

ESTF 002-21

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Approved

## Minutes 14th Meeting – EPC Scheme Technical Forum (ESTF)

**Meeting Date:** 24 March 2021 – 10H30 – 13H30 CET as Microsoft Teams conference call

**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 001-21)

The ESTF co-Chairs Messrs R. François and E. Goosse (*the latter acting on an exceptional basis as Mr J-Y. Jacquelin as EPC SEMWG Chair retired in December 2020*) welcomed all meeting participants to the 14th ESTF meeting. The agenda was approved unchanged and can be published on the EPC Website.

### 2. 2022 rulebook change management cycle: timeline - EPC change requests under analysis – possible ESTF suggestions (Pres EPC015-21)

The ESTF secretariat outlined the following timeline for the upcoming 2022 SEPA Payment Scheme Rulebook Change Management Cycle:

Milestone overview	
Date	Description
1 <sup>st</sup> semester 2021	SEMWG meetings to develop & agree upon EPC change requests (CRs)
30-06-2021	Submission deadline for 2022 CRs
Summer 2021	SEMWG meeting end August: formulation of recommendations for each CR
09 & 10-09-2021	EPC Stakeholder Forums: discussion on 2022 CRs and SEMWG recommendations
13-09-2021	Start of 90 days Public Consultation (PC) on 2022 CRs until 11 December 2021
Jan 2022	SEMWG meeting: review of PC comments on the 2022 CRs
Feb 2022	SEMWG meeting: finalisation of Change Proposal (CP) Submission Documents
1 <sup>st</sup> half of March 2022	EPC Stakeholder Forums: formal position on 2022 CRs and SEMWG CPs
End March 2022	SMB meeting: final decision on each CR
Mid April 2022	SEMWG meeting: finalisation of proposed 2023 rulebooks
Start May 2022	SMB meeting: approval of 2023 rulebooks
25 May 2022	Publication of 2023 rulebooks
19-11-2023	Entry into force of 2023 rulebooks

The ESTF was also informed about several possible 2022 change requests (CRs) which the EPC was currently considering.



## A. All four SEPA payment schemes

The ESTF was reminded about two CRs already approved during the 2020 change management cycle entering into force in November 2023, i.e. the alignment of all attribute numbers and the migration to the 2019 version of the ISO 20022 messaging standard.

The EPC was considering the following terminology amendments: i) harmonise the generic term 'account' into 'Payment Account' with an unambiguous definition what this term really means and ii) review the new definition of the term "Customer" entering into force November 2021.

As a 2021 work item, the EPC agreed to assess whether and how to adapt all rulebooks to transport in a transparent way all necessary information about all involved parties in the end-to-end payment chain. Compared to the 2008 market situation when the first three rulebooks were developed, now there are more intermediary actors (e.g., market platforms) involved in a payment. The ESTF was informed about the existence of a formal Euro Retail Payments Board (ERPBB) WG that currently works on transparency for retail payment end-users. The EPC waits for the recommendations from this ERPBB WG to be presented at the June 2021 ERPBB meeting, before developing any possible 2022 CR related to this subject.

The EPC also discussed the provision of a structured address in two-legged SEPA transactions when one of the two SEPA payment scheme participants involved is based in a non-EEA SEPA country. There would then be no difference any longer in the provided address format between SEPA transactions and CBPR+ transactions in the future. The EPC decided to submit a 2022 CR in this respect for implementation by November 2025 (instead of November 2023). This will be aligned with the migration timeline to CBPR+ and allow all scheme participants and their customers to plan well in advance any changes to their respective systems for making and receiving SEPA payments involving a non-EEA PSP.

## B. All SCT schemes

In September 2020, the European retailers' association EuroCommerce contacted the EPC on how the SCT Inst scheme could be adapted to include the reference which the Originator mentioned him/herself in his/her initial SCT Inst instruction message, in the SCT Inst refund instruction (being a pain.001 message) that the merchant would send back now in its capacity as Originator to the initial Originator/consumer.

The EPC agreed with EuroCommerce that the EPC would investigate whether the pain.001 message supports the inclusion of a kind of "Original Debtor/Organator Reference" (and consequently, also in the inter-PSP pacs.008 message).

The EPC currently investigates its technical feasibility, and if feasible, the EPC will propose a change request for **both** SCT schemes (to maintain scheme alignment).

## C. SCT scheme

At this stage, the EPC had not identified 2022 CRs for the SCT scheme specifically.

## D. SCT Inst scheme

### Reduction of Target Maximum Execution Time and Time-Out Deadline

The EPC currently considers reducing the target maximum execution time from 10 to 5 seconds and the time-out deadline from 20 to 7 seconds. Shorter cycles can support SCT Inst scheme-based solutions in Point of Interaction (PoI) payment situations. However, shorter timespans should not lead to higher r-transactions due to time-out.

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The EPC now analyses the SCT Inst transaction volume statistics from the SCT Inst scheme compliant CSMs. These statistics include how many confirmation messages are received within 5 seconds, between 5 to 10 seconds etc.

Some ESTF members pointed out that more than 99 percent of the successfully executed SCT Inst transactions are done with a fraction of seconds. The processing systems for SCT Inst are now mature enough to handle shorter execution timelines. One ESTF member remarked however that shortening the timelines now may form a potential barrier for PSPs considering joining the SCT Inst scheme.

The majority of the ESTF members agreed that shortening these timelines will depend mainly on the performance of the SCT Inst scheme participants' sanction screening systems and fraud scoring systems. The ESTF concluded the discussion by stating to be in favour of reducing the execution timelines to support the use of the SCT Inst scheme in PoI use cases.

### **Alignment with SCT rulebook**

In case of a Request for a Status Update for a Request for Recall by the Originator (RFRO), the EPC will submit a 2022 CR allowing the possibility for the Originator PSP that such a request can refer to one single RFRO, or to several RFROs (to be in line with the 2021 SCT rulebook).

### **Improvements in reason codes for exception handling**

The SCT Inst scheme foresees the reason codes AB05 '*Transaction stopped due to timeout at the Creditor Agent*' and AB06 '*Transaction stopped due to timeout at the Instructed Agent*'. However, the Originator PSP must still check other fields in the r-transaction message to determine which party has caused the time-out.

The EPC considers introducing separate reason codes for the Beneficiary PSP and for the CSM to indicate if the pacs.008 arrived too late at the CSM (cause being the Originator PSP) or if the pacs.002 arrived too late at the CSM (cause being the Beneficiary PSP).

The ESTF members were asked whether they recognise this issue and whether the introduction of very specific reason codes would be a good solution. Several ESTF members stated that they did not see any need for more specific reason codes.

One ESTF member suggested as a 2022 CR to introduce a SCT Inst Return procedure. Such a Return would be very helpful in the case of Anti-Money Laundering hits. Other ESTF members remarked that the Beneficiary PSP could simply initiate a new SCT Inst or SCT transaction to send back the funds.

### **E. SDD rulebooks**

At this stage, the EPC had not identified 2022 CRs for the two SDD schemes.

One ESTF member commented that in some communities, some SDD B2B collection volume has moved to the SDD Core. This member questioned why the SDD B2B scheme should still be kept. Other ESTF members remarked that the SDD B2B scheme still has added value for specific groups of (corporate) Creditors.

The ESTF members did not raise any other concrete 2022 CR ideas for any of the four SEPA payment schemes.



### 3. SCT Inst scheme implementation status

#### A. March SCT Inst adherence status and projections (EPC 069-21)

The EPC co-Chair reported a slow progress in the SCT Inst scheme adherences. The March 2021 adherence status showed that 58 percent of SCT scheme participants in SEPA are also SCT Inst scheme participants. About 68 percent of SCT scheme participants in the eurozone offer SCT Inst to their customers.

Based on these adherence figures, only the first condition of article 4 of the SEPA End-Date Regulation is fully met. Only six EU Member States currently meet the second condition. The EPC co-Chair nevertheless stressed that already twelve EU countries currently exhibit a (broad) majority of payment accounts reachable for SCT Inst. The EPC expects that the adherence figures will much improve in 2021 and 2022.

The EPC continues to regularly promote the adherence to the SCT Inst scheme through its various channels and is in regular dialogue with the European Commission and the ECB.

The main question is about the possible concrete measures the Commission itself may undertake to stimulate the SCT Inst adherence. The Commission already surveyed those PSPs which have joined the SCT Inst scheme to better understand the challenges they faced in implementing the SCT Inst scheme. The EPC co-Chair pointed that there are many SCT scheme participants left who are small, operate mainly outside the eurozone or are special-purpose PSPs for whom payment services are not a core business.

A few ESTF members expected that the completion of the 'single CSM-connection' model by mid-December 2021 under the aegis of the ECB may improve the SCT Inst adherence. This model will provide PSPs with an efficient way to get full SEPA reach including the possibility to rely on a single liquidity pool.

#### B. Payment account reachability (EPC 053-21)

The EPC has been informed that not all SCT Inst scheme participants in their role as Beneficiary PSP are able to process incoming SCT Inst transactions for all payment accounts they offer to their customers. This results in unnecessary rejects and frictions for the customers involved. It also hampers the attractiveness and full reachability of the SCT Inst scheme.

The EPC realises that each SCT Inst scheme participant holds the commercial freedom to i) determine which accounts can be used as a payment account, in accordance with the law applicable to them, and ii) offer SCT Inst payment services for which of those payment accounts.

However, the SCT Inst scheme offers many customer benefits in terms of ease of use and immediate availability of funds, and allows SCT Inst scheme participants to deliver new and innovative payment services to their clients.

Therefore, in April 2021 the EPC intends to send a formal letter to those SCT Inst scheme participants also participating in the SCT scheme, strongly encouraging them to ensure that their customers' euro or national-currency-denominated payment accounts that are open for incoming SCT transactions, be open for at least incoming SCT Inst transactions as well.



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### **C. Sanction screening issues and EPC recommendations (EPC 055-21)**

The current sanction screening requirements within the EU which SCT Inst transactions are subject to, create several issues. PSPs operating in the EU need to screen all SCT Inst transactions when the Originator PSP and the Beneficiary PSP are based in two different EU Member States. Furthermore, PSPs in certain EU Member States are also required to screen national SCT Inst transactions.

The multiplication of such transaction screenings creates inefficiencies for PSPs. It also absorbs a substantial part of the overall maximum execution time preventing a fast execution of the SCT Inst transaction, or even leading to the transaction being rejected. This can cause significant frictions for the Originator and the Beneficiary.

In March 2021, the EPC as SCT Inst scheme manager sent out a letter to the relevant EU authorities addressing in detail the sanction screening issues for SCT Inst transactions made within the EU. The goal of this letter is to make the EU authorities aware of these issues and possible ways to resolve them.

The EPC co-Chair further pointed out that now was the right time to raise this issue given the current volume of SCT Inst transactions and r-transactions. This issue will become more prominent with the further growth in SCT Inst transactions.

The ESTF supported this EPC action. Most sanction screening hits are false positives but the SCT Inst scheme participants do not have the time to thoroughly investigate these hits. The future use of structured addresses could help ease this situation.

### **D. EPC promotion actions among SCT scheme participants (oral report)**

As reported under 3A, the EPC continues to regularly promote the adherence to the SCT Inst scheme through its various channels (e.g., EPC website, social media, regular bulletins to SEPA payment scheme participants).

### **E. Interoperability between SCT Inst scheme compliant CSMs (oral report)**

The TIPS representative reported that the ECB is in close contact with all CSMs and communities to ensure the completion of the single CSM-connection model by mid-December 2021. The migration readiness reports on this initiative show encouraging developments and the benefits will be noticed as of the end of November 2021.

It was stressed that all PSPs which have adhered to the SCT Inst scheme and are reachable in TARGET2 must also become reachable in a TIPS central bank money liquidity account. At the same time, all ACHs offering instant payment services must migrate their technical accounts from TARGET2 to TIPS.

### **F. Challenges for the SCT Inst scheme participants for the change-over to the 2019 version of ISO 20022 (EPC 052-21)**

The changeover to the 2019 version of the ISO 20022 standard for the SCT Inst scheme on Sunday 19 November 2023 needs a specific time-window as this change may not be done 'on the flight' and may stop the SCT Inst processing for some time. This changeover may then well result in a breach of an SCT Inst rulebook obligation stipulating that there can never be any SCT Inst service down-time.



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The EPC wanted to know whether and how SCT Inst processing can still be guaranteed during such a change-over and to determine concrete actions for the SCT Inst scheme participants and each group of affected stakeholders to maintain an uninterrupted SCT Inst processing.

If this change-over requires an overall service down-time of the SCT Inst processing across SEPA, the EPC then wished to determine a concrete window to schedule this down-time in consensus with all SCT Inst scheme participants and the relevant stakeholders. The EPC's aim would then be to keep the duration of this down-time to a minimum.

The ESTF discussion that followed could be summarized as follows:

- A synchronization will be needed between TIPS and the other CSMs. The new aspect to be considered is the more central role TIPS will take up as of December 2021 in the SCT Inst transaction clearing and settlement. This must be further clarified between TIPS and the CSMs.
- It is technically feasible to run two versions of the same set of ISO 20022 standard-based XML messages in parallel and to synchronise the data between both versions for a certain period. Similar migrations were successfully accomplished without issues in some non-SEPA countries. In effect, it is a change similar to the SEPA payment scheme rulebook releases happening every two years. What really matters is a proper synchronisation between the two versions.
- As to the question whether a scheduled downtime would be needed, the ESTF members considered that given the experience with the past rulebook releases, this change does not necessarily require such downtime.
- It is more for each SCT Inst scheme participant in its role(s) of Originator PSP and/or Beneficiary PSP to cope with such change-over. It depends on the IT infrastructures used by each SCT Inst scheme participant.
- The need for another possible more appropriate change-over time (currently it would be 08h00 CET) was also discussed. None of the ESTF members expressed a wish to change the implementation time on 19 November 2023.
- As for the possible need for a progress monitoring by the EPC on the ISO version migration preparations, the ESTF members felt that this was not necessary.

#### **G. Issues from scheme participants about the current SCT Inst processing and possible ESTF recommendations (oral report)**

No issues were reported.

#### **H. Prospects for further use of SCT Inst by payment end-user groups (oral report)**

No comments were made.

#### **4. SCT and SDD r-transaction statistics**

##### **A. For the entire year 2020 (Pres EPC013-21)**

##### **B. The evolution from 2016 to 2020 (Pres EPC014-21)**

The ESTF members noted the presented statistics and had no specific comments.

#### **5. SEPA Request-To-Pay (SRTP) rulebook developments: status (oral report)**

The version 1.0 of the SRTP scheme rulebook was published on 30 November 2020. The related Implementation Guidelines and an SRTP Clarification Paper were published early February 2021.



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On 19 February 2021, the EPC launched a Request for Proposal to find a 'Homologation Body' for the certification of applicants to the SRTP scheme as described in the Trust and Security Framework Annex of the SRTP rulebook.

Any stakeholder interested in the SRTP scheme was able to submit CRs by 26 February 2021 for the second SRTP rulebook version. About 30 CRs were received, and they are now being analysed. The public consultation on these CRs is expected to start at the end of May 2021. Work will also start on Application Programming Interface (API) requirements between the SRTP providers to prevent fragmentation.

The SRTP scheme goes live on 15 June 2021 and the entities can submit their adherences as of the first week of May 2021.

The version 2.0 of the SRTP scheme rulebook will be published in November 2021.

#### **6. One-Leg Out (OLO) credit transfers entering or leaving SEPA: internal EPC discussion (oral report)**

At the end of 2019, the EPC Board decided to establish an ad-hoc EPC task force i) to look into the business and end-to-end operational aspects and consequences of and scenarios for supporting euro one-leg out<sup>1</sup> (euro OLO) (instant) transactions entering or leaving SEPA and ii) to determine if the EPC can play a role to facilitate the processing of such transactions.

The EPC considers working out an EPC arrangement to support euro OLO transactions made via a credit transfer from and to payment accounts held at PSPs. Once a possible arrangement is drafted, the EPC will submit it for a public consultation to obtain input from the market.

The ESTF unanimously expressed its support for a such EPC-managed OLO transaction arrangement. Several ESTF members stated that there is a real demand for solutions or schemes to process OLO transactions more efficiently and that some OLO transactions would be processed through the SEPA schemes. The ESTF further indicated that any possible EPC arrangement for OLO transactions should be flexible to adapt to the changing market needs. Their preference is that the handling of OLO transactions should be covered through a scheme. Otherwise, the handling of OLO transactions could be "messy".

As to the EPC question whether the CSMs would be able to support the CBPR+ character set in the SEPA leg of an OLO transaction, the CSM representatives present at the meeting stated that this would not be an issue. These representatives were not aware of CSMs not supporting the UTF-8 character set. They considered that a decision to support another character set is purely a business decision only. They also stated that they can support other charging types than SHA in the SEPA leg.

#### **7. Brexit: status (oral report)**

During 2020, the EPC communicated on several occasions through various channels what PSPs and payment end-users needed to do to avoid SEPA transaction rejects as of 2021.

The EPC received e-mails from several disgruntled payment end-users about some PSPs which have started to apply different charges for SEPA transactions to or from UK PSP-based payment

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<sup>1</sup> "one-leg-out" refers to transactions whereby only one of the PSPs - either the payer's or the payee's - is located in the SEPA geographical area (SEPA) (definition by analogy with PSD2 – Article 2.4).



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accounts. The EPC co-Chair explained that pricing does not lie within the remit of the EPC and that the EU regulatory framework no longer applied to such transactions.

The EPC was also informed about cases whereby some PSPs started to deduct charges from the principal transaction amount. The EPC already reminded all SEPA payment scheme participants that such practice is not allowed under the SEPA payment schemes.

Some ESTF members pointed out that a potential issue is the EU settlement finality directive which the UK only recognises until the end of June 2021.

#### 8. Re-composition process of the ESTF (EPC 056-21)

In the last two years, the EPC has launched the SEPA Proxy Lookup (SPL) scheme and the SRTP scheme being SEPA payment-related schemes. For these new EPC schemes, there is a need for a similar structural dialogue with the relevant stakeholders relating to the future evolution of these payment-related schemes.

The EPC intends to transform the Scheme End-User Forum (SEUF) and the ESTF into EPC Multi-Stakeholder Groups (MSGs) with as scope all EPC SEPA payment and payment-related schemes. It intends to establish the two new EPC MSGs as from 1 January 2022.

The April 2021 EPC Scheme Management Board will be requested to extend the mandates of the current SEUF and ESTF until 31 December 2021. The EPC intends to launch the call for candidates for these two MSGs at the end of the summer of 2021.

#### 9. AOB

One ESTF member reported that several PSPs face technical issues in their implementation of the dedicated pacs.008 message to be used for the payment of SCT inquiry-related charges and interest compensation between SCT scheme participants. This implementation must be accomplished by 21 November 2021 when the new SCT scheme rulebook version enters into force.

The EPC had been informed about this situation and currently prepares errata for the 2021 SCT inter-PSP implementation guidelines to resolve any ambiguity. It will publish these errata in the second quarter of 2021.

There was no other business raised or discussed.

#### 10. Date of next meeting and closure of the meeting

The next ESTF meeting will take place on **09 September 2021** from 10h30 to 15h00 at the EPC secretariat premises in Brussels. In case COVID-19 related circumstances do not allow the EPC to organize this meeting physically, the meeting will be held as a Microsoft Teams conference call.

#### List of open action items after 14<sup>th</sup> ESTF Meeting

Item	Topic	Action	Owner	Status / Deadline
12.01	SCT Inst	Monitor pro-actively the SCT Inst volumes and to pro-actively remind all SCT Inst scheme participants to plan for the necessary processing capacity	EPC	Ongoing

List of participants – 14<sup>th</sup> ESTF Meeting

Date: 24 March 2020

Name	Institution	Attendance
<b>EPC scheme Evolution and Maintenance (SEM) Working Group</b>		
Schindler Axel	BVR (Germany)	Apologies
<b>SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)</b>		
Renault David	EBA Clearing	YES
Langa Jose-Luis	Iberpay	YES
Eskestad Rasmus	Nets	Apologies
Marchetta Angelo	SIA	YES
Sequeira Luis	SIBS	YES
Beltran José	STET	YES
Dinacci Fabrizio	TIPS	YES
<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>		
Buchan Neil	SWIFT	YES
<b>Representatives of (European associations of) technical players</b>		
Astarita Daniele	ACI Worldwide	YES
Francois Raphael ( <i>ESTF co-Chair</i> )	Azzana	YES
Czimer Jozsef	Capsys	YES
Bär Fred	EACHA	YES
Carlos Blanco (Eurobits)	European Third Party Providers Association (ETPPA)	Apologies
Denis Olivier	FIS Global	YES
Chance David	Fiserv	YES
De Longeaux Guillaume	Galitt-SopraSteria	YES
Wagenaar Hein	Oracle	YES
Reichel Mario	PPI AG	YES
Carpintero Gabriel	SSTRATEGY	YES
Heinze Volker	UNIFITS	YES
Larsson Peter	Volante	YES
<b>European Payments Council</b>		
Goosse Etienne	Director General (acting as EPC co-Chair)	YES
Clarebout Bart	ESTF Secretary	YES