

Status Update on SCT Inst Scheme

ERP Meeting 6 July 2020



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1. Background

At its 25 November 2019 meeting the ERPB notably:

- reiterated its call to the supply side of the industry to implement instant payments, ensure pan-European reach as soon as possible and at the very latest in 2020, and support end-user take-up, including by providing safe and efficient end-user solutions at a competitive pricing and that have the capacity to achieve pan-European reach;
- took note of the report by the ERPB Working Group on Instant Payments at the POI. The ERPB further endorsed the set of recommended follow-up actions, specifying that the following actions are to be conducted by an ERPB working group by November 2020 with interim reporting in June 2020 (making use, where appropriate, of the work of other groups, including in particular the MSG MSCT):
 - develop a dedicated interoperability framework with common rules and procedures;
 - develop security requirements for payment service user onboarding processes by instant payment services providers and merchants, and a framework for these; and
 - develop requirements for consumer choice of payment instrument at the POI.

The present note updates the ERPB on the actions undertaken by the EPC since the last ERPB meeting and on next steps.

2. Scheme default maximum amount for an SCT Inst transaction

The maximum amount per SCT Inst instruction will increase from € 15,000 to € 100,000 effective as of 1 July 2020. The SCT Inst scheme participants have the possibility to send at any time a written suggestion to the SMB for a new maximum amount per SCT Inst instruction.

3. Adherence status and compliance criteria from the SEPA Regulation

A. Across SEPA

As of mid-June 2020, there are 2.272 registered SCT Inst scheme participants (of which 2.212 indicated to be already reachable at the latest as of 6 July 2020) representing a share of 56 percent of all SCT adherents (i.e. 4.052) in **all** SEPA countries. It must be noted that within the 56 percent of Payment Service Providers (PSPs) that already joined the scheme, SCT Inst generally enumerates those having the most significant payment volumes and representing the vast majority of payment accounts.

The current list of SCT Inst scheme participants can be consulted on the [Register of Participants webpage](#). 33 CSM organisations (including national central banks under TIPS¹ have already disclosed their intention to be SCT Inst scheme compliant. These CSMs are listed on the [Clearing and Settlement Mechanisms webpage](#).

¹ Target Instant Payment Settlement



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B. Within the EU

Article 4 of the SEPA Regulation² stipulates that euro-denominated payment schemes must ensure that the PSPs being a participant to such scheme must a) constitute a majority of PSPs within the European Union and b) represent a majority of PSPs within a majority of EU Member States.

This article allows the EPC to apply for a temporary exemption for these two conditions for a maximum of three years. The SCT Inst scheme was officially launched on 21 November 2017 and has formally been granted this temporary exemption until 21 November 2020. The SCT Inst scheme now has about five months to meet the two conditions set by the SEPA Regulation.

The table below shows the SCT Inst scheme adherence status compared to the SCT scheme adherence in the EU as of mid-June 2020. Based on these adherence figures, only the first condition of the SEPA Regulation is fully met. Just five countries currently meet the second condition but this number is expected to grow in the coming months.

| Country | SCT Inst | SCT | Percentage of SCT Inst scheme participants vs. SCT scheme participants |
|--------------------|--------------|--------------|--|
| Euro | 2.243 | 3.406 | 66% |
| AUSTRIA | 452 | 502 | 90% |
| BELGIUM | 20 | 49 | 41% |
| CYPRUS | 1 | 17 | 6% |
| ESTONIA | 6 | 11 | 55% |
| FINLAND | 5 | 8 | 63% |
| FRANCE | 128 | 272 | 47% |
| GERMANY | 1.284 | 1.468 | 87% |
| GREECE | | 23 | 0% |
| IRELAND | 2 | 205 | 1% |
| ITALY | 198 | 436 | 45% |
| LATVIA | 5 | 20 | 25% |
| LITHUANIA | 21 | 74 | 28% |
| LUXEMBOURG | 3 | 65 | 5% |
| MALTA | 5 | 31 | 16% |
| NETHERLANDS | 9 | 38 | 24% |
| PORTUGAL | 16 | 36 | 44% |
| SLOVAKIA | | 18 | 0% |
| SLOVENIA | | 16 | 0% |
| SPAIN | 88 | 117 | 75% |
| Non-Euro | 7 | 205 | 3% |
| BULGARIA | 3 | 24 | 13% |
| CROATIA | | 21 | 0% |
| CZECH REPUBLIC | | 21 | 0% |
| DENMARK | 1 | 53 | 2% |
| HUNGARY | | 27 | 0% |
| POLAND | 1 | 27 | 4% |
| ROMANIA | | 23 | 0% |
| SWEDEN | 2 | 9 | 22% |
| Grand Total | 2.250 | 3.611 | 62% |

² Regulation (EU) 260/2012



C. Compliance of scheme participants with the full SEPA reachability requirement of the SCT Inst rulebook and the SEPA Regulation

Under the SCT Inst rulebook, which binds the EPC and each participant, adhering PSPs are required to be SEPA-wide reachable from the readiness date included in the Register of Participants.

It appears that full SEPA reachability is currently not yet being met by all SCT Inst scheme participants. However, the EPC understands that this situation will be resolved in the course of this year. The EPC requires all new SCT Inst scheme participants to demonstrate local and pan-European reachability prior to adherence.

4. EPC expectations on SCT Inst scheme adherence until 21 November 2020

The EPC continues to actively promote and closely monitor SCT Inst adherence.

At the start of the second quarter of 2020, the EPC was informed that PSPs from Greece (four), Italy (33), Luxembourg (three), The Netherlands (one), Portugal (two) and Slovenia (16) are expected to adhere to the SCT Inst scheme during the period of June-November 2020. However, the outbreak of the coronavirus across SEPA may have an impact on the SCT Inst scheme roll-out plans at some PSPs.

The EPC is aware that these adherence projections for the rest of 2020 would mean that the SCT Inst scheme might not fully reach the second adherence criterion in Article 4(1)(b) of the SEPA Regulation by November 2020. 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 scheme penetration is much broader across the euro area. At the start of the second quarter of 2020, there were already eleven³ euro area countries with a substantial majority of payment accounts reachable for SCT Inst.

5. SCT Inst transaction evolution

The EPC collects on a quarterly basis the SCT Inst transaction volume statistics from all SCT Inst scheme compliant CSMS. The share of SCT Inst transactions in the total volume of SCT and SCT Inst transactions was 5.92 percent in the first quarter of 2020 compared to 1.02 percent in the first quarter of 2019. The latest quarterly SCT Inst transaction volume percentage is available on the [EPC homepage](#).

Given these increases in transaction volume and in scheme adherence with the latter bringing additional transaction volume, the EPC reminded through its May 2020 Bulletin all SCT Inst scheme participants to pro-actively guarantee a resilient production and back-up infrastructure and necessary extra processing capacity to process and screen higher volumes of transactions and related r-transactions.

6. Reported issues

All SCT Inst scheme participants had been invited to submit any concrete SCT Inst processing issues by the end of April 2020.

Apart of the reported issues on SEPA-wide reachability of the scheme already reported under section 3.C, some SCT Inst scheme participants addressed the matter of **full reachability of the Beneficiary Bank**.

³ Austria, Belgium, Estonia, Finland, France, Germany, Italy, Lithuania, the Netherlands, Portugal and Spain.



Some Beneficiary Banks do not process incoming SCT Inst transactions for all their payment accounts. This hampers the full reachability of the scheme and results in unnecessary rejects. While every rejected transaction already causes a negative customer experience for the Originator, it is even more difficult for the Originator to understand why a specific credit transfer to a specific account is not possible when processed as an SCT Inst transaction but is possible when processed as SCT transaction.

The EPC considers some steps emphasising to scheme participants that payment accounts reachable for SCT transactions must also be reachable for SCT Inst transactions.

Another reported issue relates to **sanction screening obligations at the Beneficiary Bank**. It is one of the major causes for the unsuccessful processing of **cross-border** SCT Inst transactions. In most cases, the exact same transaction, when processed as a regular SCT transaction will be successful. This implies that most of the rejected SCT Inst transactions due to sanction screening are 'false hits'.

The action radius for the EPC to tackle this is limited. Each PSP involved in a cross-border payment chain must screen this payment (including SCT Inst transactions) which is completely inefficient. Sanction screening harmonisation must be achieved at EU level whereby ideally such sanction screening is only to be done at the initiation phase by the Originator Bank.

7. Ad-hoc multi-stakeholder group for mobile initiated SEPA credit transfers (including SCT Inst) (MSG MSCT)

The ad-hoc multi-stakeholder group established by the EPC in May 2018, finalised in November 2019 the development of the Mobile Initiated SEPA (Instant) Credit Transfer Interoperability Guidance document (MSCT IG – EPC269-19v1.0), following a 3-month public consultation, which was subsequently published on the EPC website.

Through the description of MSCT use cases, the MSCT IG aims to provide an insight into the main issues related to the initiation of (instant) SEPA credit transfers in different payment contexts such as person-to-person, consumer-to-business (retail payments including both in-store and m-commerce payments) and business-to-business payments. Next to the MSCT transaction aspects such as payer identification/authentication, transaction authentication, risk management and payer/beneficiary acknowledgements and notification messages it focuses on the technology and security used in the customer-to-ASPSP space, since the SCT Instant and SCT transactions as such have already been specified in the respective rulebooks. It furthermore specifies various security guidelines for MSCTs (e.g. MSCT app, CDUVM, etc.). Finally, the document discusses the main interoperability issues and barriers detected for MSCTs.

The MSG MSCT established a new work-stream in June 2019 on MSCT technical interoperability that developed a new draft document on Technical interoperability of MSCTs based on payee-presented data that was published on the EPC website mid-December 2019 for an 8-week public consultation. The MSG MSCT has now processed the comments received and the final document was published on 28 May 2020 on the EPC website.



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The document focuses on the interconnectivity and related functionality needed amongst MSCT service providers to enable technical interoperability of MSCT use cases based on payee-presented data (e.g. through a QR-code). Several process flows have been analysed depending on whether the data exchanged between the payee and the payer is “in clear”, uses a proxy (e.g. a mobile phone number) or a token. The document also defines the minimum data set to be exchanged between the payee and the payer to enable the initiation of such an MSCT as well as a derived QR-code format for payee-presented QR-codes.

Under their extended mandate, the MSG MSCT also developed in this work stream a new draft document on Technical interoperability of MSCTs based on payer-presented data that was published on the EPC website on 28 May 2020 for an 8-week public consultation. This document firstly describes new illustrative MSCT use cases for the Customer-to-Business (C2B) payment context based on consumer-presented data, in addition to those already included in the MSCT IG. Next, the document focuses on the interconnectivity and related functionality needed amongst MSCT service providers to enable interoperability of MSCT use cases based on payer-presented data (e.g. through a QR-code). More specifically, the process flow has been analysed for MSCTs based on consumer-presented data containing a token for a C2B payment. The document also defines the minimum data set to be exchanged between the payer and the payee and in the payment request messages to enable the initiation of such an MSCT by the payer. Finally, the document also contains a proposed QR-code format for payer-presented QR-codes.

The documents developed by the MSG MSCT are being leveraged in the ERPB WG on an interoperability framework of IPs at the POI. Moreover, a joint task force has been set up with this ERPB WG to develop the “Security requirements for PSU on-boarding processes to be adopted by IP service providers and merchants” as requested in the mandate of the ERPB WG. The first meeting of this joint task force is planned for mid-June 2020.

During the coming months the MSG MSCT will further analyse new MSCT use cases submitted by various members for MSCTs based on consumer-presented data and analyse the potential impact on interoperability. They will also develop by November 2020 an MSCT roadmap including the possible migration for MSCT interoperability across SEPA from “*interconnectivity between the existing MSCT solutions*” to a potential new SEPA wide “*MSCT interoperability standard*”, in coordination with other market initiatives.

The agendas and minutes of the MSG MSCT plenary meetings are available on the EPC website through the following link:

https://www.europeanpaymentscouncil.eu/search?qry=&kb%5B0%5D=ctype%3Akb_document&kb%5B1%5D=tags%3A4801

8. EPC rulebook change management cycle

The change management cycle for all EPC SEPA payment schemes has completed its public consultation phase at the start of June 2020. The change requests presented in this public consultation that impact the SCT Inst scheme, covered a wide variety of matters. A few of them are briefly described below.

A first change request is to migrate all ISO 20022 XML-based messages under the rulebook to the 2019 version of the ISO 20022 messaging standard in November 2022.

Several change requests propose new services under the SCT Inst scheme:



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- A credit notification message for the Beneficiary: a message in the bank-to-customer space based on the ISO 20022 standard for a successfully executed SCT Inst transaction;
- Initial payment with unknown final amount: it enables the identification of an initial instant payment transaction as a kind of pre-authorisation/ service transaction and the subsequent (final) payment as the payment completion;
- Instalment payment: supporting SCT Inst-driven instalment payments to customers for goods or services at the Point of Interaction (PoI). It allows the payer to split the payment of a single purchase of goods or services into a finite number of periodic transactions, with a specified end date;
- Instant customer refund: a service at the PoI to reimburse customers instantly.

One other proposal is the possibility to submit SCT Inst instructions with a future execution date and time. Another contribution suggests the introduction of an optional fraud indication marker in SCT Inst transactions to facilitate SCT Inst fraud prevention or detection. One change request proposes features that can link an SCT Inst transaction with a preceding Request-To-Pay (RTP) message.

The EPC is now in the process of analysing the received public consultation comments on these requests and in an open dialogue with stakeholders. Those change requests that receive broad acceptance will be included in the 2021 SCT Inst scheme rulebook to be published in November 2020.