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## MINUTES

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

22 June 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 004-17)

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 5th ESTF meeting on 14 March 2017 (ESTF 003-17)

No developments were reported.

#### 3. SCT Inst scheme implementation status

##### A. Input collected from the EPC members (Pres EPC032-17)

The members of the EPC Scheme Evolution and Maintenance Working Group (SEMWG) provided an update on the SCT Inst scheme implementation status in their national communities at the start of June. The presented status overview Pres EPC032-17 listed only the firmly expressed positions. This document is not a public document and is only available for the ESTF members' constituencies.

PSPs in at least four countries would adhere to the SCT Inst scheme by end of November 2017 with PSPs from at least another three countries joining the scheme by the end of 2018. Four of these countries indicated a national go-live date.

The percentages of these PSPs in the total national (S)CT volume range from 40 to 90 percent. The large majority of these PSPs intend to act as both Originator Bank and Beneficiary Bank. PSPs in three countries are considering a higher maximum amount per SCT Inst instruction and/ or a shorter target maximum execution time.

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

- Adherence: each PSP still has to determine if it can make a positive business case out of SCT Inst. 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 for money laundering. PSPs still have to examine how to handle transactions withheld by screening and fraud prevention systems in light of the time deadlines defined in the scheme. Also fast-response procedures to prevent SCT Inst misuse/fraud will have to be aligned at SEPA level.



- Clearing and settlement: PSPs are concerned that there will be no interoperability between SCT Inst scheme compliant CSMs. The fear is that scheme participants are forced to participate in more than one clearing solution. Further confusion on this subject was created due to the expected development of TIPS by the Eurosystem and its expected launch in November 2018. 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.

With respect to the role of the EPC for the SCT Inst scheme roll-out, the PSPs expect that the EPC:

- Monitors the SCT Inst roll-out similar to the introduction of the SCT scheme in 2007 – 2008;
- Gives guidance on the minimum reachability requirements for PSPs to adhere;
- Provides continuous and transparent information about PSPs that adhere to the scheme;
- Shares experiences, recommendations and best practices from (communities of) PSPs that have already adhered to the scheme;
- Issues advice about potential operational issues and clarifications in case of different interpretations of the SCT Inst rulebook;
- Takes a steering and coordination role in case of major incidents and major frauds.

Some ESTF members confirmed that the existence of ASI6RT and TIPS cause confusion among PSPs as the PSPs are unsure if they should be connected to both mechanisms or not. Also the fact that the SCT Inst scheme is an optional scheme may be the cause that PSPs in just a few countries have made concrete plans for the SCT Inst scheme.

The EPC Director General had expected this level of adherence intentions at this point in time and was confident that a lot of adherence applications would still be submitted by the 22 September 2017 deadline for the October 2017 SCT Inst scheme participant register publication. The SCT Inst scheme adherence status in November 2020 will be the key milestone as the SCT Inst scheme will have to meet with the threshold criteria of the SEPA Regulation with respect to new European payment schemes.

The SEMWG members will be asked to submit the next SCT Inst scheme implementation status update in the course of September.

**AP 06.01** Secretariat to share the document Pres EPC032-17 on the June 2017 SCT Inst scheme implementation status with all ESTF members.

**This document is not a public document and is only available for the ESTF members' constituencies.**

#### **B. Obligation for scheme participants to remain reachable for SCT Inst & R-messages after voluntary withdrawal from the scheme (ESTF 005-17)**

The EPC has been asked to confirm if the SCT Inst rulebook requires a SCT Inst scheme participant withdrawing from the scheme, to remain available through the path used for that initial SCT Inst transaction for:

- The receipt of a confirmation message in case that initial SCT Inst transaction still has not been confirmed;
- The initiation of a SCT Inst recall message by the Originator bank, and the receipt and response to a SCT Inst recall message by the Beneficiary bank for the respective durations defined in the rulebook.



The ESTF was informed that the SCT Inst rulebook section 5.11 on Termination stipulates that a former SCT Inst scheme participant shall continue to be subject to the SCT Inst rulebook in respect of all activities which were conducted prior to termination of its status as a participant and which were subject to the rulebook, until the date on which all obligations to which it was subject under the rulebook prior to the termination have been satisfied.

In practice, this means that the SCT Inst scheme participant which voluntarily withdraws from the SCT Inst scheme, has to remain reachable through that party in the interbank space only to complete these still unconfirmed SCT Inst transactions (whereby new SCT Inst transactions can no longer be transmitted) and to send or respond to recall messages with respect to the initial SCT Inst transaction for the durations prescribed by the rulebook.

In response to comments from some ESTF members, this means that a former SCT Inst scheme participant still being in the business of payment services after its termination from the SCT Inst scheme, will still be obliged to maintain its connection to the interbank space for 13 months after its SCT Inst scheme termination date (i.e. in case an Originator wants to make a request for SCT Inst recall other than for fraud, duplication or technical reasons). The concerned PSP and its interbank space partner will bilaterally agree on the concrete technical arrangements in order that this PSP respects this rulebook obligation.

The ESTF concluded that this rulebook stipulation is sufficiently clear.

### **C. Updated interbank Implementation Guidelines for the SCT Inst rulebook (oral report)**

The ESTF was informed that the EPC will publish an updated version of the SCT Inst scheme interbank Implementation Guidelines (IGs) by 14 July 2017 at the latest. This updated version will include the formal ISO20022 message to be used for the optional investigation procedure in case the Originator Bank has not received a confirmation message 25 seconds after the timestamp. The current published version of the concerned IGs contain only a candidate ISO20022 message for this procedure.

The updated version will also include the ISO messages to support the "Request for Recall by the Originator" procedure which will enter into force only as of November 2018.

### **4. Formal ESTF recommendations**

The March 2017 ESTF meeting had a first discussion on the SEMWG member input on the subjects below. The March SEMWG meeting also debated these topics and formulated its initial findings.

The ESTF was now asked to reflect on these SEMWG findings and to agree on an ESTF recommendation for the EPC.

#### **A. Extension of remittance information (RI) (EPC139-17)**

The SEMWG position was that it does not see a manifest demand for more than 140 characters in RI from various customer segments across a large majority of SEPA countries.

Just a few countries have developed an AOS under the SCT or the SDD schemes. With this current market reality, it is difficult to convince the rest of the PSPs and their customers in SEPA to make considerable investments for an EPC rulebook feature supporting additional RI. The investments to be done at each PSP and at each customer to transmit and/or to accept more than 140 characters in RI are expected to be considerable.



The SEMWG proposes that (national) communities of PSPs develop an AOS outside the EPC scheme in case they wish to respond to extra RI demands from (potential) customers.

The ESTF members were invited to indicate for which concrete use cases the provision of additional RI would be an improvement for the payer, the payee or for both parties. Once these use cases are known, the ESTF should indicate which of the EPC SEPA schemes could be the most suitable to possibly support the transmission of additional RI for such use cases. The document EPC139-17 further outlined in brief a number of options on how to go forward with demands for more RI.

The ESTF members expressed different views. Some supported the SEMWG position as only a fraction of the customer segments would actually make use of additional RI. There would be an uneven balance between the benefits for a few customer segments and the costs borne by all PSPs and all other customer segments. With the SCT and SDD schemes operational since 2008 and 2009, customers either now can live with the current capacity of 140 characters or have found an alternative solution.

Other ESTF members however provided concrete examples about

- The benefits of extra RI transmitted in the euro legacy schemes (e.g.; invoice details transmitted with a direct debit collection to the debtor, information to facilitate the reconciliation of payments, new types of payments, payments streaming from smart contracts, etc.) and
- Developments in the USA and other countries to share a large quantity of RI between payers and payees in the very near future by separate ISO20022 remittance messages sent together with the payment message. These remittance messages will also be subject to screening.

These ESTF members were of the opinion that the transport of such extra RI would further enhance the scheme itself and the accounts payables and accounts receivables handling. The possibility of having extra RI would also support the development of payment processes such as request to pay and it would facilitate innovation and further developments. ESTF members share the vision that the EPC should aim to provide the scheme participants with the best schemes in the world. Some of ESTF members consider that the latter vision does not fit with the current RI capacity of just 140 characters.

Taking into account the SEMWG position and the concrete examples outlined by the concerned ESTF members, the ESTF concurred on the option of the payment message having itself only a limited RI capacity in combination with specific ISO 20022 remittance advice messages (remt. messages). The remt messages are sent alongside the payment message through the clearing infrastructure network. A reference to these remt. Messages is included in the RI field of the payment message.

## **B. Extension of the SEPA character set (EPC 141-17)**

The SEMWG position was that extending the SEPA character set would lead to investments to PSPs and end users. There is no SEPA-wide need for additional national language characters at this moment. If the EPC would decide to add language characters, it should then be done for all Latin SEPA characters possibly together with a change-over to a newer ISO version for the payment messages.



Various ESTF members reported about the impact from the 4th EU AML Directive which has to be transposed into national law by 26 June 2017. Their views were that characters in payment messages transmitted into the interbank space could no longer be substituted or truncated as of 2019/2020. These ESTF members also referred to the FATF Recommendation 16 related to the information to be provided about the payers and payees.

With these legislations in mind, these ESTF members were of the view that it would be rather “when” than “if” the character set would have to be extended for the interbank messages. PSPs could still decide to truncate or substitute characters in the customer-to-bank space (except for very specific professions).

The concerned ESTF members further highlighted that truncation and substitution of the characters also cause false positive hits and impact the quality of the AML detection. Furthermore, given the potential of Big Data, the more accurate the data is, the better products and services can be designed that rely on such data.

**AP 06.02** The secretariat to further investigate the concrete impact of the 4<sup>th</sup> EU AML Directive on the use of characters in the interbank and customer-to-bank payment messages.

In the assumption that above-mentioned legislations really steer PSPs to foresee more characters, the ESTF recommends that the EPC schemes should support the UTF-8 character set.

### C. New ISO20022 version for the SCT and SDD payment messages (EPC 142-17)

The SEMWG position was that a change-over to a newer ISO20022 version would lead to high investments for PSPs and end-users. The SEMWG is currently making a gap analysis on the pacs and pain messages between the 2009 ISO version and the latest available ISO version.

Some ESTF members reported that it becomes more and more a struggle to convert C2B payment messages initiated in more recent ISO versions towards the 2009 ISO version for transmission into the interbank space. Their suggestion was to take the latest ISO version which forms a lesser issue compared to any changes for additional RI and character set extensions. The latest ISO 20022 version contains the richest variety of fields and messages.

Some ESTF members reported a number of open points:

- How to deal with situations where a R-transaction has to be processed for an initial payment message that was based on the 2009 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

The conclusions of the ESTF debate were that

- The ESTF looks forward to the results from the SEMWG on its gap analysis on the pacs and pain messages between the 2009 ISO version and the latest available ISO version;
- The ESTF is strongly in favour to move to the latest available ISO version;
- The ESTF is strongly in favour for a **big-bang** change-over (i.e. no transitional period) at interbank level to the latest available ISO version (and by consequence also at C2B level given that scheme participants have to be able to support the C2B payment messages that are based on the EPC C2B IGs);



- Such big-bang change-over should ideally be in combination with the extension of the character set and a solution that supports extra RI;
- An R-transaction related to an initial payment message itself based on the 2009 ISO version, could be transmitted in the ISO version applicable to the EPC scheme rulebooks at that point in time of making the R-transaction;
- Each time a new version of the EPC SEPA scheme rulebooks is published (i.e. every two years), these rulebook versions should be based on the latest available ISO version.

#### **5. 2017 SCT rulebook IGs: different ISO version between inquiry- and payment messages (EPC 143-17)**

Three SCT inquiry types are defined in the 2017 SCT rulebook whereby these SCT inquiry processes enter into effect as of November 2018. The SCT Implementation Guidelines (IGs) containing the specifications for the required inquiry and response messages still have to be produced.

The EPC submitted change requests to ISO to update the concerned ISO20022 messages to be in line with the 2017 SCT rulebook specifications. As a result, these inquiry and response messages will only be available in the latest version of ISO20022 (i.e. no longer in the 2009 version).

The consequence is that the SCT scheme participants would have to deal with two different versions of ISO messages: the 2009 version for C2B and interbank payment messages and the latest version for the messages for SCT inquiries and responses to such inquiries.

The ESTF expressed no concerns to the future situation whereby the messages for the SCT inquiry processes will be based on a different ISO version.

#### **6. Operational monitoring and escalation processes for major incidents, fraud and hits to regulatory checks: best practices from CSMs and organizations offering messaging services (ESTF 006-17)**

The EPC wanted to know what concrete monitoring processes and escalation channels are in place at the various SEPA scheme compliant CSMs and organizations providing messaging services (and possibly between them) with respect to fraud (attempts), major incidents or hits connected to regulatory checks.

This will help the EPC to determine whether these existing processes and escalation channels are fit for purpose at SEPA level, they cover the needs of the scheme participants and to what extent the EPC can use them as an input channel and/or as communication channel to spread EPC announcements. The EPC wants to avoid a duplication of reporting and escalation procedures and to rely as much as possible on what is already available and working well among the SEPA payment market actors.

The present CSM representatives explained how their PSP-clients in their respective communities report such events to the CSM and to the overseers of these PSPs. The PSPs are obliged to report such an event to their overseer. In most communities, the PSPs do not have the obligation to report such event to their CSM. PSPs are free to inform their CSMs and they can even ask the CSM to share information about such event with other PSPs.

#### **7. 2016 SCT and SDD r-transaction statistics (Pres EPC 028-17)**

The presentation on the r-transactions statistics led to the additional comments from the ESTF members:

- In order to reduce the rates of the codes AC06 (blocked account), AC04 (closed account number) and AC01 (incorrect account number), the EPC could include a



process in the rulebooks to validate first the account with the Debtor Bank/ Beneficiary Bank.

The SCT Inst scheme has built in such feature through the confirmation messages that the Beneficiary Bank has to send before it will make the funds available.

On the other hand, the costs of such additional process have to be weighed against the number of current r-transactions that such process would strive to eliminate.

- The main issue with the SDD B2B scheme is that the Debtor Bank is not getting the necessary confirmation from the Debtor about the mandate (or about any other measure agreed between these two parties) on time. The code MD01 (No valid mandate) may thus be misused.

This presentation on the r-transactions statistics is not a public document and is only available for the ESTF members' constituencies.

#### **8. SDD schemes: statistics on the use of the sequence types FRST and LAST (ESTF 007-17)**

As of November 2016, the SDD Core and B2B rulebook rules specify the sequence type FRST as optional. The SEMWG currently considers removing FRST completely from the SDD rulebooks. The same SEMWG reflection is made about the sequence type LAST. Do Creditors present collection files that contain the sequence type LAST for the technical last collection?

The EPC would like to receive statistics from the SEPA-scheme compliant CSMs on the use of these two sequence types under the SDD Core and SDD B2B schemes.

With this statistical information at hand, the EPC can then better assess the added-value of the sequence types FRST and LAST under both SDD schemes.

Some ESTF members commented that the sequence type LAST is used by particular industries or Creditors. The use of LAST in the last SDD collection triggers the deletion of the concerned mandate record from the mandate management system of the Creditor. It also gives a confirmation from the Creditor to the Debtor that this collection is the last one.

The presented CSM representatives in the ESTF agreed to provide statistics on FRST and LAST collections for the first six months of 2017. The EPC indicated that this specific request for statistics was a one-off exercise.

**AP 06.03** EPC Secretariat to ask all SDD Core and SDD B2B scheme compliant CSMs to deliver statistics about the number of collections bearing the type FRST and LAST for the first six months of 2017

#### **9. 2018 scheme change management cycle (oral report)**

The ESTF members were 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.

#### **10. Re-composition of the ESTF in September 2017: call for candidates until 30 June (oral report)**

The EPC Director General reminded that the call for ESTF member candidates lasts until 30 June cob.

In case the current ESTF members wish to continue to be a member in the new ESTF composition as of September 2017, these ESTF members have to submit their



application letter and CV to estf@epc-cep.eu by 30 June cob. Their current ESTF membership is not automatically renewed.

#### **11. Date of next meeting and closure of the meeting**

The meeting agreed to reschedule the next physical ESTF meeting from 23 August to 12 October. This meeting will take place under new ESTF composition.

#### **12. AOB**

No other business was addressed.

### **List of open action items after 6<sup>th</sup> ESTF Meeting**

<b>Item</b>	<b>Topic</b>	<b>Action</b>	<b>Owner</b>	<b>Status / Deadline</b>
06.01		Share the document Pres EPC032-17 on the June 2017 SCT Inst scheme implementation status with all ESTF members	EPC secretariat	ASAP
06.02		Further investigate the concrete impact of the 4th EU AML Directive on the use of characters in the interbank and customer-to-bank payment messages	EPC secretariat	October meeting
06.03		Ask all SDD Core and SDD B2B scheme compliant CSMs to deliver statistics about the number of collections bearing the type FRST and LAST for the first six months of 2017	EPC secretariat	End June 2017



**List of participants – 6<sup>th</sup> ESTF Meeting  
Date: 22 June 2017**

<b>Name</b>	<b>Institution</b>	<b>Attendance</b>
<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)	By phone from 10h-12h30
Feiler Thomas (Co-Chair)	equensWorldline	Yes
Pfeffer Walter	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	Apologies
<b>Other technical players (or their European associations)</b>		
Kislingbury Barry	ACI Worldwide	Yes
François Raphael	Azzana Consulting	Yes
Chance David	Dovetail Systems	Yes
Denis Olivier	EastNets	Yes
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