

Group: Euro Retail Payments Board (ERPB) WG on SCT-SDD post-
migration issues

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Report and Recommendations from ERPB WG on SCT- SDD post-migration issues

ERPB Meeting 01 December 2014

ERPB WG on SCT-SDD post-migration issues

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1. Executive Summary and Recommendations

During the period of August to November 2014, the ERPB Working Group (WG) on SCT-SDD post-migration issues has reviewed issues in relation to the SEPA schemes of the European Payments Council (EPC) that may hinder a full market integration for credit transfers and direct debits and impede the SEPA schemes to reach their full potential.

The WG wishes to highlight the following issues to the attention of the ERPB meeting on 1 December 2014 whereby the ERPB WG suggests issue resolution recommendations for consideration by the ERPB.

Issue	WG recommendation	Addressee
General		
<p>1 Harmonizing XML formats in customer-to-bank (C2B) and in the bank-to-customer (B2C) space: Various SEPA countries and EPC Scheme participants have created their own configurations ('flavours') of the XML-based SEPA payment messages in the C2B space.</p> <p>Corporate customers which transact in various countries and/or with different PSP partners need to implement these C2B interface 'flavours'.</p> <p>Corporate PSUs have indicated that basic account statements in XML message format should be offered in the B2C space.</p> <p>A harmonization in XML formats in both spaces would reduce costs for corporate Payment Service Users (PSUs) in establishing and maintaining different interfaces with their PSPs and facilitate the change-over of a corporate PSU between PSPs.</p>	<p>C2B space:</p> <p>a) Support the publication and the use of the EPC's current C2B Implementation Guidelines (IGs) by all market participants</p> <p>b) Support making EPC's C2B IGs mandatory in the next EPC SEPA Rulebook change management cycle</p> <p>B2C space:</p> <p>c) Consult the EPC Scheme End-User Forum about the appropriate B2C message(s) for future mandatory EPC B2C IGs</p> <p>d) Propose a set of mandatory EPC B2C IGs</p> <p>e) Support making the EPC's B2C IGs mandatory in the next EPC SEPA Rulebook change management cycle</p>	<p>a) ERPB</p> <p>b) ERPB & EPC Scheme End-user Forum</p> <p>c) EPC</p> <p>d) EPC</p> <p>e) ERPB & EPC Scheme End-user Forum</p>
<p>2 IBAN discrimination: Complaints by many individuals that creditors are only accepting domestic IBANs.</p>	<p>a) Follow up with the EU Member States and take appropriate action to enforce EU law</p> <p>b) Possibly re-launch awareness campaigns to highlight obligations for creditors on IBAN acceptance</p>	<p>a) European Commission</p> <p>b) Relevant stakeholders¹</p>
<p>3 Implementation of IBAN-only: Publicly accessible national sources providing data for national bank identifier-to-BIC conversion services are either unavailable, incomplete or do not provide the data in a common structure.</p> <p>It is the biggest issue for PSPs wishing to establish internal BIC-from-IBAN derivation tables and for service providers interested in</p>	<p>a) Invite existing BIC-from-IBAN solution providers to present the full reliability of their respective solutions to meet the market needs for BIC-from-IBAN derivation early enough (with a recommended date of 1 June 2015 at the latest) to support the IBAN-only implementation by February 2016</p>	<p>a) ERPB</p>

¹ PSPs, national central banks, umbrella organizations of corporate-and public authority payees, consumer organizations and competent authorities at national level

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Issue	WG recommendation	Addressee
<p>offering BIC-from-IBAN derivation service on the market.</p>	<p>b) Continue to provide information on local issuing authorities and keep this information updated via their websites</p> <p>c) Standardize the provision of relevant data for BIC-from-IBAN derivation services as soon as possible (with a recommended date of 1 April 2015 at the latest) and ensure a non-discriminatory and transparent access for all market participants (PSPs and PSUs)</p>	<p>b) ECB & National Central Banks</p> <p>c) National issuing authorities for bank identifiers</p>
<p>4 Extension of remittance information: The current restrictions in remittance information hinder the corporate PSUs in their SCT and SDD reconciliation and reporting processes.</p>	<p>Investigate possible alternatives to meet the extended structured and unstructured remittance information demands from corporate PSUs</p>	<p>EPC & EPC Scheme End-user Forum</p>
<p>SDD specific</p>		
<p>1 Handling of SDD R-transactions: Inconsistent use of SDD R-transaction reason codes by SDD Scheme participants which hinders efficiency gains through automation/straight-through-processing (STP) of SDD R-transactions.</p> <p>In a number of EU countries there are legal restrictions in place, such as data protection legislation, that prevent SDD scheme participants from using more precise reason codes.</p>	<p>a) Monitor the evolution in the correct use of SDD R-transaction reason codes until December 2015 and act accordingly if needed</p> <p>b) Report complaints about SDD scheme participants not using the appropriate reason code to the complaints body of the EPC</p> <p>c) Investigate if and how national legal restrictions affecting the use of the appropriate SDD R-transaction reason codes could be resolved</p>	<p>a) EPC</p> <p>b) SDD scheme participants</p> <p>c) European Commission</p>
<p>2 Issuance of Creditor Identifiers (CIs): Due to the lack of central CI issuance or harmonisation in the issuance of CIs, difficulties have been reported that may hinder the cross-border use of SDD.</p>	<p>a) Include in the document EPC262-08 (CI overview) (a) clarifications to highlight the possibilities about the use of a single CI across SEPA and (b) concrete contact details of the department at the national institution in charge of the CI issuance for those countries where CIs are issued by a single authority</p> <p>b) Investigate the possibilities of more appropriate attributes (e.g., Legal Entity Identifier (LEI) as a unique entity identifier) to identify a Creditor</p>	<p>a) EPC</p> <p>b) EPC supported from ECB and standardizations bodies</p>
<p>3 Non-respect for SDD time cycles for SDD collection presentation and for SDD R-transactions: Certain SDD scheme participants do not respect the specific calendars prescribed in the SDD Rulebooks.</p>	<p>a) Monitor if the non-compliance to the SDD Rulebook stipulations on SDD time cycles for SDD collections and SDD R-transactions is a problem linked to the SEPA migration</p>	<p>a) EPC</p>

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Issue	WG recommendation	Addressee
<p>Debtor Banks do not always follow the SDD Core claim management process after the no-questions-asked SDD Core Refund period.</p> <p>Manipulations of date elements by debtor banks for SDD B2B Return transactions compared to the dates used in the initial SDD collection.</p>	<p>b) Consider with the CSMs the implementation of validation checks to see if SDD R-transactions fall within the prescribed R-transaction calendar day timelines and if SDD R-transactions do not contain altered date elements compared with the date elements in the initial SDD collection</p> <p>c) Report persistent non-compliant behaviour from other SDD scheme participants to the complaints body of the EPC</p>	<p>b) SDD scheme participants</p> <p>c) SDD scheme participants</p>
<p>4 Reachability of SDD B2B Scheme: As an optional scheme, the SDD B2B scheme has a lower reachability than the SDD Core scheme. Creditors and/or creditor banks have to check if the debtor bank is already an EPC SDD B2B scheme participant or not.</p>	<p>Ask those SDD Core scheme participants that are not SDD B2B scheme participants to reconsider adhering to the SDD B2B scheme in case they offer services to businesses</p>	<p>EPC</p>
<p>5 Unclear remittance information about SDD collections to consumers: Remittance information about SDD collections is unclear to consumers on their monthly payment account statements and in the online banking application of the debtor banks</p>	<p>a) Certain familiarisation still has to take place on the presented SDD collection remittance information</p> <p>b) Continue to monitor if this issue still exists and if other actions are needed to support greater familiarisation among all debtors' groups including those with low financial literacy</p>	<p>a) Consumers and creditors</p> <p>b) ERPB consumer representatives</p>
<p>6 Change of a creditor acting on behalf of an 'ultimate Creditor': The SDD Rulebooks allow that the mandate indicates the name and the CI of a creditor which takes up the role of a 'collecting Creditor' whereby this 'collecting Creditor' mentions a Creditor Reference Party ('ultimate Creditor') on the SDD mandate. A good example of such a mandate set-up are payment collection factories.</p> <p>In case the 'ultimate Creditor' wants to change its 'collecting Creditor', the new 'collecting Creditor' could be required to obtain new mandates from the debtor.</p>	<p>Prepare a Clarification Paper in the first half of 2015 listing the consequences of all possible mandate amendment scenarios initiated by a debtor or by a (collecting or ultimate) creditor on the validity of the signed SDD mandate, and make recommendations if needed</p>	<p>EPC with involvement from the EPC Scheme End-User Forum</p>
SCT specific		
<p>XML standard for urgent euro payments: ISO 20022 XML standard for urgent euro payments would enable corporate PSUs to send a single ISO 20022 XML file including both urgent euro and SCT/SDD payments</p>	<p>Elaborate further this suggestion in another ERPB WG focused on euro payment innovation or on instant euro payments</p>	<p>ERPB</p>

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Issue	WG recommendation	Addressee
<p>Use of unique entity identifiers in payments and in PSP checks before crediting the beneficiary:</p> <p>Some corporate PSUs consider that crediting an account on the basis of the IBAN alone is risky. It has been suggested to use unique entity identifiers to allow further automatic controls before a payment is credited to the beneficiary.</p>	<p>Indicate whether the use of unique entity identifier in SEPA payments is a topic to be handled within the ERPB</p>	<p>ERPB</p>

2. Introduction

Throughout July 2014, the members of the ERPB Working Group (WG) on SCT-SDD post-migration issues reported issues in relation to the SEPA schemes of the European Payments Council (EPC) that may hinder a full market integration for credit transfers and direct debits and impede the SEPA schemes to reach their full potential. Starting point for the work of the ERPB WG on SCT-SDD post-migration issues was the mandate given in May 2014 by the ERPB (dated 30 April 2014) (see Annex II).

The WG reviewed these issues to determine if the reported issues from the various communities were genuine SCT-SDD post-migration issues or not and if they fall within the remit of the WG. The WG has formulated concrete recommendations to the ERPB or simply informs the ERPB about concrete steps already taken by some stakeholders about the issues described under section 3.

3. SEPA post-migration issues for the attention of the ERPB

3.1. General

3.1.1. Harmonizing formats in the customer-to-bank (C2B) space

Issue description

The ISO standard 20022 forms the basis for the XML-based EPC SEPA payment message format. The EPC Implementation Guidelines (IGs) provide a general template of possible data fields for this XML message standard. The EPC interbank IGs are mandatory for the EPC SEPA Scheme participants whereas the IGs covering the XML messages in the customer-to-bank (C2B) space are only strongly recommended.

Various SEPA countries and EPC Scheme participants have created their own configurations ('flavours') of the XML-based SEPA payment initiation message format (**pain.x**) in the C2B space.

Corporate customers which transact in various countries and/or with different PSP partners need to implement these C2B interface 'flavours'. Such situations lead to efficiency losses for these customers and hinder an easy relationship change-over to any new PSP partner.

Market participants stated that the very high number of different 'flavours' is the biggest general problem hampering the full advantages of SEPA. They have expressed the need for a harmonization of these variations in the C2B space in SEPA.

WG assessment

A distinction has to be made between mandatory and optional fields in the C2B XML messages. For the functioning of SEPA, it is necessary that all PSPs can work on the basis of the same set of mandatory fields. C2B messages containing only the mandatory fields should be accepted by all PSPs across SEPA. Differences in optional fields are only for extra services offered by PSPs to Payment Service Users (PSUs).

The WG further considers that the different formats of the payment initiation message in the C2B space, is the underlying reason for these C2B 'flavours'. The WG does not consider the actual mandatory fields in the C2B message as an issue (the contents of these C2B mandatory fields are required to populate the interbank payment message in the next stage).

The WG notes that a change suggestion to harmonize the pain format in the C2B space proposed during the 2014 EPC SEPA Rulebook change and release management cycle, did not obtain broad acceptance from the contributors during the corresponding public consultation.

The WG was further made aware that the EPC will publish XML Schema Definition (XSD) schemas of the ISO 20022 messages described in the EPC C2B IGs. The EPC Scheme participants will be free to apply these EPC C2B XSD schemas or not.

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The WG also notes that the EPC is not in a position to make its current recommended-only C2B IGs and XSD schemas mandatory at this point in time. Only a broad acceptance from contributors to support the suggestion of making the EPC C2B IGs and XSD schemas mandatory during a next EPC SEPA Rulebook change and release management cycle would provide the necessary foundation to the EPC.

The WG believes that the ERPB should actively support the development of mandatory EPC IGs in the C2B space. Such mandatory IGs for the C2B space are an important next step in achieving end-to-end (E2E) processing from the initiation of the payment transaction up to the confirmation of the payment execution on the account statements.

The WG advises that the EPC Scheme End-User Forum under the 'New EPC' be consulted about and actively supports the suggestion for mandatory EPC C2B IGs and the related mandatory XSD schemas. The End-User representatives should further promote this suggestion within their organizations at EU and at national level.

Through such an approach, the WG expects that PSUs as a market force will request their PSPs to adopt XSD schemas based on the EPC C2B IGs. This should also give the broad support needed for the change suggestion to develop mandatory EPC IGs in the C2B space during a next EPC SEPA Rulebook change and release management cycle.

WG recommendation to the ERPB meeting on 1 December 2014:

The ERPB supports the publication and the use of the XML Schema Definition (XSD) schemas of the ISO 20022 messages described in the currently recommended-only EPC C2B IGs.

The members of the ERPB and the EPC Scheme End-User Forum should be consulted about and give their support to the suggestion for mandatory EPC C2B IGs and the related mandatory XSD schemas. These members should further promote this suggestion within their organizations at EU and at national level.

This should foster the necessary market forces to request PSPs to adopt the XSD schemas based on the EPC C2B IGs. It should also lead to the broad support needed for the change suggestion of having mandatory EPC IGs in the C2B space during a next EPC SEPA Rulebook change and release management cycle.

3.1.2. Harmonizing formats in the bank-to-customer (B2C) space

Issue description

With regard to the bank-to-customer (B2C) space, EPC scheme participants already offer XML messages for payment/ collection accounting & cash management reporting (**camt.05x** for account statement or for credit/ debit notification). Article 5(1) (d) of the SEPA Regulation requires PSPs to use the XML message format for SEPA messages (which cover B2C messages) where a PSU that is not a consumer or a microenterprise, initiates or receives individual credit transfers or individual direct debits which are not transmitted individually, but are bundled together for transmission.

Certain corporate PSUs indicate that basic account statements in XML message format should be offered. This would reduce investments for establishing and maintaining different interfaces to dialogue with their PSPs and facilitate the change-over of a corporate PSU from one PSP to another PSP.

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WG assessment

The WG also notes that the EPC is not in the position to make mandatory B2C IGs and related XSD schemas at this moment. Only a broad acceptance from contributors to support the suggestion of making mandatory EPC B2C IGs and XSD schemas during a next EPC SEPA Rulebook change and release management cycle, would provide the necessary foundation to the EPC.

The WG believes that the ERPB should actively support the development of mandatory EPC IGs in the B2C space. Such mandatory IGs for the B2C space are the final step in achieving end-to-end (E2E) processing from the initiation of the payment transaction up to the confirmation of the payment execution on the account statements of both the payer and the payee.

The WG advises that the EPC Scheme End-User Forum under the 'New EPC' be consulted about the appropriate B2C message(s) for such IGs and the message fields which should become mandatory. The EPC Scheme End-User Forum should actively support the suggestion for mandatory EPC B2C IGs and the related mandatory XSD schemas. The end-user representatives should further promote this suggestion within their organizations at EU and at national level.

Through such an approach, the WG expects that PSUs as a market force will request their PSPs to adopt the XSD schemas based on the EPC B2C IGs. This should also give the broad support needed for the change suggestion to develop mandatory EPC IGs in the B2C space during a next EPC SEPA Rulebook change and release management cycle.

WG recommendation to the ERPB meeting on 1 December 2014:

The EPC Scheme End-User Forum should be consulted about the appropriate B2C message(s) covered by mandatory EPC B2C IGs and the message fields which should become mandatory.

The EPC should then prepare a proposal of mandatory EPC B2C IGs and the related mandatory XSD schemas.

The members in the ERPB and the EPC Scheme End-User Forum should give their support to the suggestion for mandatory EPC B2C IGs and the related mandatory XSD schemas. These members should further promote this suggestion within their organizations at EU and at national level.

This should foster the necessary market forces to request PSPs to adopt the XSD schemas based on the EPC B2C IGs. It should also lead to the broad support needed for the change suggestion of having mandatory EPC IGs in the B2C space during a next EPC SEPA Rulebook change and release management cycle.

3.1.3. IBAN discrimination

Issue description

SDD debtors and SCT originators have reported that SDD collections by certain creditors and SCTs to certain beneficiaries can only be done from an IBAN of the debtor or of the originator held at a PSP from the SEPA country of residence of the creditor or of the beneficiary. Illustrations have been given about complaints about firms and payments (e.g., tax payments, cross-border utility payments) to or from local authorities that currently could only be done from or to a national IBAN.

Such restrictions are not allowed following article 3 (reachability) and article 9 (payment accessibility) of the SEPA Regulation and form a real barrier for the smooth functioning of SEPA.

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WG assessment

The WG concurred that the IBAN discrimination is one of the most important SEPA post-migration issues. The national central banks, the ECB and the European Commission continue to receive many complaints on this issue. The WG highlights that Article 9 of SEPA Regulation clearly puts obligations on both payer and payee:

Payment accessibility

1. A payer making a credit transfer to a payee holding a payment account located within the Union shall not specify the Member State in which that payment account is to be located, provided that the payment account is reachable in accordance with Article 3.
2. A payee accepting a credit transfer or using a direct debit to collect funds from a payer holding a payment account located within the Union shall not specify the Member State in which that payment account is to be located, provided that the payment account is reachable in accordance with Article 3.

The WG has concerns that not all corporate-and public authority-PSUs and SDD creditors are at this point in time aware of the obligations set by article 9 of the SEPA Regulation. These PSUs may not know that there is no difference in the cost or in the execution of SCTs and SDDs when the IBAN of a payer used for the transaction is held at a PSP located in another SEPA country than the SEPA country of residence of the payee.

Apart from the potential unawareness described above, these PSUs might still request national IBANs from their transacting counterparties to avoid possible cross-border disputes, litigation or fraud. Some PSUs may have decided not to accept non-national IBANs for certain SEPA instrument due to a lack of specific technical solutions (e.g., no pan-European electronic mandate solution) in support of their business models.

Furthermore, certain PSUs may be limited in their technical payment processing capabilities (e.g., due to the switch from BBAN to IBAN) or need to use BICs for cross-border payments setting barriers for accepting non-national IBANs in SEPA orders or are still investing in the final SEPA migration implementation phases. Another possibility is that they still make use of national conversion services or specific software packages to initiate their euro payment requests that do not support non-national IBANs or the BIC required in cross border payments.

The WG discussed a package of measures and the need for relevant stakeholders² to communicate about the possibilities of SEPA payments. The WG recommends that awareness campaigns about the merits of SEPA payments across national borders be organized in all SEPA countries with special attention to the corporate-and public authority-PSUs and SDD creditors. National existing contact centres for the general public to raise (consumer) complaints should be put forward as escalation points to report IBAN discrimination cases. One ERPB WG member suggested that existing national contact centres/ competent authorities for the general public to raise (consumer) complaints should help in solving IBAN discrimination cases and other SEPA-complaints and that the existing network of National Central Banks/ competent authorities could become more formalised for all cross-border complaints.

WG recommendation to the ERPB meeting on 1 December 2014:

The European Commission should follow up with the EU Member States and takes appropriate action to enforce EU law in line with article 9 (payment accessibility) and 11 (Penalties) of the SEPA Regulation.

² PSPs, national central banks, umbrella organizations of corporate-and public authority payees, consumer organizations and competent authorities at national level

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Relevant stakeholders³ and financial authorities should review their existing information arrangements and possibly re-launch awareness campaigns about the merits of SEPA payments across national borders. These campaigns should clarify the contents and the impact of article 9 of the SEPA Regulation. Appropriate communication is absolutely helpful.

Special attention should be made to the corporate-and public authority-PSUs and SDD creditors in order to highlight their obligations on IBAN acceptance and about the possibilities of SCT and SDD for conducting euro payments across national borders in SEPA.

3.1.4. Implementation of 'IBAN-only' as of 1 February 2016

Issue description

The ECB has published on a dedicated ECB webpage⁴ links to websites of national authorities in SEPA countries that issue bank identifiers used in IBANs. This ECB webpage helps any provider interested in developing a BIC-from-IBAN derivation service in identifying an entry point in the different national markets.

Certain market participants have reported that the current conversion data tables made available through the ECB webpage show gaps. They consider that a considerable number of countries do not provide usable information for implementing BIC-from-IBAN derivation services in a cross-border context. The publication schedule for updates of these national data tables appears to be unavailable nor seems the information to be published in a common language, format or structure. No information at all seems to be provided about a small group of SEPA countries.

The suggestion to remediate this issue is that all national data sources should be based on an integrated, standardized provision of the relevant data following a common data format. Furthermore, the national data tables should be publicly available and accessible in an English language version.

Particularly the PSP communities have indicated that 'IBAN-only' is a very important issue. The reported unavailability of reliable data provided in a common structure forms the biggest issue for BIC-from-IBAN derivation especially for PSPs wishing to establish their own reference tables and new BIC-from-IBAN derivation service providers entering the market.

In case these suggestions are realized, PSPs and new service providers entering the market would be able to develop and offer reliable BIC-from-IBAN derivation tools within a competitive environment.

WG assessment

Although the WG understands the issues about the specific ECB webpage, it sees only the following other options:

- a) The ECB sets up a complete and dedicated database to derive a BIC from an IBAN. This option is considered not to be possible because the ECB does not have the mandate to set up such dedicated database.
- b) The ECB collects more and better data from the national authorities and provides this data in a standardized way. It is difficult for the ECB to ask for this information because the ECB does not have the mandate to do such data collection for 34 SEPA countries.

³ Ibid.

⁴ <http://www.ecb.europa.eu/paym/retpaym/paymint/sepa/html/index.en.html> and consult tab sheet 'Issuing authorities for bank identifiers'

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- c) The EPC inserts in its Scheme Rules that the Scheme participants provide in a structured way reliable data for BIC-from-IBAN derivation services. However, the EPC cannot unilaterally enforce a standard on how the provision of bank identifier data should be done for the input for any BIC from IBAN derivation database. Specific solution providers might already have set proprietary standards for such specific databases.
- d) National issuing authorities that issue bank identifiers make available the relevant data in a standardized manner and adopt the same publication schedules.

The WG questions whether this subject actually can be classified as a SEPA post-migration issue while the focus of this WG is on post-SEPA migration issues only. Furthermore, the ECB states that it has received the confirmation from various BIC-from-IBAN derivation service providers that these solution providers will have almost reliable solutions in place by February 2016.

WG recommendation to the ERPB meeting on 1 December 2014:

Solution providers should be invited by the ERPB to present the full reliability of their respective solutions in order to meet the market needs for BIC-from-IBAN derivation early enough (with a recommended date of 1 June 2015 at the latest) to support the IBAN-only implementation by February 2016. The ECB along with the National Central Banks should continue to provide information on local issuing authorities and keep this information updated via its website.

The national issuing authorities for bank identifiers should further standardize the provision of relevant data for implementing BIC-from-IBAN derivation services as soon as possible (with a recommended date of 1 April 2015 at the latest) by ensuring a non-discriminatory and transparent access for all market participants (PSPs and PSUs). The WG is however not in the position to recommend the definition of such standardization.

3.1.5. Extension of remittance information

Issue description

An extension of the currently limited remittance information is deemed necessary by certain market participants. Such an extension has to be seen as part of a larger harmonization effort to guarantee the end-to-end (E2E) transmission of payment-related information references via the interbank space. The current restrictions in remittance information hinder corporates in their SCT and SDD reconciliation and reporting processes.

The extension of remittance information is for corporates especially important in B2B payments. The ISO 20022 XML message standard is designed to include an unlimited number of occurrences of structured remittance information. It has been reported that corporates would need at least 20 occurrences of structured remittance information.

WG assessment

The WG notes that an EPC change suggestion to make additional customer-to-customer information available outside the payment transaction proposed during the 2014 EPC SEPA Rulebook change and release management cycle, did not obtain broad acceptance from the contributors during the public consultation. This change suggestion had been made as an alternative solution to meet the needs for extended remittance information.

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The WG questions whether the need to extend the remittance information, and in particular structured remittance information, is a strategic or urgent post-SEPA migration issue. The extension of the current size of remittance information can be interpreted as a new service. Some market participants argue that E2E Straight Trough Processing (STP) in payments is one of the major benefits expected from SEPA and that the lack of sufficient structured information impedes the SEPA SCT and SDD schemes in reaching their full potential.

It should however be noted that EU legislation obliges PSPs to put all transmitted remittance information on the account statements. As such, the possible future adoption of multiple occurrences of unstructured remittance information would create a challenge for PSPs as these occurrences would have to be printed or displayed on account statements.

The WG takes note of the discussion held on extended remittance information at the September 2014 EPC Customer Stakeholder Forum meeting. The consensus at that meeting was that the search for possible alternatives to meet the need for extended structured and unstructured remittance information will be a concrete 2015 co-work item for the EPC Scheme End-User Forum and the EPC.

WG recommendation to the ERPB meeting on 1 December 2014:

The WG recommends that the ERPB is informed about the progress made by the EPC Scheme End-User Forum and the EPC during 2015 in their search for possible alternatives to meet the extended structured and unstructured remittance information demands.

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3.2. SDD specific issues

3.2.1. Handling of SDD R-transactions

Issue description

The SDD collection efficiency rates (measured by the R-transaction volume rates) do not yet match those of the legacy direct debit instruments in various countries. An inconsistent use of SDD R-transaction reason codes by SDD Scheme participants is reported which hinders efficiency gains through automation/ straight-through-processing (STP) of SDD R-transactions. Differences are also noted in the use of R-transaction reason codes between national and cross-border SDD collections.

Creditors find it particularly challenging to understand the causes of many R-transactions they receive through the creditor banks. This is mostly due to the fact that a large percentage of the R-transactions carry the reason code MS03 'Reason not specified'⁵. While there is a significant effort under way in the different countries to reduce the use of MS03, market participants expect that the overall use rates of MS03 will nevertheless continue to remain rather high.

The main reason for this is that in a number of EU countries there are legal restrictions in place, such as data protection legislation, that prevent SDD scheme participants from using more precise reason codes⁶. SDD scheme participants faced with legal restrictions in these countries have to fall back on the use of MS03.

The use of a meaningful reason code helps the receiver of a SDD R-transaction to understand why the original SDD collection was not successfully executed. This avoids unnecessary enquiries and enables automated end-to-end exception-handling.

WG assessment

The WG notes that the EPC and the SMART group within the Euro Banking Association (EBA) have already taken up the issue of inconsistent use of SDD R-transaction reason codes by SDD scheme participants through the issuance of guidance documents⁷.

With the publication of these guidance documents, the WG now expects to see an increased level of compliance by SDD scheme participants in the use of the correct reason code.

However, the WG draws the attention to national legal restrictions, such as data protection legislation, that prevent SDD scheme participants from using a more precise reason code. SDD scheme participants faced with legal restrictions (e.g., on insufficient funds, Debtor deceased) in these countries have to fall back on the use of MS03 'Reason not specified'. This code represents a large percentage of the SDD R-transactions.

WG recommendation to the ERPB meeting on 1 December 2014:

The EPC should monitor the evolution in the correct use of SDD R-transaction reason codes until December 2015 and could take corrective measures if needed.

Complaints about SDD scheme participants not using the appropriate reason code, should be addressed by Scheme participants to the complaints body of the EPC.

⁵ 2014 STEP2 SDD Core figures of EBA CLEARING: May: 41 %, June: 33 %, July: 31 %, August: 30%

⁶ The September 2014 version of the EBA SMART R-transaction guide (www.abe-eba.eu/E-books/SMART-R-transaction-Guide) includes a table on pp. 6 and 7 providing information on the country-specific exceptions/restrictions in place across the euro zone with regard to the use of SDD R-transaction reason codes.

⁷ The EPC guidance document can be found on <http://www.europeanpaymentscouncil.eu/index.cfm/about-epc/epc-news/epc-publishes-guidance-on-reason-codes-for-sepa-direct-debit-sdd-r-transactions/>. The link to the EBA SMART R-transaction guide is www.abe-eba.eu/E-books/SMART-R-transaction-Guide

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The ERPB should ask the European Commission to investigate if and how national legal restrictions affecting the use of the appropriate SDD R-transaction reason codes could be resolved.

3.2.2. SDD sequence types

Issue description

The SDD Core and B2B Rulebooks prescribe specific sequence types (first, recurrent, one-off, last) with related timelines to be respected when presenting a SDD collection for the first time, on a recurrent basis or as a unique (i.e. one-off) collection.

Market participants prefer a simplification of the current range of SDD sequence types.

WG assessment

The WG notes that suggestions to make changes to the SDD sequence type have been proposed during the 2014 EPC SEPA Rulebook change and release management cycle. The EPC recommendation to make the sequence type 'First' no longer mandatory in both SDD Rulebooks with an effective date in November 2016 has received broad acceptance from the contributors during the public consultation on the 2014 change requests for the EPC SEPA Schemes.

The WG has been further informed that this upcoming change does not impact creditors which may continue to provide the sequence type 'First' as implemented in their existing SDD Core and SDD B2B collection presentation processes after November 2016. There will be no reject rule for the use of the data element 'FRST' in a first technical collection.

WG message to the ERPB meeting on 1 December 2014:

With the sequence type 'First' no longer mandatory in both SDD Rulebooks with an effective date in November 2016, the WG considers that the reported issue on SDD sequence types will be resolved from November 2016 onwards.

3.2.3. Creditor Identifier

Issue description

The Creditor Identifier ('CI') has been created in the SDD Schemes to allow debtors as well as debtor banks to turn to the creditor for Refunds and complaints and to check the existence of a valid mandate for a SDD collection presented by the creditor. These actions need a unique identification of the creditor, meaning that a CI is assigned to only one creditor.

The issuance of CIs is currently based on existing and varying national methodologies applied in each individual SEPA country. Due to the lack of central CI issuance or harmonisation in the issuance of CIs, the following difficulties have been reported that may hinder the cross-border use of SDDs:

- a) Issue 1: Differences in national rules on eligibility to apply for a CI may lead to deadlock situations whereby certain creditors in certain SEPA countries are unable to obtain a CI on a cross-border basis. Further harmonization of national issuing rules would provide greater clarity to creditors and diminish administrative burdens.

The suggestion is to categorize these situations leading to a deadlock situation in which the creditor-applicant cannot get a CI and to determine remedies to resolve such CI application impasses.

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- b) Issue 2: Fraudulent SDD collection attempts and the role the CI could play to prevent such attempts. Differences in national rules regarding the verification of CIs may make it impossible for creditor banks to check the validity of a CI issued in another SEPA country. This may lead to difficulties in the future in case of major fraud attempts with cross-border SDDs.

When handling SDD collections from a creditor having a CI from another SEPA country, certain PSPs may wish to contact the national institution of the country which issued the CI.

However, the concerned foreign CI issuing authorities (in case CIs are not issued by PSPs themselves from that country) do not always respond to these CI validation requests. The suggestion is to make a list of concrete contact details (phone, e-mail address, etc.) of the department or person at the national institution in charge of the CI issuance for those countries where CIs are issued by a single authority.

WG assessment

The WG takes the position that the CI has been designed as an operational data element to identify the Creditor but not as a fraud prevention attribute for the SDD.

On its website, the EPC regularly updates the document EPC262-08 providing the CI-overview for all 34 SEPA countries outlining per SEPA country who can request CIs to which institution(s) such request can be addressed and the structure of each national CI.

With regard to the first issue, the WG suggests that the EPC includes clarifications in the document EPC262-08 to highlight the possibilities about the use of a single CI across SEPA. The WG considers that situations whereby creditors are unsuccessful in obtaining a CI in their home country are exceptional.

As for the second issue, the EPC can include where available the concrete contact details (phone, a dedicated e-mail address) of the department at the national institution in charge of the CI issuance. The WG further assumes that each creditor bank undertakes all necessary measures in relation to new creditors e.g., via Know-Your-Customer (KYC) procedures and credit assessments on the creditors.

Nevertheless, the WG emphasizes that in the long term a more appropriate attribute (e.g., an unique entity identifier such as the Legal Entity Identifier (LEI)) should be found to validate the identity of a Creditor.

WG recommendation to the ERPBG meeting on 1 December 2014:

The EPC should include clarifications in the document EPC262-08 (Creditor Identifier (CI) overview) to highlight the possibilities about the use of a single CI across SEPA. The next version of this document should contain the concrete contact details (phone, e-mail address) of the department at the national institution in charge of the CI issuance for those countries where CIs are issued by a single authority, where available.

In the long term, the EPC with support from the ECB and the appropriate standardization bodies should investigate the possibilities of more appropriate attributes (e.g., Legal Entity Identifier (LEI) as a unique entity identifier) to identify a Creditor.

3.2.4. SDD Core collection timelines

Issue description

The general timeline to submit for the first time a SDD Core collection is at D-5 Inter-Bank Business Days (IBBD) with the possibility to return a settled SDD collection up to D +5 IBBD. The collection of SDDs within a shorter timeline would give market participants an efficient and fast payment means.

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The SDD Core Rulebook already foresees the Core D-1 (COR1) timecycle as an option. However, creditors transacting in several SEPA countries face a heterogeneous situation in SEPA as they cannot use SDD Core D-1 in all SEPA countries. They have to manage different SDD Core collection timelines (D-5/ D-2 and D-1/ D-1) in different countries. These market participants have expressed the wish for the SEPA-wide implementation of the COR1 timecycle.

WG assessment

The WG notes that suggestions to make changes to the standard SDD Core D-5/ D-2 timecycle have been proposed during the 2014 EPC SEPA Rulebook change and release management cycle. The EPC recommendation to make D-1 as the standard SDD Core collection timeline with an effective date in November 2016 has received broad acceptance from the contributors during the public consultation on the 2014 change requests for the EPC SEPA Schemes.

The WG has been further informed that this upcoming change does not impact the creditor. The creditor may continue using its current implemented SDD Core collection presentation timelines (e.g., D-14, D-5, D-2) after November 2016.

WG message to the ERPBG meeting on 1 December 2014:

With D-1 becoming the standard SDD Core collection timeline with an effective date in November 2016, the WG considers that the reported issue on SDD Core collection timelines will be resolved from November 2016 onwards.

3.2.5. SDD time cycles for SDD collection presentation and SDD R-transactions

Issue description

Market participants have reported that certain SDD scheme participants do not respect the specific calendars prescribed in the SDD Rulebooks. These calendars form the basis for the time cycles to be used for first and recurrent SDD collection presentations and SDD R-transactions.

As an illustration, the deadline for SDD Returns is based on TARGET calendar days, whereas the deadline for a no-questions-asked SDD Core Refund collection is based on the normal calendar days plus a number of TARGET days (8 calendar weeks + 2 TARGET days).

Sometimes national holidays are being taken into account in the presentation of the SDD collections and SDD R-transactions. Some Clearing and Settlement Mechanisms (CSMs) use TARGET calendar days instead of normal calendar days for sending SDD Core Refund requests.

It has also been reported that Debtor Banks do not always follow the SDD Core claim management process after the no-questions-asked SDD Core Refund period of 8 calendar weeks + 2 TARGET days has passed. Moreover, some debtor banks simply send a Refund message without having first sent the request for a refund to the creditor bank beyond the eight weeks' period after the debit date of the initial SDD Core collection.

These practices result in the automatic re-debiting of the creditor bank's account. The creditor bank cannot re-debit its creditor after the eight weeks' period in case of a valid mandate because the credit is final after this period.

Furthermore, manipulations of date elements by debtor banks have been reported for SDD B2B Return transactions compared to the dates used in the initial SDD collection.

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Cases have also been highlighted whereby debtor banks, which had not been able to return a SDD Core collection within the prescribed D+5 SDD Core Return period, issued a SDD Core Refund message without having received the instruction from the debtor to do so.

WG assessment

The WG has noted that in June 2014, the EPC sent the Letter EPC037-14 directly to all SDD scheme participants reminding them to respect the prescribed SDD Core and SDD B2B R-transaction time cycles and the related process steps.

The WG has been briefed about the outcome of the discussions at the September 2014 EPC Clearing and Settlement Forum (ECSF) meeting:

- With respect to the fact that these CSMs may apply TARGET calendar days instead of the normal calendar days prescribed by the SDD Rulebooks, the SDD service of these CSMs uses the Interbank Settlement date of the initial SDD collection but not the debit date. Eventually, it is the SDD scheme participant- CSM SDD service users to respect the SDD Rulebooks and to instruct the CSM on how the SDD Rulebook rules should be validated at CSM level.
- As to manipulations of date elements by debtor banks for SDD B2B Return transactions, the set-up of specific validation checks at CSM level on the date elements in the presented R-transaction with the data of the initial SDD collection could allow to resolve the issue. Such validation checks could however have an impact on the cost, the flexibility and the rapidity of the SDD services offered by CSMs. Moreover, they could cause an impairment of interoperability if transactions are processed across different CSMs and thus adversely affect the mobility of CSM SDD service users intending to change CSM.
- The origin of the reported issue is a non-compliant behaviour of some SDD Scheme participants in relation to the EPC SEPA Rulebook rules. Even if the CSMs carry out comparison checks, it does not relieve the SDD Scheme participants from the obligation to respect the SDD Rulebooks.

On the one hand, the WG considers these issues as teething problems coming after the SEPA migration and expect them to gradually disappear. Some debtor banks may have encountered technical issues just after the SEPA migration to initiate SDD R-transactions within the prescribed Rulebook timelines and did manipulations to still launch a R-transaction. It is possible that these issues will have disappeared by the time the EPC and the ERPB are in a position to address them.

Furthermore, SDD scheme participants as CSM SDD service users should consider with their CSMs implementing validation checks at CSM level to verify if SDD R-transactions fall within the prescribed R-transaction calendar day timeline and if SDD R-transactions do not contain altered date elements compared with the date elements of the initial SDD collection.

On the other hand, the WG wishes to stress that SDD scheme participants which are faced with repetitive non-compliant behaviour from other SDD scheme participants also have the possibility to file a complaint against the non-compliant scheme participant through the complaints body of the EPC.

WG recommendation to the ERPB meeting on 1 December 2014:

The EPC should monitor if the non-compliance to the SDD Rulebook stipulations on SDD time cycles for SDD collection presentation and for SDD R-transactions is a problem linked to the SEPA migration.

If the problem persists the SDD scheme participants as CSM SDD service users should consider with their CSMs the implementation of validation checks to see if SDD R-transactions fall within the prescribed R-transaction calendar day timelines and if SDD R-transactions do not contain altered date elements compared with the date elements in the initial SDD collection.

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The possible set-up of such validation checks does not relieve the SDD scheme participants from the obligation to respect the SDD Rulebooks. Whenever SDD scheme participants notice persistent non-compliant behaviour from other SDD scheme participants, this behaviour should be reported to the complaints body of the EPC.

3.2.6. SDD B2B: Optionality and reachability issues

Issue description

The SDD B2B scheme is currently an optional scheme with the result that the SDD B2B scheme has a lower reachability than the SDD Core scheme. Currently, creditors and/or creditor banks have to check if the debtor bank is already an EPC SDD B2B scheme participant or not. The EPC SEPA Scheme Registers which are updated on a monthly basis do not give full clarity about which PSPs are SDD B2B scheme participants (i.e. on PSP branches).

WG assessment

The WG believes that market forces will determine the reachability extension of the SDD B2B scheme. Furthermore, the WG highlights that PSPs not offering any B2B payment services, should not be forced to offer SDD services for a customer segment which they have no interest in.

The WG noted that in the euro zone, less than 500 EPC SDD Core scheme participants were not yet EPC SDD B2B scheme participants based on the October 2014 EPC SEPA Scheme Register statistics. (*Comment: a part of the 500 EPC SDD Core Scheme participants might not offer services to businesses*).

COUNTRY	SCT	Core SDD	B2B SDD
Euro	4.078	3.807	3.378
AUSTRIA	711	700	665
BELGIUM	44	36	27
CYPRUS	16	12	1
ESTONIA	8		
FINLAND	9	9	2
FRANCE	281	262	148
GERMANY	1.825	1.814	1.748
GREECE	22	16	13
IRELAND	128	67	3
ITALY	623	597	586
LATVIA	23	2	
LUXEMBOURG	71	25	15
MALTA	21	7	3
MONACO	18	18	
NETHERLANDS	52	32	16
PORTUGAL	37	26	13
SAN MARINO	8	8	7
SLOVAKIA	18	15	4
SLOVENIA	20	20	13
SPAIN	143	141	114

ERPB WG on SCT-SDD post-migration issues

The WG prefers the approach to actively promote the SDD B2B scheme instead of a mandatory enforcement that would require a legislative amendment.

WG recommendation to the ERPB meeting on 1 December 2014:

EPC should identify those SDD Core scheme participants that are not SDD B2B scheme participants and ask them to reconsider adhering to the SDD B2B scheme in case they offer services to businesses.

3.2.7. Unclear remittance information about SDD collections to consumers

Issue description

Consumer associations from a specific country have denounced the lack of clarity and consistency of the information on SDD collections appearing on monthly payment account statements and, shown in a condensed form, in the online banking application of the debtor banks. These complaints focus primarily on the sequence of all payment information and remittance information provided by creditors which, in a number of cases, is difficult for consumers to understand. The debtor banks each truncate differently the remittance information in their online banking applications.

This may lead in certain cases to situations whereby the debtor initiates a SDD R-transaction based on such unclear SDD collection remittance information. The ERPB WG has been asked to offer guidance on how

- a) Creditors should use the remittance information field when presenting SDD collections to the debtor bank and the debtor
- b) Debtor banks that wish to give an overview of the remittance information provided by creditors in their online banking environments, should condense the remittance information field

WG assessment

The WG questions whether this issue is an actual SEPA migration issue or if it was already an issue under the national legacy schemes.

The WG highlights that the current PSD and the SEPA Regulation actually prescribe the data elements and the size of remittance information to be transmitted to the debtor. The SDD Core Rulebook prescribes the attribute and technical fields to be used to transport the remittance information. It is the creditor who defines the content of the remittance information and the SDD scheme participants can only pass on the remittance information received from the creditor.

The WG does understand the difficulties of consumers in understanding the provided remittance of the SDD collection. However, it also believes that a certain familiarisation among the consumers and creditors still has to take place about the presented SDD collection remittance information.

WG recommendation to the ERPB meeting on 1 December 2014:

The WG considers that a certain familiarisation among consumers and creditors still has to take place on the presented SDD collection remittance information provided by the creditor. Therefore at this stage, the consumer representatives of the ERPB should continue to monitor if this issue still exists and if other actions are needed to support greater familiarisation among all debtors' groups including those with low financial literacy.

ERPB WG on SCT-SDD post-migration issues

3.2.8. Change of a creditor acting on behalf of an 'ultimate Creditor'

Issue description

The SDD Rulebooks allow that the mandate indicates the name and the CI of a creditor which takes up the role of a 'collecting Creditor' whereby this 'collecting Creditor' mentions a Creditor Reference Party on the SDD mandate. The Creditor Reference Party is the 'ultimate Creditor' on whose behalf the SDD collections are actually executed. A good example of such a mandate set-up are payment collection factories.

Under such a mandate set-up, the 'collecting Creditor' entity is formally the creditor in relation to the debtor and submits the SDD collection file for further handling by the creditor bank and the debtor bank. The 'collecting Creditor' receives the funds from this SDD and passes them on to the 'ultimate Creditor'.

In case the 'ultimate Creditor' wants to change its 'collecting Creditor', the new 'collecting Creditor' could be required to obtain new mandates from the debtor. Acquiring new mandates related to existing service and/or product delivery contracts with debtors hinder 'ultimate Creditors' to change easily from one 'collecting Creditor' to another.

WG assessment

The SDD Rulebooks are clear about who can initiate the SDD collection in accordance to the mandate. The mandate is the expression of consent and authorisation given by the debtor to the creditor to allow such Creditor to initiate collections for debiting the specified debtor's account.

The WG believes it is necessary to broaden this topic to a larger variety of aspects relating to the handling of the mandate by the creditor:

- Change of the funds collecting company acting as technical central SDD collection point and with the possibility as a legal counterparty to the debtor on a SDD mandate
- SDD mandate claim management (e.g., R-transactions) in relation to a funds collecting company
- Creditors that transfer/sell the underlying commercial contracts and their associate portfolios of SDD mandates to other creditors
- Mandate data elements which need to be amended: as of when a mandate amendment is no longer sufficient for an existing mandate and requires instead a new mandate (e.g., in case of mergers, acquisitions)

The WG believes that a standard answer cannot be given to the creditor on all the above-mentioned items. Each concrete change to the mandate or to the creditor identity is case-dependent and needs to be assessed from a legal point of view.

The WG is of the opinion that the EPC should produce an EPC Clarification Paper listing the consequences of all possible mandate amendment scenarios (initiated by debtor or by the collecting or ultimate creditor) on the validity of the signed SDD mandate. The EPC Scheme end-user Forum should also be involved in the preparation of this Clarification Paper.

WG recommendation to the ERPB meeting on 1 December 2014:

EPC should prepare a Clarification Paper in the first half of 2015 listing the consequences of all possible mandate amendment scenarios initiated by a debtor or by a (collecting or ultimate) creditor on the validity of the signed SDD mandate, and make recommendations if needed.

Such document should also take into account the different possible relationships between the collecting Creditor and the ultimate Creditor. The collecting Creditor can be just a technical facilitator for the SDD collection or the real creditor in relation to the debtor.

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The future EPC Scheme End-User Forum should be involved in the preparation of this Clarification Paper.

ERPB WG on SCT-SDD post-migration issues

3.3. SCT specific issues

3.3.1. Management of urgent euro payments

Issue description

Some market participants have reported problems with PSPs in managing requests for urgent/ large value euro payments and the need to differentiate them from non-urgent euro payments in the C2B messages. Corporate PSUs in particular wish to use the ISO 20022 XML standard for urgent euro payments as well. It would enable those PSUs to send a single ISO 20022 XML file including both urgent euro and SCT/SDD payments. The different euro payment orders in such single file could then be diverted to the respective clearing and settlement mechanisms (SEPA/TARGET).

WG assessment

The WG highlights that this issue is not related to SCT-SDD post-migration issues and does not fit within the remit of the WG. Furthermore, there is no SEPA-wide urgent euro payment scheme using SEPA XML formats available at this moment. Certain PSPs may already provide a competitive service in the C2B space whereby a SEPA payment can be marked as an urgent euro payment.

On the other hand, the WG sees the use of the ISO 20022 XML standard for both urgent euro and SCT/SDD payments as an innovation topic increasing the potential of SEPA.

WG recommendation to the ERPB meeting on 1 December 2014:

Although the WG does not consider the suggestion for applying the ISO 20022 XML standard for both urgent euro and SCT/SDD payments as a SEPA post-migration issue, the WG recognizes the potential of a single ISO standard for both classes of euro payments.

The WG recommends that this concrete suggestion should be elaborated further in another ERPB WG focused on euro payment innovation or on instant euro payments.

3.3.2. Use of unique entity identifiers in payments and in PSP checks before crediting the beneficiary

Issue description

Some corporate PSUs have reported that crediting an account on the basis of the IBAN alone is risky. The suggestion has been to make use of unique entity identifiers to allow further automatic controls before payment is credited to the beneficiary. Such attribute would identify every corporate and private citizen who owns a payment account and should be used in payment transactions to identify account owners and commercial counterparties.

Certain corporate PSUs have provided illustrations about frauds with manipulated invoices to highlight the need for such a unique entity identifier. PSPs could use e.g., VAT numbers as an identifier to do integrity checks for B2B payment transactions. PSPs can then check the identifier and the IBAN of the beneficiary of a SCT. The identifier can also be seen as an alternative for the CI in SDD collections.

WG assessment

The WG questions whether this specific issue is due to the SEPA migration, hinders a successful SEPA migration or was non-existing under the legacy schemes. Furthermore, the current EU legislation prescribes only the use of the IBAN in payment orders. The unique entity identifier could also be seen as a SEPA-innovation subject and should accordingly be handled by another ERPB WG focused on euro payment innovation.

ERPB WG on SCT-SDD post-migration issues

The WG members could not reach a consensus about the most appropriate ERPB WG to further elaborate on this issue.

WG recommendation to the ERPB meeting on 1 December 2014:

Further reflection on the use of the unique entity identifier is needed to see if and how such an identifier can contribute to SEPA reaching its full potential. The WG considers that this topic falls outside the mandate of its mandate.

Following this assessment, the ERPB should indicate whether the use of unique entity identifier in payments is a topic to be handled within the ERPB.

ERPB WG on SCT-SDD post-migration issues

Annex I - Issues not retained for the attention of the ERPB

General issues

A. Ability to process ISO 20022 XML-based message files by PSPs

Issue description

Market participants have reported that in one specific EU country not all PSPs (apparently certain savings and cooperative banks) are able to process XML-based payment message files.

WG assessment

Input from the savings banks and cooperative banks representatives in the WG have indicated that the savings and cooperative banks in the specific EU country are able to process ISO 20022 XML-based EPC SEPA Scheme payment messages. PSUs in this specific EU country do, however, still have the possibility to send plain payment files until February 2016.

B. Missing full reachability of PSPs in non-euro countries

Issue description

There are still a number of PSPs, especially in non-euro countries, which are not reachable for SCT and SDD.

Article 16 (2) of the SEPA Regulation stipulates that PSPs offering payment services which are reachable for national credit transfer and direct debit schemes in euro and that are located in a Member State which does not have the euro as its currency, have to comply with article 3 (reachability) of the SEPA Regulation by 31 October 2016 when the PSPs offer payment services in euro at national level. However, it does not solve the issue of the cross-border SCT/ SDD reachability.

Assuming that all PSPs in non-euro EEA countries already offer credit transfer services in euro, full reachability of PSPs for SCTs in non-euro EEA countries will be finalised after 31 October 2016. Until then, credit transfers in/from such countries may need to be processed in the legacy infrastructures (i.e. SWIFT MT103).

For direct debit, only PSPs that already offer today direct debit in euro in a non-euro EEA country will have the obligation to be reachable for SDD. Knowing that almost no PSPs in non-euro EEA countries offer direct debit services in euro, full reachability for SDD will never be achieved in the context of the actual version of the SEPA Regulation.

WG assessment

Given the clauses in the current SEPA Regulation, the WG considers that the ERPB is not in the position to undertake any action at all to accelerate the reachability of PSPs in SCT and SDD and for SDD in particular in non-euro SEPA countries.

C. Use of conversion services

Issue description

The SEPA Regulation allows the use of conversion services. In some countries, the current use of these conversion services to the ISO20022 XML SEPA payment messages is significant.

The WG has been asked to discuss the current use of conversion services in light of the waivers allowed by the SEPA Regulation.

ERPB WG on SCT-SDD post-migration issues

WG assessment

Given the clauses in the current SEPA Regulation, the WG highlights that the ERPB is not in the position to propose the discontinuation of such services.

D. Niche Products

Issue description

Some market players have requested that the set-up of the SDD No-Refund scheme should be treated by the ERPB whereby this scheme could be used for some specific niche markets. However, other market participants reported that there is no demand for such SDD No-Refund scheme in their communities.

WG assessment

The SEPA Regulation permits the use of legacy niche products until 1 February 2016. Given the clauses in the current SEPA Regulation, the WG highlights that the ERPB is not in the position to undertake any action at this point in time on a possible use of niche products after 1 February 2016.

The WG emphasizes that any issues related to national niche products and a SDD No-Refund scheme, do not fall within the remit of the WG as they are not pan-European migration issues.

E. Innovative products

Issue description

It has been suggested that this WG could carry out an analysis to verify if there is room for developing rulebooks or guidelines for innovative payments (e.g., m-payments, micropayments) that cannot be managed under the SCT and SDD Rulebooks.

WG assessment

The focus of this WG is on post-SEPA migration issues only.

SDD issues

A. SDD Business-to-Business: reject by Debtor Banks without checking with the Debtor

Issue description

Some SDD B2B debtor banks appear to reject the SDD B2B collection without having first undertaken meaningful efforts to contact the debtor to confirm the SDD B2B mandate. SDD B2B scheme participants in their role as debtor banks should make all reasonable actions to contact the debtor before rejecting the presented B2B SDD collection.

WG assessment

The WG is of the opinion that it is an issue between SDD B2B scheme participants and that the EPC should handle it as scheme owner. The WG does not see itself having a role in resolving this issue.

B. Reachability issues for SDD collections

Issue description

It has been reported that a payment account may not be reachable by default for SDD collections.

WG assessment

The WG indicates that the SEPA Regulation provides the consumer-debtors the right to ask the debtor Bank to apply a black list of creditors or to block a payment account for SDDs.

ERPB WG on SCT-SDD post-migration issues

C. Electronic mandates

Issue description

Certain market participants have raised the demand for SEPA-wide electronic mandate solutions.

WG assessment

The WG highlights that this topic is already dealt with by another ERPB WG on electronic mandates.

Annex II - List of ERPB WG participants

Name		Institution
Co-Chairs		
Jean-Yves Jacquelin		European Payments Council (EPC)
Massimo Battistella		European Association of Corporate Treasurers (EACT)
Members		
Francesca	Provini	Banca d'Italia
Rui Filipe	Pimentel	Banco de Portugal
Jean-Sebastien	Cagnioncle	Banque de France
Johannes	Klocke	Bundesbank
Michiel	van Doeveren	De Nederlandsche Bank
Cornelia	Hesse	EACT
Daniel	McLean	ECB – ERPB
Paul	Alfing	Ecommerce Europe
Andrew	Lenaghan	Electronic Money Association (EMA)
Begoña	Blanco Sanchez	EPC
Tijmen	Brouwer de Koning	European Association of Cooperative Banks (EACB)
Rita	Camporeale	European Banking Federation (EBF)
Jérôme	Traisnel	European Payment Institutions Federation (EPIF)
Beatriz	Kissler	European Savings Banks Group (ESBG)
Michael	Taggart	Public Administrations (FSC)
Observers		
Pierre-Yves	Esclapez	EU Commission
ERPB WG Secretariat		
Bart	Clarebout	EPC

ERPB WG on SCT-SDD post-migration issues

Annex III – Mandate ERPB WG on SCT-SDD post-migration issues

MANDATE OF THE WORKING GROUP

ON

SCT AND SDD POST-MIGRATION ISSUES

Based on Article 8 of the mandate of the Euro Retail Payments Board a working group is set up with the participation of relevant and volunteering stakeholders to address issues with the SEPA Credit Transfer and SEPA Direct Debit schemes after migration (1st August 2014) that are hampering a better integration of the single market for euro credit transfers and direct debits.

Scope: The migration to the SEPA schemes by 1 August 2014 marks a decisive step in the creation of a single European market for euro credit transfers and euro direct debits. However, there are still issues related to the SEPA schemes that have the potential to hamper full market integration. The most commonly cited issues are (but not necessarily limited to) the following:

- Varying national implementations
- Additional Optional Services (AOS) and their effect on interoperability
- Implementation of R-transactions (reason codes and timing practices for R-transactions)
- Various barriers (related to business rules) to the cross-border use of SDD
- Accessibility (ability to use a single payment account in the euro area)
- Reachability of payment service providers for SCT and SDD
- The use and validation of creditor identifier for SDD
- The continued use of conversion services

Deliverables: The working group is expected to put forward recommendations to address any implementation and functioning issues which prevent the SCT and SDD schemes from delivering their full potential. The working group is expected to gather and analyse information from relevant market participants. It is expected to assess the issues in relation to their effect on the functioning of the Single Euro Payments Area. The working group is not expected to deliver suggestions for SCT and SDD business requirements nor for technical implementation specifications, as this is a task for the SCT/SDD scheme owner. The form of communicating the findings and the recommendation of the working group is a report to the ERPB.

Time horizon: The working group is expected to start working immediately after its set-up and deliver its results to the second meeting of the ERPB in late 2014. It is envisaged to dissolve the working group after it reported its findings to the ERPB.

Participants and chairmanship: membership in the working group is open to all volunteering members of the ERPB. It is envisaged that to be successful the working group will ideally consist of representatives of payment service providers, corporates, consumers, retailers and public administrations. One representative of the ECB and a limited number of representatives of euro area NCBs are invited to join the working group as active participants. A representative of the EU Commission will be invited as observer. The working group is to be co-chaired by the EPC (supply side) and the EACT/BusinessEurope (demand side).

Members representing their associations will be appointed by the ERPB Chair based on suggestions by their association via written procedure until 6 June 2014. All other participants will join the group based on invitation by the ERPB Chair, which will be based on an expression of interest to the ERPB secretariat until 6 June 2014.

Rules of procedure: the ERPB mandate defines the rules of procedure of ERPB working groups. The working group takes positions on a $\frac{3}{4}$ majority basis; dissenting opinions are mentioned in any relevant documents prepared by the working group. The members of the group decide on how to organise secretariat support, timing and rules of meetings and communication via written procedure, as well as on the need and format of any interim working documentation produced. Costs related to the operation, meetings, chairmanship and secretariat are met by the members of the group.