

[X] Public – [] Internal Use – [] Confidential – [] Strictest Confidence
Distribution: Euro Retail Payments Board

STATUS UPDATE ON SCT INST SCHEME ERPB MEETING 12 JUNE 2017

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.

At its 28 November 2016 meeting the ERPB:

- welcomed the progress that had been made on the scheme layer with the finalisation of the rulebook and related guidelines;
- stressed the expectation that instant payments in euro become available to end users at a pan-European level from the end of 2017;
- again encouraged the supply side of the industry to keep up the momentum towards implementing the SCT Inst scheme by the agreed deadlines of November 2017; and
- stressed the importance of an effective, efficient and interoperable clearing and settlement infrastructure to be ready in a timely manner for the acceptance and success of the scheme.

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 took place on 30 November 2016, i.e. on schedule. The effective date and time of the SCT Inst scheme is Tuesday 21 November 2017 at 08:00:00.000 CET.

An updated version of the **interbank** IGs will be published at the start of the summer. These IGs will contain the replacement of the 'candidate' 20022 message into the formal ISO 20022 to support the process in which the Originator Bank sends an investigation message to the Beneficiary Bank in case the Originator Bank has not



received a confirmation (positive or negative) five seconds after the time-out deadline.

3. Public consultation

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

Over 350 comment items have been received from 45 contributors.

On 16 February 2017, the EPC published on its website all the public consultation comments received, as well as its position on each of them. The document containing all comments provides clarifications to all stakeholders who have participated in the public consultation (and to any stakeholder interested in the creation of this new scheme), regarding the reason why their comments are included or not in the first version of the SCT Inst scheme rulebook.

4. Risk management annex (RMA)

In May 2017, the EPC approved the version 1.0 of a formal SCT Inst scheme risk management annex (RMA) that would meet the Eurosystem oversight assessment requirements for credit transfer schemes.

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.

The approval of the SCT Inst RMA forms the last part of the formal set of EPC documents on the SCT Inst scheme (together with the rulebook itself, the IGs and the Scheme Management Internal Rules).

5. Implementation status

Interested PSPs are able to adhere to the SCT Inst scheme as from 19 January 2017. Meanwhile a number of adherence agreements have been received by the EPC.

The EPC held a first call for PSP community input on the SCT Inst scheme implementation status which ended on 28 February 2017. PSPs from the following countries were at that time expected to adhere to the SCT Inst scheme:

- By November 2017: AT, BE, CH, ES, FI, LV
- By November 2018: FI, NL, PT, SE

The Spanish banking community informed the EPC of their wish to start using the SCT Inst scheme a few months earlier than the November 2017 effective date.

At the end of February, many PSP communities had not taken yet final decisions on their national approach for the SCT Inst scheme.

Seven out of in total 22 Clearing and Settlement Mechanisms (CSMs) supporting SCT have to date formally disclosed their intention to the EPC to be a SCT Inst scheme compliant CSM by November 2017.

The following issues and obstacles were reported from the February 2017 call for PSP community input:

Adherence



- Each PSP has to determine if it can make a positive business case out of the SCT Inst scheme;
- The current maximum amount of 15.000 EUR per transaction may not convince the B2B segment;
- Achievement of a critical SEPA-wide reach for the scheme participants.

Technical challenges

- The SCT Inst scheme requires a different risk assessment, a new technical implementation approach and IT investments;
- Scheme participants have to ensure real-time processing and 24/7/365 system availability.

Risk Management

- SCT Inst transactions are highly attractive for fraud and money laundering;
- Screening systems have to work instantly and 24/7/365 - How to deal with suspicious transactions within a number of seconds;
- Need for fast-response procedures aligned at SEPA level to prevent SCT Inst misuse/fraud.

Clearing and settlement

- Uncertainty about interoperability between the CSMs – further doubts due to the TARGET Instant Payments Settlement (TIPS) initiative and its late launch;
- Interoperability between settlement mechanisms (ASI6RT and TIPS);
- SWIFT Net not ready for SCT Inst;
- Limited TARGET2 opening hours: implications for funding the pre-funded settlement account.

A second call for PSP community input on the SCT Inst scheme implementation status was launched in May 2017.

The EPC will closely monitor the progress of and lessons learned from the implementation of the SCT Inst scheme starting with the first six months of actual SCT Inst processing. This will also entail a review of the RMA.

6. Scheme default maximum amount for an SCT Inst transaction

At the earliest one year after the 2017 SCT Inst scheme rulebook v1.0 has entered into force, the maximum amount can be reviewed outside the regular scheme rulebook release management cycle. This means that as of November 2018 onwards:

- The EPC will formally analyse once a year if there is a need to adapt the maximum SCT Inst Instruction amount;
- SCT Inst scheme participants may send a written suggestion to the EPC for a new maximum amount.

The EPC then decides whether it wishes to organise a consultation among all SCT Inst scheme participants on the proposed new maximum amount outside the regular scheme rulebook release management cycle. The EPC will define the duration of this consultation.



7. Next change management cycle

The next scheme change management cycle will take place in 2018. Stakeholders are invited to submit change requests to the SCT Inst rulebook by 31 December 2017 by completing a dedicated template. The received change requests will be considered with regard to the rulebook versions and associated implementation guidelines to be published in November 2018, and to take effect in November 2019.

8. Conclusions

Implementation of the SCT Inst scheme in the market will start this year as planned and will progressively build up with the aim of reaching a critical mass of scheme participants across SEPA by 2020.