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## **STATUS UPDATE ON SCT INST SCHEME ERPB MEETING 13 JUNE 2016**

### **1. Background**

At its 26 November 2015 meeting the ERPB:

- endorsed the general scheme design proposal presented by the EPC and, on this basis, expected the EPC to make an SCT Inst rulebook available for adherence by PSPs from November 2016 with a view to implementing the scheme by November 2017;
- invited the EPC to address outstanding issues (e.g. parameters such as the processing time and amount limits) and to present an interim report at the June 2016 ERPB meeting.

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

### **2. Main features of the current SCT Inst scheme rulebook**

A. Initial scheme default maximum amount for an SCT Inst transaction:

The proposed maximum amount is set at euro 15,000, to be periodically reviewed after the launch of the scheme based on concrete experience. Agreements between scheme participants can still be made at bilateral, multilateral or community level for higher maximum amounts.

The maximum amount itself is mentioned in a separate document (EPC 023-16) being a binding supplement to the SCT Inst rulebook. This would give the EPC the possibility to review the maximum value limit per instruction outside the regular scheme rulebook release management cycle. The first such review will take place in November 2018.

The document further describes the concrete governance process for the EPC to review the scheme default maximum amount outside the regular scheme rulebook release management cycle. This process also foresees that the EPC maintains the right to reduce the maximum SCT Inst amount at a very short notice in case of emergency situations.

B. A maximum number of seconds for an SCT Instant transaction:

- A **processing target** of 10 seconds between the receipt of the Originator's SCT Inst instruction by the Originator Bank (to be demonstrated by an indisputable time stamp) and the receipt of the positive/negative confirmation message from the Beneficiary Bank (funds have been made available to the Beneficiary/ SCT Inst is rejected) by the Originator Bank.

This number of seconds has been defined based on the fact that the SCT Inst scheme will have to cater for cross-border transactions as well. A larger number of intermediary market participants (i.e. more than one clearing mechanism, direct and indirect participants in clearing services) may be involved in the processing of cross-border SCT Inst transactions.

This scheme target would not prevent a community from announcing a lower target for intra-community transactions.

- A maximum of 20 seconds as a **'hard' time-out deadline** between the receipt of the Originator's SCT Inst instruction by the Originator Bank and the sending by the Beneficiary Bank of its confirmation message to the Originator Bank.

After this time-out deadline (proven by the time stamp), the SCT Instant transaction is considered to be rejected and the Beneficiary Bank is no longer authorised to send a positive confirmation message

- A **target** of maximum of 5 seconds after the 'hard' time-out deadline of 20 seconds (i.e. latest by the 25th second) for the confirmation message of the Beneficiary Bank to reach the Originator Bank.

#### C. Option of an investigation procedure:

The point of no-return within the SCT Inst scheme is when the Beneficiary Bank has made the funds available to the Beneficiary. The SCT Inst Rulebook stipulates that after this point in time, the Originator Bank must provide settlement certainty and subsequently fulfil its settlement obligation to the Beneficiary Bank.

Any action of cancelling or confirming the SCT Inst instruction to the Originator can be taken by the Originator Bank only when the Originator Bank has received a negative or positive confirmation. In the absence of a confirmation message, if the Originator Bank would simply decide to terminate the SCT Inst transaction right after the 25th second, the Beneficiary Bank which has made the funds available to the Beneficiary would be faced with an open settlement position.

The SCT Inst rulebook stipulates that the Originator Bank has to assume that the SCT Inst transaction has been successful, based on the principle that "no news is good news", unless the Originator Bank receives a negative confirmation at a later point in time.

The SCT Inst rulebook provides the Originator Bank with the option to start an SCT Inst transaction status investigation procedure after the 25<sup>th</sup> second in case the Originator Bank wishes to actively inquire about the actual status of the initial SCT Inst transaction. The Beneficiary Bank would be obliged to respond to this investigation procedure.

#### D. Limited R-transaction types:

Unlike for the existing SCT rulebook, the SCT Inst scheme rulebook does not foresee the r-transaction type Return. Only the standard SCT Recalls and instant Rejects are retained.

One key feature of the SCT Inst scheme is that the funds are made immediately available to the Beneficiary which means that these funds have to be made available on the actual payment account of the Beneficiary as specified in the instant credit transfer instruction from the Originator.

#### E. Submission of the instant credit transfer instructions by the Originator:

The SCT Inst rulebook does not contain references to bulk file processing compared to the SCT rulebook. The SCT Inst rulebook is neutral on how instant credit transfer orders could be transmitted to the Originator Bank.

The Customer-to-Bank (C2B) Implementation Guidelines will support single transactions by default. Therefore it is up to the Originator Bank to agree with the Originator on handling bulk files of instant credit transfer instructions. The Originator Bank will have to be capable to unbundle the files into single SCT Inst transaction messages for submission in the interbank area.

### **3. EPC Stakeholder Forums**

On 30 and 31 March respectively, the EPC Scheme Technical Forum (ESTF) and the Scheme End-User Forum (SEUF) had been informed in detail about the key characteristics of the SCT Inst scheme rulebook version to be submitted for the public consultation during the second quarter of 2016. The members of the ESTF and the SEUF were invited to take part in this public consultation.

The ESTF and the SEUF will be formally consulted at their respective August meetings to formulate their respective positions on the comments received from this public consultation.

In addition, EACHA, EBA Clearing and SWIFT have been invited to participate actively in all EPC task forces dealing with the development of the SCT Inst scheme.

### **4. ERPB High Level Group on instant payments**

The EPC has provided regular updates on its progress in the development of the SCT Inst scheme to the ERPB High Level Group on instant payments which provided feedback to the EPC through two conference calls, namely on 26 January 2016 and 14 March 2016.

### **5. Public Consultation**

The 90 calendar day public consultation on the SCT Inst scheme rulebook (EPC 004-16 v0.1 for public consultation) started on 12 April and will end on 10 July. The consultation covers the SCT Inst rulebook and the document EPC 023-16 but does not include implementation guidelines which are currently under preparation.

## 6. SCT Inst Implementation Guidelines (IGs)

The SCT Inst IGs will be based on the market practices developed by the ISO 20022 Real Time Payments Group (RTPG). The market practices for the interbank messages were published in April on the ISO 20022 website, following approval by the ISO 20022 Registration Management Group (RMG). It is expected that the Customer-to-bank market practices will be approved by the RMG in July.

The new investigation message may only become available as a standard ISO20022 message in the course of 2017 which would require an interim solution.

## 7. SCT Inst scheme risk mitigation annex

The EPC decided to produce a formal SCT Inst scheme risk mitigation annex that would meet the Eurosystem oversight assessment requirements for credit transfer schemes.

A dedicated EPC sub-group of payment risk management experts has been set up to work out such annex. The sub-group will use the ISO standard 31000 as it is a generic risk management standard that can be applied to any type of organization.

This annex will be shared only with (applicant) SCT Inst scheme participants and will be available when the formal version 1.0 of the SCT Inst rulebook is published.

## 8. EPC timeline for the production of the version 1.0 of the SCT Inst rulebook

Type	Start	End	Description
Milestone	12 Apr		<b>Start of Public consultation (PC) of 90 calendar days</b>
Milestone	10 Jul		<b>End of PC</b>
Task	11 Jul	12 Aug	EPC secretariat: review comments from the PC
Task	18 Aug	16 Sep	Dedicated EPC Task Forces: start working out change proposals for the SCT Inst rulebook based on the outcome of the PC
Milestone	25 Aug	26 Aug	<b>EPC Stakeholder Forum meetings to discuss the PC outcome</b>
Milestone	16 Sep		<b>Dedicated EPC Task Forces: final change proposals in the SCT Inst rulebook based on the outcome of the PC and the EPC Stakeholder Forum meetings</b>
Milestone	05 Oct		<b>EPC Board: agree on the final changes to the SCT Inst rulebook</b>
Task		04 Nov	Dedicated EPC Task Forces: Finalise v1.0 of the SCT Inst rulebook and the related IGs
Task		04 Nov	EPC Sub-group of payment risk management experts: Finalise SCT Inst risk mitigation annex



Type	Start	End	Description
Milestone	24 Nov		<b>EPC Board: formal approval of the rulebook, the IGs and the risk mitigation annex</b>
Task	25 Nov	30 Nov	Publication of v1.0 of the SCT Inst rulebook & the IGs on the EPC website