official transfer order. (Table 5)

**Table 5**
**The distribution of payees and the average value of transfer orders**

| | **Distribution of orders among submitters** | | **Average value of transfer orders** | **Rate of refusal of orders submitted by the respective types of institutions after receipt** | |
|---|---|---|---|---|---|
| | number | value | | number | value |
| **NTCA** | 65.25% | 86.18% | 4,324,440 | 21.07% | 34.41% |
| Local governments | 21.31% | 1.14% | 175,336 | 27.28% | 25.70% |
| Regional court, government offices | 0.44% | 0.02% | 171,147 | 19.30% | 31.57% |
| Bailiffs, other | 13.00% | 12.66% | 3,188,875 | 19.82% | 29.44% |

**The rate of execution of official transfer orders initiated by bailiffs and other bodies is extremely low.** Based on an analysis of the selected Sample – although the average value of orders initiated by bailiffs and other institutions is close to orders of the lowest values initiated by the NTCA – the rate of execution was extraordinarily low in 2015 (Table 6). A possible explanation is that the NTCA and local governments submitted orders in many cases for the collection of overdue taxes and contributions from actively operating companies and forgetful private persons, already in an early stage of debt 'accumulation'. By contrast, bailiffs tried to recover their claims at the last stage of the process, when recovery is less likely.

**Table 6**
**Data on the execution of the Sample – by payee**

| | Percentage of fully executed orders in the Sample | | Percentage of partially executed orders in the Sample | |
|---|---|---|---|---|
| | value | number | value | number |
| NTCA | 4.10% | 31.53% | 0.86% | 15.73% |
| Local governments | 18.42% | 34.12% | 1.67% | 4.54% |
| Regional courts, government offices | 6.03% | 20.72% | 1.58% | 13.60% |
| Bailiffs, other | 0.80% | 7.28% | 0.49% | 20.31% |

## 4. SUMMARY – PROPOSALS, POSSIBLE FUTURE IMPROVEMENTS

**There is considerable potential for growth in the use of official transfer orders as a method of payment by local governments, regional courts and government offices.** Local governments initiated more than 370,000 official transfer orders in 2015, half of which are linked to only 11 local governments. The category of regional courts and government offices is characterised by a similar distribution. Here, 4 entities initiated half of the 8,000 submitted transfer orders. Official transfer orders provide a simple, quick and effective tool for the collection of debts, however, it is used by the different claimant institutions to varying degrees. If it was a method widely applied by all institutions, the current number of transfer orders – assuming unchanged payment discipline – would multiply. For the whole system to be able to function effectively and simply, all obstacles to the use of official transfer orders for this purpose should be eliminated. In view of the implementation of the instant credit transfer regime (MNB.hu, 2017.), workflows which are carried out manually at present should be increasingly automated.

**The success of official transfer orders would be promoted significantly by a central account information database.** The number of official transfer orders issued for private persons grows steadily; 45.6% of all transfer orders issued by the NTCA in 2016 concerned natural persons(NAV, NAV évkönyv 2015, 2016). At the same time, while the account number of enterprises is public and easily accessible, obtaining the account number of natural persons is still problematic. In 2016, the NTCA sent 11 million requests to payment service providers to this end(NAV, NAV évkönyv 2015, 2016). The rate of refusal of more than 22% of the submitted transfer orders after receipt is attributable mainly to inadequate flow of information and less to the incorrect processing of the information received. It happens sometimes that the account has already been closed by the time the payee manages to obtain the account number and submit the official transfer order. The process of obtaining account numbers as necessary information is often difficult and very costly for both payees and payment service providers. Even when only one request is sent on paper to all payment service providers, both the requester and the addressee incur costs in connection with printing, signing, filing, postage, the processing of replies, storage in archives etc. A central account information system containing all account numbers which may be subject to an official transfer order (payment accounts, deposit accounts etc.) together with the appropriate identifiers would solve the issue.

The central payment account register referred to in the Government Resolution on the action plan on the implementation of the anti-money laundering recommendations made for Hungary in the Moneyval report of the Council of Europe[28] offers an excellent opportunity for the development of a system of this kind. On an appropriate legal basis, the register could fulfill a similar function as the account information system mentioned above. It could be designed as an on-demand system from which prospective payees may retrieve account information for a minimum service fee (which would be far less than the costs of previous requests). The appropriate management of access – by both requesters and the addressees of such requests – would exclude any data protection concerns, since access to these data is already regulated by the applicable legislation in force. This solution would only entail technical changes in the process. Processing times and the number of orders submitted for nonexistent or already closed accounts would definitely be reduced. Costs associated with the simultaneous operation of several different account information systems (the VIEKR, the NTCA EBT and also the

28 Government Resolution No 1688/2017 of 22 September 2017 on the action plan on the implementation of the anti-money laundering recommendations made for Hungary in the Moneyval country report of the Council of Europe, Point 71.

functionally similar system operated by Registry Courts) could be eliminated as these systems would be needed no longer.

**Linking the account information database with the databases of other registers would make refusals on the ground of a mismatch between the specified name and account number obsolete.** The possibility of linking the account information database mentioned above with the databases of the Registry Courts, the NTCA and other registers would provide a solution for the accurate recording of personal information. This way, payment service providers could be automatically notified of changes and clients would also be saved the bother of notifying changes. Furthermore, this improvement would ensure that official transfer orders may be submitted only for names featured in the records.

**Simplification and standardisation of the method of calculation of amounts exempt from enforcement would contribute to the provision of clear and appropriate information to clients**. Filling gaps in the legislation regarding the calculation of amounts exempt from enforcement and the rules on extension – as set out in Section 2.1 – and a clear guidance on the application of the legislation would definitely enhance trust in the effective use of official transfer orders. Defining the amount exempt from enforcement as a fixed monthly amount would remove uncertainties regarding the period and value applicable in the calculation method, for payment service providers and payers alike.

**Standardisation of the types of messages sent in connection with official transfer orders down to the last detail is indispensable for a full automation of the process.** The introduction of the intra-day credit transfer regime in 2012 and the planned implementation of instant payment services have directed the attention to the challenge of managing official transfer orders, experienced mainly by the payment service providers of payers. Full automation is hindered by several factors beyond the control of payment service providers. These include:

- deficiencies in the indication of the collection of child support or costs related to childbirth, which may be eliminated by designating a standard place of indication;
- upon checking whether the specified name and account number are matching, the payer's name is found inaccurate. A provision ensuring that transfer orders may be submitted only for names featured in the account information system would solve this problem. This way, the standard message initiating an order with an incorrect name would be rejected prior to its transmission to the service provider of the payer;
- official transfer orders submitted for several payment accounts of the same payer and monitoring multiple submissions could also be avoided by a properly used account information system and adherence to the verification rules based on this system;

- by analogy to the problem of indicating the collection of child support, there would be no need for the service provider of the payer to monitor the information field of transfer orders, if a standard place/field was specified for the relevant information, which could also be automatically verified, possibly by the ICS.

For the amount claimed to be collected as quickly – ideally in a few minutes after the order has been submitted – and as cost-effectively as possible, the functioning of official transfer orders must be in line with the increasingly automated and accelerated financial infrastructure of the 21$^{st}$ century. To this end, the often fragmented processes described above should be standardised and simplified along with the entire life cycle of official transfer orders, from obtaining account information to the processes of execution, queuing and refusal.

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