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## MINUTES

### 5<sup>th</sup> MEETING – EPC Scheme Technical Forum (ESTF)

14 March 2017 - 10:00 – 14:30

Venue: EPC Secretariat, Cours Saint-Michel 30a, B-1040 Brussels  
(Approved by the ESTF)

**Note:** An overview of the action points from this meeting can be found at the end of these meeting minutes.

#### 1. Welcome and approval of the agenda (ESTF 002-17)

The ESTF co-Chairs T. Feiler and J-Y. Jacquelin welcomed all ESTF participants. The agenda was approved unchanged and can be published on the EPC Website.

#### 2. Developments since the 4<sup>th</sup> ESTF meeting on 16 September 2016 (ESTF 006-16)

The EPC published the version v1.0 of the SEPA Instant Credit Transfer (SCT Inst) scheme rulebook end November 2016. The adherence process for payment service providers (PSPs) wishing to adhere to the SCT Inst scheme is open since end January. So far, six clearing and settlement mechanisms (CSMs) have declared to be a SCT Inst scheme compliant CSM by the end of November 2017.

#### 3. ESTF discussion on four topics (Pres EPC 012-17)

The ESTF was informed that the members of the EPC Scheme Evolution and Maintenance Working Group (SEMWG) provided input on the following matters at the end of February:

1. The SCT Inst scheme implementation status within their communities of scheme participants and with the relevant payment end-users
2. Concrete remittance information (RI) needs within their communities of scheme participants and with their payment end-users

Four possible scenarios of additional RI were put forward:

- N°1: one time 140 characters unstructured and one time 140 characters structured
- N°2: five times 140 characters unstructured or structured
- N°3: two times 140 characters unstructured + ten times 140 characters structured
- N°4: one occurrence of 140 characters unstructured or structured + rest of information put in an external storage location

3. ISO20022 field and/or message needs

4. Possible extension scenarios of the SEPA character set

The presentation Pres EPC 012-17 provided a summary of the comments received. As the SEMWG would only discuss these comments for the first time at its meeting on 15 March, the presentation could not be sent yet to the ESTF.



The SEMWG members may wish to make corrections to the summarized comments in this presentation. Once the SEMWG members are fine with the formulated comments, the ESTF members will receive the final version of this presentation. It was clarified that this document was not for external circulation or publication.

## A. SCT Inst scheme implementation status

The presented status overview listed only the firmly expressed positions. Many PSP communities have not yet taken final decisions on their national approach for the SCT Inst scheme roll-out.

PSPs in five countries would adhere to the SCT Inst scheme by end of November 2017 with PSPs from another three countries joining the scheme at the end of 2018. The PSPs in four of these countries currently have a national go-live date planned.

The percentage of these PSPs in the total national (S)CT volume range from 35 to 90 percent. The large majority of these PSPs intend to act as both Originator Bank and Beneficiary Bank. The PSPs in four countries are considering a higher maximum amount per SCT Inst instruction or a shorter target maximum execution time.

As for the issues and obstacles reported at this stage, four groups could be made:

- **Adherence:** each PSP still has to determine if it can make a positive business case out of SCT Inst. The current maximum amount of 15 TEUR per SCT Inst instruction may not convince the B2B segment. The PSPs question whether a critical SEPA-wide reach will be achieved.
- **Technical challenges:** the SCT Inst scheme requires a different risk assessment, a new technical implementation approach and IT investments as scheme participants have to ensure real-time processing and 24/7/365 system availability.
- **Risk Management:** the PSPs consider that SCT Inst transactions can become attractive for fraud and money laundering. The screening systems of the PSPs will have to work instantly and on a 24/7/365 basis. PSPs still have to examine how to deal with suspicious transactions taking into account the defined short processing timelines and deadlines.
- **Clearing and settlement:** PSPs are concerned that there will be no interoperability between CSMs. Further doubts on this subject were created due to the expected development of TIPS by the Eurosystem and its late launch. The PSPs also wonder if and how the settlement mechanisms via ASI6RT and via TIPS will interoperate. Another worry is the limited TARGET2 opening hours as they limit the opportunity for regularly funding the pre-funded settlement account.

Some ESTF members confirmed that the current maximum amount of 15 TEUR per instruction is seen by corporates as too low. This affects the business case for some PSPs when considering the implementation of the SCT Inst scheme.

The EPC Director General explained that as of November 2018, the maximum amount per SCT Inst instruction can be adapted. PSPs can submit change requests to increase the maximum amount per SCT Inst instruction.

The EPC will collect again the implementation status of the SCT Inst scheme in each community during the second quarter of 2017. The results of this second round can be shared at the June ESTF meeting.

## B. Remittance information (RI)

The collected SEMWG input shows that seven SEPA countries have or had more than 140 characters in RI foreseen in their legacy CT and DD schemes.



Currently three countries have an Additional Optional Service (AOS) in place for an EPC SEPA scheme to support the transport of RI exceeding 140 characters via the payment message itself or via an external storage location. In almost all concerned countries, it is the corporate customers who transport more than 140 characters in RI.

The impact at each PSP and at each payment end-user would be huge just to foresee the transmission and the acceptance of more than 140 characters in RI. All systems and applications in the payment end-to-end chain would have to be adapted. Other technical service providers supporting PSPs and/or payment end-users would also have to adapt their solutions. The payment infrastructure providers would have to adapt their capacity in order to transport and to process the extra RI in the C2B, the interbank and the B2C spaces.

An ESTF member from a country using a SDD AOS to transmit more RI reported that such AOS is highly used by large and mid-sized companies. These customers use this AOS to transmit invoice details to the debtors.

Another ESTF member stated that there is an ongoing demand from corporates and their clients of that country to increase the remittance information to more than 140 characters.

The EPC co-Chair remarked that the SCT and SDD schemes have been designed only for transferring funds by making a payment transaction whereby the RI relates to information about this payment. The schemes have not been developed to transfer all kinds of data from one party to another. The idea of SEPA was to come to a harmonized euro payment processing across Europe. AOSs have only been foreseen as a temporary solution to help the SEPA migration.

Other ESTF members remarked that specific remittance advice messages (remt.001 and remt.002) are defined under ISO 20022. As the SCT scheme only uses a pacs.008 message (interbank credit transfer), this message can contain a reference ID to these remt messages. The remt messages can then be sent alongside the pacs message via a network other than the clearing infrastructure network. The remt messages have no character size limit.

Another alternative would be that the RI up to a certain size is transported together with the payment message with the rest of the information exceeding that size made available in a repository in a cloud. The payment message contains identification details (e.g., a link) of that repository. One ESTF member however reported legal issues for PSPs when such solution is chosen. The PSPs would be responsible for screening the content stored at the provided repository location.

Another suggestion was to develop a SCT scheme to be used by business customers only that could then foresee more RI to be transported. The remark was made that in 2010-2011, the EPC conducted a market research about the possible need of a separate SCT B2B scheme (the drivers of this initiative did not relate to RI). At that time, there was no need for such separate SCT scheme.

The EPC co-Chair indicated that at this stage there is no widespread need for additional RI across SEPA. Alternative solutions are available and are used in the market. Given that a low number of countries provide a solution for additional RI, it would be difficult to convince the rest of the PSPs and their customers in SEPA to make considerable investments for an additional RI feature built in the EPC schemes that only a few corporate customers would use.



### C. Extension of the SEPA character set

The background was a 2016 change request suggesting the extension of the SEPA character set. Even though this change request was not supported, the EPC Scheme Management Board (SMB) asked the SEMWG to analyse the possibilities and the impact of extending in a limited manner the number of characters in the SEPA character set for scheme participants and for payment end-users.

A minority of communities were in favour of having extra characters and reported that the extension of the character set would bring benefits:

- Unambiguous representation of customer name, address, RI details in the end-to-end chain of each cross-border SEPA transaction
- In case of cloud solution for RI: potential need of special characters
- Inclusion of specific symbols no longer requires a “translation” of these symbols
- Better reconciliation of textual data

Other communities remarked that the large majority of processed SCT and SDD transactions are still national transactions. Another comment was about the concrete attributes the EPC would take into scope: would it be limited to the name and/or address only or also other fields?

Extending the SEPA character set would lead to high investments for PSPs and end-users. Similarly to RI, all systems and applications in the payment end-to-end chain would have to be adapted. Other technical service providers supporting PSPs and/or payment end-users would also have to adapt their solutions.

Concerns were also raised about the regulatory and fraud screening. There would be a higher chance of regulatory and fraud-related hits requiring investigations or repairs. PSPs may also be faced with difficulties to interpret the content of the messages.

One ESTF member indicated that as an alternative each scheme participant should be mandated to adopt the EPC document ‘SEPA Requirements for an Extended Character Set (Unicode subset)’ (EPC217-08). This document contains a set of recommended best practices to be used in dealing with local language and special characters used in SEPA countries.

Another ESTF member reported that actually the internet-related symbols (e.g., @, #) should become part of the SEPA character set. A further ESTF comment was to look into the different types/ categories of characters having an ascending complexity for the various systems and applications: the ASCII character encoding standard, internet-related characters and finally Cyrillic/ Greek characters.

### D. ISO 20022 field and/or message needs

The ESTF noted the variety of wishes from various PSP communities about valuable elements for PSPs and/or end-users that are missing in the 2009 ISO 20022 version.

Applying a new ISO 20022 version for the C2B and the interbank messages would lead to high investments for PSPs and end-users. Similarly to the RI and the character set, all systems and applications in the payment end-to-end chain would have to be adapted. Other technical service providers supporting PSPs and/or payment end-users would also have to adapt their solutions.

Furthermore, a change-over at customer level would be long and costly (2 up to 5 years). It will also require a migration period where several versions would operationally co-exist. PSPs and end-users would have to deal with multiple ISO versions for different payments (SEPA, national, international).



One ESTF member suggested the EPC taking over the latest ISO 20022 version as it contains the richest variety of fields and messages. Software vendors are already familiar with the latest ISO version as their business customers regularly tend to implement the latest available version.

The representative from SWIFT offered to make a gap analysis for the pacs messages between the 2009 ISO 20022 version and the latest ISO version. The EPC co-Chair appreciated this offer and suggested SWIFT to present this offer within the Standards Task Force of the SEMWG.

When the EPC would decide to change to a newer ISO version, the ESTF members raised the following aspects for the EPC to reflect upon:

- How to deal with situations where the initial payment message was based on the 2009 version but a R-transaction related to that initial payment message has to follow the newly selected ISO version?
- Does the EPC consider a big-bang change-over or a transitional change-over period and for how long such period would last? Each scenario has its specific challenges for CSMs in particular.

**AP 05.01** The June ESTF meeting to make a formal position on remittance information, a new ISO 20022 version for the rulebooks and the SEPA character set

#### **4. Updated Implementation Guidelines for the SCT and the SCT Inst rulebooks**

The ESTF was informed that throughout 2017 the EPC will publish updated Implementation Guidelines (IGs). These updates will relate to:

- The formal ISO message supporting the optional **SCT Inst** transaction status investigation procedure. The current published interbank IGs describe only the 'candidate' pacs.028 message.
- The messages for **SCT** inquiries and related responses becoming effective in November 2018
- The messages for 'request for recall by the Originator' and related responses becoming effective in November 2018 for **both SCT rulebooks**

#### **5. 2018 scheme change management cycle**

##### **A. Deadline for change requests to the rulebooks**

The ESTF was informed that change requests to the EPC rulebooks should be sent to the e-mail address [change-request.EPC-scheme@epc-cep.eu](mailto:change-request.EPC-scheme@epc-cep.eu) by 31 December 2017 at the latest.

##### **B. Specific SCT Inst items for the ESTF (EPC173-16)**

During the 2016 public consultation<sup>1</sup> on the drafted SCT Inst rulebook, the following comments were submitted which the ESTF could be consider:

Comment n°13: EACHA letter

Comment n°20: German Banking Industry Committee

The CSMs from EACHA present at the ESTF meeting indicated that elements from the EACHA letter had been well reflected in the version 1.0 of the SCT Inst rulebook. Formal regular meetings on SCT Inst – related topics organised with other market players are addressing other elements raised in the EACHA letter. At this stage, EACHA does not see subjects that the EPC should take up.

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<sup>1</sup> The document EPC173-16 consolidates all comments received during the 2016 public consultation on the proposed SCT Inst rulebook. This document is available on a dedicated [EPC webpage](#)



### C. Reconsideration of 2016 change requests related to CSMs

During the 2016 EPC rulebook change management cycle, the ESTF decided that it should re-assess two specific 2016 change requests from Equens.

#### # 13 Extension of the use of existing technical r-transaction reason codes and the introduction of new technical r-transaction reason codes for specific pain and pacs messages

The background for this change request is that every CSM defines its own error codes as the EPC rulebooks currently do not include many technical codes. These error codes are not included in the main interbank formats.

This results into technical errors regularly being labelled with the reason code MS03 (= reason not specified) when forwarded to another participant.

The change request suggests implementing additional reason codes in the rulebooks. This will make it easier for every participant to give detailed information about the reason for an r-transaction, especially for technical issues.

An ESTF member suggested as alternative that all ISO 20022 reason codes should be allowed in the IGs. The EPC co-Chair remarked that the more reason codes are included in the IGs, the less these codes will be correctly used. He further suggested that the CSMs determine first among themselves the concrete reason codes which are important for the CSMs but which are still not included in the IGs. Updated with this information, the change request should then be resubmitted as part of the next consultation process.

#### # 14: Assign clear responsibilities to scheme participants and CSMs for executing those SEPA usage rules defined in the interbank IGs

The reason for this change request is that the EPC rulebooks currently define SEPA usage rules but not who should execute these. There seems to be a lack of clarity if a certain check/validation has to be done, can be done or must not be done by a participant that is not the Creditor Agent or Debtor Agent.

It should be clear to all the parties involved in the processing chain about who is responsible for which kind of validation. The suggestion is that the EPC should better define the responsibilities in general or for each SEPA usage rule.

The EPC co-Chair stated the EPC will investigate how to specify more explicitly the responsibility-bearing party for each SEPA usage rule.

**AP 05.02** EPC secretariat to take up the 2016 change request item #14 in the preparation process for 2018 change requests created by the EPC

### 6. Re-composition of the ESTF in September 2017 (EPC 005-15)

The EPC Director General reminded that the ESTF had its first meeting in September 2015. Following the Terms of Reference of the ESTF, the renewal of the ESTF composition for the representatives and the co-chairs will be done on a two-year cycle starting from the first formal ESTF meeting.

As a consequence, a call for ESTF member candidates will be organised in the second quarter of 2017. The September SMB meeting will approve the new ESTF composition.

### 7. AOB

No other business was addressed.

### 8. Date of next meeting and closure of the meeting

The next ESTF physical meeting takes place on 22 June starting at 10h00 in Brussels. At the June ESTF meeting, it will be decided whether the ESTF meeting on 23 August will be held as a conference call or as a physical meeting.



**List of open action items after  
5<sup>th</sup> ESTF Meeting**

<b>Item</b>	<b>Topic</b>	<b>Action</b>	<b>Owner</b>	<b>Status / Deadline</b>
05.01		Make a formal position on remittance information, new ISO 20022 version for the rulebooks and the SEPA character set	ESTF	June meeting
05.02		Take up the 2016 change request item #14 in the preparation process for 2018 change requests created by the EPC	EPC secretariat	During 2017



## List of participants – 5<sup>th</sup> ESTF Meeting

Date: 14 March 2017

Name	Institution	Attendance
<b>EPC Scheme Evolution and Maintenance Working Group (SEMWG)</b>		
Jacquelin Jean-Yves (SEMWG Chair) (Co-Chair)	Erste Bank (Austria)	Yes
Schindler Axel	Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) (Germany)	Apologies
<b>SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)</b>		
Renault David	EBA Clearing	Yes
Bär Fred	European Automated Clearing House Association (EACHA)	Yes
Feiler Thomas	equensWorldline	Yes
Pfeffer Walter (Co-Chair)	Geldservice Austria	Yes
Langa José-Luis	Iberpay	Yes
Marchetta Angelo	SIA S.p.A.	Yes
Sequeira Luis	SIBS	Yes
Beltran José	STET	Yes
<b>Technical players or European associations of technical players that provide SCT and SDD messaging services and are not already CSMs</b>		
Bouille Isabelle	SWIFT	Yes
<b>Other technical players (or their European associations)</b>		
Kislingbury Barry	ACI Worldwide	Yes
François Raphael	Azzana Consulting	Yes
Belgini Enrico <sup>2</sup>	Cedacri S.p.A.	Yes
Chance David	Dovetail Systems	Yes
Denis Olivier	EastNets	Apologies
Carpintero Gabriel	Hermesti Ingeniería Documental	Yes
North Craig	Microsoft	Apologies
Heinze Volker	Unifits GmbH	Yes
<b>Observers</b>		
To be nominated	European Central Bank	--
To be nominated	European Commission	--
<b>European Payments Council (EPC)</b>		
Goosse Etienne	Director General	Yes
Clarebout Bart	ESTF Secretary	Yes

<sup>2</sup> Alternate of Stefanelli Salvatore