

QUESTIONS & ANSWERS ON THE SEPA INSTANT CREDIT TRANSFER SCHEME

A. KEY FEATURES OF THE SCT INST SCHEME

1. In the first place, why is a pan-European instant credit transfer scheme needed?

Instant payments already exist in Europe (the UK, Sweden, Poland and Denmark for instance have successfully launched domestic instant payment solutions). Yet they operate within the borders of a country, or among the customers of the same Payment Service Provider (PSP). The Euro Retail Payments Board (ERPB) had expressed its desire to avoid fragmentation across Europe. A fragmented landscape of schemes would set barriers to a Single Market for goods and services in Europe and would be prejudicial to Europe's overall competitiveness. Therefore, the EPC was invited to develop the European Instant Credit Transfer scheme for euro payments.

The European PSP community has been working hard – and successfully - since the launch of the Single Euro Payments Area (SEPA) to instil harmonisation in what facilitates many of our daily payment habits. With the digitalisation of our economy and society, customers want faster payments following the trend of the faster delivery of goods and services. The EPC's SEPA Instant Credit Transfer (SCT Inst) scheme will as from now on provide them with access to instant payments in euro, progressively all across SEPA.

2. Can you briefly explain what the main features of the SEPA Instant Credit Transfer scheme are?

- The SCT Inst scheme is an optional scheme, available to any PSP in the geographic scope of the existing EPC SEPA schemes; scheme participants need to act at least as receivers.
- Individuals, businesses, and government entities are able to use the SCT Inst scheme, in the role of either the originator or the beneficiary of a transaction, provided their PSPs has adhered to the SCT Inst scheme.
- The scheme is built on the foundation of the existing SEPA Credit Transfer scheme: this gives the PSPs which currently offer the existing SCT scheme an ideal step stone to implement the new scheme, as their systems are already configured with the existing SCT scheme.
- The geographical scope of the scheme will progressively span across the 34 countries which are within the scope of the current SEPA schemes (i.e. the 28 countries of the European Union, plus Iceland, Norway, Liechtenstein, Switzerland, Monaco and San Marino).



- It works for credit transfers made in euro, up to an initial maximum amount of 15,000 euros per transaction.
- The money is available in the account of the payee within ten seconds. It means that within ten seconds, the PSP of the person receiving the payment (the beneficiary PSP) will report to the PSP sending the payment (the originator PSP) either that the funds have been made available on the beneficiary's account, or that the SCT Inst transaction has been rejected.
- Individual scheme participants have the possibility to agree bilaterally or multilaterally (e.g., within a specific SEPA country) on a lower maximum execution time and/or a higher maximum amount if they wish.
- All adhering scheme participants have to be technically capable to process the SCT Inst transactions on a 24/7/365 basis.

3. How were the initial maximum amount and the maximum execution time of an SCT Inst transaction chosen?

Before it organised a public consultation (in 2016), the EPC set up an Ad Hoc Instant Payments Task Force, made up of 38 representatives of its members from all parts of Europe, to determine the main features of the SCT Inst scheme, which were approved by the EPC Board after consultation with other stakeholders.

There was a broad range of views, within the EPC, as to the maximum execution time and amount targets of SCT Inst transactions. These parameters (initial maximum execution time: 10 seconds, and initial maximum amount per transaction: 15,000 euros) were set while keeping in mind that:

- The SCT Inst scheme will be used for national and cross-border transactions, in a SEPA environment which is often more complex than a national one as more intermediaries (e.g. payment supporting infrastructures) can be involved in the processing of an SCT Inst transaction.
- A pragmatic and progressive approach is key to ensure the SCT Inst scheme's successful take-up.
- Those key parameters are not cast in stone but are to be seen as the basis for the next steps of the development of the SCT Inst scheme, subject to the concrete experience of the scheme from November 2017 onwards. This is why these two parameters are described as 'initial'.

In addition, the SCT Inst rulebook explains that the maximum execution time and maximum amount of a transaction can be changed for more ambitious targets (lower execution time and higher maximum amount), if individual scheme participants agree bilaterally or multilaterally.

The key characteristics of the scheme were not challenged during the first public consultation organised in 2016. Stakeholders will have again the opportunity to give their opinion on the proposed changes to these characteristics during the next public consultation, which will be organised in 2018.

4. Individual scheme participants can agree bilaterally or multilaterally on more ambitious targets regarding the maximum execution time and



amount of an SCT Inst transaction. What does that mean exactly? Are you not afraid that this will lead to a more complex scheme, and that this will undermine the harmonisation of instant credit transfers in Europe?

If PSPs are willing to propose to their customers SCT Inst transactions of a maximum amount higher than 15,000 euros, and/or are technically able to process SCT Inst transactions in less than ten seconds, then they can agree bilaterally or multilaterally to change these parameters for SCT Inst transactions exchanged among themselves.

Note that these parameters can only be changed in a more ambitious direction. Their initial levels are however already ambitious, but at the same time also temporary, as they are likely to be changed for more demanding ones based on the concrete experience of the scheme. This solution ensures that SEPA remains a region at the cutting edge of payments technology, while allowing scheme participants to agree on setting some key parameters at even more ambitious levels.

5. In which countries is the SCT Inst scheme available?

The SCT Inst scheme is live since 21 November 2017.

It is open to PSPs in the countries that are part of the geographical scope of the SEPA Credit Transfer and Direct Debit schemes, i.e. the 28 EU Member States plus Iceland, Norway, Liechtenstein, Switzerland, Monaco and San Marino.

The complete list of countries and territories part of the geographical scope of the SEPA schemes is available on the [EPC website](#).

Nearly 600 PSPs from eight countries were ready to propose SCT Inst transactions at the time of the launch of the scheme. These countries are Austria, Estonia, Germany, Italy, Latvia, Lithuania, the Netherlands and Spain.

The actual lists of countries and scheme participants will progressively grow based on individual PSPs' commercial and implementation plans. For example, more PSPs from Belgium, Finland, Germany, Malta, the Netherlands, Portugal and Sweden plan to propose SCT Inst services in the course of 2018. PSPs from additional countries might also reveal their projects. The take-off of SCT Inst will in all likelihood be progressive.

6. The SCT Inst scheme is based on the existing SCT scheme. Which of the features of the latter have been reused in the SCT Inst scheme?

The SCT Inst rulebook is to a large extent a 'copy and paste' of the SCT rulebook except where there is a need for a deviation due to the instant nature of the payment. Below are some of the features of the SCT scheme that have been reused in the SCT Inst scheme:

- The SCT Inst scheme is based on ISO 20022 XML messages.
- The procedure for recalling SCT Inst transactions is identical to the one for SCT transactions.
- The payment accounts held at PSPs operating within SEPA for sending or receiving an SCT Inst transaction do not have to be denominated in euro. Any currency conversion is executed in the originator bank or beneficiary bank and is not governed by the SCT Inst scheme.



B. IMPLEMENTATION OF THE SCHEME

7. Will it be free for customers to make SCT Inst transactions?

The matter of the fee charged — or not — by the PSP when a customer makes an SCT Inst transaction is outside of the scope of the SCT Inst scheme designed by the EPC. In other words, each PSP will decide on its pricing policy.

8. As the maximum execution time of ten seconds of an SCT Inst transaction starts once the originator's PSP is ready for inter-bank processing, would not the transaction last much longer than ten seconds?

The spirit of the SCT Inst scheme is truly to offer an instant payment solution end-to-end. In all likelihood, PSPs who propose this solution will do their best to process the transaction as fast as possible. It will not be in the interest of their customers, consequently in the PSPs' interest, to unduly extend the transaction duration.

9. What do PSPs need to do in order to use the SCT Inst scheme?

PSPs willing to adhere to the scheme (at least as a beneficiary PSP of an SCT Inst transaction, on behalf of their customers) have to fill in the EPC adherence form, available [on the EPC website](#). An annual scheme participation fee is paid by all participating PSPs. This fee will however be waived in 2018.

The SCT Inst scheme is based on the existing SCT scheme, in order that its implementation requires less time and is less costly for PSPs.

10. What about the clearing and settlement¹ of SCT Inst transactions?

Whereas funds take up to one business day to be available on a payee's account when a normal SCT is used, the initial target maximum execution time for an SCT Inst transaction and for making funds available to the beneficiary is ten seconds.

Classic SCT transactions are processed in batches. All individual SCT transactions received during a specific period of time during a business working day are grouped into a single (batch) file. This file is then submitted for further clearing and settlement usually at the end of day.

The processing of SCT Inst is different as the processing, clearing (and potentially settlement) of SCT Inst take place on a transaction-by-transaction basis as soon as they reach a PSP system, i.e. in real time end-to-end.

Note that as for the existing EPC SEPA schemes, the clearing and settlement layer of SCT Inst transactions lies outside of the scope of the SCT Inst scheme.

¹ Clearing is the process of transmitting, reconciling and, in some cases, confirming transfer orders prior to settlement, potentially including the netting of orders and the establishment of final positions for settlement. Clearing of payments is necessary to turn the promise of payment into an actual movement of funds from one PSP to another. The settlement completes the processing of a transaction with the aim of discharging the obligations of one PSP to another through the transfer of funds.



The SCT Inst scheme provides a single set of rules, practices and standards which are to be respected by individual PSPs and infrastructure providers, including clearing and settlement mechanisms (CSMs) on behalf of their PSP customers.

The clearing and settlement layer is a competitive area. The individual originator PSPs and beneficiary PSPs select SCT Inst clearing and settlement solution(s) and their mode of participation to a CSM (direct or indirect) based on their requirements and on the commercial offerings from the CSMs. Also risk management practices and the progress in processing technology influence the CSM solutions for SCT Inst.

Non-euro instant payment solutions already exist in SEPA. Some CSMs have therefore already proved that they are technically capable of handling payments within seconds in a risk-controlled manner.

In November 2017, nine CSMs were ready to support SCT Inst transactions. Other CSMs may announce their compliance with SCT Inst in the coming months. The list of compliant CSMs is available [on the EPC website](#), and regularly updated.

C. THE SCT INST SCHEME'S FUTURE

11. Could there be other national or local instant payments credit transfer schemes in euro in the future?

All credit transfers in euro (including specifically for instant payments) in the EU have to comply with the requirements of the SEPA Regulation. If PSPs wish to carry out instant payments they would either have to use the EPC's SCT Inst scheme or would have to set up a separate credit transfer scheme which would have to comply – same as for the EPC's SCT Inst scheme - with the requirements as set out in Article 4 (1) and (4) of the SEPA Regulation. Article 4 of the SEPA Regulation sets demanding requirements for the launch of a new payment scheme in euro.

12. Now that the scheme is finalised and published, what is the role of the EPC?

As for the other schemes currently managed by the EPC, the EPC carries out the administration of the SCT Inst scheme, as well as its maintenance and evolution.

The administration and compliance processes aim to ensure that the SCT Inst scheme is administered in a fair and transparent manner at every stage in accordance with the rulebook and general principles of applicable law.

The SCT Inst scheme follows the same transparent change management cycle as the other three EPC schemes: [a call for change requests](#) was launched in 2017 (closing deadline: end of 2017). It will be followed by a public consultation in 2018, and the publication of an updated rulebook in November 2018, effective in 2019.

In addition, the EPC introduced a more flexible approach to changing the maximum amount of an SCT Inst transaction. As of November 2018, the Scheme Management Board (SMB - the EPC decision-making body in charge of the schemes' administration and evolution) will review this amount every year, and decide if it is still appropriate. Scheme participants will also have the opportunity to suggest to the SMB a new maximum amount. With this new process, the maximum amount of an SCT Inst transaction could be changed quickly (90 calendar days after its publication on the EPC website).



The change management procedures aim to ensure that the scheme will be kept relevant for its users, up-to-date, and innovative.

13. How does the EPC see the scheme evolve in the middle-long run?

The initial maximum execution time and amount of an SCT Inst transaction will be the start of a learning curve for all scheme participants and Payment Service Users (PSUs). These two features are likely to change towards more demanding levels based on experience, market demand and technological advances.