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MINUTES

6th MEETING – EPC Scheme End-User Forum (SEUF)

07 March 2018 - 11:00 – 15:00

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

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 co-Chair J-Y. Jacquelin representing the EPC welcomed all meeting participants to the second SEUF meeting in its new composition. Each SEUF member shortly introduced him/herself.

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

2. Election of SEUF co-Chair representing the European associations of users of the SCT, SCT Inst and SDD schemes

The Terms of Reference of the SEUF foresee a co-Chairing model with the Chair of the Scheme Evolution and Maintenance Working Group (SEMWG) taking up the role as EPC co-Chair, and a second co-Chair to be elected by and amongst the other SEUF members (i.e. European associations of users of the SCT, SCT Inst and SDD Schemes).

At the October 2017 SEUF meeting, no candidacies had been received and in view of the low number of attendants it was agreed to postpone the election of the co-Chair representing the end-users until the March 2018 meeting.

Prior this SEUF meeting, each SEUF member had been invited to report his/her candidacy as second co-Chair by e-mail to the SEUF@epc-cep.eu or latest at the start of the SEUF meeting on 07 March itself.

Before the start of this meeting, the candidacy was received from Mr M. Battistella representing the European Association of Corporate Treasurers (EACT). At the meeting itself, no other SEUF member applied for the second co-Chairperson seat.

The SEUF members appointed Mr. Battistella as SEUF co-Chair.

3. 2018 scheme change management cycle: timeline and change requests received (Pres EPC 009-18)

The EPC co-Chair first explained the EPC SEPA scheme change management cycle and the roles the SEMWG, the two EPC Stakeholder Forums and the EPC Scheme Management Board (SMB) have during such cycle. The EPC co-Chair further explained the composition of the SMB made up of independent members and EPC SEPA scheme participant representatives.

The document Pres EPC 009-18 had been circulated to all SEUF members one week ahead of this SEUF 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 SEMWG on each concerned change request.



The August SEUF meeting will be important as it will have to agree on a formal SEUF position for each 2018 change request. For this action, the SEUF 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 SEUF and the EPC Scheme Technical Forum (ESTF) 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 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.

Each main change request was explained in detail and SEUF comments were made on the following change requests (CRs):

A. # 1 - Rulebook Clarification to Mandatory Customer-to-Bank (C2B) Implementation Guidelines (IGs)

As of the 2017 rulebooks, the SCT and SDD scheme participants are obliged to accept at least but not exclusively C2B SEPA payment message files based on the EPC's C2B IGs defined for all four schemes. However, there are scheme participants in the role of Originator Bank or Creditor Bank that do not offer at all the service of accepting and processing ISO 20022 XML message-based electronic bulk files of SCT instructions/SDD collections for their Originators and Creditors.

These EPC scheme participants should not be obliged to invest in tools to handle ISO 20022 XML messages if none of their customers will ever use such method of transmitting SCT instructions/ SDD collections.

Rewording is proposed in some very specific rulebook sections to clarify which Originator Banks and Creditor Banks must comply with the mandatory C2B IGs of the respective EPC schemes.

The SEUF co-Chair remarked that each scheme participant will have to be accessible through an Application Programming Interface (API) for other payment service providers (PSPs) as regulated by PSD2 underlying on possible implications to the concerned scheme participants, which this CR aims to make them exempted from the mandatory EPC C2B IGs, when they will receive payment orders from third-party payment service providers (TPPs).

The EPC co-Chair explained that each scheme participant will have to comply with the Regulatory Technical Standards (RTS) under PSD2 and in this context offer an API to TPPs for the payments accounts that are accessible online.

The SEUF members understood well the aim of this CR but the rewording for the concerned rulebook sections will have to be carefully chosen in order to align them with the PSD2 legal framework.

B. # 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.

The SEUF members remarked that there are situations in which such account management messages could be linked with a specific SEPA transaction e.g., the Beneficiary has decided that another account needs to be credited or has changed PSPs outright, or PSPs have merged.

Another comment was that the information contained in these acmt messages could be very valuable for the merchant. The main point would then be for each merchant/corporate how to interpret the delivered information. A potential factor to be considered would be the number of characters provided in such messages.

The SEUF members questioned whether such exchange of information should be resolved through a payment scheme or through another more direct customer-to-customer channel. At this stage, scheme participants simply reject the transactions in case e.g., a Beneficiary IBAN can no longer be credited. In such use cases, scheme participants could indicate in the R-transaction message that this account is no longer used or alternatively specify the other/new account of the Beneficiary.

C. # 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 SEUF was supportive of this change request.

D. 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.

For the SEUF members it is important to know whether if the error lies with the counterparty or with the payment infrastructure.



E. # 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.

The Originator Bank must verify if the Beneficiary Bank is an ERI Option Participant or not. If the Originator has made an arrangement with the Originator Bank, Beneficiary Banks not adhered to the ERI option will only get one occurrence of 140 characters of unstructured RI.

The Beneficiary Bank ERI Option Participant passes as a minimum the occurrences of structured RI to the Beneficiary. The Beneficiary Bank is free to arrange with the Beneficiary to submit the unstructured RI as well.

In case the Beneficiary Bank is an ERI Option Participant but the Beneficiary has not arranged with the Beneficiary Bank on the delivery and the presentation of ERI, the Beneficiary Bank removes the occurrences of structured RI and transmits only the occurrence of 140 characters of unstructured RI to the Beneficiary.

It takes into 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 EPC co-Chair explained that the aim of the ERI option would be to support SCT transactions in Business-to-Business relationships. This change request is not applicable to the SCT Inst scheme.

As to the EACT change request to increase unstructured RI from 140 to 280 characters, the SEUF co-Chair mentioned that prior to the SEPA schemes, payment end users in some communities could provide more than just 140 characters in RI. The EPC co-Chair remarked that such increase in unstructured RI would require additional space to be developed in the channels offered to consumers.

F. # 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 SEUF supported this view.



The EPC co-chair indicated that this subject would be a 2019 work item for the EPC.

G. # 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 as the previous SCT (Inst) transaction would already have been settled.

The SEMWG 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.

The EPC co-Chair added that the current SCT rulebooks do not forbid SCT (Inst) scheme participants to offer already now such Repayment service. The main addition is to formalize this possibility through the IGs.

A SEUF comment was that the amount of the Repayment may be higher than the amount of the initial SCT (Inst) transaction. There should be no amount limitation at all when doing a Repayment. The EPC co-Chair explained that the SEMWG had no intentions at all to make usage rules on the Repayment amount. It is up to each merchant as Beneficiary and the Beneficiary Bank to agree if a Repayment transaction amount can surpass the initial SCT (Inst) transaction amount.

The SEUF co-Chair remarked that the Repayment should be linked only to the initial SCT (Inst) transaction. For instance, the Beneficiary does not obtain the IBAN of the Originator in the bank-to-customer message but always provides the same payment reference to the Beneficiary Bank to retrieve the IBAN of the Originator for making several Repayments whereby these Repayments have no connection at all with the initial SCT transaction. The other SEUF members supported this remark.

H. # 19 & 21 - Possibility for Originator to Request Beneficiary Details to a Negative Answer to a Request For Recall by the Originator (RFRO)

The request is to extend the possibility of recourse for the Originator if a negative answer to a RFRO is received from the Beneficiary Bank. The Originator might wish to contact the Beneficiary directly to take legal action. Since the Originator may not have the correct contact details of the Beneficiary, the Originator Bank can ask for them (Name, Address, Place) via the Beneficiary Bank. With such request the Beneficiary Bank can then provide the Originator Bank with the requested contact details.

The SEMWG recommends not taking forward the change request. It sees national data protection obstacles in several countries to share such information about the Beneficiary. The second concern is the uneven balance between the implementation costs of such procedure via ISO messages and the number of requests.



The SEUF members pointed out that the principle question for this CR is whether the Beneficiary is really the Beneficiary the Originator wishes to pay. They commented that there is no proper way to check the validity and the ownership of an IBAN. The SEMWG members pointed that an IBAN validation service is difficult to set up from an implementation point of view (cost aspect).

I. # 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. The SEUF members had no objection to this recommendation.

J. # 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

The 2017 SCT Inst rulebook version 1.1 foresees the following options:

- Use of a higher maximum amount per SCT Inst instruction than the default 15.000,00 EUR;
- Use of a shorter target maximum execution time than the default 10 seconds.

The suggestion is to include a third option for SCT Inst scheme participants to apply on a bilateral or multilateral basis a hard time-out deadline of less than the default 20 seconds.

As the current applicable SCT Inst rulebook already allows the specific option for a shorter target maximum execution time, SCT Inst scheme participants interested in this specific option will most likely want to combine it with a shorter hard time-out deadline.

The SEUF co-Chair just commented that giving the SCT Inst scheme participants the possibility to set bi/multilateral agreements for using such (a combination of) SCT Inst scheme options, could create fragmentation across SEPA. This could cause challenges for end-users operating in several SEPA countries.

K. # 23 and 24 - New SDD R-Transaction Reason Codes

With the SEPA Regulation, Debtors have the option to block their account for SDD collections in case of four reasons:

- Whitelist in use; creditor and/or mandate not listed;
- Creditor blocked;
- Maximum number of Direct Debits within a certain period is exceeded by the Creditor;
- Transaction exceeds a maximum amount.



The SDD rulebooks currently foresee just one reason to cover all four reasons (SL01; “Due to specific service offered by the Debtor Agent”). The suggestion is to introduce specific codes for these four (optional) reasons.

This would help all parties involved to inform the other about a more accurate Debtor-driven reason for the non-execution of the collection. It also helps the Creditor to act/communicate in line with (one of) the four possible blocking options as used by the Debtor.

The SEMWG recommends not taking forward the change request. The Debtor can already rely on other reason codes to block a presented SDD collection (e.g., no mandate, refusal, account blocked for SDD by the Debtor). Furthermore, the Debtor may not be pleased that such SDD r-transaction reason would be communicated directly to the Creditor.

Different opinions were noted among the SEUF members. The SEUF co-Chair pointed out that PSPs in certain countries may not be allowed to report the proposed extra four R-transaction reasons. Furthermore, some of the four upper-mentioned reasons could be specified in the SDD mandate itself concluded between the Debtor and the Creditor.

There are already existing reason codes that could be used communicate to the Creditor the reason for a return. In addition, if a Debtor makes use of the white-listing option and has not white-listed a specific Creditor or mandate, it can be considered that the mandate is not valid and the corresponding return code can be used.

Another SEUF member remarked that Debtors may forget to adapt these parameters when signing a new SDD mandate. Furthermore, the Creditor does not know the exact reason why a collection failed. As for the argument that the existing reason codes can be used for these four situations, the remark was that these existing codes indicate several possible reasons. The recommendation is that each reason code must be very specific and unique.

The two co-Chairs pointed out that in case the code SL01 is provided, the Creditor will have to contact the Debtor anyway to get further information why the collection failed and how to finally settle the financial obligation.

The SEMWG members further proposed to review the EPC document EPC 173-14 ‘Guidance on Reason Codes for Single Euro Payments Area Direct Debit R-transactions’ in order the comments of the concerned SEUF members could possibly be met.

AP 06.01 EPC to review by the end of 2018 the EPC document EPC 173-14 ‘Guidance on Reason Codes for Single Euro Payments Area Direct Debit R-transactions’ to better specify those codes to be used for the four reasons/parameters allowed for Debtors under the SEPA Regulation

4. 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

The EPC expects to have about 2,000 SCT Inst scheme participants by the end of 2018. The SEUF had no comments to this report.

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 summarised these issues. The SEUF had no comments to this report.

C. Possible recommendations from end-users about the SCT Inst processing to the EPC and SCT Inst scheme participants (oral report)

The SEUF members pointed to the still limited current reachability level of the SCT Inst scheme among the PSPs in SEPA. A second point of attention is to have the facility to use Payment Initiation services (PIS services) and Request to Pay services under the SCT Inst scheme. Another interesting proposal is to be able to submit SCT Inst instructions with a future execution date and time.

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. 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 SEUF members' constituencies.

The SEUF co-Chair wondered if the concrete r-transaction volumes per reason per scheme for all SEPA countries, could be shared with the SEUF.

The EPC co-Chair explained that 19 billion SCT transactions and 20 billion SDD collections are processed per year. The EPC expects to collect statistics about 50 percent of these total volumes through the concerned SEPA scheme-compliant CSMs. The other 50 percent of SCT and SDD transactions are On-Us transactions (within the same scheme participant), between branches of the same scheme participant or scheme participants of the same group and bilateral processing arrangements.

With these extra information, the SEUF members could deduct the volume of r-transactions per reason and per scheme.

7. AOB

There was no other business raised or discussed.

8. Date of next meeting and closure of the meeting

The next physical SEUF meeting takes place on 23 August 2018 starting **at 10h30** and will be organised at the EPC secretariat premises in Brussels.

The SEUF 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 SEUF meeting.

AP 06.02 EPC to circulate to the SEUF 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 6th SEUF Meeting

Item	Topic	Action	Owner	Status / Deadline
06.01	R-tx reason codes	Review the EPC document EPC 173-14 'Guidance on Reason Codes for Single Euro Payments Area Direct Debit R-transactions' to better specify those codes to be used for the four reasons/parameters allowed for Debtors under the SEPA Regulation	EPC	End 2018 at the latest
06.02	Aug. meeting	Circulate to the SEUF 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 – 6th ESTF Meeting
Date: 07 March 2018**

Name	Institution	Attendance
Co-Chair		
Jacquelin Jean-Yves (SEMWG Chair)	Erste Bank (Austria)	Yes
Massimo Battistella	European Association of Corporate Treasurers (EACT)	Yes
EPC Scheme Evolution and Maintenance Working Group (SEMWG)		
Begoña Blanco Sanchez	ING (Belgium)	Apologies
Carsten Thaarup	Nordea (Denmark)	Yes
Jose Vicente	Millenium BCP (Portugal)	Apologies
European Associations of Users of the SCT, SCT Inst and SDD Schemes		
Alexander Singewald	The Federation of European Direct and Interactive Marketing (FEDMA)	Apologies
Arnaud Crouzet	EuroCommerce	Yes (by phone)
Erik Jensen	European Fund and Asset Management Association (EFAMA)	Apologies
To be defined	European Association for the Coordination of Consumer Representation in Standardisation (ANEC)	Apologies
Günther Lutschinger	European Fundraising Association (EFA)	Apologies
Jana Franke ¹	European Multi-channel and Online Trade Association (EMOTA)	Apologies
Kristen Morrow-Greven ²	Computer and Communications Industry Association (CCIA)	Yes
Observers		
Roxane Romme ³	European Commission	Apologies
Guests		
Jeannette Klok-Hummel ⁴	GSM Association	Yes
EPC Secretariat		
Etienne Goosse	EPC Director General	Yes
Bart Clarebout	EPC secretariat	Yes

¹ Alternate: Razvan Antemir

² Alternate: Jay Nair

³ Alternate: Pierre-Yves Esclapez

⁴ Candidacy pending for review by the EPC Scheme Management Board