

## CLARIFICATION PAPER ON SEPA CREDIT TRANSFER AND SEPA INSTANT CREDIT TRANSFER SCHEME RULEBOOKS

Abstract	<p>This document addresses operational issues arising from the implementation of the SEPA Credit Transfer (SCT) scheme rulebook and the SEPA Instant Credit Transfer (SCT Inst) scheme rulebook.</p> <p>This document applies to the 2017 SCT and SCT Inst scheme rulebooks.</p> <p>It also provides important information about additions in the Customer-to-Bank (C2B) and Interbank Implementation Guidelines (IGs) of the 2019 SCT and SCT Inst scheme rulebooks. The 2019 rulebooks and related IGs enter into effect as of 17 November 2019.</p> <p>This document replaces the version 1.2 of EPC 131-17.</p>
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## 0. Document Information

Issue number	Dated	Reason for revision
V1.0	21/11/2017	Final review by the October 2017 Scheme Management Board meeting
V1.1	08/05/2018	Additions of the section 2.7, 2.8 and 3.1
V1.2	18/09/2018	Additions of the clarification points a) and c) in section 2.8
V1.3	19/02/2019	Additions of the section 2.8, 2.9 d) and 2.10

## 1. Introduction

This document has been created to avoid a fragmented approach in the manner in which the SEPA Credit Transfer (SCT) and the SEPA Instant Credit Transfer (SCT Inst) scheme rulebooks are implemented.

In this document the European Payments Council (EPC) provides guidance and, where feasible, recommendations to EPC SEPA scheme participants on how to handle situations that are not as such described in the rulebooks. This document will be updated from time to time by the EPC, once new questions and issues arise and need clarification.

## 2. General questions & answers on the SCT and SCT Inst scheme rulebooks

### 2.1. **Receipt of an SCT/SCT Inst transaction by the Beneficiary Bank or CSM which includes characters not covered by the Latin character set**

SCT and SCT Inst scheme participants and their customers must be able to support the Latin character set commonly used in international communication, which are as follows:

a b c d e f g h i j k l m n o p q r s t u v w x y z  
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z  
0 1 2 3 4 5 6 7 8 9  
/ - ? : ( ) . , ' +  
Space

SCT and SCT Inst scheme participants and their customers throughout SEPA cannot be required to support the full character set used in all SEPA countries.

However, there may be bilateral or multilateral agreements to support one or more sets of characters beyond the Latin character set referred to above.

More information on this subject can be found in the document [EPC217-08 'Best practices SEPA Requirements for an extended character set'](#) which contains a set of best practices to be used in dealing with local language and special characters used in some SEPA countries.

### 2.2. **Non-euro denominated accounts held by SCT/ SCT Inst scheme participants**

Section 2.4 of the SCT and the SCT Inst scheme rulebooks specify that all SCT/ SCT Inst transactions are in euro in all process stages. The accounts of the Originator and of the Beneficiary may be denominated in euro or any other currency.



Subject to the Terms and Conditions of the Originator Bank or of the Beneficiary Bank, payment service users can use non-euro denominated accounts for SCT and SCT Inst transactions. This means an SCT scheme participant may only reject or return SCT transactions or an SCT Inst scheme participant may only reject SCT Inst transactions if the selected account is not designated to send or to receive SCT or SCT Inst payments.

In case of SCT/ SCT Inst r-transactions, the transferred amount will be the original euro amount of the initial SCT/ SCT Inst instruction (except for Recall, see section 2.4).

### **2.3. Mandatory Customer-to-Bank Implementation Guidelines**

As of the version 1.0 of the 2017 SCT and SCT Inst scheme rulebooks, the SCT/ SCT Inst scheme participant is obliged to accept at least but not exclusively Customer-to-Bank (C2B) SEPA payment message files based on the EPC's C2B SEPA scheme Implementation Guidelines defined for the SCT and SCT Inst schemes.

Originator Banks would still be free to agree with their Originators to use any other ISO 20022 XML payment message format to submit their C2B SEPA payment message files to their PSPs.

This means that Originators still have the choice either to continue using their accepted C2B file set-up or to opt for the C2B file based on EPC specifications. On the other hand, the SCT/ SCT Inst scheme participants will have to be technically capable of supporting the EPC C2B SEPA payment file specifications.

However, there are SCT/ SCT Inst scheme participants in the role of Originator Bank that do not offer the service of electronic bulk files of SCT/ SCT Inst instructions to their Originators. An example are consumer-only oriented scheme participants.

Customers of such SCT/ SCT Inst scheme participants only transmit SCT/ SCT Inst instructions by entering the instructions one by one directly in the online banking portals. There are even scheme participants that may only accept paper-based C2B SCT/ SCT Inst instructions.

Only those SCT/ SCT Inst scheme participants that currently offer or wish to offer to their Originators the service of transmitting and processing electronic bulk files of SCT/ SCT Inst instructions, have the obligation to accept C2B SCT/ SCT Inst instructions which are based on the credit transfer ISO 20022 XML initiation message standards in the SCT/ SCT Inst C2B Implementation Guidelines.

### **2.4. Liability for a potential currency loss in case of a Recall for a SCT/ SCT Inst transaction which was subject to a currency conversion at the Beneficiary Bank**

A Recall is always initiated by the Originator Bank, possibly on behalf of the Originator. Neither the Beneficiary nor the Beneficiary Bank has any influence on it. As a consequence, they should not bear any loss related to it.

The positive response of the Beneficiary Bank to a Recall request is a ISO Payment Return message with a specific return reason "following cancellation request" (FOCR). The SCT and SCT Inst schemes allow for the Beneficiary Bank to charge a fee for such a positive response. This fee is clearly identified in the ISO Payment Return message, which also contains the amount of the original SCT/ SCT Inst transaction and the actual returned amount. Currency conversion losses may be included in the Recall fee that may be charged by the Beneficiary Bank.

In exceptional cases, currency conversion loss can be settled outside the Recall procedure by rejecting the Recall request and settling the issue in a bilateral way.



## 2.5. Auto-conversion practices: can an SCT/ SCT Inst transaction be converted into a non-euro currency before reaching the Beneficiary Bank?

Reference is made to Section 2.4 of the SCT and the SCT Inst scheme rulebooks which states that “all transactions are in euro in all process stages”. In other words, the amount of the transaction must remain unchanged and expressed in euro until it reaches the Beneficiary Bank. This also means that currency conversion of an SCT/ SCT Inst transaction to be credited to a non-euro account can only be carried out by the Beneficiary Bank, and currency conversion of an SCT/ SCT Inst transaction to be debited from a non-euro account can only be carried out by the Originator Bank.

## 2.6. Clarification on specific attributes to identify counterparties in SCT/ SCT Inst transactions

The SCT and the SCT Inst scheme rulebooks foresee the following attributes to identify counterparties in SCT/ SCT Inst transactions:

- AT-09 The identification code of the Originator Reference Party
- AT-10 The Originator identification code
- AT-24 The Beneficiary identification code
- AT-29 The identification code of the Beneficiary Reference Party

These attributes refer to elements of the ISO 20022 XML message standard to transfer information or codes. The codes inserted in each of these attributes allow a unique and unambiguous way of identifying an organisation or an individual. This can be useful for the automated and straight-through-processing identification of the counterparties involved in the SCT transaction.

Codes that can be used in these attributes are the Fiscal Code, the VAT Code, the Enterprise Registration Number, the Business Identity Code, the Organization Code, the Trade Register Number, the Business Register Number, the National Tax ID, the Customer Code (for AT-09 and AT-10 only) and the Supplier Code (for AT-24 and AT-29 only).

## 2.7. Provision of country-related information in the interbank messages

The Regulation 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (Funds Transfer Regulation 2 – FTR2) specifies among others that the full address of the Originator needs to be provided in the credit transfer message when the Originator Bank or the Beneficiary Bank is based in a SEPA country that is not part of the European Economic Area (EEA).

As an illustration, the screenshots below from the SCT Interbank Implementation Guidelines (IGs) define the usage rules for the data element 2.48 (“Postal Address”) selected for AT-03 (Address of the Originator) and its sub-data elements 2.57 (“Country”) and 2.58 (“Address Line”)<sup>1</sup>:

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<sup>1</sup> The green coloured fields are highlighted to draw the reader’s attention and are thus not coloured as such in the concerned IGs.



2.48		FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++ Postal Address	SEPA Rulebook AT-03 Address of the Originator (only mandatory when the Originator Bank or the Beneficiary Bank is located in a non-EEA SEPA country or territory). ISO Name Postal Address ISO Definition Information that locates and identifies a specific
0..1			

2.49 FITo FICustomer Credit Transfer V02 ISO Name Address Type  
0 1

2.57		FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address +++Country	ISO Name Country ISO Definition Nation with its own government. XML Tag Ctry Type CountryCode
0..1			
2.58		FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address +++ Address Line	SEPA Usage Rule(s) Only two occurrences are allowed. ISO Name Address Line ISO Definition Information that locates and identifies a specific address, as defined by postal services, presented in free format text. XML Tag AdrLine
0..2			

Interpretations among SCT and SCT Inst scheme participants differ about whether both the elements "Address Line" and "Country" **must** be completed in case the address of the Originator has to be provided in the element "Postal Address".

One interpretation is that the data element "Postal Address" consists of two optional elements as the data element "Country" is not stated as mandatory. Under this view, the provision of the Country Code or other country-related information as free format data in the data element "Address Line" - together with the other address information (e.g., street, location) - is sufficient as provided information.

Another interpretation though is that the elements "Address Line" and "Country" are mandatory. The logic behind this viewpoint is that if the element "Country" exists, one should not use the unstructured address line to put the country code or other country-related information. Any other interpretation would complicate an accurate and automated check on the country information at the Beneficiary Bank.

Such difference in interpretations leads to Rejects or Returns of SCT and SCT Inst transactions only because the data element "Country" is not filled in, even though the country-related information is given in the data element "Address Line".

Under the current applicable SCT and SCT Inst Interbank IGs, the SCT and SCT Inst scheme participants have the possibility to report the country-related information either in "Address Line" or "Country". If that information sits in the "Address Line", the SCT and SCT Inst transaction should not be rejected.

The EPC nevertheless recommends that all SCT and SCT Inst scheme participants

- Adapt their systems to complete the data element 'Country' for outgoing SCT and SCT Inst transactions in which a scheme participant from a non-EEA SEPA country is involved;



and/or

- Determine workarounds to avoid that SCT and SCT Inst transactions in which a scheme participant from a non-EEA SEPA country is involved, are rejected only due to the missing element 'Country Code'.

## 2.8. Differences between Recall and Request for Recall by the Originator

The SCT and SCT Inst scheme rulebooks contain dedicated sections explaining the procedures for Recall and Request for Recall by the Originator (RFRO). Some SCT (Inst) scheme participants and payment end-users misunderstand the concrete objectives of both r-transactions, in which cases and how they can be used.

The table below compares the two r-transaction types and highlights the differences:

	<b>Recall</b>	<b>RFRO</b>
<b>Phase 1: initiation of the r-transaction</b>		
<b>Concrete Customer-to-Bank (C2B) means for an Originator to initiate the r-transaction</b>	By any C2B means	
<b>Interbank message to initiate the r-transaction</b>	Camt.056	
<b>Party that can initiate or request the initiation of the r-transaction</b>	<ul style="list-style-type: none"> <li>- Originator;</li> <li>- Originator Bank.</li> </ul>	Originator
<b>Time criterion to respect to initiate the r-transaction</b>	Originator Bank to initiate the Recall within 10 Banking Business Days after the execution date of the related SCT (Inst) transaction	The debit date of the original SCT (Inst) transaction falls within the 13 months preceding the date at which Originator Bank receives the RFRO
<b>Possible reasons for which the r-transaction can be used</b>	<ul style="list-style-type: none"> <li>- Duplicate;</li> <li>- Technical problem leading to an erroneous SCT (Inst) transaction;</li> <li>- Fraud.</li> </ul>	<ul style="list-style-type: none"> <li>- Wrong IBAN;</li> <li>- Wrong amount;</li> <li>- By request of the Originator without any reason specified.</li> </ul>
<b>Timespan for the Beneficiary Bank to answer to the r-transaction</b>	Within 10 <sup>2</sup> Banking Business Days after the Beneficiary Bank received the r-transaction.  The Beneficiary Bank is in breach with the SCT (Inst) scheme rulebook if it has not responded to the r-transaction within this specific timespan.	

<sup>2</sup> 15 Banking Business Days as from 17 November 2019 (entry into force date of the 2019 SCT scheme rulebooks)



	<u>Recall</u>	<u>RFRO</u>
	If the Beneficiary Bank has received no response from the Beneficiary to this r-transaction within this timespan, the Beneficiary Bank must send a negative answer with the reason "No response from the Beneficiary" to the Originator Bank.	
<b>Phase 2a: negative answer/response to the r-transaction</b>		
<b>Interbank negative answer/response message</b>	Camt.029	
<b>Party instructing the negative answer/response</b>	<ul style="list-style-type: none"> <li>- <b>Beneficiary</b> in case it refuses the r-transaction, claims to have never received the initial SCT (Inst) transaction or has already transferred back the funds;</li> <li>- <b>Beneficiary Bank</b> if the claimed amount cannot be debited from the account of the Beneficiary, the Beneficiary did not respond or the initial SCT (Inst) transaction has never been received.</li> </ul>	
<b>Phase 2b: positive answer/response to the r-transaction</b>		
<b>Interbank positive answer/response message</b>	Pacs.004	
<b>Party instructing the positive answer/response</b>	<ul style="list-style-type: none"> <li>- Beneficiary;</li> <li>- Beneficiary Bank if legally possible (or on the basis of an agreement with the Beneficiary).</li> </ul>	Beneficiary
<b>Phase 2c: no answer/response from the Beneficiary Bank</b>		
<b>Request for status update</b>	<i>Pacs.028<sup>3</sup></i>	Pacs.028
<b>Timespan for the Beneficiary Bank to answer to the request for status update</b>	See "Timespan for the Beneficiary Bank to answer to the r-transaction" under Phase 1.	
<b>Interbank negative answer/response message to the request for status update</b>	See phase 2a.	
<b>Interbank positive answer/response message to the request for status update</b>	See phase 2b.	

<sup>3</sup> For Recall only as from 17 November 2019 (entry into force date of the 2019 SCT scheme rulebooks)



## 2.9. Request for Recall by the Originator

The aim of this clarification is to highlight to SCT and SCT Inst scheme participants

- a) the earliest possible debit date of the original SCT (Inst) transaction for which the Request for Recall by the Originator (RFRO) procedure has to be followed;
- b) the current disconnection between the 2017 SCT and SCT Inst scheme rulebooks and their Interbank IGs on how to implement the 'Request for Status Update' process for a RFRO) whereby **they must implement the 'Request for Status Update' process in accordance to the Interbank IGs instead of the rulebooks;**
- c) the possibility of a Request for Status Update under RFRO;
- d) how to set up an interbank response to the RFRO.

Clarification for a):

The RFRO entered into force as of 18 November 2018. One can make two distinct interpretations about which concrete original SCT (Inst) transactions a RFRO procedure can refer to from 18 November 2018 onwards:

- An original SCT (Inst) transaction with a debit date within 13 months preceding the submission date of the RFRO, up to 18 October **2017**;
- An original SCT (Inst) transaction with a debit date within 13 months preceding the submission date of the RFRO, up to 18 November **2018**.

The RFRO procedure only applies for original SCT (Inst) transactions having a debit date earliest **as of 18 November 2018**. This enables all SCT (Inst) scheme participants to build up the database of the concerned earlier settled SCT (Inst) transactions.

Clarification for b):

The second remark in the 'remarks' section of the dataset for the RFRO in the 2017 SCT and SCT Inst scheme rulebooks (i.e. DS-07 in the SCT scheme rulebook and DS-08 in the SCT Inst scheme rulebook) specifies that in case a 'Request for Status Update' is used, then **an exact copy of the original RFRO needs to be provided** instead of the copy of the interbank payment dataset (DS-02).

The 'FI to FI Payment Status Request' message (pacs.028), which had been chosen to support the optional SCT Inst Transaction status investigation process, has been re-used for the 'Request for Status Update' on a RFRO in the 2017 SCT and SCT Inst scheme rulebook Interbank IGs entering into force in November 2018.

However, the pacs.028 does not have all data elements necessary to include an exact copy of the original RFRO as stipulated by the rulebook. It cannot contain the SCT and SCT Inst scheme attributes 'Reason code for the Request for Recall by the Originator' (AT-50 and AT-52 respectively), and 'Additional Information to AT-50/52 Reason code for the Request for Recall by the Originator' (AT-52 and AT-54 respectively).

Instead, the pacs.028 message as specified in the SCT and SCT Inst Interbank IGs makes **a reference to the RFRO message** (camt.056) and includes the SCT and SCT Inst scheme attribute 'The specific reference of the Originator Bank for the Request for Recall by the Originator' (AT-51 and AT-53 respectively).

With these IG specifications for the pacs.028, **the current description** of the second remark in DS-07 (SCT scheme rulebook) and DS-08 (SCT Inst scheme rulebook) **will have to be adapted as follows:**

*In case the 'Request for Status Update' is used, a clear reference to the original Request for Recall by the Originator needs to be provided besides the copy of DS-02.*



The EPC itself has submitted a 2018 change request on the RFRO sections in both SCT scheme rulebooks proposing among others the upper-mentioned changes in the concerned remark. This EPC change request has been accepted during the 2018 rulebook change management cycle. This rulebook change is included in the SCT and SCT Inst scheme rulebooks entering into force as of November 2019.

#### Clarification for c):

Even though the list of RFRO reason codes (see the SCT and SCT Inst attributes AT-50 and AT-52) includes 'The Request for Status Update' as a reason code, the ISO 20022 message **pacs.028** is used to initiate 'The Request for Status Update'.

The ISO 20022 message **camt.056** is used 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').

#### Clarification for d):

The dataset for the positive interbank answer to a **Recall** (i.e. DS-06 for SCT and SCT Inst) foresees in the element "originator" (3.25) the attribute *AT-R2 "The identification of the type of party initiating the "R" message"*. The AT-R2 will either mention the BIC of the Beneficiary Bank (the Beneficiary Bank is allowed to debit the Beneficiary without his consent), or the name of the Beneficiary (Beneficiary agrees to reimburse).

In case of a negative interbank answer to a **Recall**, the element "originator" (4.16) can either be completed with AT-21 "*Beneficiary name*" or AT-23 "*Bic Beneficiary Bank*".

However, the attribute AT-R2 is **not** foreseen for the rulebook dataset for the interbank response to a **RFRO** (i.e. DS-08 for SCT, DS-09 for SCT Inst) in the 2019 Interbank IGs. In case of a positive response, the element "originator" (3.25) can only be completed with AT-21 "*Beneficiary name*" (not with AT-R2 as for Recall).

For a negative response, the element "originator" (4.16) can either be completed with AT-21 "*Beneficiary name*" or AT-23 "*BIC Beneficiary Bank*" (i.e. the same process as for Recall).

The EPC will submit a change request during the 2020 rulebook change management cycle to formally integrate AT-R2 in the interbank responses to the RFRO for the 2021 SCT and SCT Inst scheme rulebooks.

## **2.10. Transfer back of funds to the Originator**

When the Beneficiary's account has been credited through an SCT (Inst) transaction and the Beneficiary wishes to transfer back funds to the Originator, the Beneficiary can do this by initiating a new SCT (Inst) transaction indicating the IBAN of the payment account of the Originator as the account to be credited through this transaction.

This forms no issue for Beneficiaries having a payment account with a SCT (Inst) scheme participant which is allowed to pass on the IBAN of the payment account of the Originator to the Beneficiary through the transaction reporting tools in the Bank-to-Customer space (e.g., account statements).

However, the Beneficiary may have a payment account with a SCT (Inst) scheme participant which is not allowed to pass on the IBAN of the payment account of the Originator to the Beneficiary (e.g., due to national data protection legislation).

In such cases, a transfer back of funds is still possible on the condition that the Beneficiary Bank and the Beneficiary have made a specific arrangement. The Beneficiary submits an alternative identifier to the IBAN of the Originator in the original SCT (Inst) transaction, for the new SCT (Inst) instruction.



The C2B SCT and SCT Inst Implementation Guidelines **entering into force as from 17 November 2019** include specific usage rules how to submit such alternative identifier for electronically bundled SCT transactions in ISO 20022 XML format.

In this scenario, the element "IBAN" under "Creditor Account/ID" (pain.001 message) cannot be used and is shaded red and instead "Other/ID" under "Creditor Account/ID" should be used. A number of conditions must be met to use "Other/ID":

- The following two usage rules are to be respected:
  - There is a bilateral agreement between the Beneficiary and the Beneficiary Bank;  
**and**
  - The delivery of a reference as agreed with and given by the Originator Bank (e.g., the 'Account Servicer Reference' of the camt.052/053/054).
- To be used only if the category purpose code is "RRCT" (reimbursement of a received credit transfer).

As of 17 November 2019, the code RRCT will be a new (interbank) category purpose code (i.e. AT-45) and a new (end-to-end) purpose code (i.e. AT-44) to tag the pain.001 message as a SCT (Inst) transaction to transfer back funds of an earlier settled SCT (Inst) transaction.

In case the Beneficiary Bank wants to offer such facility to its Beneficiaries, the field for the new category purpose code RRCT in the pain message will be a mandatory field (i.e. AT-45).

Moreover, in order to allow the Originator of the original SCT (Inst) transaction to understand that the received SCT (Inst) transaction is related to a transfer back of of earlier transferred funds, the (end-to-end) purpose code in the customer-to-bank pain.001 message (i.e. AT-44) is made mandatory. It needs to be completed with either the new purpose code RRCT or another code meaningful for identifying the SCT (Inst) transaction as a transfer back of funds. This code being mandatorily present in the pain.001 message will then also be present in the related interbank pacs.008 message.

### **3. Specific points for the SCT scheme rulebook**

#### **3.1. Clarification about the Return reason "By order of the Beneficiary"**

Section 4.4 of the SCT scheme rulebook for Returns specifies that the Return procedure must not be used in cases where the Beneficiary's account has already been credited and the Beneficiary wishes to return the funds. Instead, the procedure of initiating a new Credit Transfer applies.

On the other hand, the attribute AT-R3 'Reason code for non-acceptance of the SEPA Credit Transfer' in section 4.7.1 lists as possible Return reason "By order of the Beneficiary".

Comparing this part of section 4.4 with the permitted Return reason, this may be interpreted as a contradiction in the SCT scheme rulebook.

However, the use of this specific Return reason is justified when the Beneficiary Bank acts on behalf of the Beneficiary following an instruction from the Beneficiary whereby the Funds have not yet been credited on the payment account of the Beneficiary but the interbank settlement for this Credit Transfer has already taken place.