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MINUTES
7th MEETING – EPC Scheme Technical Forum (ESTF)
12 October 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 009-17)

The ESTF co-Chair from the EPC J-Y. Jacquelin being also the Chair of the EPC Scheme Evolution and Maintenance Working Group (SEMWG) welcomed all meeting participants to the first ESTF meeting in its new composition. Each ESTF member shortly introduced him/herself.

The agenda was approved unchanged and can be published on the EPC Website.

2. Terms of Reference (ToRs) of the ESTF and reference in the Scheme Management Internal Rules (SMIRs) (EPC 090-17, EPC 192-17, Pres EPC004-17)

Prior to the meeting, the ESTF members had received the ToRs of the ESTF (EPC090-17) approved by the Scheme Management Board (SMB) of the EPC, an extract from the EPC Scheme Management Internal Rules (SMIRs) describing the EPC stakeholder fora (EPC192-17) and an organisation chart of the EPC structure showing the position of the ESTF (Pres EPC 004-17).

The SMB is responsible, under the delegated authority granted by the EPC Board, for performing the functions of management and evolution of the EPC SEPA schemes.

Under Module 1, the EPC has two formal stakeholder fora to establish and maintain a dialogue with stakeholders from SEPA scheme end-users (via the Scheme End-User Forum (SEUF)) and technical players providing services and products for the SEPA market (ESTF). Through these stakeholder fora, the stakeholders are informed about the maintenance and the further evolution of the existing EPC SEPA scheme rulebooks.

The ESTF co-Chair from the EPC and the EPC Director General emphasised that the fora are a formal feedback channel via which the stakeholders can raise or address issues and make recommendations to the SMB concerning the EPC scheme rulebooks.

3. ESTF role in the change management process (EPC 207-14 v4.0, SMIRs work flow)

Through a detailed work flow, the ESTF members were informed about the different phases the EPC undertakes from the moment it receives change requests from any stakeholder until the moment the EPC publishes a new version of the EPC scheme rulebooks. It was stressed that individual ESTF members in their capacity of an organisation representative but also the ESTF as a forum as such can submit SEPA scheme rulebook change requests to the EPC.

The ESTF will be given the chance to discuss in detail every received change request and the related SEMWG recommendation given for the 90-calendar day public consultation, during a physical meeting prior to the start of this public consultation.



Once the public consultation is finished, the SEMWG then consolidates all comments from this consultation and formulates a SEMWG change proposal. Subsequently, during a physical meeting, the ESTF and the SEUF each separately give their formal position on each change request. They will have as input the comments received from the public consultation and the SEMWG change proposals. The SMB then assesses the positions from the SEMWG, the ESTF and the SEUF to determine if a change request will be taken up in the new version of the concerned EPC scheme rulebook.

4. Election of ESTF co-Chair representing the technical players

The ToRs of the ESTF foresee a co-chairing model with the SEMWG Chair taking up the role as EPC co-Chair, and a second Co-Chair to be elected by and amongst the other ESTF members representing stakeholders. With the send-out of the meeting agenda, each ESTF member had been invited to report his/her candidacy as second co-Chair by e-mail to ESTF@epc-cep.eu or latest at the start of the October ESTF meeting itself.

Messrs Thomas Feiler from equensWorldline and Raphaël François of Azzana Consulting presented themselves as candidates. During the first voting round in the morning of the meeting, the voting score for both candidates was equal. The meeting decided to re-do the voting after the lunch break as some ESTF members only entered the meeting after the first undecided voting round had taken place. The voting round held in the afternoon gave a majority with one vote difference for Mr François against Mr Feiler. Mr. François will therefore be the Co-Chair representing technical players for the ESTF's second 2-year mandate.

5. EPC document classification rules applicable to EPC stakeholder groups (EPC069-16 v0.2)

The ESTF took note of the following EPC document classification rules:

Classification	Labelling	Distribution	Access
Public	Labelling on first page of document.	<ul style="list-style-type: none">▪ Distribution to the general public.▪ Document can be made available on the EPC website.	No restrictions apply.
Internal Use (Including Designated External)	Labelling on first page of document.	Distribution to the members of the group.	"Role-based" access: these documents are restricted to the members of the group (including their constituencies, as applicable) and can only be disclosed externally with the EPC Director General's permission.
Confidential	Labelling on every page of document.	Distribution to the members of the group.	"Role-based" access: these documents are restricted to the members of the group and can only be disclosed to their constituencies or externally with the EPC Director General's permission.

Most EPC documents shared with the ESTF will be "internal use" documents. For transparency reasons to the public, the ESTF meeting agendas and the approved meeting minutes are made public on the EPC website.

6. Code of Conduct – Competition Law (EPC 212-14)

The ESTF members noted the EPC Code of Conduct - Competition Law and can address questions they may have to the EPC legal counsel (legalcounsel@epc-cep.eu).



This code of conduct aims at preventing (potential) competition law issues to arise in the context of EPC meetings, and to specify the process to be followed to address competition law issues arising. The EPC draws the attention of each ESTF member to the “do’s and don’ts” (see page 7 of the document).

7. SCT Inst scheme implementation status (Pres EPC045-17 v1.2)

The SEMWG members provided updated information on the SCT Inst scheme implementation status in their national communities at mid-October. The presented status overview Pres EPC045-17 v1.2 listed only the firmly expressed positions.

The number of declared SCT Inst scheme participants at mid-October was:

Country	# of adherents	Remarks
AT	475	51 act only as Beneficiary Bank
DE	407	405 banks reachable by 10 July 2018
EE	2	
ES	86	
IT	16	
LT	2	
LV	3	
NL	2	One PSP acts only as Beneficiary Bank
8 countries	993	

Close to 600 of the 993 SCT Inst scheme participants will be reachable as of 21 November 2017. Some PSPs have adhered only on behalf of a specific SEPA branch even though the parent company itself is not yet reachable for the SCT Inst scheme.

PSPs in at least four additional countries would adhere to the SCT Inst scheme by end of November 2018. Three 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 must determine if it can make a positive business case out of SCT Inst.
- Technical challenges: the SCT Inst scheme requires a different risk assessment, a new technical implementation approach and IT investments as scheme participants must 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 must examine how to handle transactions withheld by screening and fraud prevention systems considering the time deadlines defined in the scheme.
- 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 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 as for the introduction of the SCT scheme in 2007;
- 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.

During the meeting, the ESTF members openly shared their views and extra information about SCT Inst scheme developments in the countries in which they operate. As to the issues raised regarding clearing and settlement, the EPC Director General indicated that the EPC has voiced its expectations about those organisations that have declared to be a SCT Inst-scheme compliant CSM but the EPC is not able to do more.

Out of the ESTF debate, no concrete points were raised which the EPC should take up at this stage. The SEMWG members will be asked to submit the next SCT Inst scheme implementation status update during the first quarter of 2018.

AP 07.01 Secretariat to share the document Pres EPC045-17 on the mid-October 2017 SCT Inst scheme implementation status with all ESTF members. (done)

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

8. Status update on:

A. Extension of remittance information (RI) (Pres EPC044-17 v1.0)

The ESTF was informed that during the summer, a joint letter from several European business end-user associations has been sent to the EPC asking for an extended RI solution in line with the ISO 20022 standard. The European Commission was copied in this letter and shared its views in a separate letter.

The SEMWG believes that already now, the concerned business users can use scheme participants that support the transmission of more remittance information through an Additional Optional Service (AOS). However, the SEMWG is willing to dialogue with these end-users to work out a solution within the relevant rulebook to transmit more than 140 characters of RI through the dedicated field of the payment message itself.

The SEMWG however sets as condition that this solution is a formal rulebook option which interested scheme participants would formally have to adhere to. The inclusion of this option in the relevant rulebook cannot impact on all those other scheme participants that do not want to transmit or receive more than 140 characters of RI.

The concrete proposed characteristics of the extended remittance information (ERI) solution being a SCT rulebook option were presented during the ESTF meeting. They could be summarised as follows:

- Major condition for ERI option adherence: the SCT scheme participant must support this option in the role of Originator Bank and of Beneficiary Bank;



- Originator or Originator Bank must determine upfront if the Beneficiary Bank can process ERI based on the rulebook ERI option – The Originator Bank can only send messages with ERI to Beneficiary Banks that have adhered to the ERI option;
- The ERI option supports only the exchange of structured ERI via ISO 20022 XML messages between the respective customers of the Originator Bank and the Beneficiary Bank;
- The exchange of structured ERI done via other message formats, via other channels not supporting ISO 20022 XML messages or the exchange of unstructured ERI are not within the scope of the SCT rulebook ERI option;
- Still to determine how to transmit the ERI in the Interbank area.

As to the ESTF question why this ERI solution would be developed only for the SCT rulebook, the ESTF co-Chair from the EPC explained that these end-user associations have requested a solution only for this scheme. This EPC proposal would be discussed at the SEUF meeting on 13 October. If the SEUF does not express any concrete objections or changes to the proposed rulebook option, a 2018 change request can then be developed.

AP 07.02 Secretariat to share the document Pres EPC044-17 on the extended remittance information (ERI) solution with all ESTF members.

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

AP 07.03 Secretariat to update the ESTF with the outcome of the October 2017 SEUF meeting on the proposed ERI solution (done)

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

The ESTF was informed that the SEMWG has taken the position not to extend the SEPA character set in any way. Therefore, the EPC will not develop a change request on this topic for the 2018 rulebook change management cycle.

C. New ISO 20022 version for the SCT and SDD payment messages

The ESTF was informed that the SEMWG has decided not to recommend a migration to a newer ISO version for implementation in 2019. The EPC will not make a 2018 change request.

The arguments are that a ISO version change-over must clearly resolve specific business needs from scheme participants and end-users. In absence of such clear business needs, it would be very difficult to convince the scheme participants and end-users to adopt a new ISO version.

Furthermore, scheme participants will always have to deal with instruction files based on different ISO versions that come from their customers, irrespective of the ISO version that the scheme participants eventually wish to use in the interbank space.

The ESTF co-Chair from the EPC nevertheless reported that certain messages to be used for the new processes covered in the 2017 SCT rulebook (SCT inquiry, Request for Recall by the Originator) will be based on later ISO versions.

Some ESTF members stated that a switch to a newer ISO version does not cause an issue for them but that the support for various ISO versions consumes time and costs.

Their suggestion was to take the latest ISO version as it contains the richest variety of fields and messages. They also pointed out that other regions and countries in the world adopt ISO 20022 and they select more recent ISO versions.



If the EPC schemes become constrained in their possibilities due to the use of an older ISO version, the evolving market needs will have to be answered through other market-driven solutions.

But such solutions may respond only to a specific community and may create solution fragmentation in the end.

A few ESTF members did not share these views. They wondered whose needs would be resolved with an ISO version change-over: the corporates end-users, the scheme participants or the other market infrastructures? These members did not see major differences between the different ISO versions. If a newer ISO version is chosen, the EPC rulebooks will then have to be adapted to support the extra elements such a new ISO version would bring. At this stage, these ESTF members did not see concrete business arguments for changing to the latest version.

9. Impact of the 4th AML Directive and Funds Transfer Regulation 2 on the SEPA character set: status update (oral report)

During the June 2017 ESTF meeting, various ESTF members reported about the impact from the 4th EU AML Directive (2015/849) 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 consider that under the 4th EU AML Directive and the Funds Transfer Regulation 2 (FTR2) (2015/847), there is a need to include 'complete' information on the payer and payee, along with a complete address (where the PSP is acting in an intermediate party for a transaction that originated outside of the EU - these may flow through a market infrastructure where they appear as EU to EU transactions).

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.

The ESTF co-Chair from the EPC reported that so far, the SEMWG did not report any issue from both EU legislations on the SEPA character set. Further input from the Legal Support Group (LSG) within the EPC was still pending.

AP 17.04 EPC to report its legal input on whether the 4th EU AML directive and the FTR2 contain stipulations that forbid PSPs to substitute or truncate characters provided in customer-to-bank payment instructions for further transmission as transactions in the interbank space, at the next ESTF meeting at the latest.

Even if no changes to the EPC scheme rulebooks have to be made, some ESTF members highlighted the risks of substituting or truncating customer data for payment transaction purposes. The PSPs collect and store customer data in a rich data format during the customer onboarding and subsequent customer relationship management processes. The EPC scheme participants must strip such rich data in order that the data can be accepted in the SWIFT MT and the SEPA XML ISO 20022 messages.

10. Publication of an updated version of all 2017 EPC rulebooks (linked to a regulatory change) (oral report)

The September SMB meeting approved regulatory change requests for all four 2017 scheme rulebooks and the SMIRs. These changes resulted from the Eurosystem oversight assessment exercise on the SDD Core scheme. The rulebook sections 5.7 and 5.8 and the SMIRs will include the formal obligation for scheme participants to comply with generic supervisory requirements, without any operational impact.



In order that these regulatory change requests become effective as of 19 November 2017, the updated 2017 rulebooks and the SMIRs must be published 30 calendar days earlier. The date of 18 October had been selected as publication date. All four updated EPC scheme rulebook will bear version 1.1.

The updated 2017 SCT rulebook will also include the November 2019 effectiveness date for the SCT inquiry processes (see also section 11 below).

11. 2017 SCT rulebook: delay of entry into force of SCT inquiry processes (ESTF 010-17)

The ESTF noted the delay of the effectiveness date for the SCT inquiry processes from November 2018 to 17 November 2019.

This postponement is related to the ISO 20022 timeline that must be followed for the maintenance of ISO 20022 message definitions. The official ISO messages needed for the SCT inquiry processes and containing the EPC specifications, could not be finalised on time for the initial November 2018 go-live date.

The ESTF co-Chair from the EPC further asked the ESTF how the SCT inquiry messages should flow and presented two possibilities:

- a) Direct route: the inquiry message from the Originator Bank is sent directly to the Beneficiary Bank. The intermediary bank(s) and the CSM(s) just pass on the message up to the Beneficiary Bank without no further action. This is similar to the inquiry processes whereby SWIFT messages are used.
- b) Indirect route: each intermediary bank and CSM that receives the inquiry message from the Originator Bank will check whether the claimed issue covered in the SCT inquiry did arise within its domain of responsibility.

If the issue does not lie at this party, it then sends the inquiry message to the next party. If the interbank party is the cause of the reported issue, this party then should report something to the Originator Bank and the Beneficiary Bank and may do remedial actions.

The ESTF members took the position that the intermediaries in the interbank space should not be instructed through the SCT rulebook to conduct concrete actions with respect to SCT inquiries. In case the SCT rulebook would specify specific SCT inquiry actions for these intermediaries, this would set a precedent and could lead to other duties being allocated to these intermediaries in the future.

The SCT scheme participants and their intermediaries are however free to conclude commercial arrangements whereby the latter undertake specific SCT inquiry actions on behalf of the SCT scheme participant.

12. 2017 SCT and SCT Inst rulebooks: use of different ISO version between different types of messages

Three SCT inquiry types are defined in the 2017 SCT rulebook whereby these SCT inquiry processes enter into effect as of 17 November 2019.

The SCT interbank 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 ISO 20022 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 ISO 20022 (i.e. not in the 2009 version).



The consequence is that the SCT scheme participants will 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. A similar situation will occur for SCT and SCT Inst scheme participants for the **status update request message** on an earlier message for a recall request by the Originator which is not linked to fraud, duplication or technical error.

The ESTF co-Chair from the EPC explained that the applications of the scheme participants that analyse and validate a XML-structure, can recognise automatically these different ISO versions, link them to the applicable ISO version description and process them accordingly.

13. SDD schemes: continued use of the sequence types FRST and LAST (oral report)

As of November 2016, the SDD Core and B2B rulebook rules specify the sequence type FRST as optional. The SEMWG considered removing FRST completely from the SDD rulebooks. The same SEMWG reflection was made about the sequence type LAST.

The SEMWG analysed the statistics from the SEPA-scheme compliant CSMs on the use of these two sequence types under the SDD Core and SDD B2B schemes.

Given the current volume of collections bearing these sequence type codes, the SEMWG concluded that the two sequence types have added-value in the business processes of the Creditor and/or the Debtor. Creditors may use e.g., the type LAST in their collections to indicate that the SDD mandate has to be cancelled in their mandate databases. The formal removal of these sequence type codes would not only be a software change but also a business process change.

The EPC will not submit such change request for the 2018 change management cycle.

14. 2018 scheme change management cycle: concrete change requests from the ESTF or individual ESTF members (oral report)

Change requests to the EPC rulebooks should be sent to the e-mail address change-request.EPC-scheme@epc-cep.eu by 31 December 2017 at the latest.

One ESTF member suggested removing the SDD B2B scheme completely given the high level of rejects in a community, the very low collection volumes compared to SDD Core as well as a recent substantial downward trend in those volumes. Other ESTF members did not report similar signals from their communities or customers. A few ESTF members remarked that for SDD B2B, not only the collection volume is a criterion but also the average amount per SDD B2B collection (which is assumed to be higher than for SDD Core) as well as risk management aspects.

Another ESTF member suggested more specific reason codes. A further ESTF comment was an inconsistency reported in the SCT Inst rulebook.

These ESTF members were invited to submit a 2018 change request by the end of 2017.

15. Proposed 2018 meeting dates

The ESTF supported the proposed 2018 meeting dates of **08 March** and **22 August**. Both meetings will be held in Brussels.

16. AOB

One ESTF member reported that although the EPC customer-to-bank (C2B) IGs become mandatory as of November 2017, some scheme participants will not support them.

The EPC Director General specified that the EPC has a formal complaint procedure in place and a dedicated committee that will assess such a complaint. However, this committee treats only complaints filed by another scheme participant about a scheme participant that is alleged to be in breach with a rulebook. This committee cannot handle



complaints directly from payment end-users for which there is another process accessible through the EPC website.

Other ESTF members remarked that the concerned end-users could select one of the thousands of other EPC scheme participants that must and do support the EPC C2B IGs.

17. Date of next meeting and closure of the meeting

The next physical ESTF meeting takes place on 08 March 2018 starting at 10h00.

List of open action items after 7th ESTF Meeting

Item	Topic	Action	Owner	Status / Deadline
07.01	SCT Inst	Share the document Pres EPC045-17 on the mid-October 2017 SCT Inst scheme implementation status with all ESTF members	Secretariat	Done
07.02	ERI	Share the document Pres EPC044-17 on the extended remittance information (ERI) solution with all ESTF members.	Secretariat	Done
07.03	ERI	Update the ESTF with the outcome of the October 2017 SEUF meeting on the proposed ERI solution	Secretariat	Done
07.04	Character set	Report its legal input on whether the 4th EU AML directive and the FTR2 contain stipulations that forbid PSPs to substitute or truncate characters provided in customer-to-bank payment instructions for further transmission as transactions in the interbank space	EPC	March 2018 ESTF meeting



List of participants – 7th ESTF Meeting
Date: 12 October 2017

Name	Institution	Attendance
EPC scheme Evolution and Maintenance (SEM) Working Group		
Jacquelin Jean-Yves (SEMWG Chair) <i>(ESTF Co-Chair)</i>	Erste Bank (Austria)	YES
Schindler Axel	BVR (Germany)	YES
Thaarup Carsten	Nordea (Denmark)	YES
Pokol Zoltan	Hungarian Banking Association	YES
SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)		
Renault David	EBA Clearing	YES
Feiler Thomas	equensWorldline	YES
Pfeffer Walter	GSA	YES
Langa Jose-Luis	Iberpay	YES
Korsgaard Stig	Nets	YES
Marchetta Angelo	SIA	YES
Sequeira Luis	SIBS	YES
Beltran José	STET	Apologies
Major technical players active in multiple SEPA countries or from European associations of technical players that provide SCT and SDD messaging services and are not already CSMs		
Bouille Isabelle	SWIFT	YES
Representatives of (European associations of) technical players		
Astarita Daniele	ACI Worldwide	YES
François Raphaël <i>(ESTF Co-Chair)</i>	Azzana	YES
Chance David	Dovetail	Apologies
Bär Fred	EACHA	YES
Denis Olivier	EastNets	YES
Reichel Mario	EFIS	Apologies
De Longeaux Guillaume	Galitt	YES
Carpintero Gabriel	Hermesti	YES
Hay Tom	Icon solutions	YES
Cahill Henry	Sentential	Apologies
Heinze Volker	UNIFITS	YES
Observers		
Dinacci Fabrizio	ECB	YES
European Payments Council		
Goosse Etienne	Director General	YES
Clarebout Bart	ESTF Secretary	YES