

[X] Public – [] Internal Use – [] Confidential – [] Strictest Confidence

Distribution: Euro Retail Payments Board

STATUS UPDATE ON SCT INST SCHEME ERP MEETING 28 NOVEMBER 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.

At its 13 June 2016 meeting the ERPB:

- noted that the EPC released the SCT Inst scheme rulebook for public consultation between 12 April and 10 July;
- welcomed the progress made on the scheme layer and encouraged the supply side of the industry not to lose momentum towards developing and implementing the SCT Inst scheme for the agreed deadlines of November 2016 and November 2017.

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

2. General status

The publication of the version 1.0 of the SCT Inst scheme rulebook, the customer-to-bank (C2B) implementation guidelines (IGs) and the inter-bank IGs will take place on 30 November 2016, i.e. on schedule.

The commercial launch date and time of the SCT Inst scheme is Tuesday 21 November 2017 at 08:00:00.000 CET.

3. Public Consultation

The 90 calendar day public consultation on the SCT Inst scheme rulebook (EPC 004-16 v0.1 for public consultation) ended on 10 July 2016.

The consultation covered the SCT Inst scheme rulebook and the separate document EPC 023-16 outlining the maximum amount itself per SCT Inst instruction and which is a binding supplement to the SCT Inst scheme rulebook. The implementation guidelines were not presented for public consultation as they were still under preparation.

Over 350 comment items have been received from 45 contributors. Eight major categories of comments could be identified:

- What to do if the Originator Bank has not received a confirmation message
- SCT Inst Transaction status investigation procedure for the Originator Bank



- The concrete r-transaction types required for the SCT Inst scheme
- Process for hits against AML (anti-money laundering), CTF (counter-terrorism financing), embargo and fraud checks
- Concrete role(s) of CSMs to be covered by the SCT Inst scheme rulebook
- Unambiguous definition of the timestamp and the SCT Inst execution time cycle
- Selection of the concrete ISO 20022 XML version for the various SCT Inst messages
- Specifications for Third Party Payment Service Providers (TPPs)

4. Consultation of EPC Stakeholder Forums on public consultation comments

The EPC Scheme Technical Forum (ESTF) and the Scheme End-User Forum (SEUF) formulated their respective positions on the eight major categories of comments out of the public consultation. Their positions are outlined in their respective August 2016 meeting minutes which are publicly available on the [ESTF](#) and [SEUF](#) webpages of the EPC website.

5. Major change in the conceptual work flow of the SCT Inst scheme

Important note:

*The below-mentioned changes have been made to cater for exceptional processing situations only. The **processing target** of 10 seconds between the acceptance 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 remains applicable.*

Based on the outcome of the public consultation and the positions from the EPC Stakeholder Forums, the EPC has decided to move from the initially proposed "No News-is-Good News" concept to a combination of:

- "Wait-and-See" for the Originator Bank and its CSM. The Originator Bank will still have the option to use an investigation procedure 25 seconds after the time stamp which the Beneficiary Bank must respond to;
- "No News-is-Bad News" for the CSM of the Beneficiary Bank 20 seconds after the time stamp.

This combination is based on the following principles:

1. The Originator Bank cannot unilaterally cancel the SCT Inst transaction. It needs to wait for a confirmation message from the Beneficiary Bank and has to maintain the settlement certainty for the concerned SCT Inst transaction.
2. As soon as the Beneficiary Bank receives the SCT Inst transaction, the Beneficiary Bank has already the settlement certainty from the Originator Bank.



Based on the Eurosystem-led discussions with CSMs so far on the clearing and the settlement of SCT Inst transactions, the assumption is that this certainty is arranged through the CSM of the Originator Bank as the SCT Inst transaction settlement will be based on a pre-funded model. The amount for the SCT Inst transaction is already set aside for the Beneficiary Bank when it receives the SCT Inst transaction via the CSM of the Originator Bank.

3. The Beneficiary Bank has the obligation to confirm to the Originator Bank that it accepts or not the SCT Inst transaction within the maximum time authorised.
4. The Originator Bank honours its obligation to settle the SCT Inst transaction **only** when it has received a **positive** confirmation message.
5. The 20 seconds time out, after which any party involved in the chain rejects the transaction, applies
 - a. In the direction from the Originator Bank to the Beneficiary Bank: any party including the Beneficiary Bank receiving the initial SCT Inst transaction after 20 seconds has to time out and to reject the transaction and the Beneficiary Bank cannot make the funds available to the Beneficiary.
 - b. In the direction from the Beneficiary Bank back to the Originator Bank: the confirmation message of the Beneficiary Bank did not arrive at the CSM of the Beneficiary Bank within 20 seconds.
6. The Beneficiary Bank may only proceed with making the funds available to the Beneficiary if it has the certainty that its positive confirmation message was received by the CSM of the Beneficiary Bank within the 20 seconds.

This combination now sets the 20 seconds as a **hard** time-out deadline for both the Beneficiary Bank and the CSM of the Beneficiary Bank after which a negative confirmation message will have to be sent.

6. Scheme default maximum amount for an SCT Inst transaction

The public consultation did not highlight changes to be made to the proposed maximum amount an Originator can transfer via a single SCT Inst Instruction. The scheme maximum amount remains at 15,000.00 EUR.

7. Submission of bulk SCT Inst instructions by the Originator

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

The EPC C2B IGs allow bulk SCT Inst instructions based on the condition of an upfront bilateral agreement between the concerned Originator and the Originator Bank. The Originator Bank will have to be capable to unbundle the files into single SCT Inst transaction messages for submission in the interbank area.

Bulk SCT Inst transactions in the interbank space however are not allowed.

8. SCT Inst scheme risk management annex (RMA)

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



A dedicated EPC sub-group of payment risk management experts is in the process of working out such annex covering business risks and IT security risks. The sub-group uses the ISO standard 31000 as it is a generic risk management standard that can be applied to any type of organization.

Given the sensitivity of the contents of the RMA, this document will be shared with (applicant) SCT Inst scheme participants only and will not be made publicly available.

Given the number of process steps to be completed under ISO standard 31000, the sub-group requires additional time to complete the RMA. The EPC sub-group will be in the position to finalise the version 1.0 of the RMA in Spring 2017. This later delivery of the RMA does not block the publication or the implementation of the version 1.0 of the SCT Inst scheme rulebook itself.

9. Consistency with other EPC SEPA scheme rulebooks

The EPC strives to retain as much as possible consistency between the four EPC SEPA scheme rulebooks.

Therefore, regulatory changes which emanate from the PSD 2 and from the Eurosystem's oversight standards on credit transfer and direct debit schemes, are already included in the version 1.0 of the SCT Inst scheme rulebook.

Also those 2016 SCT change requests for inclusion into the standard 2017 SCT rulebook and that are relevant and feasible for the SCT Inst scheme, have been added in the version 1.0 of the SCT Inst scheme rulebook.

10. ISO 20022 XML message standard version for the SCT Inst messages

The SCT Inst IGs are based on the market practices developed by the ISO 20022 Real Time Payments Group (RTPG).

The EPC decided to apply the **2009** version of the ISO 20022 XML message standard for the SCT Inst scheme-related C2B and interbank messages for the version 1.0 of the SCT Inst scheme rulebook. This is also the version retained for the SCT and SDD schemes. The rationale is that there should be no difference in the ISO version between the two EPC SCT schemes.

11. Adherence

Interested PSPs will be able to request adherence to the SCT Inst scheme as from January 2017.