

SEUF 004-21

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Approved

## Minutes 13th Meeting – EPC Scheme End-User Forum (SEUF)

**Meeting Date:** 10 September 2021 – 10H30 – 12H15 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 (SEUF 003-21)

The SEUF co-Chairs Messrs M. Battistella and F. van Beers welcomed all meeting participants to the 13th and being the last SEUF 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 SEUF suggestions (Pres EPC045-21)

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

Milestone overview	
Date	Description
30-06-2021	Submission deadline for 2022 Change Requests (CRs)
End August 2021	EPC Scheme Evolution and Maintenance Working Group (SEMWG) formulated its recommendations for each CR
09 & 10-09-2021	EPC Stakeholder Forums: discussion on the 2022 CRs and SEMWG recommendations
13-09-2021	Start of the 90 days Public Consultation (PC) on 2022 CRs until 11 December 2021
Jan 2022	SEMWG reviews the PC comments on the 2022 CRs
Feb 2022	SEMWG finalizes its Change Proposal (CP) Submission Documents
1 <sup>st</sup> half of March 2022	EPC Stakeholder Forums: formal position on the 2022 CRs and the SEMWG CPs
End March 2022	EPC Scheme Management Board (SMB) decides on each CR
Start April 2022	SEMWG finalizes the proposed 2023 rulebooks
End April 2022	SMB reviews and approves the proposed 2023 rulebooks
End May 2022	Publication of the 2023 rulebooks
19-11-2023	Entry into force of the 2023 rulebooks

The public consultation on the 2022 SEPA payment scheme rulebook change requests (CRs) will be held from 13 September until 11 December 2021. The EPC collected 25 CRs from which the large majority had been submitted by PSPs and associations of PSPs (including from the EPC itself).

The document Pres EPC 045-21 presented during the meeting described in detail the various CRs submitted.



The sections below report only about those CRs which led to a SEUF discussion. For all other presented CRs, the SEUF members had no remarks to the CR itself and to the related SEMWG recommendation for the public consultation.

### A. Change requests affecting all four SEPA payment schemes

#### #03 & #22 - Definition Amendment of the Term 'Customer'

The term 'Customer' is currently defined as *"A physical or legal entity that is not active in the business of providing payment accounts used for the execution of payments and that is therefore not eligible for scheme participation"*. This 2021 definition does not make sufficiently clear that also a PSP is entitled and may act in the role of a Customer in the capacity of an Originator/Debtor or Beneficiary/Creditor.

The EPC itself submitted a CR (#03) suggested replacing the term 'Customer' with a more generic and use-case agnostic term specifying a natural or legal person making use of a payment service in the capacity of Originator/Debtor, Beneficiary/Creditor, or both.

In this respect, the stakeholder EPI Interim Company submitted a similar CR (#22) suggesting some concrete amendments to the definition of the term 'Customer' but for the SCT Inst scheme only. This stakeholder intends to develop a pan-European payment solution supporting payment product types based on payment cards and on SCT Inst. For its solution, both product types would use a financial settlement platform that complies with the relevant SCT Inst rulebook specifications. This contributor is of the opinion that the current SCT Inst rulebook definition of the term 'Customer' prohibits account-servicing PSPs to act as Originators and Beneficiaries under the scheme.

The SEMWG recommendation for the item #22 is not to include it in the rulebooks. The item #03 from the EPC itself proposes an alternative amendment to the definition of the term 'Customer' and which should resolve the issues of EPI Interim Company.

The SEUF members considered that a PSP can act in three cases: i) it just executes a SEPA payment transaction initiated by its customer, ii) the PSP makes a payment in its own capacity of an economic actor (i.e. being a payer or a payee) and iii) making financial institution-to-financial institution (FI-to-FI) payments with other PSPs.

To well understand the intentions of both CRs, the SEUF members questioned whether the SEPA payment scheme rulebooks would then be extended to the cases ii) and iii), or whether the CRs propose something different. The EPC Director General stated that with the EPC's own CR, the aim is to cover all possible payment use cases under the EPC SEPA payment scheme rulebooks.

The EPC Director General reported that the EPC still must conclude an internal EPC debate about the most suitable term to replace the term 'Customer'. The SEUF had no further comments.

#### #06 - Provision of Structured Addresses of the Payment End User

The CR from the EPC is that as of the **November 2023** SEPA payment scheme rulebooks:

- Payment end users are **allowed** to send a structured address of the payer and/or the payee in electronic Customer-to-PSP files based at least on the relevant EPC Customer-to-PSP Implementation Guidelines (IGs) for all SEPA payment scheme transactions.
- Also scheme participants can provide structured addresses in their inter-PSP SEPA payment messages and r-transactions.



- All scheme participants **must be able to support** structured addresses when payment end users and scheme participants want a structured address in their outgoing and incoming SEPA payment transactions. They cannot reject SEPA payment transactions only due to the inclusion of a structured address.

As of the **November 2025** SEPA payment scheme rulebooks, the use of the structured address will become mandatory for Inter-PSP SEPA payment messages where applicable, and for payment end users when they send electronic Customer-to-PSP files based at least on the relevant EPC Customer-to-PSP IGs. The use of an unstructured address will no longer be allowed and will hence lead to rejects.

Payment end users should use the period November 2023 - November 2025 to upgrade their payment-related systems, and to organise the migration from the use of unstructured to structured addresses in their databases. This will avoid a big bang migration in November 2025 and possible rejects of SEPA payment transactions.

The SEUF members realised that this CR would have a huge impact for various categories of payment end users but had no objections to it. The use of structured addresses gives the potential to reduce errors in payment processing, regulatory screening, and reconciliation, thereby increasing the straight-through-processing of SEPA payment transactions.

## **B. All SCT schemes**

### **#11 - Inclusion of Alias and Proxy as Optional Attributes**

The proposal is to include an Alias and a Proxy as optional attributes in the rulebook datasets DS-01 (Customer-to-PSP), DS-02 (Inter-PSP) and DS-04 (PSP-to-Customer). An Alias or Proxy can be used on the side of the:

- Originator: uses an Alias or Proxy in relation to the Originator's account in the payment initiation;
- Beneficiary: use of an Alias or Proxy to identify the Beneficiary's account instead of using an IBAN.

The Alias and Proxy do not replace the IBAN but are an addition to the IBAN, at least for the inter-PSP payment dataset.

The SEMWG recommends including this CR in the rulebook under the condition that the Originator has the possibility to validate the IBAN linked to that Alias/Proxy, prior to the approval of the instruction unless the Originator and the Originator PSP agreed upfront on another arrangement. Under the SEPA Regulation, the Funds Transfer Regulation and PSD2, the IBAN is the only relevant unique identifier of a payment account.

The PSPs should also have an agreement with their customers in relation to the treatment and the use of the data provided under such Alias/Proxy i.e. if it is to be used for the purpose to initiate the payment and/or to forward it to the Beneficiary PSP and/or the Beneficiary concerned.

Although the use of an Alias or Proxy may raise some concerns with respect to fraud or regulatory screening, the EPC stressed that the IBAN remains a central attribute to process an SCT/SCT Inst transaction. An Alias or Proxy is just an addition to the IBAN.



## C. SCT Inst scheme

### **#01 - Accept SCT Inst Transactions without Posting the Funds**

With the transaction processing window limited to 10 seconds, the contributor states that for incoming transactions, scheme participants currently have a conflict between SCT Inst rulebook requirements that dictate an immediate, binary accept/reject decision, vs. sanctions screening laws which ask to hold and investigate any potential “hits”. The proposal is to allow a new response type “accept without posting” for incoming transactions in certain cases.

The SEMWG recommendation for the public consultation is not to include this CR in the SCT Inst rulebook. A core SCT Inst feature is to give an immediate unambiguous positive or negative confirmation to the payer within seconds. This “accept without posting” option would negatively affect a core feature and the attractiveness of the scheme.

Discussions at certain EU authority levels take place on how to improve the sanction screening for SCT Inst transactions within the EU. In the end, only changes to the relevant EU legislations can to a certain extent resolve or mitigate the SCT Inst sanction screening issues.

The observer from the European Commission remarked that the regulatory screening is a complex matter. Any change to such screening framework creates various challenges. Discussions are held with the EU Member States but the outcome of these discussions are uncertain. Solutions to mitigate the effects of regulatory screening on instant payments should be looked at other levels as well.

The SEMWG co-Chair pointed out that regulatory screening is applied on cross-border SCT Inst transactions. When the single CSM-connection model between TARGET Instant Payment Settlement (TIPS) from the Eurosystem with all other SCT Inst scheme-compliant Clearing and Settlement Mechanisms (CSMs) is established as planned by mid-December 2021, this will lead to more cross-border transactions subject to more regulatory screening (with a higher likelihood for hits). The current regulatory screening obligations within the EU negatively affect the use of SCT Inst scheme-based solutions at the Point of Interaction (POI) in a cross-border payment use case.

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

The proposal from the contributor was to reduce the following timelines to adapt to market circumstances and customer needs, especially to the (future) use of SCT Inst at the POI, both in a physical and online environment:

- Target maximum execution time: from the current 10 sec to 5 sec;
- Time-out deadline: from the current 20 sec to 7 sec;
- Receipt of the positive or negative confirmation message after the time-out deadline by the Originator PSP: to receive within 2 sec (instead of 5 sec) by the 9th sec (instead of the 25th sec).

The SEMWG recommendation for the public consultation is not to include this CR in the SCT Inst rulebook. If the maximum timelines would be reduced, this may impact the SCT Inst implementation plans of those PSPs intending to join the scheme. Furthermore, TIPS takes a more central place in the clearing and settlement of SCT Inst transactions as of mid-December 2021. Its impact on the processing timelines is not clear yet. Finally, The SCT Inst volume is still expected to grow considerably over the coming years. The impact from this expected volume increase on the processing timelines is not clear yet.



Some SEUF members recalled that the PSPs can already agree on a bilateral or multilateral (e.g., a national community) basis on shorter timelines under the SCT Inst scheme.

#### **D. SDD rulebooks**

##### **#24 - More specific codes instead of reason code SL01**

The SEPA Regulation allows Debtors to block their account for SDD in four reasons:

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

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

The SEMWG recommendation for the public consultation is not to include this CR in the SDD rulebooks. The same CR was made in 2016, 2018 and 2020. At those times, the vast majority of SDD scheme participants indicated that this CR could not be part of the scheme. The EPC Director General pointed out that in the past, this CR was supported by just a minority of stakeholders.

Nevertheless, the SEUF members emphasised the need for symmetry and transparency of information between the Debtor PSP and its Debtor on the one side and the Creditor on the other side (based on a signed contract and SDD mandate between the Creditor and the Debtor).

### **3. SCT Inst scheme roll-out**

#### **A. August SCT Inst adherence status and projections (EPC 276-21)**

The SEUF noted the SCT Inst adherence status of August 2021 showing that the first condition of article 4 of the SEPA Regulation is already met but that only six eurozone countries meet the second condition. In one eurozone country (Slovenia), the half of SCT scheme participants is also SCT Inst scheme participant. Furthermore, the first Greek PSPs joined the SCT Inst scheme during the summer.

On the other hand, when measured in terms of reachable payment accounts - which is a more meaningful criterion from a user or market perspective - the current SCT Inst penetration is much broader across the euro area.

The EPC Director General reported an expected positive trend in the adherence figures for the rest of 2021.

#### **B. Current obstacles to the broader use of SCT Inst and possible SEUF recommendations (oral report)**

The SEUF members had no new obstacles to report since the previous SEUF meeting.

#### **C. Future intentions from payment end-user groups to use SCT Inst (oral report)**

Some SEUF members reported that their members consider the SCT Inst scheme to be a good solution for online payments as card payments have some limitations.



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

Any stakeholder interested in the SRTP scheme was able to submit CRs by the end of February 2021 for the second SRTP rulebook version. The public consultation about these CRs ended on 27 August 2021. The EPC now analyses the consultation comments. The version 2.0 of the SRTP rulebook will be published in November 2021.

On 9 September 2021, the EPC publicly announced the selected 'Homologation Body' for the certification of applicants to the SRTP scheme as described in the Trust and Security Framework Annex of the SRTP rulebook. From now onwards, interested institutions can formally apply to the SRTP scheme.

The EPC envisages to work out a third version of the SRTP scheme rulebook in the course of 2022. The SEUF had no comments.

#### 5. One-Leg Out (OLO) credit transfers entering or leaving SEPA: internal EPC discussion + SEUF views (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.

During the summer of 2021, the dedicated task force made good progress in defining the concrete business rules and processes covered under an EPC OLO arrangement. The EPC expects to launch a public consultation about such arrangement at the end of Q4 2021. The SEUF had no comments.

#### 6. Brexit: status (oral report)

The EPC Director General had no new points to report. The SEUF had no comments either.

#### 7. Status of new Multi-Stakeholder Groups (MSGs) replacing the Module 1 bodies SEUF and EPC Scheme Technical Forum (oral report)

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

The September 2021 EPC Board meeting will be invited to review and approve the proposed Terms of Reference of the to be created Scheme End-User Multi-Stakeholder Group (SEU MSG) and the Scheme Technical Player Multi-Stakeholder Group (STP MSG). Once approved, the EPC will launch the call for candidates for both groups by the end of September 2021.

The SEUF members will be informed about this launch once publicly announced. The SEUF had no comments.

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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).



**8. AOB**

There was no other business raised or discussed.



### List of participants – 13<sup>th</sup> SEUF Meeting

Date: 10 September 2021

Name	Institution	Attendance
<b>EPC Scheme Evolution and Maintenance Working Group (SEMWG)</b>		
van Beers Frans ( <b>SEMWG co-Chair</b> )	Dutch Payments Association	Yes
Blanco Sanchez Begoña	ING (Belgium)	Yes
<b>European Associations of Users of the SCT, SCT Inst and SDD Schemes</b>		
Kupsys Kestutis	ANEC: European Association for the Coordination of Consumer Representation in Standardisation	Apologies
Morrow-Greven Kristen (Alternate: Zuzana Pucikova)	CCIA: Computer and Communications Industry Association	Apologies
Battistella Massimo ( <b>SEUF co-Chair</b> )	EACT: European Association of Corporate Treasurers	Yes
Janik Birgit	EMOTA: European e-Commerce and Omni Channel Trade Association	Apologies
Becquart Anaïs	EuroCommerce	Yes
<b>Observers</b>		
Kobylinska-Hilliard Katarzyna	European Commission	Yes
<b>EPC Secretariat</b>		
Goosse Etienne	EPC Director General	Yes
Clarebout Bart	EPC secretariat	Yes