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STATUS UPDATE ON SCT INST SCHEME ERPB MEETING 18 JUNE 2018

1. Background

At its 29 November 2017 meeting the ERPB:

- welcomed the successful launch of the SCT Inst scheme on 21 November 2017;
- strongly encouraged the supply side of the industry to keep up the momentum towards implementing the SCT Inst scheme so that instant payments in euro would become increasingly available to end users at pan-European level;
- asked the EPC to provide a status update on the implementation of the SCT Inst scheme for the June 2018 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

On [14 November 2017](#), the EPC published the version 1.2 of the SCT Inst scheme Interbank Implementation Guidelines (IGs). This version comprises the ISO messages and related EPC specifications for the SCT Inst rulebook procedure 'Request for Recall by the Originator'. This procedure enters into force on 18 November 2018.

3. Risk management annex (RMA)

In April 2018, the EPC concluded the preparation of the version 1.1 of the SCT Inst scheme risk management annex (RMA). This version outlines more business risks and information security risks and corresponding measures compared to the first version of the RMA.

This is partly thanks to the experience built upon when developing the SDD Core and the SCT RMAs. Secondly, comments from the SCT Inst scheme participants helped the EPC to outline more clearly among others the risks related to hits resulting from regulatory checks (e.g., for embargo, countering terrorist financing), to fraud and to the related fast re-use of funds fraudulently collected through the SCT Inst scheme.

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.

4. Adherence status

The number of declared SCT Inst scheme participants at mid-May was 1.061 (i.e. 25.4% of all SCT adherents in all SEPA countries):



Country	SCT Inst adherence	SCT adherence	% of SCT Inst adherents vs. SCT adherents
AUSTRIA	470	563	83,5%
BELGIUM	1	43	2,3%
BULGARIA	1	26	3,8%
ESTONIA	1	10	10,0%
FRANCE	51	284	18,0%
GERMANY	404	1.563	25,8%
ITALY	22	470	4,7%
LATVIA	3	22	13,6%
LITHUANIA	4	31	12,9%
MALTA	1	24	4,2%
NETHERLANDS	3	43	7,0%
PORTUGAL	10	36	27,8%
SPAIN	88	123	71,5%
SWEDEN	1	8	12,5%
UNITED KINGDOM	1	81	1,2%
15 countries	1.061	3.327	

Country	Readiness date										Total
	Up to 16-05-2018	04-06-18	05-06-18	02-07-18	09-07-18	10-07-18	08-10-18	20-11-18	04-12-18	07-01-19	
AUSTRIA	470										470
BELGIUM							1				1
BULGARIA	1										1
ESTONIA	1										1
FRANCE	40				1		9	1			51
GERMANY	1			1		400			1	1	404
ITALY	20					2					22
LATVIA	3										3
LITHUANIA	4										4
MALTA	1										1
NETHERLANDS	3										3
PORTUGAL		9	1								10
SPAIN	87	1									88
SWEDEN	1										1
UNITED KINGDOM	1										1
Grand Total	633	10	1	1	1	402	10	1	1	1	1.061

The current list of SCT Inst scheme participants can be consulted on the [EPC Register of Participants webpage](#). 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. Most of these PSPs (will) act as both Originator Bank and Beneficiary Bank.

Ten out of 23 SCT scheme-compliant Clearing and Settlement Mechanisms (CSMs) supporting SCT have already disclosed their intention to be SCT Inst scheme-compliant at the latest as of May 2018. These CSMs are listed on the [Clearing and Settlement Mechanisms webpage](#).

The EPC holds a next call for PSP community input on the SCT Inst scheme implementation status in the 2nd quarter of 2018.

5. SCT Inst (R-) transaction volume

As of April 2018, the EPC secretariat collects the SCT Inst (R-) transaction statistics on a quarterly basis starting with the volumes of the first quarter of 2018. These volumes will be discussed within the EPC and (R-) transaction tendencies will be shared with [the EPC Scheme End-User Forum \(SEUF\)](#) and [the EPC Scheme Technical Forum \(ESTF\)](#) in due course.

6. Reported issues

For the review of the SCT Inst RMA, all SCT Inst scheme participants had been invited to submit among others any concrete SCT Inst processing issues. The reported issues have been discussed with the SEUF and the ESTF.

In short, the EPC concludes that no urgent EPC action must be taken at this stage. The EPC intends to ask again all SCT Inst scheme participants to report issues in October 2018 at the latest.

R-transactions

Both new and existing reason codes in case of a negative confirmation are not used in the same way by all SCT Inst scheme participants. To prevent that scheme participants and/or their CSM partners each develop a different approach, the EPC aims to issue a guidance document on SCT Inst R-transaction reason codes in the second half of 2018.

Payment account reachability

Not all scheme participants have opened or enabled all payment accounts of their Beneficiaries to receive SCT Inst transactions from the moment these scheme participants are formally reachable for SCT Inst, although incoming SCT transactions can be booked without any issue on these same payment accounts.

The EPC sees it as a commercial decision for each SCT Inst scheme participant to allow or not SCT Inst transactions to be booked on accounts that are already open for SCT transactions.

On the other hand, it would be helpful for the Originator Bank to receive an indication from the Beneficiary Bank (e.g., through a R-transaction reason code) if the funds transfer can be resubmitted as a normal SCT transaction. In this way, the successful execution of the funds transfer is still guaranteed although this does not give instant experience for the Originator and the Beneficiary. The above-mentioned future EPC guidance document on SCT Inst R-transaction reason codes can put forward such an existing reason code.

Lack of 24/7/365 availability

It is reported that IT-system updates at some scheme participants and/or CSMs have caused few interruptions of SCT Inst service that led to frictions for Originators and Beneficiaries.

The SCT Inst rulebook stipulates 24/7/365 availability at all times for each SCT Inst scheme participant. Scheme participants should put service level warranties in place

with any external service provider to guarantee 24/7/365 availability for the production and back-up environments of the central systems and of the applications. Penalties should be defined for these external service providers when any of these service components fails.

7. EPC rulebook change management cycle

The EPC scheme rulebooks are updated every two years to reflect market needs and evolutions in the technical standards. 2018 is a change management cycle year.

The new versions of the four EPC scheme rulebooks that will be published in November 2018 will be the result of the rulebook change management cycle that started already in 2017. All scheme participants and stakeholders had the opportunity to submit rulebook change requests by 31 December 2017 at the latest.

Over 40 change requests have been received whereby 15 of them related to the SCT Inst scheme (a summary of the changes is provided in the annex of this report). They are subject to a [90-calendar day public consultation](#) which ends on 10 June 2018.

SCT Inst change requests finding broad acceptance will be taken forward if they are technically and legally feasible. They will be implemented in the rulebook version and associated implementation guidelines to be published in November 2018 to take effect in November 2019.

8. 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.

9. New ad-hoc multi-stakeholder group for mobile initiated SEPA credit transfers (including SCT Instant)

The mobile channel is considered to be an important enabler for the further market take-up of credit transfers as a complement to card payments for customer-to-business transactions and person-to-person transactions. Moreover, the availability of solutions for the mobile device is crucial to support the development of the new SCT instant scheme.

Therefore, the EPC has decided to develop Mobile Initiated SEPA Credit Transfer Interoperability Implementation Guidelines, including SCT Instant (MSCT IIGs). For this purpose a new dedicated ad-hoc multi-stakeholder group has been established

through an open call on the EPC website, to allow involvement of and contributions from representatives of all players in the ecosystem.

Through this “open approach”, PSPs, technology vendors, retailers, consumers, Mobile Network Operators (MNOs), other service providers, relevant associations and other interested stakeholders will be directly involved in the development of the document.

The group is co-chaired by the EPC and EuroCommerce. The EPC will also assume the secretariat. It is envisioned to have the MSCT IIGs ready for a 3-month public consultation by Q1 2019. The first meeting took place on 25 May 2018.

10. 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 level of 2,000 scheme participants should be exceeded by end-2018. The EPC expects that the aim of a critical mass of SCT Inst scheme participants across SEPA by November 2020 will be reached.

ANNEX – SUMMARY OF THE RECEIVED CHANGE REQUESTS IN RELATION TO THE SCT INST SCHEME

A first change request is to clarify which SCT Inst scheme participants must support the mandatory Customer-to-Bank (C2B) Implementation Guidelines (IGs) of the SCT Inst rulebook.

Several change requests have been submitted to the existing Recall and the Request for Recall by the Originator (RFRO) procedures:

- Concrete changes to resolve several issues with respect to both procedures and to harmonize as best as possible the description between these two procedures;
- Foresee the possibility for a Request for Status Update for the Originator Bank in the Recall process. This feature is already included in the RFRO process.
- Extension of the response deadline for the Beneficiary Bank to a RFRO to 15 banking business days. With this change request submitted, the EPC itself proposes to apply this change request as well to the Recall procedure.
- Possibility for the Originator to request Beneficiary details following a negative answer to a RFRO.

Furthermore, new elements are put forward for the SCT Inst processing:

- Give the SCT Inst scheme participants as third rulebook option to agree upon a shorter hard time-out deadline;
- Options on how to handle hits due to Anti-Money Laundering, Embargo and Counter Terrorist Financing;
- An automated Repayment service to enable the Beneficiary to promptly reimburse the Originator, either in full or in part. Only the Beneficiary would be able to initiate such repayment transaction.
- Use of a labelled -Duplicate- SCT Inst transaction message in case the Originator Bank has not received a confirmation message;
- The stipulation that the Originator Bank must receive within 2 hours after the time stamp of the SCT Inst transaction, a response to its SCT Inst transaction status investigation;
- Inclusion of a SCT Inst Return procedure for the Beneficiary Bank;
- Use of aliases for Originators when they want to make SCT Inst instructions.

Another change request proposes clarifications on the concrete point in time where an SCT Inst instruction turns into an SCT Inst transaction, and that the current maximum amount applies to both SCT Inst instructions and SCT Inst transactions. Only the SCT Inst scheme participants formally must apply the maximum amount check on SCT Inst instructions and SCT Inst transactions;

A further contribution is that an SCT Inst instruction containing an IBAN but not the related BIC, can be transmitted even if one of the two SCT Inst scheme participants covered by that SCT Inst instruction is based in a non-EEA SEPA country.

Finally, the SCT Inst rulebook (or alternatively the EPC Guide for Adherence to the SCT, the SCT Inst and the SDD schemes (EPC012-17 v.1.0)) should provide more clarity about the adherence conditions for payment service providers to this optional scheme. The rulebook does not clearly define whether the adherence to the SCT scheme is a precondition for the adherence to the SCT Inst scheme.