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STATUS UPDATE ON SCT INST SCHEME ERPB MEETING 29 NOVEMBER 2017

1. Background

At its 12 June 2017 meeting the ERPB:

- welcomed the continued progress towards the implementation of the SCT Inst scheme;
- encouraged the supply side of the industry to increase the momentum towards implementing the SCT Inst scheme so that instant payments in euro become available to end users at pan-European level starting from November 2017;
- asked the EPC to provide a status update on the implementation of the SCT Inst scheme for the November 2017 ERPB meeting, including an overview of the percentage of PSPs adhering to SCT Inst in relation to those adhering to SCT for each SEPA country.

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

2. Evolution of public EPC documents on the SCT Inst scheme

The publication of the version 1.0 of the SCT Inst scheme rulebook, the customer-to-bank (C2B) implementation guidelines (IGs) and the interbank 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.

On 19 July 2017, the EPC published the **version 1.1** of the **interbank IGs**. These IGs contain the replacement of the 'candidate' XML ISO 20022 message into the official ISO 20022 message 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.

On 18 October 2017, the **version 1.1** of the **2017 SCT Inst scheme rulebook** was published and takes effect on 21 November 2017 at 08:00:00.000 CET by replacing the SCT Inst rulebook version 1.0.

This updated version contains regulatory changes stemming from the guide for the assessment of credit transfer schemes against the oversight standards of the Eurosystem. With these changes, each scheme participant is obliged to comply with 'generic supervisory requirements' applicable to them, on top of the existing obligation to comply with applicable rules and regulations. These rulebook changes do not affect the operational and business rules of the SCT Inst rulebook.

The term 'generic' relates to supervisory requirements that are applicable to all PSPs in SEPA. However, it does not cover tailored supervisory requirements that

supervisory authorities may impose in addition to a particular PSP. Such specifically defined supervisory requirements are not publicly disclosed.

In the first half of November 2017, the EPC published the **version 1.2** of the **interbank IGs**. This version covers the “Request for Recall by the Originator” (RRO) procedure (including the Request for Status Update related to the RRO) which enters into force in November 2018.

3. 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 is shared with (applicant) SCT Inst scheme participants only and is not made publicly available.

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).

The EPC will monitor the SCT Inst processing in the 1st quarter of 2018 to determine if an updated version of the SCT Inst RMA must be made in the 2nd quarter of 2018.

4. Implementation status

The number of declared SCT Inst scheme participants at mid-October was 993 (i.e. 23.6% of all SCT adherents):

Country	SCT Inst adherence	SCT adherence	% of adherents vs. SCT adherents	Remarks on SCT Inst adherents
AT	475	569	83,5	51 PSPs act only as Beneficiary Bank
DE	407	1.579	25,8	405 PSPs only reachable as of 10 July 2018
EE	2	11	18,2	
ES	86	127	67,7	
IT	16	498	3,2	
LT	2	26	7,7	
LV	3	24	12,5	
NL	2	44	4,5	01 PSP acts only as Beneficiary Bank
8 countries	993	2.878	34,5	

Close to 600 of the 993 SCT Inst scheme participants are reachable as of 21 November 2017. A few PSPs have adhered only on behalf of a specific SEPA branch even though the parent company itself is not yet reachable for the SCT Inst scheme.

PSPs in at least five additional countries (BE, FI, PT, MT, SE) would adhere to the SCT Inst scheme by end of November 2018. Furthermore, three countries (BE, PT, NL) indicated a national go-live date.

The percentages of these PSPs in the total national (S)CT volume of the main countries range from 40 to 90 percent. Most of these PSPs (will) act as both Originator Bank and Beneficiary Bank. PSPs in three countries are considering a higher maximum amount per SCT Inst instruction and/ or a shorter target maximum execution time.

To date, eight out of in total 22 Clearing and Settlement Mechanisms (CSMs) supporting SCT have formally disclosed their intention to the EPC to be a SCT Inst scheme compliant CSM by 21 November 2017.

As for the issues and obstacles reported by PSP communities at this stage, four categories could be made:

- Adherence: each PSP still must determine if it can make a positive business case out of SCT Inst.
- Technical challenges: the SCT Inst scheme requires a different risk assessment, a new technical implementation approach and IT investments as scheme participants must ensure real-time processing and 24/7/365 system availability.
- Risk management: the PSPs consider that SCT Inst transactions can become attractive for fraud and for money laundering. PSPs still must examine how to handle transactions withheld by screening and fraud prevention systems considering the time deadlines defined in the scheme.
- Clearing and settlement: PSPs are concerned that there will be no interoperability between SCT Inst scheme compliant CSMs. The fear is that scheme participants are forced to participate in more than one clearing solution.

Further confusion on this subject was created due to the development of TIPS by the Eurosystem and its launch in November 2018. The PSPs also wonder if and how the settlement mechanisms via ASI6RT and via TIPS will interoperate. Another worry is the limited TARGET2 opening hours as they limit the opportunity for regularly funding the pre-funded settlement account.

The EPC will hold a next call for PSP community input on the SCT Inst scheme implementation status in the 1st quarter of 2018.

5. 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.

6. 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.

7. EPC expectations

Individual PSPs and PSP communities in several euro zone countries are actively developing their SCT Inst scheme implementation projects. The EPC is confident that the current SCT Inst adherence pace will continue in the large majority of the euro zone countries. The EPC expects that the aim of a critical mass of SCT Inst scheme participants across SEPA by November 2020 will be reached.