What is IBAN?

IBAN stands for International Bank Account Number and is defined by ISO 13616 to facilitate the processing of data internationally in data interchange, in financial environments as well as within and between other industries to enable the international addressing of accounts. It was initially adopted within the EU and the EEA and in total, it has now been adopted in more than 70 countries.

The IBAN Registration Authority receives valid IBAN formats registration requests from national standards organisation or national authorities and publishes an IBAN registry.

EU legal references:

Regulation EU n. 260/2012 (SEPA regulation): the use of the IBAN as unique identifier for SEPA direct debits and credit transfers.

Art. 2 (15) ‘IBAN’ means an international payment account number identifier, which unambiguously identifies an individual payment account in a Member State, the elements of which are specified by the International Organisation for Standardisation (ISO);

What is the purpose of an IBAN?

By following the standard, national schemes of assigning unique account addresses may be deployed and validated in an international environment. The use of the IBAN standard in financial markets facilitates cross-border transactions as the length and content of this identifier is standardised by national bodies in a machine-readable format, enabling straight through processing and improving confidence in cross-border payments. For the end-users of an international payment (ordering party and beneficiary) and for the financial institutions, it may reduce the cost of processing a payment transaction and reduce the cycle time of the transaction.

EU legal references:

Regulation EU n. 260/2012 (SEPA regulation): the use of the IBAN as unique identifier for SEPA direct debits and credit transfers.

Whereas (8) “In the vast majority of payment transactions in the Union, it is possible to identify a unique payment account using only IBAN without additionally specifying BIC. Reflecting this reality, banks in a number of Member States have already established a directory, database or other technical means to identify the BIC corresponding to a specific IBAN. BIC is required only in a very small, residual number of cases. It seems unjustified and excessively burdensome to oblige all payers and payees throughout the Union always to provide BIC in addition to IBAN for the small number of cases where this is currently necessary. A much simpler approach would be for PSPs and other parties to solve and eliminate those cases where a payment account cannot be identified unambiguously by a given IBAN. Therefore the necessary technical means should be developed to enable all users to identify unambiguously a payment account by IBAN alone”.

Directive 2366/2015 (Payment Services Directive 2): the use of a “unique identifier” to “identify unambiguously another payment service user and/or the payment account...”.

Whereas (33), ‘unique identifier’ means a combination of letters, numbers or symbols specified to the payment service user by the payment service provider and to be provided by the payment service user to identify unambiguously another payment service user and/or the payment account of that other payment service user for a payment transaction.
What is BBAN and why is a BBAN needed to be able to issue an IBAN?

A Basic Bank Account Number (BBAN) is defined by national standards or practices for an appropriate number of unique accounts to be identified within a networked industry. Within financial services, the development of national payment schemes often required a supporting identifier schema for the purpose of identifying individual accounts. The IBAN standard is designed to provide backwards compatibility with these identification schemes in an international environment and so utilises BBAN in the definition of IBAN.

Why is it important that the country code is part of the IBAN?

In order to internationalise national identification schemes, the standard pre-fixes a national BBAN with the appropriate country code. Without this, there would be no way to guarantee there is no confusion between the BBANs, and therefore IBANs, of two different countries.

The intelligence derived from the country code may assist payment service providers, customers and overseeing authorities to identify the country or territory in which the assigning institution resides. Additionally, the country code allows the identification of the IBAN format, its length and structure according to the IBAN registry.

The various methods by which financial services may be offered may require further implementation guidelines. More specifically, within the EU and EEA, where passporting of financial services is permitted, it is necessary that the country code in the IBAN references the location of the financial institution providing the services.

Useful links: