

# Minutes

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Public



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Approved

## Minutes 10th Meeting – EPC Scheme Technical Forum (ESTF)

**Distribution:** Public

**Meeting Date:** 25 March 2019 - 11:00 – 14:30

**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 001-19)

The ESTF co-Chairs R. François and J-Y. Jacquelin welcomed all meeting participants to the 10th ESTF meeting. The agenda was approved unchanged and can be published on the EPC Website. The meeting welcomed Mrs Magdalena Rutka as new ESTF member.

### 2 Potential ISO 20022 version change for EPC SEPA schemes: ESTF view and possible recommendations to EPC (EPC 071-19)

Back in 2017, the EPC Scheme Evolution and Maintenance Working Group (SEMWG) decided not to recommend a migration to a newer ISO version for implementation in 2019. In the meantime, EBA Clearing and the Eurosystem have taken the decision to migrate from the Swift standard to the ISO 20022 standard as of November 2021 for their respective platforms Euro1 and Target2. SWIFT also decided for the global migration from FIN messages to ISO 20022 starting in November 2021.

These developments form an opportunity for the EPC SEPA schemes to migrate as well to a later ISO 20022 version by November 2021. The scheme participants that use all these platforms and infrastructures could bundle all necessary resources to support these major change-over projects in a combined effort.

The SEMWG will discuss the possibility of an ISO 20022 version change-over at its March 2019 meeting. The SEMWG co-Chair reported that some community representatives in the SEMWG still felt that such migration would cause a major impact on their customers and that there is no business case for payment service providers (PSPs) to change to a later version of the ISO 20022 standard. The SEMWG co-Chair asked the ESTF for arguments that could convince these communities of scheme participants to support a change of the ISO 20022 version.

Various ESTF members pointed out that market infrastructures in other regions and countries in the world adopt the ISO 20022 standard (e.g., Bank of England, US Federal Reserve, Bank of Canada) and they select more recent ISO versions.



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The ESTF members stated that it becomes a struggle to convert the C2B payment messages initiated in more recent ISO versions, back into the 2009 ISO version for further transmission into the interbank space. The ISO 20022 version of these market infrastructures and of the EPC SEPA payment schemes should be aligned as much as possible. Using the same standard and the same version of that standard will facilitate the interoperability between the various payment schemes and platforms for PSPs and their customers.

The ESTF pointed out that the 2019 version of ISO 20022 allows more features which could bring added value to the EPC SEPA schemes:

- The timestamp for a payment transaction message now supports the combination of a future date and time which can be interesting for certain customers or use cases under the SCT Inst scheme;
- The address fields for payers and payees need to be completed in a more structured way which facilitates a more automated screening of SEPA transactions to or from non-EEA SEPA-country based scheme participants. These fields can also contain more characters than under the 2009 version;
- It allows the proper transport of the SWIFT UETR (Unique End-to-end Transaction Reference) end-to-end from the payer to the payee. This allows PSPs to track at what stage of the payment chain the payment order has arrived;
- The interbank pacs.008 message (used for both SCT schemes) contains more structured fields which can be applied for tax reporting purposes. This message now also supports the transport of the Legal Entity Identifier (LEI);
- It enables the development of Request-to-Pay (RTP) services in the C2B space. Furthermore, the C2B messages can also support the use of proxy identifiers (e.g., phone number, e-mail address).

If the EPC decides to migrate the XML messages used in the EPC SEPA schemes to the 2019 ISO version by November 2021, the SEPA scheme participants can bundle the ISO migration costs and rationalize the required tests for four types of payment platforms and schemes used for euro-denominated payments (i.e. the four EPC SEPA schemes, Target2, Euro1 and payment messages sent through the SWIFT network).

The ESTF maintained its 2017 position on this matter:

- Strongly in favour to move to the latest available ISO version (i.e. now the 2019 version);
- Strongly in favour of a big-bang change-over (i.e. no transitional period) at interbank level to the latest available ISO version;
- By consequence, also in favour of moving the customer-to-bank (C2B) level to the latest ISO version given that scheme participants must be able to support the C2B payment messages that are based on the C2B Implementation Guidelines (IGs) of the EPC SEPA schemes;
- An R-transaction related to an initial payment message itself based on the 2009 ISO version, could be transmitted in the ISO version applicable to the EPC scheme rulebooks at that point in time when making the R-transaction;



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- Each time a new version of the EPC SEPA scheme rulebooks is published (i.e. every two years), these rulebook versions should be based on the latest available ISO version as they contain the richest variety of fields and messages.

### 3 SCT Inst scheme implementation status

#### A. Adherence status and projections (EPC 072-19)

Based on the March 2019 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	Declared readiness date from SCT Inst scheme participants									Grand Total
	Up to 08-03-2019	01-04-19	02-04-19	04-04-19	09-04-19	15-04-19	02-05-19	06-05-19	03-06-19	
AUSTRIA	459									459
BELGIUM	14									14
BULGARIA	1									1
CYPRUS	-							1		1
DENMARK	-	1								1
ESTONIA	3				1					4
FINLAND	1				1		2			4
FRANCE	124									124
GERMANY	1.296	1		1		1				1.299
ITALY	19									19
LATVIA	4									4
LITHUANIA	6	1	1							8
LUXEMBOURG	-	1								1
MALTA	2								1	3
MONACO	1									1
NETHERLANDS	6									6
PORTUGAL	14									14
SPAIN	86									86
SWEDEN	-	1								1
UNITED KINGDOM	6	1								7
<b>Grand Total</b>	<b>2.042</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2.057</b>

The EPC Director General explained that more than 50 percent of the SCT scheme participants are already SCT Inst scheme participants at SEPA level. Within the euro zone, this SCT Inst scheme adherence rate is close to 60 percent. The EPC Director General and the SEMWG co-Chair expect another important wave of new SCT Inst scheme participants by November 2019.

#### B. Amendment of the maximum amount per SCT Inst instruction (oral report)

The February 2019 EPC Scheme Management Board (SMB) meeting missed just a few votes to increase the maximum amount to 100.000 EUR. Some large PSP communities felt uncomfortable to already increase this amount in 2019. Many PSPs in these communities have just recently become SCT Inst scheme participants and they still lack operational experience. The SMB will most likely reconsider an amendment of the maximum amount at its September or October 2019 meeting.



**C. CSM intentions to maintain tables of scheme participants accepting instructions above 15 KEUR (oral report)**

The SEMWG wishes to know whether the CSMs apply tables listing those SCT Inst scheme participants accepting transactions above 15 KEUR. A few CSM representatives reported that they use specific codes in their routing tables indicating whether an SCT Inst scheme participant supports an unlimited amount. The ECB observer explained that TIPS applies no maximum amount limitation at all when a transaction arrives at TIPS.

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

Various SCT Inst scheme participants reported to the EPC that the interoperability between the SCT Inst scheme compliant CSMs is key. The lack of such interoperability is an obstacle for the SCT Inst scheme itself and for the PSPs that have designed SEPA-wide SCT Inst services for their customers, and creates additional costs for the PSPs as they must establish and maintain connections with several CSMs.

**E. Future intentions from payment end-user groups to use SCT Inst – current SCT Inst issues for scheme participants and payment end-users (oral report)**

One CSM representative reported that some of its SCT Inst scheme participant-customers try to process each credit transfer first as an SCT Inst transaction. If this fails, the SCT Inst scheme participant then processes it as an SCT transaction.

The ESTF co-Chair explained that companies in Belgium operating in the sectors of consumer loans, e-commerce, online gambling, transport and insurance are analysing the potential of SCT Inst.

Other ESTF members reported that certain companies wait for the emergence of Request-to-Pay (RTP) at SEPA level to combine RTP with SCT Inst transactions.

These members also remarked that companies require a standard communication through camt. messages to know that the funds have arrived. Alternative notifications such as SMS or e-mails are less convenient. Companies require two main types of messages: a first message reporting that the funds have been received, and a second message about the account status after the processing of the SCT Inst transaction which can be injected into the accounting tools of these companies.

Bulked SCT Inst transactions form an issue for Beneficiary Banks, especially when a Beneficiary Bank receives a lot of incoming pension and salary payments in a short period of time. The Beneficiary Bank must make the funds immediately available and must report the positive confirmation message within a limited number of seconds. These ESTF members requested EPC specifications about the concrete treatment of bulked SCT Inst transactions.

Other ESTF members however remarked that the technology is already there to process high volumes of transactions. The card payments industry is a good illustration. Secondly, it is the choice of each SCT Inst scheme participant and SCT Inst scheme compliant CSM to support bulking and debulking SCT Inst services or not.



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Some ESTF members reported that the r-transaction rate for SCT Inst transactions is higher than for SCT transactions in part due to regulatory screening hits being immediately rejected instead of analysed first. They felt that such rejects can be resolved only through an extension of the character set for SEPA transactions. The current supported character set will also hinder the uptake of RTP because the information shared in these RTP messages will be provided in a local language. Some ESTF members however remarked that artificial intelligence and machine learning can mitigate such character issues.

The ESTF concluded the debate with the following recommendations for the EPC to consider:

- Higher maximum amount per SCT Inst instruction;
- Higher reachability of the SCT Inst scheme across SEPA;
- EPC specifications about notification messages for incoming funds.

#### 4 SCT scheme

##### A. Potential inclusion of incoming one leg-out credit transfers: ESTF view and possible recommendations to EPC (EPC 073-19)

During the 2018 EPC SEPA scheme rulebook change management cycle, the EPC did not support a SCT rulebook change request to extend the scope of the SCT scheme to incoming 'one-leg out' euro credit transfer transactions. The change request had too many possible implications requiring further analysis. In 2019, the EPC would investigate the change request in detail from an operational, legal and regulatory angle.

The document EPC 073-19 described in detail the change request and a first operational analysis for incoming 'one-leg out' euro credit transfers. The first aspect is the need for markers to distinguish such 'one-leg out' credit transfers from normal SCT transactions. The other aspects focus if and how the various R-transaction types (e.g., Reject, Return, Recall) and the SCT inquiry procedures can be used for such 'one-leg out' euro credit transfers. An EPC assessment was pending on the possibility of including incoming 'one-leg out' credit transfers in the SCT rulebook from a legal and regulatory point of view.

A first status report covering the input from the EPC Stakeholder Forums and the internal EPC assessments from an operational, legal and regulatory angle will be shared with the SMB and the EPC Board in the second quarter of 2019. The outcome of these SMB and EPC Board discussions will be shared at the next EPC Stakeholder Forum meetings.

The SMB and the EPC Board will then have a strategic discussion in the fourth quarter of 2019 if the EPC wants to recommend opening the SCT scheme for such credit transfers. Only once these strategic discussions lead to a positive outcome, the EPC could then work out in detail the necessary SCT rulebook change requests for submission to a public consultation in 2020.

The ESTF was invited to share its views with the EPC about the potential but also the challenges of a potential processing of incoming 'one-leg out' euro credit transfers in the SCT scheme rulebook. The EPC also wished to know about the concrete market demand for such 'one-leg out' credit transfers.



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The ESTF members did not see operational or technical obstacles to support such incoming 'one-leg out' credit transfers under the SCT scheme, especially if the other payment platforms through which such international euro-denominated payments can be initiated, migrate to the ISO 20022 standard as well.

It would recognise some existing market practices of processing 'one-leg out' credit transfers as SEPA transactions, as a formal and transparent procedure in the SCT rulebook. The SEPA Regulation does not prevent the EPC to extend the scope of its SEPA schemes to 'one-leg out' transactions.

On the other hand, the ESTF members did not see a business case as they expect the volume of such incoming euro-denominated 'one-leg out' credit transfers to be very low compared to the billions of two-legged SCT transactions processed every year.

### **B. Implementation of the SCT inquiry procedure applicable as of 17 November 2019 (oral report)**

The EPC received various questions from SCT scheme participants about how the SCT inquiry procedure entering into force as of 17 November 2019, must be applied to. The issues reported among others are:

- Is there an obligation to use the ISO 20022 message-based SCT inquiry process in case the Beneficiary Bank can be reached through another channel (e.g., MT 19x; any nationally agreed message format);
- Which SCT transactions are subject to the SCT inquiry process (only those SCT transactions made as of 17 November 2019 or even before that date);
- In which situations can a Beneficiary Bank claim a charge for handling the SCT inquiries;
- How should the payment be done for an interest compensation due to a value date correction;
- How can the Beneficiary Bank transmit the IBAN details to the Originator Bank to where the Originator Bank must transfer the amount to pay for the interest compensation and/or any other charge;
- Requests for workflow diagrams explaining the SCT inquiry process steps.

The March 2019 SEMWG meeting will discuss these points. It will be asked to support the issuance of a new version of the Clarification paper on SCT and SCT Inst rulebooks (EPC 131-17) containing a section on the SCT inquiry procedure.

## **5 SDD schemes**

### **A. Relationship between a Creditor and the Creditor Reference Party: impact for the mandate and the subsequent collections (EPC 076-19)**

Organisations or private persons who use the SDD schemes to collect funds from Debtors, may use another entity to do the collection of these funds on their behalf. Such funds collection set-up creates a relationship between a Creditor and a so-called Creditor Reference Party. Confusion



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could arise about which party should be formally considered as the Creditor and the Creditor Reference Party in a) the SDD mandate and b) the SDD collection file itself.

The origin for this topic is issues addressed by some SDD scheme participants about Facilities Management Providers (FMPs) using the SDD schemes to collect funds even though these FMPs are not the formal Creditor mentioned on the SDD mandate.

The concerned SDD scheme participants shared the EPC with a few operating models in which these FMPs can be involved in the execution of the SDD collection. The document EPC 076-19 summarises these models. These SDD Core scheme participants take the stance that those models do not comply with the SDD scheme rulebooks when:

- The data about the Creditor mentioned in the SDD collection file do not match with the Creditor data on the mandate; and
- The mentioned account to be credited in the SDD collection file is not owned by the Creditor specified on the mandate.

An EPC assessment is currently taking place on the above-mentioned models from a legal point of view. A first status report covering the input from the EPC Stakeholder Forums and the internal legal EPC assessment will be shared at the next SMB meeting in the second quarter 2019.

The ESTF was invited to share its experiences with the implementation and the daily processing of SDD collections for their customers in constellations whereby an entity other than the entity or person providing the goods or services to the Debtor, executes the SDD collections. The ESTF members did not take a concrete position as long as any envisaged model does not cause processing issues.

#### **B. Review of EPC e-Mandate e-Operating model documents (oral report)**

Even though the take-up of e-mandates remains low at SEPA-wide level, PSPs in some communities have implemented an e-mandate solution which follows to a very large extent the Annex VII on e-Mandates for both SDD scheme rulebooks.

The EPC deliberated on the future of Annex VII and decided that this Annex remains a formal option of both SDD scheme rulebooks. Its position is that the Annex VII has been designed for a SEPA-wide coverage. Interoperability across SEPA between existing and any future national or cross-border e-mandate solutions that follow the Annex VII, can be achieved more rapidly.

The SEMWG will review the SDD e-Mandate e-Operating Model documents by the end of 2019. This review may lead to EPC change requests for Annex VII or the SDD scheme rulebooks themselves. These change requests will be taken up in the 2020 EPC SEPA scheme rulebook change management cycle.

#### **6 Comparison 2016, 2017 and 2018 SCT and SDD r-transaction statistics (Pres EPC 016-19, Pres EPC 017-19)**

*The presentations on the r-transactions statistics are no public documents and are only available for the ESTF members' constituencies.*



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The ESTF had no major comments to report about the shared r-transaction statistics. It suggested to the EPC to keep aside the reason code MS03 and the SDD specific reason code AM04 Insufficient Funds, when analysing these statistics in detail.

### **7 Update on Brexit (EPC 065-19)**

In December 2018, the EPC received an application from UK Finance for the UK to remain part of the EPC SEPA schemes' geographical scope to cover the worst-case scenario of a no-deal hard Brexit, to ensure a seamless continuity of UK PSPs' participation in the EPC SEPA schemes.

On 07 March 2019, the EPC published its decision (EPC 065-19) on Brexit and UK PSPs' participation in SEPA schemes. It approved the application from UK Finance for the continued participation of UK PSPs in the EPC SEPA schemes in case of a no-deal Brexit.

With respect to the Crown Dependencies, the representatives of those territories submitted a note clarifying the continued legal relationship with the European Union and its Members States in the event of a no-deal Brexit. There are no challenges about the continued inclusion of the Crown Dependencies in the geographic scope of the EPC SEPA schemes.

### **8 Request-to-Pay (RTP) developments (oral report)**

The EPC Board has taken the decision to set up an EPC-managed new multi-stakeholder group (MSG) on RTP.

The EPC observed that initiatives have been launched in the market to use RTP for any mean of claiming a payment by a Creditor/Beneficiary from a Debtor/Originator. Beyond requesting the payment through an invoice, the RTP could also support the payment for goods and services in physical and online stores as well as in a P2P context.

The objective of this group is to analyse and prepare the concrete and rapid exploitation of the RTP functionality from a broader perspective. This MSG will have its first meeting at the start of April 2019. The SEMWG co-Chair will be the EPC co-Chair of this RTP MSG.

The SEMWG co-Chair shortly explained the possible use cases for RTP: a non-urgent RTP, an RTP via an instant payment, and a recurrent RTP (in combination with an instant or a non-urgent payment).

Another question to be clarified in due course is how to develop the RTP process as a scheme: either a dedicated EPC scheme rulebook or as a formal part of the existing SCT scheme rulebooks. The choice here may influence strongly the reachability of RTP as of its launch.

### **9 Re-composition of the ESTF in September 2019: call for candidates until mid-June (oral report)**

The EPC Director General mentioned that the ESTF under its current composition had its first meeting in September 2017. The Terms of Reference of the ESTF specify that the mandate of the ESTF lasts for two years. This current mandate thus ends in September 2019.

A call for ESTF member candidates will be launched at the start of May 2019.



**AP 10.01** the EPC secretariat to inform all incumbent ESTF members about the launch of the call for candidates

### 10 AOB

There was no other business raised or discussed.

### 11 Date of next meeting and closure of the meeting

The next ESTF meeting under its new composition takes place at the EPC secretariat premises in Brussels on 11 September 2019.

### List of open action items after 10<sup>th</sup> 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
10.01	ESTF composition	Inform all incumbent ESTF members about the launch of the call for candidates	EPC	Start of May



**List of participants – 10<sup>th</sup> ESTF Meeting**  
**Date: 25 March 2019**

Name	Institution	Attendance
<b>EPC scheme Evolution and Maintenance (SEM) Working Group</b>		
Jacquelin Jean-Yves (SEMWG Chair) ( <i>ESTF co-Chair</i> )	Erste Bank (Austria)	YES
Schindler Axel	BVR (Germany)	Apologies
Pokol Zoltan	Hungarian Banking Association	Apologies
<b>SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)</b>		
Renault David	EBA Clearing	YES
Feiler Thomas	equensWorldline	Apologies
Pfeffer Walter	GSA	YES
Langa Jose-Luis	Iberpay	YES
Eskestad Rasmus	Nets	Apologies
Marchetta Angelo	SIA	YES
Sequeira Luis	SIBS	YES
Beltran José	STET	Apologies
<b>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</b>		
Bouille Isabelle	SWIFT	YES
<b>Representatives of (European associations of) technical players</b>		
Astarita Daniele	ACI Worldwide	YES
François Raphaël ( <i>ESTF co-Chair</i> )	Azzana	YES
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	YES
Carpintero Gabriel	Hermesti	YES
Rutka Magdalena	Icon solutions	YES
Cahill Henry	Sentenial	Apologies
Heinze Volker	UNIFITS	Apologies
<b>Observers</b>		
Dinacci Fabrizio	ECB	YES
<b>European Payments Council</b>		
Goosse Etienne	Director General	YES
Clarebout Bart	ESTF Secretary	YES