



EUROPEAN CENTRAL BANK

EUROSYSTEM

1 December 2014
ERP/2014/018

EURO RETAIL PAYMENTS BOARD

Statement following the second meeting of the Euro Retail Payments Board held on 1 December 2014

Follow-up and update of the work plan of the ERPB

The members of the Euro Retail Payments Board (ERPB) took note of the status of past ERPB recommendations and discussed and agreed on the update of the work plan of the ERPB, including setting up two work streams on: (i) person-to-person mobile payments in euro; and (ii) card- and mobile-based contactless proximity payments in euro and their respective mandates. The working group on person-to-person mobile payments is expected to report back to the ERPB by the end of June 2015. The working group on card- and mobile-based contactless proximity payments is expected to report back to the ERPB by the end of November 2015.

It was also agreed that the ERPB would be regularly informed about progress of the preparation for the 2016 SEPA migration milestones.

Recommendations on SCT-SDD post migration issues

On the basis of a report of the working group on SCT-SDD post migration issues the ERPB members agreed on the following main recommendations:

- harmonise further the XML message formats in the customer-to-bank and bank-to-customer domain of SEPA credit transfer (SCT) and SEPA direct debit (SDD) transactions in order to improve the efficiency benefits for payment service users.
- increase awareness among payers and payees that payers have the freedom to use non-domestic payment accounts, irrespective of the location of the payee and as stipulated by European law (Article 9 of Regulation (EU) No 260/2012);
- increase the availability of up-to-date information on valid bank identifiers used in international bank account numbers (IBANs) and corresponding bank identifier codes (BICs); this will facilitate the use of the IBAN as the unique identifier also for cross-border transaction as of 1 February 2016, as required by European law (Article 9 of Regulation (EU) No 260/2012);
- investigate further alternative ways to meet the demand for extended remittance information to be used by payment service users in the SCT and SDD schemes.

The ERPB also endorsed a set of more technical recommendations related to migration and the functioning of the SCT and SDD schemes and outlined ways forward on these.

The full set of recommendations made by the ERPB on SCT-SDD post-migration issues (including the addressees of the recommendations) is attached to this statement (Annex 1).

Recommendations on pan-European electronic mandates for SDD

On the basis of a report prepared by the working group on pan-European electronic mandates, the ERPB members agreed on the following main recommendations, which relate to the issuance, acceptance and maintenance of electronic mandates for SEPA direct debits at the pan-European level.

- The choice of which electronic mandate solution to use should be free (subject to article 54 of the PSD) and there is no need for a full harmonisation of electronic mandate solutions in the Single Euro Payments Area (SEPA).

- Creditors should handle electronic mandates in such a way that debtors have the freedom to use non-domestic payment accounts, as stipulated by European law (Article 9 of Regulation (EU) No 260/2012).
- While preserving the choice for debtors and creditors about the way in which they give and accept electronic mandates, there is a clear incentive for creditors to move generally towards solutions with proper debtor authentication, i.e. with a lower risk of refund claims related to unauthorised transactions.
- It should be clear to all stakeholders that the burden of proof lies with the creditor in the event that an unauthorised direct debit collection is claimed by the debtor after the initial eight-week no-questions-asked refund period for the SDD Core Scheme has elapsed. In this regard, it is important that debtor banks (which have the final say in judging such claims) have a good and harmonised understanding of whether weak or strong customer authentication was used when the mandate was given.
- Electronic mandate solutions providers are urged to be open to interoperability requests by other solution providers and, if feasible, make use of the technical description provided in Annex VII of the SEPA Direct Debit scheme rulebooks.

The full set of recommendations made by the ERPB on pan-European electronic mandates for SDD (including the addressees of the recommendations) is annexed to this statement (Annex 2).

Way forward on technical standards related to payment cards

On the basis of a report prepared by the Cards Stakeholders Group (CSG) the ERPB members agreed

- to invite the CSG to complete its stock taking exercise of market initiatives developing technical standards (so called implementation specifications) by June 2015
- to invite the CSG to formulate a procedure for the assessment of conformity of those technical standards with the SEPA Cards Standardisation Volume by June 2015.

Instant payments in euro

The members of the ERPB agreed that “instant payments” are defined as electronic retail payment solutions available 24/7/365 and resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee’s account with confirmation to the payer (within seconds of payment initiation). This is irrespective of the underlying payment instrument used (credit transfer, direct debit or payment card) and of the underlying arrangements for clearing (whether bilateral interbank clearing or clearing via infrastructures) and settlement (e.g. with guarantees or in real time) that make this possible.

In a competitive market, providers should not adopt a “silo” approach offering closed-loop non-interoperable instant payment solutions. Instead a “layered” approach should be taken by developing solutions for end-users to make payments with increased speed, leveraging on the current payment instruments (first layer) and the underlying clearing and settlement infrastructures (second and third layers). Such solutions should take advantage where possible of the harmonisation and integration already achieved with the SEPA project, preventing the emergence of a fragmented European market for instant payments in euro.

The members of the ERPB understand that offerings of e.g. person-to-person mobile payments in euro may depend significantly on the availability of instant clearing services.

Therefore, taking into account emerging national solutions and in order to prevent market fragmentation, the members of the ERPB agreed on:

- the need for at least one pan-European instant payment solution for euro open to any payment service provider (PSP) in the EU
- inviting the supply side of the industry (in close cooperation with the demand side and with the active involvement of the European Payments Council as a potential scheme developer) to make an assessment

of the issues related to pan-European instant payment solutions in euro to be presented at the ERPB meeting in June 2015.

Items for information

In addition to the above the ERPB took note of the update provided by the European Commission on the legislative process of the review of the Payment Services Directive and the proposed Regulation on Interchange Fees, and by the ECB on the experiences related to the introduction of the new 5 and 10 euro banknotes.

Annex 1

Recommendations related to SCT-SDD post migration issues

Number	Issue / Rationale	Recommendation	Addressees
ERP/2014/r/ec1	<p>Harmonisation of XML formats in the customer-to-bank domain: Various SEPA countries and EPC scheme participants have created their own configurations ("flavours") of the XML-based SEPA payment messages in the customer-to-bank space. Corporate customers which transact in various countries and/or with different PSP partners need to implement these customer-to-bank interface "flavours". A harmonisation of XML formats in the customer-to-bank space would reduce costs for corporate payment service users (PSUs) in establishing and maintaining different interfaces with their PSPs and facilitate the switching of a corporate PSU between PSPs</p>	<p>The ERPB supports the publication and use of the EPC's current customer-to-bank Implementation Guidelines (IGs) by all market participants. The ERPB recommends making the EPC's customer-to-bank IGs mandatory in the next EPC SEPA rulebook change management cycle.</p>	<p>The EPC's Scheme End-User Forum</p>
ERP/2014/r/ec2	<p>Harmonisation of XML formats in the bank-to-customer domain: Corporate PSUs have indicated that basic account statements in XML message format should be offered in the bank-to-customer space. A harmonisation of XML formats in the bank-to-customer space would reduce costs for corporate PSUs in establishing and maintaining different interfaces with their PSPs and facilitate the switching of a corporate PSU between PSPs</p>	<p>The ERPB supports and recommends making the EPC's bank-to-customer IGs mandatory in the next EPC SEPA rulebook change management cycle. The ERPB recommends consulting the EPC's Scheme End-User Forum about the appropriate bank-to-customer message(s) for future mandatory EPC bank-to-customer IGs and proposing a set of mandatory EPC IGs in the bank-to-customer space.</p>	<p>EPC & the EPC's Scheme End-User Forum</p>
ERP/2014/r/ec3	<p>IBAN discrimination: There have been complaints by many individuals that creditors are only accepting domestic IBANs.</p>	<p>It is recommended to follow up with EU Member States and take appropriate action to ensure the enforcement of EU law related to payment accessibility as stipulated in Article 9, Regulation EU (No) 260/2012.</p>	<p>European Commission and Member States</p>
ERP/2014/r/ec4	<p>IBAN discrimination: <i>See above</i></p>	<p>It is recommended to consider re-launching awareness campaigns about obligations for creditors to accept foreign IBANs</p>	<p>PSPs, national central banks, umbrella organisations of corporate and public authority payees, consumer organisations and competent authorities at national level</p>
ERP/2014/r/ec5	<p>Implementation of IBAN-only: Publicly accessible national sources providing data for national bank identifier-to-BIC conversion services are either unavailable, incomplete or do not provide the data in a common structure. This is the biggest issue for PSPs wishing to establish internal BIC-from-IBAN</p>	<p>It is recommended that existing BIC-from-IBAN solution providers present the full reliability of their respective solutions to meet the market needs for BIC-from-IBAN derivation by 1 June 2015 at the latest to support the IBAN-only implementation by February 2016.</p>	<p>BIC-from-IBAN solution providers</p>

	derivation tables and for service providers interested in offering BIC-from-IBAN derivation service on the market		
ERP/2014/r ec6	Implementation of IBAN-only: <i>See above</i>	It is recommended to continue providing information on local issuing authorities and to keep this information up to date via their websites	European System of Central Banks
ERP/2014/r ec7	Implementation of IBAN-only: <i>See above</i>	It is recommended to standardise the provision of relevant data for BIC-from-IBAN derivation services as soon as possible (with a recommended date of 1 April 2015 at the latest) and to ensure a non-discriminatory and transparent access for all market participants (PSPs and PSUs)	Issuing authorities for bank identifiers in SEPA
ERP/2014/r ec8	Extension of remittance information: The current restrictions in remittance information hinder the corporate PSUs in their SCT and SDD reconciliation and reporting processes.	It is recommended to investigate possible alternatives to meet the extended structured and unstructured remittance information demands from corporate PSUs	EPC and the EPC's Scheme End User Forum
ERP/2014/r ec9	Handling of SDD R-transactions: The inconsistent use of SDD R-transaction reason codes by SDD scheme participants which is hindering efficiency gains through automation/straight-through-processing (STP) of SDD R- transactions. In a number of EU countries, there are legal restrictions in place, such as data protection legislation, that prevent SDD scheme participants from using more precise reason codes.	It is recommended to monitor the evolution of the correct use of SDD R-transaction reason codes until December 2015 and act accordingly if needed	EPC
ERP/2014/r ec10	Handling of SDD R-transactions: <i>See above</i>	It is recommended to report complaints about SDD scheme participants not using the appropriate reason code to the complaints body of the EPC.	SDD scheme participants
ERP/2014/r ec11	Handling of SDD R-transactions: <i>See above</i>	It is recommended to investigate if and how national legal restrictions affecting the use of the appropriate SDD R-transaction reason codes could be removed	European Commission and Member States
ERP/2014/r ec12	Issuance of creditor identifiers (CIs): Due to the lack of central CI issuance or harmonisation in the issuance of CIs, difficulties have been reported that may hinder the cross-border use of SDD.	It is recommended to include in the document EPC262-08 (CI overview): (a) clarifications about the possible use of a single CI across SEPA; and (b) contact details of the department at the national institution in charge of CI issuance in those countries where CIs are issued by a single authority	EPC
ERP/2014/r ec13	Issuance of Creditor Identifiers (CIs): <i>See above</i>	It is recommended to look for more appropriate attributes in a long term perspective (e.g., Legal Entity Identifier (LEI) as a unique entity identifier) to identify a creditor	EPC (supported by the European Central Bank and standardisation authorities)
ERP/2014/r ec14	Non-respect of SDD time cycles for SDD collection presentation and for SDD R-transactions: Certain SDD scheme participants do not respect the specific calendars prescribed in the SDD rulebooks. Debtor banks do not always follow the SDD Core claim management process after the	It is recommended to assess whether the non-compliance with the SDD rulebook stipulations on SDD time cycles for SDD collections and SDD R-transactions is a problem linked to the SEPA migration	EPC

	no-questions-asked SDD Core Refund period. Date elements have been manipulated by debtor banks for SDD business-to-business (B2B) return transactions compared to the dates used in the initial SDD collection.		
ERP/2014/r ec15	Non-respect of SDD time cycles for SDD collection presentation and for SDD R-transactions: <i>See above</i>	It is recommended to consider, along with clearing and settlement mechanisms (CSMs), the implementation of validation checks to see if SDD R-transactions fall within the prescribed R- transaction calendar day timelines and if SDD R-transactions contain altered date elements compared with the date elements in the initial SDD collection	SDD scheme participants
ERP/2014/r ec16	Non-respect of SDD time cycles for SDD collection presentation and for SDD R-transactions: <i>See above</i>	It is recommended to report persistent non-compliant behaviour by other SDD scheme participants to the complaints body of the EPC.	SDD scheme participants
ERP/2014/r ec17	Reachability of the SDD B2B scheme: As an optional scheme, the SDD B2B scheme has a lower reachability than the SDD Core scheme. Creditors and/or creditor banks have to check if the debtor bank is already an EPC SDD B2B scheme participant or not.	It is recommended to ask those SDD Core scheme participants that are not SDD B2B scheme participants to reconsider adhering to the SDD B2B scheme in the case that they offer services to businesses.	EPC
ERP/2014/r ec18	Unclear remittance information about SDD collections to consumers: Remittance information about SDD collections is unclear to consumers on their monthly payment account statements and in the online banking application of the debtor banks.	It is recommended that further familiarisation take place on the presented SDD collection remittance information.	PSPs, consumers and creditors
ERP/2014/r ec19	Unclear remittance information about SDD collections to consumers: <i>See above</i>	It is recommended to continue monitoring if there is still a lack of clarity in the remittance information transmitted to consumers and if other actions are needed to achieve greater familiarity among all debtor groups, including those with low financial literacy.	ERP consumer representatives
ERP/2014/r ec20	Change of a creditor acting on behalf of an "ultimate creditor": The SDD rulebooks allow the mandate to indicate the name and the CI of a creditor which takes up the role of a "collecting creditor" whereby this collecting creditor mentions a creditor reference party ("ultimate creditor") on the SDD mandate. A good example of such a mandate set-up are payment collection factories. Should the ultimate creditor want to change its collecting creditor, the new collecting creditor could be required to obtain new mandates from the debtors.	It is recommended to prepare a clarification paper in the first half of 2015 listing the consequences of all possible mandate amendment scenarios initiated by a debtor or by a (collecting or ultimate) creditor for the validity of the signed SDD mandate and make recommendations if needed.	EPC and the EPC's Scheme End-User Forum

Annex 2

Recommendations related to pan-European electronic mandates

Number	Issue / Rationale	Recommendation	Addressees
ERPB/2014/r ec21	<p>Lack of certainty about the legal validity of electronic mandates in a cross-border context: Transparency concerning methods used in the most relevant (at least top-10) SDD countries will help the debtor PSPs in their decisions when assessing the after-eight-week refund claim. If necessary, the EPC can liaise with the ECB in compiling the snapshot of current market practices employed by PSPs (e.g. in contacting the national competent authorities). A plan will need to be agreed by both parties.</p>	<p>It is recommended to publish a country specific inventory of identified national and pan-European legally binding signature methods applicable for e-mandate solutions, which might be accepted as proof (by the debtor PSP) in case of an after-eight-week refund claim regarding an unauthorised direct debit transaction as well as details by debtor PSP country of the applicable law when assessing the validity of the signature and mandate in case of a non-domestic e-mandate solution.</p>	EPC
ERPB/2014/r ec22	<p>Handling of electronic mandates should not cause IBAN discrimination: To ensure compliance with the law (Article 9.2 of Regulation (EU) No 260/2012) and to ensure a better integration of the single market for SDD.</p>	<p>It is recommended that the handling of electronic mandates be opened up to foreign IBANs. This can be done either by updating the used solution or providing an alternative way of giving the mandate, with clear usage guidance from the creditors to the debtors on how such solutions can be used for cross-border SDDs.</p>	Creditors via their representatives in the ERPB
ERPB/2014/r ec23	<p>Debtor PSPs' behaviour is not harmonised when assessing electronic mandates in case of refund claims: Transparent background information on the inventory will help to harmonise the behaviour of debtor PSPs.</p>	<p>It is recommended that debtor PSPs make use of the inventory (see Rec. 21) of different legally valid electronic signature methods for assessing the debtor authentication and authorisation of the electronic mandate in the case of an after-eight-week refund claim, within the constraints of applicable law.</p>	PSPs via their representatives in the ERPB
ERPB/2014/r ec24	<p>It is important that all creditors using SDD clearly understand the consequences of their choice regarding electronic mandate solutions</p>	<p>It is recommended to develop and make publicly available (alongside the SDD rulebooks) a clarification paper explaining to the creditor the possible risks (liabilities) of not being able to prove to the debtor PSP that a legally binding electronic signature method was used.</p>	EPC
ERPB/2014/r ec25	<p>It is important to harmonise the assessment of qualified electronic signatures by debtor PSPs in case of an after-eight-week refund claim in a non-domestic context.</p>	<p>It is recommended – after putting in place the implementation acts as foreseen in the Regulation (EU) No 910/2014 – to continue to monitor the cross-border usage of qualified electronic signatures and, if needed, take further steps to ensure cross-border usability for PSPs and PSUs.</p>	European Commission
ERPB/2014/r ec26	<p>To increase the cross-border reach of the existing and to-be-developed electronic mandate solutions based on technically similar models, interoperability should be promoted. An existing (optional) electronic mandate model is described in Annex VII of the SDD scheme rulebook. If the service providers have implemented it</p>	<p>It is recommended that electronic mandate service providers using technically similar models be open to interoperability and if feasible make use of the technical description provided in Annex VII of the SEPA direct debit scheme rulebooks.</p>	Electronic mandate solution providers

	fully, it is possible to agree on the technical interoperability aspects.		
ERP/2014/r ec27	The creditors have to ensure the continued validity of electronic mandates.	Creditors (and if relevant PSPs) should carefully consider whether the e-mandate solution they choose to employ enables the Debtors to make and manage the changes and cancellations of the recurrent mandates or not.	Creditors via their representatives in the ERPB