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MINUTES
8th MEETING – EPC Scheme Technical Forum (ESTF)
08 March 2018 - 10:00 – 15:00
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 001-18)

The ESTF co-Chairs R. François and J-Y. Jacquelin welcomed all meeting participants to the second 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. 2018 scheme change management cycle: timeline and change requests received (Pres EPC 009-18)

The document Pres EPC 009-18 had been circulated to all ESTF members one week ahead of this ESTF meeting. It highlighted the timeline of the 2018 EPC SEPA scheme rulebook change management cycle with the public consultation on the received 2018 change requests taking place from 13 March to 10 June. It further described the main 2018 change requests received and the current recommendation from the EPC Scheme Evolution and Maintenance Working Group (SEMWG) on each concerned change request.

The August ESTF meeting will be important as it will have to agree on a formal ESTF position for each 2018 change request. For this action, the ESTF will receive the submitted input from the various stakeholders during the public consultation and the formal change proposals formulated by the SEMWG.

The formal SEMWG change proposal and the respective positions from the ESTF and the EPC Scheme End-user Forum (SEUF) on each 2018 change request together with the input from the various stakeholders during the public consultation, will then be presented at the September meeting of the EPC Scheme Management Board (SMB). The SMB will at its September meeting decide which change requests are taken up in the next version of the EPC SEPA scheme rulebooks.

The ESTF commented on the following change requests (CRs):

A. # 15 - Mandatory use of acmt.022 message in the interbank space in SCT, SDD Core and SDD B2B

The CR proposes that all scheme participants are obliged to support

- Sending and receiving ISO IdentificationModificationAdviceV02 (acmt.022);
- Forwarding electronically ISO IdentificationModificationAdviceV02 (acmt.022) to their (corporate) clients if requested by their clients.

The request would entail that an additional message must be sent from the creditor agent to the debtor agent in case of SCT to inform the transaction initiator about changes in the counterparty account details, e.g., new IBAN, new BIC or new bank relationship. In practice, it would be mandatory for



- the Beneficiary Bank to inform the Originator Bank in case Beneficiary account details have changed;
- the Originator Bank to make this information available to the Originator upon request of the Originator, i.e. if the Originator can process the acmt.022 message.

The SEMWG recommends not taking forward the change request. This change request is not related a specific type of EPC SEPA transaction. It applies to the customers' general account administration management.

Some ESTF members reported that payment services providers (PSPs) in e.g., France, Italy and the Netherlands already use such kind of messages based on different standards and/or formats at national level. This CR brings added value especially in the case the payer has changed its IBAN as it would increase the STP rate of the payment processing.

These ESTF members were supportive to this CR and suggested that the EPC should standardise an extra block of account information management for the SDD schemes in particular.

B. # 25 – SEPA Transaction Processing based on IBAN-Only also for non-EEA SEPA Countries in all four EPC SEPA scheme rulebooks

The current rulebooks and the related Implementation Guidelines (IGs) stipulate that the BIC code is mandatory if a scheme participant is located in a non-EEA SEPA country. The proposal is to delete the obligation that the BIC is mandatory for non-EEA SEPA countries in all EPC rulebooks and IGs. Customers should be able to provide IBAN-only SEPA transactions also when their PSP is located in a non-EEA SEPA country.

The SEMWG recommends taking forward the change request. If participants can support IBAN-only for non-EEA SEPA transactions, they should be allowed to do so. The ESTF was supportive of this recommendation.

C. Change Requests for Using Existing Reason Codes in the Interbank Space (# 28, 29, 30, 31)

The suggestion is to allow the use of R-transaction reason codes ED05, CNOR and DT01 by interbank space parties for specific R-transaction types in the SCT and/or SDD schemes. The inclusion of these reason codes allows the interbank space parties to provide a more accurate reason to the Originator Bank/ Creditor Bank for a Reject or Return. This would then reduce the use of MS03.

The SEMWG is supportive to those CRs to allow these parties to provide the reason code ED05 for a Reject and CNOR for a Return. The SEMWG does not provide a recommendation for the code DT01 for SDD as this reason code is not yet foreseen in the SDD interbank IGs. More information on the use cases is needed to re-consider the possible inclusion of this specific reason code.

The ESTF member equensWordline which submitted these CRs, will provide the use cases justifying the need for DT01 during the public consultation.

D. # 09 - Inclusion of Extended Remittance Information (ERI) Option in the SCT scheme

This CR from the EPC itself is a formal SCT rulebook option for ERI through a separate SCT rulebook annex. It will impact only those SCT scheme participants that wish to implement this option. This ERI option foresees the transmission and the processing of

- One occurrence of 140 characters of unstructured remittance information (RI) and
- up to 999 occurrences of 280 characters of structured RI (ISO 20022 only).



SCT scheme participants formally must declare their participation to this option to the EPC and support this option at least in the role of Beneficiary Bank.

It takes in account the large majority of change requests from the European Association of Corporate Treasurers (EACT) but does **not** support its change request to increase unstructured RI from 140 to 280 characters.

The SEMWG currently assesses opening the following data sub-elements for ERI in the ISO 20022 messages:

- Referred Document Information (e.g. Invoice number);
- Referred Document Amount (e.g. amount of the invoice);
- Creditor Reference Information (currently used in the IGs).

The ESTF members questioned why this CR did not apply as well to the SDD schemes and the SCT Inst scheme. The SEMWG members explained that a similar request for SDD had never been submitted in the past. As to the SCT Inst scheme, the SEMWG indicated that this extra RI would have to be transported and screened in seconds. This could be a serious challenge. The SEMWG members explained that the ERI option would be predominantly be used in certain business-to-business customer relationships.

Several ESTF members questioned the attractiveness of this ERI option. They felt that given it will be just an option, its take-up will be limited in just a few national communities but not across SEPA. PSPs may have to select other Clearing and Settlement Mechanisms (CSMs) that are able to support such ERI delivery. Other ESTF members indicated the default increase to a certain still to be determined number of occurrences of characters would have been better for SEPA as a whole.

Other members saw the delivery of ERI rather as a customised value proposition from each PSP to its customers depending on the channel(s) that that customer wishes to use. Some customers may like to receive more RI in the interbank pacs.008 message whereas others prefer to get extra RI via separate ISO remt. messages.

The SEMWG members remarked that if the ERI option would not take off (e.g., indicated by a low number of scheme participants offering it), the EPC may consider taking out this rulebook option completely.

Furthermore, the EPC cannot enforce the provision of extra RI upon all SCT scheme participants in case some SCT scheme participants do not want or cannot support such feature. In addition, SCT scheme participants in certain countries would be obliged to put such extra RI in the mandatory paper-based account statements that have to be sent to payment end-users on a regular basis.

E. # 27 - Inclusion of Incoming One-Leg Out Euro Credit Transfers for SCT

The CR proposes that payments originated outside of SEPA can be sent / processed as SCT transactions in SEPA. In practice this would mean that a euro credit transfer in SCT format can be made from a payment account held at a PSP not located in SEPA whereby this one-leg out SCT transaction routes through a SCT scheme participant to another SCT scheme participant being the Beneficiary Bank.

The recommendation from the EPC is not to support this CR during the 2018 change management cycle. The CR has too many possible implications requiring first a thorough operational and legal analysis at EPC level before it can be included within a rulebook change management cycle. The EPC co-chair of the ESTF indicated that this subject would be a 2019 work item for the EPC.

The ESTF had no objection to the recommendation and to the approach for 2019.



F. # 17 – A ‘Repayment’ Service for the Beneficiary in both SCT schemes

The suggestion is to include an automated Repayment service based on a refund decision by the Beneficiary in the SCT (Inst) scheme to enable the Beneficiary to reimburse the Originator for the full amount or only partly. Only the Beneficiary would be able to initiate such Repayment transaction.

In some cases, the Beneficiary may not receive the IBAN of the Originator in the bank-to-customer data. The Repayment feature should then rely on the payment reference of the initial SCT (Inst) transaction. With this reference, the Beneficiary Bank can retrieve all necessary details of the initial SCT (Inst) transaction to initiate a Repayment to the Originator.

The SEMWG supports this change request. The Repayment would be considered as a complete new payment order. Its proposal is to include clarifications in the IGs through new usage rules and a transaction code highlighting the Repayment characteristic of the customer-to-bank message and the interbank message, and in the Clarification Paper of the SCT and SCT Inst rulebooks how to execute such Repayment. No specifications would have to be made in the SCT rulebooks themselves.

A few ESTF members wondered whether merchants will label SCT (Inst) instructions as a Repayment. These members questioned the added value of such Repayment indication for the Beneficiary being now the Originator and the Originator being the Beneficiary. Merchants already repay their clients via a plain SCT transaction and these clients understand the funds coming from the merchant, are a repayment/reimbursement.

G. # 22 – SCT Inst Procedure for Handling Hits due to Counter Terrorist Financing (CTF), Embargo and Anti-Money Laundering (AML)

The Beneficiary Bank can be faced with a potential CTF, Embargo or AML hit for a SCT Inst transaction. The Beneficiary Bank may not want to reject outright the SCT Inst transaction. It may wish to investigate further the transaction – but the SCT Inst scheme obliges it to send a confirmation message back to the Originator Bank.

The change request suggests two possible solutions on how the Originator Bank can be notified that the Beneficiary Bank further investigates the transaction:

- Option 1: a –new- ‘pending’ message is sent back to the Originator Bank
- Option 2: the confirmation message sent back to the Originator Bank contains an additional reason code indicating that the transaction caused a potential hit

The SEMWG recommends not taking forward the change request. The feeling is that neither a pending message nor an additional reason code in the confirmation message back to the Originator Bank stating that the transaction is under investigation, will preserve the spirit and the real-time experience of the SCT Inst scheme.

A few CSM ESTF members highlighted that in case the SCT Inst transaction is rejected for a “regulatory reason”, the Originator Bank has no idea about the precise regulatory reason. These members suggested having unique reason codes for AML, CTF, embargo and even for fraud.

A precise reason code will help the Originator Bank to launch the right internal process or department in dealing with such specific reason, and to report an appropriate response back to the Originator why the SCT Inst transaction failed. For instance, AML hits are taken up by the compliance department whereas a fraudulent transaction will be treated by the security department of a scheme participant.

AP 08.01 The EPC to consider including R-transaction reason codes specifically for AML, CTF, embargo and fraud during the 2018 change management cycle



H. # 34: Use of aliases when making SCT Inst Instructions

The suggestion is to introduce a dropdown feature in the SCT Inst instruction initiation channels to enable Originators to make SCT Inst instructions by just specifying an alias for the IBAN of the Beneficiary (e.g., a mobile number\email ID or any other National ID of the Beneficiary). With this, the Originator does not need to remember and to provide each time the IBAN of the Beneficiary which effectively means faster payment submission.

The SEMWG recommends not taking forward the change request (option e) as the scope of the SCT Inst scheme lies pre-dominantly in the cooperative domain of the interbank space. The range of SCT Inst instruction initiation channels and the types of aliases or shortcuts offered to Originators for these channels, is part of the commercial i.e. competitive SCT Inst service of each SCT Inst scheme participant.

One ESTF member nevertheless wished that the EPC should standardise or at least facilitate the standardisation of the use of aliases for SCT Inst transactions. The SEMWG members remarked that this topic on aliases was addressed by the Euro Retail Payments Board (ERPB). Therefore, there is no need for the EPC to undertake anything separately.

I. # 05: Inclusion of a third SCT Inst option to allow the scheme participants to apply a hard time-out deadline of less than 20 seconds

J. # 06: Rewording in section 2.5 on value limits per SCT Inst instruction/ transaction

One ESTF member remarked that giving the SCT Inst scheme participants the option to set bi/multilateral agreements for shorter SCT Inst processing timeline deadlines and/or higher maximum amounts per order, will lead to different national/community flavours causing fragmentation across SEPA. This causes challenges for the PSPs operating in several SEPA countries and the CSMs to deal with all these flavours.

This ESTF member questioned if the EPC has set a concrete timeline to align these flavours into one. The EPC Director General reported that the current rulebook stipulations for SCT Inst options were the result of a compromise among the PSP communities. The EPC has not set a concrete timeline. Such an alignment will take place in the coming years. Furthermore, SCT Inst scheme participants can already submit a change request as of November 2018 to increase the default maximum amount per SCT Inst instruction.

3. SCT Inst scheme implementation status

A. Adherence status and projections (EPC 046-18)

On 09 February 2018, the following number of PSPs in different SEPA countries are SCT Inst scheme participants although many of them declared a future readiness date:



Readiness date	Up to 05/03/2018	03/04/2018	02/07/2018	10/07/2018	08/10/2018	07/01/2019	Total
AUSTRIA	470						470
BELGIUM					1		1
BULGARIA	1						1
ESTONIA	2						2
FRANCE		40			9		49
GERMANY	1		1	401		1	404
ITALY	19						19
LATVIA	3						3
LITHUANIA	3						3
MALTA	1						1
NETHERLANDS	3						3
SPAIN	86						86
UNITED KINGDOM	1						1
Grand Total	590	40	1	401	10	1	1043

The following new or changed adherence projections have been reported during February compared to the status update reported at the October 2017 EPC Stakeholder Forum meetings.

- Finland: the first PSP is expected to join in April 2018. The majority will join in November 2018.
- Germany: about 940 cooperative banks will be reachable for the SCT Inst scheme on 20 November 2018
- Portugal: The SCT Inst go-live date is now planned for June 2018

B. Issues from scheme participants about the current SCT Inst processing (EPC 047-18)

SCT Inst scheme participants had been asked to report the issues they regularly face so far. The document EPC 047-18 summarized these issues. ESTF comments were made on the following issues:

R-transactions

Both new and existing reason codes in case of a negative confirmation are not used in the same way by all scheme participants. SCT Inst scheme participants provided some examples.

To prevent that scheme participants and/or their CSM partners each develop a different solution, EPC guidance on the use of reason codes in specific situations would be welcome. The ESTF members supported the suggestion that the EPC should issue a EPC guidance document on SCT Inst r-transaction reason codes.

AP 08.02 EPC to develop a guidance document on reason codes for SCT and SCT Inst R-transactions in 2018
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Payment account reachability

Not all scheme participants have opened or enabled all payment accounts of their Beneficiaries to receive SCT Inst transactions from the moment these scheme participants are formally reachable for SCT Inst, although incoming SCT transactions can be booked without any issue on these same payment accounts.



Originators and Beneficiaries do not understand why an SCT Inst transaction to the payment account does fail even though, before the launch of the SCT Inst scheme, the Originator used SCT transactions to transfer funds to these payment accounts and the SCT transaction never failed.

It would be helpful for the Originator Bank to receive an indication from the Beneficiary Bank (e.g., through a reason code) if the funds transfer can be resubmitted as a normal SCT transaction. In this way, the successful execution of the funds transfer is still guaranteed although this does not give instant experience for the Originator and the Beneficiary.

The ESTF members supported the idea for such additional reason code even though the assumption should be that payment accounts on which SCT transactions can be booked, should also be open to accept SCT Inst transactions.

AP 08.03 The EPC to consider during the 2018 change management cycle to include a SCT Inst R-transaction reason code indicating that the Beneficiary's payment account is reachable only for SCT transactions

Lack of 24/7/365 availability

It was reported that not all scheme participants have measures in place to guarantee a full 24/7/365 availability. IT-system updates at some scheme participants and/or CSMs have caused little interruptions of SCT Inst service which had led to frictions for Originators and Beneficiaries.

Some ESTF members commented that scheme participants should put service level warranties in place to guarantee 24/7/365 availability for the production and back-up environments of the central systems and of the applications. Penalties should be defined when any of these service components fails. These ESTF members stated that such availability problems are not linked to the infrastructure provider but to the PSP itself. Supporting the SCT Inst scheme requires a completely different approach from the PSPs.

A group of CSMs works on a standardisation of inter-CSM messages and channels to report a temporary unavailability of a SCT Inst scheme participant. When a CSM gets such message, it will stop sending SCT Inst messages to that SCT Inst scheme participant until the moment that participant is back available. It is up to each CSM if it wants to report further such unavailability of a SCT Inst scheme participant, within its own community of SCT Inst scheme participants.

To the question if the EPC should define a SEPA-wide agreement to arrange such standardisation and distribution of such unavailability report messages, the feeling was that the rulebook cannot define such aspects as it stipulates 24/7/365 availability at all times for each SCT Inst scheme participant.

The ESTF had no major comments on the other reported issues.

C. Interoperability between SCT Inst scheme-compliant CSMs (oral report)

Some CSMs reported that the pressure on the CSMs for the establishment of all necessary interoperability links between the concerned CSMs is currently low due to the current low level of a) SCT Inst scheme participants, b) SCT Inst transactions in consumer-to-business and business-to-consumer use cases and c) cross-border payments, versus the costs to establish all these links.

The focus lies on achieving national reachability first before making the links to other communities of CSMs. An increase in the number of scheme participants and in the volumes will push the interoperability between CSMs.



D. Possible recommendations from technical players about the SCT Inst processing to the EPC and SCT Inst scheme participants (oral report)

Some ESTF members reported the issue of the value date for SCT Inst transactions that are successfully cleared between SCT Inst scheme participants during weekends. The ESTF was informed that the Advisory Group on Market Infrastructures for Payments (AMI-Pay) set up by the ECB already investigates this matter.

4. Impact of the 4th AML Directive and Funds Transfer Regulation 2 on the SEPA character set: status update (LSG 017-17)

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 considered 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).

The current conclusion of the Legal Support Group of the EPC was that it was uncertain if the use of just the Latin character set in payment transactions would negatively affect the payee's PSP for its legal obligation to detect missing or incomplete information on both the payer and the payee.

The LSG conclusion was drawn from a similar situation with respect to the passport and / or immigration authorities using Latin characters for border controls. Such border controls are equally vital in a very similar international criminal and anti-terrorism enforcement context.

The ESTF members expressed no further remarks or comments.

5. Publication of an updated version of the 2017 SCT rulebook (oral report)

The EPC is required to ensure that all its SEPA schemes provide an adequate degree of security, operational reliability and business continuity for the concerned EPC scheme participants and the EPC scheme end-users. To this end, it produces a Risk Management Annex (RMA) which can only be shared with the concerned scheme participants.

The sections 5.7 and 5.8 of the concerned 2017 SCT Inst and SDD rulebooks stipulate that each SCT Inst / SDD scheme participant is required to comply with the applicable provisions issued in relation to risk management as set out in the SCT Inst / SDD rulebooks and the related RMAs. The SCT rulebook being the very first EPC SEPA scheme rulebook does not yet include such stipulations in the sections 5.7 and 5.8.

The EPC expects to publish an updated version of the 2017 SCT rulebook including this stipulation in the second quarter of 2018. This new SCT rulebook version will contain no other changes to its business or operational rules.

6. Recent and expected publications of the interbank Implementation Guidelines (IGs) for the SCT scheme rulebooks

The ESTF noted the EPC's intention to publish before the summer of 2018 the version 2.1 of the 2017 SCT Interbank IGs covering the official inquiry messages. This publication will replace the candidate messages in the version 2.0 of the SCT interbank IGs published in December 2017.



7. 2017 SCT and SDD r-transaction statistics (Pres EPC 012-18)

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

The ESTF had not major comments to report about the shared r-transaction statistics.

8. AOB

There was no other business raised or discussed.

9. Date of next meeting and closure of the meeting

The next physical ESTF meeting takes place on 22 August 2018 starting at 10h00 and will be organised at the EPC secretariat premises in Brussels.

The ESTF members wished to receive the consolidated comments from the public consultation and the possible SEMWG change proposal for each change request as soon as possible given the summer break before the next ESTF meeting.

AP 08.04 EPC to circulate to the ESTF the consolidated comments from the public consultation and the possible SEMWG change proposal for each change request by 27 July at the latest

List of open action items after 8th ESTF Meeting

Item	Topic	Action	Owner	Status / Deadline
08.01	R-tx reason codes	Consider including R-transaction reason codes specifically for AML, CTF, embargo and fraud during the 2018 change management cycle	EPC	During 2018 change mgt cycle
08.02	R-tx reason codes	Develop a guidance document on reason codes for SCT and SCT Inst R-transactions in 2018	EPC	End 2018 at the latest
08.03	R-tx reason codes	Consider during the 2018 change management cycle to include a SCT Inst R-transaction reason code indicating that the Beneficiary's payment account is reachable only for SCT transactions	EPC	During 2018 change mgt cycle
08.04	Aug. meeting	Circulate to the ESTF the consolidated comments from the public consultation and the possible SEMWG change proposal for each change request	EPC	By 27 July at the latest



List of participants – 8th ESTF Meeting
Date: 08 March 2018

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
Pokol Zoltan	Hungarian Banking Association	Apologies
SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)		
Grandi Andrea ¹	EBA Clearing	YES
Feiler Thomas	equensWorldline	YES
Pfeffer Walter	GSA	YES
Langa Jose-Luis	Iberpay	YES
Eskestad Rasmus ²	Nets	YES
Marchetta Angelo	SIA	YES
Sequeira Luis	SIBS	YES
Beltran José	STET	YES
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
Czimer Jozsef	Capsys	YES
Chance David	Dovetail	YES
Bär Fred	EACHA	Apologies
Denis Olivier	EastNets	YES
Reichel Mario	EFIS	YES
De Longeaux Guillaume	Galitt	YES
Carpintero Gabriel	Hermesti	YES
Hay Tom	Icon solutions	YES
Cahill Henry	Sentenial	Apologies
Heinze Volker	UNIFITS	YES
Observers		
Dinacci Fabrizio	ECB	YES
European Payments Council		
Goosse Etienne	Director General	YES (AM only)
Clarebout Bart	ESTF Secretary	YES

¹ Standing in for Renault David

² Replacing Korsgaard Stig