

[X] Public – [] Internal Use – [] Confidential – [] Strictest Confidence

MINUTES

9th MEETING – EPC Scheme Technical Forum (ESTF)

22 August 2018 - 10:00 – 13:30

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 003-18)

The ESTF co-Chair J-Y. Jacquelin welcomed all meeting participants to the 9th ESTF meeting. The agenda was approved unchanged and can be published on the EPC Website.

2. EPC Code of Conduct – Competition Law (EPC 212-14 v1.0)

The ESTF members noted the EPC stipulations on the code of conduct with respect to competition law and in particular the sections 6, 7 and Annex I of the document EPC 212-14.

3. General Data Protection Regulation (GDPR) (EPC 024-18)

The ESTF members noted the EPC stipulations on the protection of personal data for persons who are members of an EPC body such as the ESTF.

Members of the ESTF should as a matter of principle refrain from processing any personal data accessed or obtained through their membership of the ESTF.

4. EPC Scheme Management Internal Rules: process after an EPC Scheme Rulebook public consultation and the role of the ESTF (EPC 207-14 + work flow)

The work flow document outlining the regular EPC rulebook change management cycle highlighted the different phases in this cycle and the role the ESTF plays in the cycle.

The Scheme Management Internal Rules (SMIRs) outline that after the end of the public consultation on the rulebook change requests, the Scheme Evolution and Maintenance Working Group (SEMWG) of the EPC must review the comments and must define its change proposal for each change request. It makes a Change Proposal Submission Document per scheme which contains:

- A short description of each change request;
- The SEMWG recommendation given for the public consultation;
- The results and the comments noted from the public consultation and
- The SEMWG position and Change Proposal per change request.

This ESTF meeting is important as it must agree on a formal ESTF position for each 2018 change request. For this action, the ESTF received 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 2018 meeting of the EPC Scheme Management Board (SMB). Based on these different positions, the September 2018 SMB meeting will decide which change requests are taken up in the next version of the EPC SEPA scheme rulebooks.

5. 2018 public consultation on SCT rulebook: SCT Change Proposal Submission document and the ESTF position (EPC 122-18, EPC 145-18)

A. Change requests on Extended Remittance Information (ERI)

The EPC itself submitted a change request (CR) on ERI (**item #09**) as a formal SCT rulebook **option** through a separate SCT rulebook annex. 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 will impact only those SCT scheme participants that wish to implement this option. This proposed ERI option from the EPC 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).

When the information related to one invoice, credit note or another document exceeds one occurrence of 280 characters in structured RI, a second or more occurrence(s) bearing the same invoice/ credit note/ other document number can then be used to provide the remaining RI.

The messages used for r-transaction processing and inquiries for ERI-populated SCT transactions would only contain the occurrence of 140 characters of unstructured RI.

The EPC change request takes into account the large majority of the 2018 change requests from the European Association of Corporate Treasurers (EACT – **items #37 to 43**) but does **not** cover the EACT CR item #40 to increase the unstructured RI from 140 to 280 characters.

The CR #09 and the EACT CRs apply only to the SCT scheme, not to SCT Inst.

If the CR #09 would be accepted, the Clearing and Settlement Mechanisms (CSMs) would have to adapt their routing tables by specifying which SCT scheme participants have adhered to the ERI option.

Several ESTF members pointed out that in the future payment users may well ask for more characters of RI per occurrence block or demand even the possibility of just one occurrence of close to 280.000 characters.

The ESTF supported the SEMWG change proposal to include the ERI feature as an option in the SCT rulebook, as a response to CR items #09, #37 to 39, and #41 to 43. Nevertheless, the ESTF prefers to have rather the possibility to transport a maximum volume of bytes per payment message instead of applying some restrictions such as i) a certain number of occurrences of blocks with a limited number of RI characters per block or ii) a total maximum number of characters in RI.

The ESTF supported the SEMWG change proposal and its argumentation for not including the **CR item #40** from the EACT in the SCT rulebook.

As to the question whether the ESTF would also support such ERI option for the SCT Inst scheme, several ESTF members preferred that such ERI should be transported in a separate message beside the SCT Inst payment message.



These ESTF members explained that SCT Inst payment messages containing such ERI would negatively affect the processing time of exchanging and validating the SCT Inst messages. The main aim of Originators using the SCT Inst scheme is to instantly pay the Beneficiary. Any ERI for reconciliation purposes can then be sent afterwards.

B. CR item # 17 for a 'Repayment' service for the Beneficiary (in both SCT schemes)

This CR proposes 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.

Following the comments received from the public consultation, the SEMWG change proposal is that nothing needs to be changed in the SCT scheme rulebooks themselves. The SCT rulebooks already give the Beneficiary the opportunity to repay the Originator i.e. by submitting itself a new SCT (Inst) instruction. In other words, the SEMWG sees the Repayment as a complete new SCT (Inst) instruction from a technical point of view.

The SEMWG proposes instead to include usage rules in the Customer-to-Bank (C2B) Implementation Guidelines (IGs) for electronically bundled SCT (Inst) transactions in ISO 20022 XML format when the Beneficiary wants to initiate a Repayment for an earlier settled SCT (Inst) transaction, and to provide guidance in the clarification paper of the SCT and SCT Inst rulebooks. The SEMWG will request from ISO the necessary new interbank category code and new end-to-end purpose code to tag the SCT (Inst) instruction as a Repayment.

These usage rules and the clarification paper guidance will also cover the case in which the Beneficiary has not received the IBAN of the Originator in the earlier settled SCT (Inst) transaction. For this, the Beneficiary and the Beneficiary Bank should have a bilateral agreement about the alternative ID(s) that must be provided in such circumstance.

The ESTF supported the SEMWG change proposal.

C. ESTF position on the other SCT change requests

The ESTF members were given the opportunity to raise comments or objections to the SEMWG change proposals for the other 2018 SCT change requests.

Although one ESTF member was in favour of **CR item #15** – Mandatory use of the acmt.022 in the interbank space, the other SEMSTF members supported the SEMWG change proposal for not including it in the SCT scheme. The account management (acmt) messages are not only used for SEPA transactions. They apply to the customers' general account administration management.

The ESTF supported the SEMWG change proposals for all other SCT change requests without any comment.

6. 2018 public consultation on SCT Inst rulebook: SCT Inst Change Proposal Submission document and the ESTF position (EPC 124-18, EPC 145-18)

Several SCT change requests and related SEMWG change proposals are also applicable to the SCT Inst scheme. The ESTF agreed that its positions taken for these specific SCT change requests were equally applicable for the SCT Inst scheme.



The ESTF members were given the opportunity to raise comments or objections to the SEMWG change proposals for the SCT Inst specific 2018 change requests.

With respect to the **CR item #13** on the resolution of SCT Inst investigations within 2 hours after Time Stamp, some ESTF members reported that there is a demand to set a maximum time by when an investigation on an outstanding SCT Inst transaction needs to be answered to as end users inquire about the final status of their transactions.

Other ESTF members remarked that the CR was given in for inquiries related to Embargo filtering hits rather than from end users demanding the final fate about their transactions. They further saw no need to set a maximum time as SCT Inst scheme participants must take all reasonable efforts respond as soon as possible to such investigation as specified in the rulebook. And what should be the next action if a SCT Inst scheme participant would not respond within that maximum time?

The ESTF concluded the discussion by supporting the SEMWG proposal for not including this change request in the SCT Inst rulebook. The ESTF nevertheless recommends that the SCT Inst rulebook clearly specifies that SCT Inst scheme participants must undertake all necessary efforts to respond as soon as possible to an SCT Inst investigation.

The ESTF supported the SEMWG change proposals for all other SCT Inst specific change requests without any comment.

7. 2018 public consultation on SDD Core rulebook: SDD Core Change Proposal Submission document and the ESTF position (EPC 125-18, EPC 145-18)

Several SCT change requests and related SEMWG change proposals are also applicable to the SDD Core scheme. The ESTF agreed that its positions taken for these specific SCT change requests were equally applicable for the SDD Core scheme.

The ESTF members were given the opportunity to raise comments or objections to the SEMWG change proposals for the SDD Core specific 2018 change requests.

One ESTF member supported the **CR item #16** for the development of the SDD Inst scheme. The other ESTF members supported the SEMWG proposal for not taking up this change request. They referred to the Request-To-Pay (R2P) developments undertaken under the umbrella of the Euro Retail Payments Board (ERPB) as an alternative. The EPC Director General reported that the EPC will wait for the outcome of the November 2018 ERPB meeting on R2P before considering in 2019 a possible inclusion of R2P messages in the SCT schemes.

Looking at the difference in opinions between PSPs and other stakeholders with respect to **CR item # 23** on new r-transaction reason codes reflecting the options given by the SEPA End-Date Regulation to Debtors, the ESTF members wondered whether such extra level of detail would really be valuable for Creditors. The ESTF supported the SEMWG proposal for not including this change request in the SDD Core rulebook.

The ESTF supported the SEMWG change proposals for all other SDD Core specific change requests without any comment.

8. 2018 public consultation on SDD B2B rulebook: SDD B2B Change Proposal Submission document and the ESTF position (EPC 126-18, EPC 145-18)

Several SCT and SDD Core change requests and related SEMWG change proposals are also applicable to the SDD B2B scheme. The ESTF agreed that its positions taken for these SCT and SDD Core change requests were equally applicable for the SDD B2B scheme.



The ESTF members were given the opportunity to raise comments or objections to the SEMWG change proposals for the SDD B2B specific 2018 change requests. The ESTF supported all SEMWG change proposals for these SDD B2B specific change requests without any comment.

9. Other rulebook changes but not presented for the 2018 public consultation (EPC 147-18)

The ESTF noted the document EPC 147-18 outlining other rulebook changes which could not be presented at the start of the public consultation on the 2018 change requests.

The EPC reported that the described change of the rulebook term "Bank" into "PSP", and the reformulation of the rulebook definition "Customer" raised additional discussions within the EPC. It is likely that these two sets of changes may not be taken up in the 2019 versions of the EPC scheme rulebooks.

It is expected that the reported changes to the SMIRs and the regulatory changes in sections 5.7 and 5.8 of the SDD rulebooks will be taken up in the 2019 version of the rulebooks.

10. SCT Inst scheme implementation status

A. Adherence status and projections (EPC 153-18)

Based on the July 2018 adherence figures, the following number of PSPs in different SEPA countries are SCT Inst scheme participants although some of them declared a future readiness date:

Country of adherence	Declared readiness date for SCT Inst scheme participation						Grand Total
	Up to 07-08-2018	14-09-18	08-10-18	20-11-18	04-12-18	07-01-19	
AUSTRIA	470						470
BELGIUM	-		1				1
BULGARIA	1						1
ESTONIA	1			1			2
FRANCE	41	18	9	1			69
GERMANY	403			4	1	1	409
ITALY	24						24
LATVIA	3						3
LITHUANIA	5						5
MALTA	1						1
MONACO	-	1					1
NETHERLANDS	3						3
PORTUGAL	11						11
SPAIN	88						88
SWEDEN	1						1
UNITED KINGDOM	2						2
Grand Total	1.054	19	10	6	1	1	1.091

The EPC Director General and the ESTF co-Chair were confident that more than 2.000 PSPs will have declared to be a SCT Inst scheme participant by the end of 2018. Important numbers of new SCT Inst scheme participants are expected from Belgium, France, Germany and the Netherlands among others.



B. Issues from scheme participants about the current SCT Inst processing (oral report)

One CSM representative reported the SCT Inst processing is much more resource demanding. Set against the current low volume in SCT Inst transactions, operating SCT Inst services is much more expensive for CSMs and PSPs. This may however be a temporary phenomenon due to the progressive implementation and usage of this new scheme.

This ESTF member was of the view that the SCT scheme would still be widely used for standing orders and the payment of salaries and pensions. Other ESTF members challenged this view as employers in certain countries need to assure that salaries are paid on the first calendar day of a given month. If that day falls in a weekend or a bank holiday, the employers need to make sure that the salaries are credited on the accounts of the employees on the banking business day before if they use the SCT scheme. With the SCT Inst scheme, these employers can do the pay-out on that specific due day and gain some extra days in interest on their funds.

Another ESTF comment is the growing need from payment end-users for a file-based initiation of SCT Inst instructions.

Payment end-users also wish to submit SCT Inst instructions with a future date and time. Unfortunately, the SCT Inst scheme is based on a ISO 20022 version that does not support such combination. Several ESTF members reported that moving to a newer ISO 20022 version would resolve this issue. Also the workarounds that are in place due to the limitations of the selected ISO 20022 version (e.g., on end-to-end references) would no longer have to be maintained.

Based on this input, the ESTF co-Chair suggested that the ESTF members address the merits of an ISO version change-over with their PSP-customers. ESTF members took the view that the EPC simply has to take a firm decision.

The SWIFT representative informed the ESTF the global migration from FIN messages to ISO 20022 pacs and camt messages is likely to start in 2021 with a phase-out of the FIN messages in 2025 (this timeline is still subject to formal confirmation). The latest version of the ISO 20022 standard will be selected for this migration. Furthermore, the 2019 ISO 20022 version will contain a lot of changes compared to the 2009 version. The ESTF concluded that this development is an additional argument to the EPC to consider an ISO version change-over.

C. Issues with investigation messages for a SCT Inst transaction processed at the end of the previous calendar day (oral report)

Some scheme participants pointed out that the implementation of the SCT Inst service of their chosen CSMs has led to situations whereby after the end of the calendar day, it is no longer possible to send an investigation message for a SCT Inst transaction that has been processed on the previous calendar day. The CSMs only have that transaction available in an archive status, but no longer in an online status.

This causes difficulties especially for transactions processed in the last hour/minute(s) before the end of the calendar day, as it is impossible to retrieve the final status of the SCT Inst transaction. To avoid different solutions by different CSMs, some scheme participants suggest a rulebook change.

The ESTF co-Chair asked to the CSM representatives if such set-up is widespread among CSMs. The present CSM representatives reported that the occurrence of such a specific incident is connected to the implementation option each PSP has agreed with its CSM. PSPs and their CSMs can make agreements about the duration of the live-modus status of the various SCT Inst messages.



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

The present CSM representatives reported that there is no interoperability yet between the CSMs themselves, and between the CSMs with the TIPS infrastructure of the Eurosystem. There is only a message transmission facilitator at this point in time.

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

E. Current obstacles from end-users to use SCT Inst other than max. amount, processing timelines and the reach among PSPs (oral report)

The present CSM representatives reported that if there are obstacles at the clearing or settlement layer, the concerned CSMs will try to resolve them at national level and share best practices among CSMs. These ESTF members see the November 2018 launch of TIPS and a considerable increase in the number of SCT Inst scheme participants as big steps forward in resolving certain obstacles that block a widespread use of the SCT Inst scheme.

Another ESTF comment was that not all access channels used for SCT are open yet for SCT Inst. The range of available SCT Inst initiation channels to payment end-users differs between the various PSPs.

11. Expected (updates to) EPC guidance documents on r-transaction reason codes for the SCT, SCT Inst and SDD schemes (oral report)

At the March 2018 ESTF meeting, some ESTF members reported the need for an EPC guidance document on r-transaction reason codes. The SEMWG made a final draft of such guidance documents for SCT Inst and SCT r-transaction reason codes. The SEMWG used the opportunity to review at the same time the existing EPC guidance document on SDD r-transaction reason codes.

Subject to a formal approval at the September 2018 SMB meeting, the EPC will publish these three guidance documents on the EPC website during September 2018.

AP 09.01 Secretariat to inform the ESTF about the publication of the EPC guidance documents on SCT, SCT Inst and SDD r-transaction reason codes

12. Updates to the clarification papers for the SCT rulebooks and for the SDD rulebooks (oral report)

At its April 2018 meeting the SMB approved the publication of the version 1.1 of the clarification paper on SCT and SCT Inst rulebooks. The publication itself took place shortly afterwards.

The SEMWG then received further clarification requests for the "Request for Recall by the Originator" (RFRO) procedure becoming effective as of 18 November 2018 in both SCT rulebooks:

- What is the earliest possible debit date of the original SCT (Inst) transaction for which the RFRO procedure must be followed: the EPC clarification is that the RFRO procedure only applies for original SCT (Inst) transactions having a debit date not earlier than 18 November 2018. This enables all SCT (Inst) scheme participants to build up the database of the concerned earlier settled SCT (Inst) transactions.
- How to submit a 'Request for Status Update' about an earlier RFRO:
The ISO 20022 message pacs.028 is to be used to initiate 'The Request for Status Update'. For the other RFRO reason codes (i.e. 'Wrong unique identifier of the Beneficiary account'; 'Wrong amount' and 'By request of the Originator without any



reason specified'), the SCT (Inst) scheme participants must use the ISO 20022 message camt.056.

The SEMWG meeting also conducted its annual review of the clarification paper on the SDD Core and SDD B2B rulebooks. Only minor editorial changes to this clarification paper had to be made.

Subject to a formal approval at the September 2018 SMB meeting, the EPC will publish the two updated clarification papers on the EPC website during September 2018.

AP 09.02 Secretariat to inform the ESTF about the publication of the updated versions of the EPC clarification papers for the SCT and the SDD rulebooks

13. Interest of payment end-users

A. Use of electronic mandates based on Annex VII of the SDD rulebooks (EPC 148-18)

The ESTF co-Chair reported that the Annex VII of both SDD rulebooks describing a specific operating model of issuing, amending and cancelling an e-Mandate, is an integral part of the SDD schemes since their launch in November 2019. Almost ten years later, The ESTF co-Chair questioned whether the operating model of SDD Annex VII is actually used or at least the underlying concept of this model.

The ESTF members reported that PSPs in Austria, Italy and the Netherlands are using functionalities that are based on Annex VII. Many ESTF members stated that the different national communities have developed and implemented e-mandates in different ways. Some e-mandate operating models include the use of an ATM or a POS.

These members emphasised that depending on the operating model, the development of an e-mandate solution can either be straightforward (e.g., simply ticking off a box on a merchant's website) or complex (e.g., the Debtor has to execute some formal authentication and validation steps).

Other ESTF members added that from the moment the EPC issued a formal clarification that the signature methods described in the SDD scheme rulebooks were not exhaustive and that SDD scheme participants may consider allowing continued usage of other legally binding methods of signature, it was felt that there was no longer a need for yet another way of signing a mandate.

The ESTF suggested to the EPC to submit the future of Annex VII in the SDD rulebooks as a change request in a next rulebook change management cycle. The ESTF felt that R2P could be an alternative for e-mandates.

B. Other aspects which the SCT and SDD schemes should cater for after 2020

The ESTF co-Chair wished to know from the ESTF in which direction the EPC SEPA schemes should evolve to meet future market needs. Out of the discussion that followed, the ESTF agreed the following topics ordered in priority:

- 1) Change over to a newer ISO 20022 version of the C2B and the interbank messages in all EPC SEPA scheme rulebooks. The justifications are the potential inclusion of R2P messages in the schemes, the global migration from FIN messages to ISO 20022 starting in 2021 and the major changes covered in the 2019 version of ISO 20022;
- 2) Use of a more extensive character set in the ISO 20022 messages. This avoids character translation for the anti-money laundering, embargo and counter terrorist financing checks;
- 3) The C2B IGs of the EPC rulebooks to contain also JavaScript Object Notation (JSON)-based messages;
- 4) Inclusion of certain ISO 20022 acmt and remt messages in the relevant IGs.



14. AOB

There was no other business raised or discussed.

15. Date of next meeting and closure of the meeting

The ESTF members agreed on the following 2019 physical meeting dates taking place at the EPC secretariat premises in Brussels: 25 March starting **at 11h00**, and 11 September.

List of open action items after 9th 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 2020 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	Publication expected in Sept 2018
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	Workaround will be covered in the expected document under 08.02
09.01	R-tx reason codes	Inform the ESTF about the publication of the EPC guidance documents on SCT, SCT Inst and SDD r-transaction reason codes	EPC	Once publicly available in Sept 2018
09.02	Other EPC documents	Inform the ESTF about the publication of the updated versions of the EPC clarification papers for the SCT and the SDD rulebooks		Once publicly available in Sept 2018



List of participants – 9th ESTF Meeting
Date: 22 August 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)		
Renault David	EBA Clearing	Apologies
Feiler Thomas	equensWorldline	Apologies
Pfeffer Walter	GSA	YES
Langa Jose-Luis	Iberpay	YES
Eskestad Rasmus	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		
Pearson Dave ¹	ACI Worldwide	YES
François Raphaël <i>(ESTF co-Chair)</i>	Azzana	Apologies
Czimer Jozsef	Capsys	YES
Chance David	Fiserv	YES
Bär Fred	EACHA	YES
Denis Olivier	EastNets	YES
Reichel Mario	Paymentgroup International SE	YES
De Longeaux Guillaume	Galitt	Apologies
Carpintero Gabriel	Hermesti	Apologies
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
Clarebout Bart	ESTF Secretary	YES

¹ Standing in for Astarita Daniele