



# One-Leg Out Instant Credit Transfer (OCT Inst), Scheme Overview

May 2023

# Why a One-Leg-Out Credit Transfer Instant (OCT Inst) Scheme?



- **EPC internal triggers**
  - 2017 change request to allow incoming euro OLO Credit Transfer transactions under the SCT rulebook which was not retained for the 2019 SCT rulebook
  - Question periodically raised by some scheme participants whether such transactions are legitimate under the SCT scheme
  - Claims that an unknown volume of incoming euro OLO Credit Transfer transactions (illegitimately) get processed as SCT transactions
- **Industry and market developments**
  - Widespread implementation of ISO 20022 at global level, facilitating technical interoperability
  - SWIFT CBPR+, SWIFT Go (small payments), SWIFT GPI Instant, EBA Clearing IXB, ...
  - Growing number of countries with an Instant Payments infrastructure<sup>1</sup>
- **Regulatory developments and policy context** (G20 agenda, FSB roadmap on cross-border payments)
- **Potential market demand for end-to-end instant** cross-border, cross-currency payments



# Scope of the OCT Inst Scheme

- The OCT Inst scheme is an **optional scheme**, available to any PSP in the SEPA schemes' geographical Scope
- Scheme participants must be technically capable to process OCT Inst transactions in the Euro-Leg on a **24/7/365 basis**
- **Enforcement** of the OCT Inst scheme is legally and technically limited to the Euro Leg of the OCT Inst payment chain
- The **EPC cannot define contractual obligations for the non-Euro Leg FIs** as
  - The non-Euro Leg rules for OCT Inst will differ in terms of regulatory obligations, payment infrastructures, systems or practices used in each non-Euro Leg jurisdiction
  - No uniform set of standards, business-, usage- and technical rules, and messaging formats for the non-Euro Leg
  - A possible consequence is that the non-Euro Leg of an OCT Inst transaction is not processed instantly because e.g., the jurisdiction of the non-Euro Leg concerned has no instant retail payment infrastructure

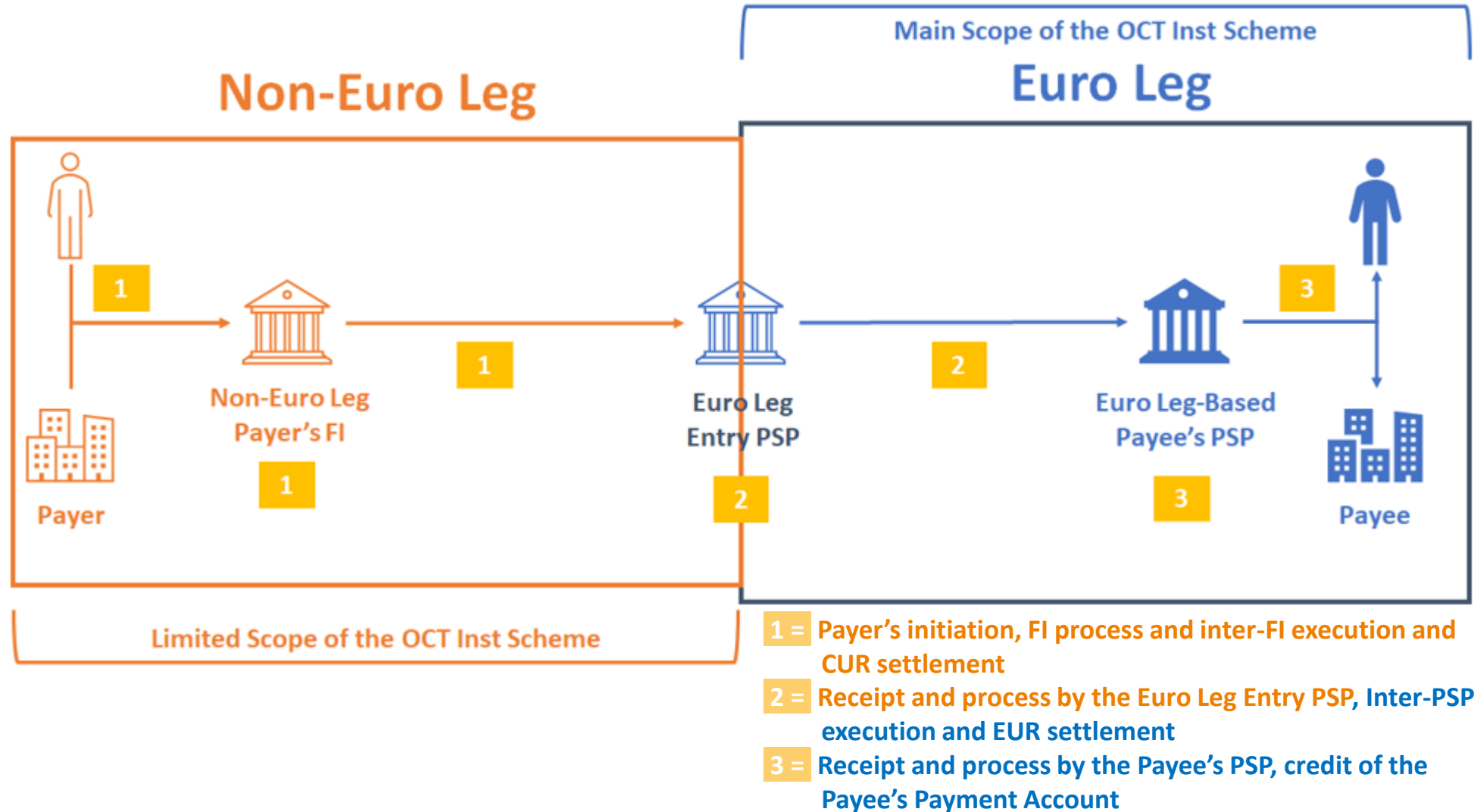


# What is a OCT Inst Transaction?

- A transaction **in any possible currency** (including non-euro SEPA currencies) under the condition that **at least one of the two legs of the OLO transaction is denominated in euro** (Euro Leg)
- Is an **incoming or outgoing account-to-account credit transfer** which will be **processed instantly on a 24/7/365 basis in the Euro Leg**
- Between a PSP established in and/or licensed in the SEPA and operating in the Euro Leg and
  - Option 1: a so-called Financial Institution (FI) which operates **outside the SEPA Schemes' Geographical Scope** (e.g., an FI based in USA, Japan etc), where the funds transferred in the non-Euro Leg can be denominated in **each possible currency including in euro**
  - Option 2: a FI established and/or licensed **inside the SEPA Schemes' Geographical Scope** (e.g., a PSP based in Poland, Switzerland etc), where the funds transferred in the non-Euro Leg can be denominated in **each possible currency except in euro**
- The **payment accounts** of the Payer and/or of the Payee can be **in euro or in any other currency**

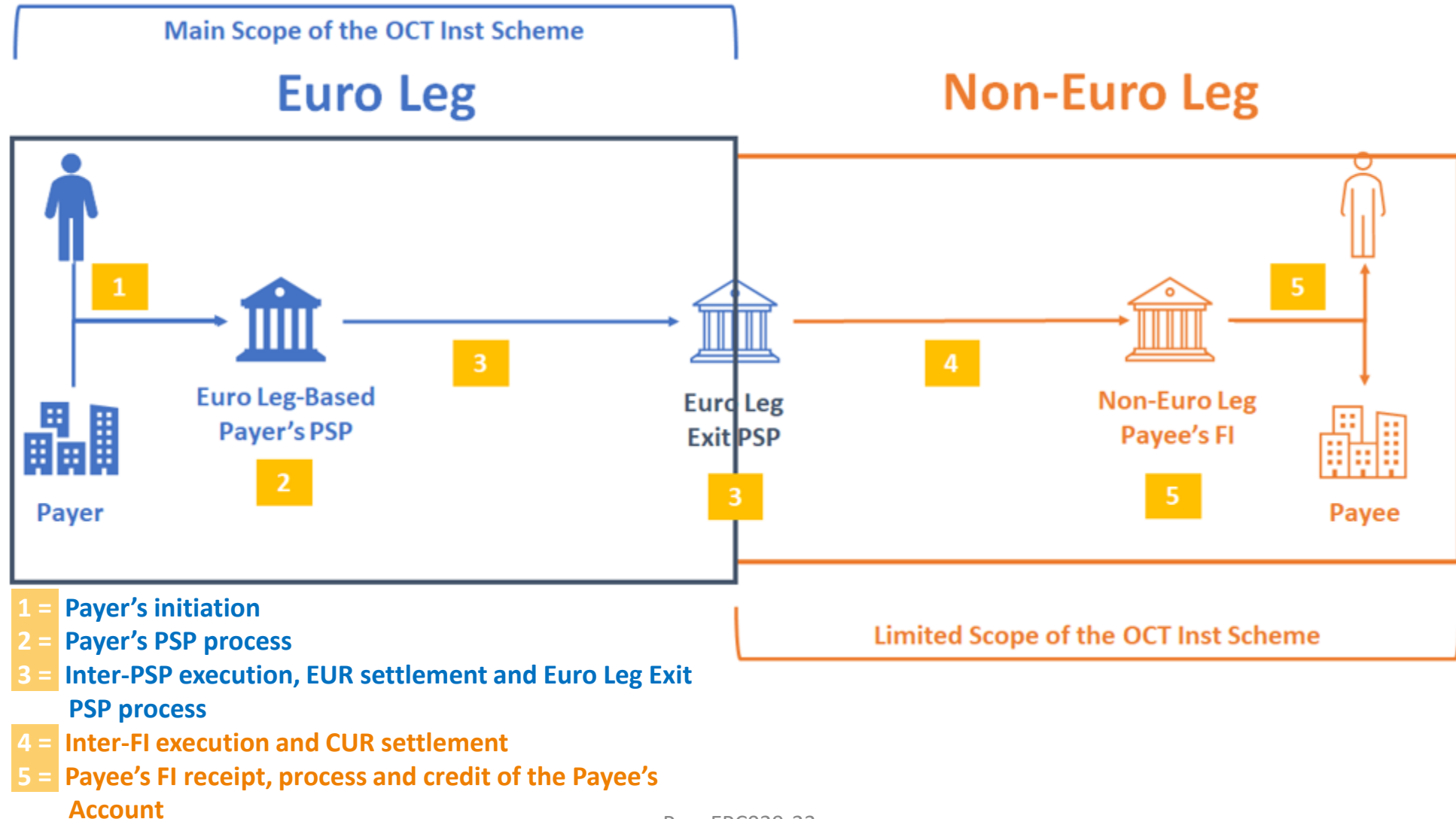


# OCT Inst Incoming Transaction





# OCT Inst Outgoing Transaction



# When to use OCT Inst?



Which EPC instant credit transfer payment scheme to use?				
<i>Note: apart of the currency in which the instant credit transfer itself is expressed, under the OCT Inst and SCT Inst schemes the payment account of the Payer and/or of the Payee can be in euro or in any other currency.</i>			To Payee with an account held in	
			SEPA	non-SEPA
Euro --> Euro trx (no currency conversion)	From Payer with an account held in	SEPA	SCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme
Euro --> other currency trx, or other currency --> Euro trx	From Payer with an account held in	SEPA	OCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme



# Next Steps and Timeline

Date	Next steps
<b>Start June 2023</b>	Start of the OCT Inst scheme adherence process with the publication of the OCT Inst scheme adherence documents
<b>End June 2023</b>	Publication of the Implementation Guidelines (IGs) regarding the Customer-to-PSP Space messages and the Inter-PSP Space messages for the OCT Inst scheme in the Euro Leg
<b>28 Nov 2023</b>	The OCT Inst scheme goes live at 08h00 CET
<b>31 Dec 2023</b>	Deadline for any interested stakeholder to submit change requests to the version 1.0 of the 2023 OCT Inst scheme rulebook
<b>Throughout 2024</b>	The OCT Inst scheme rulebook is subject to the 2024 EPC payment scheme rulebook change management cycle together with the four SEPA payment scheme rulebooks
<b>End Nov 2024</b>	Publication of the 2025 OCT Inst scheme rulebook and related IGs
<b>As of 28 Nov 2024</b>	OCT Inst scheme adherents (i.e. OCT Inst scheme participants and OCT Inst processors) can send a written suggestion to the EPC for a new maximum amount
<b>23 Nov 2025</b>	Entry into force of the 2025 OCT Inst scheme rulebook





THANK YOU !



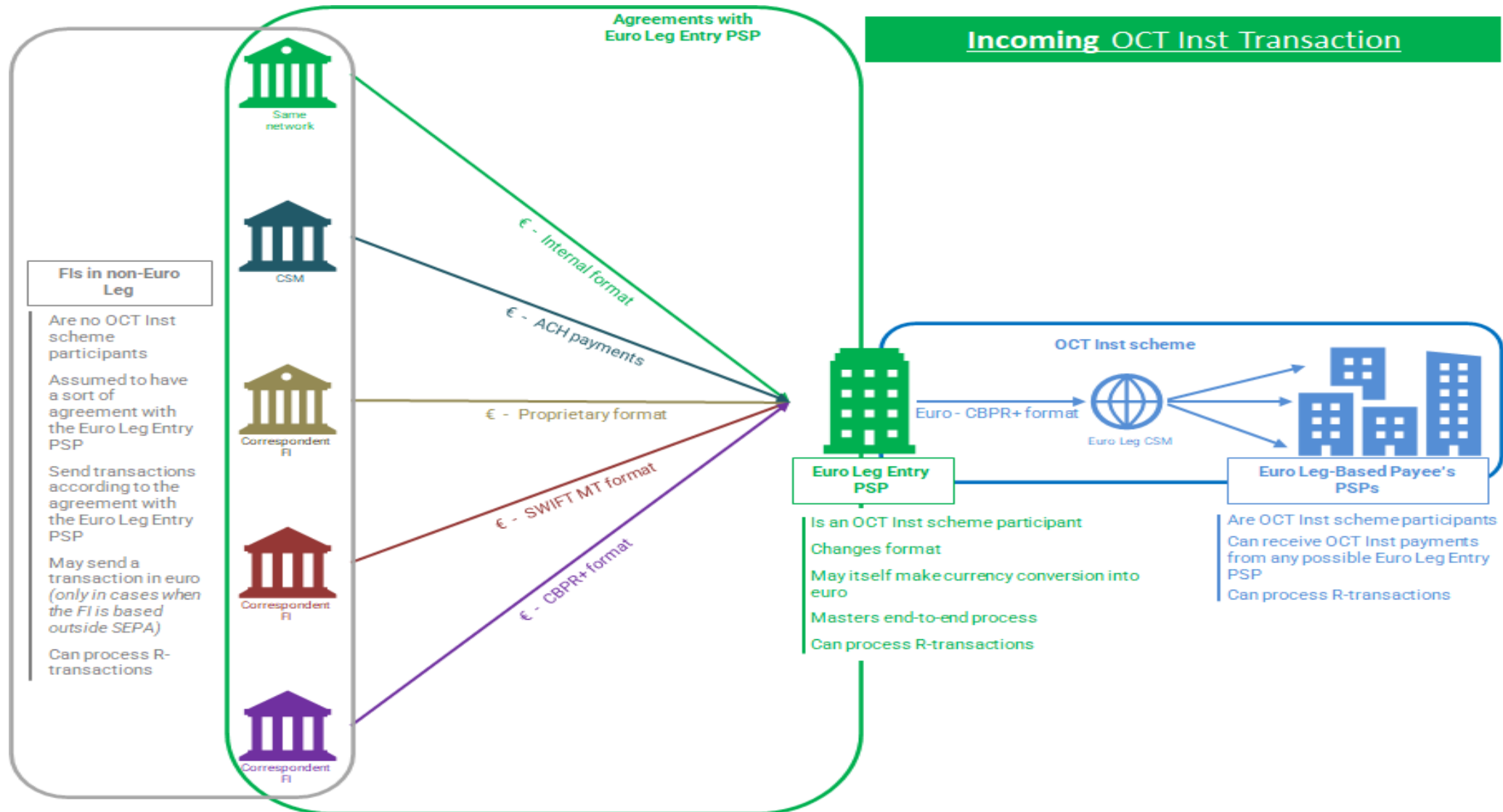
@EPC\_SEPA



# ANNEX



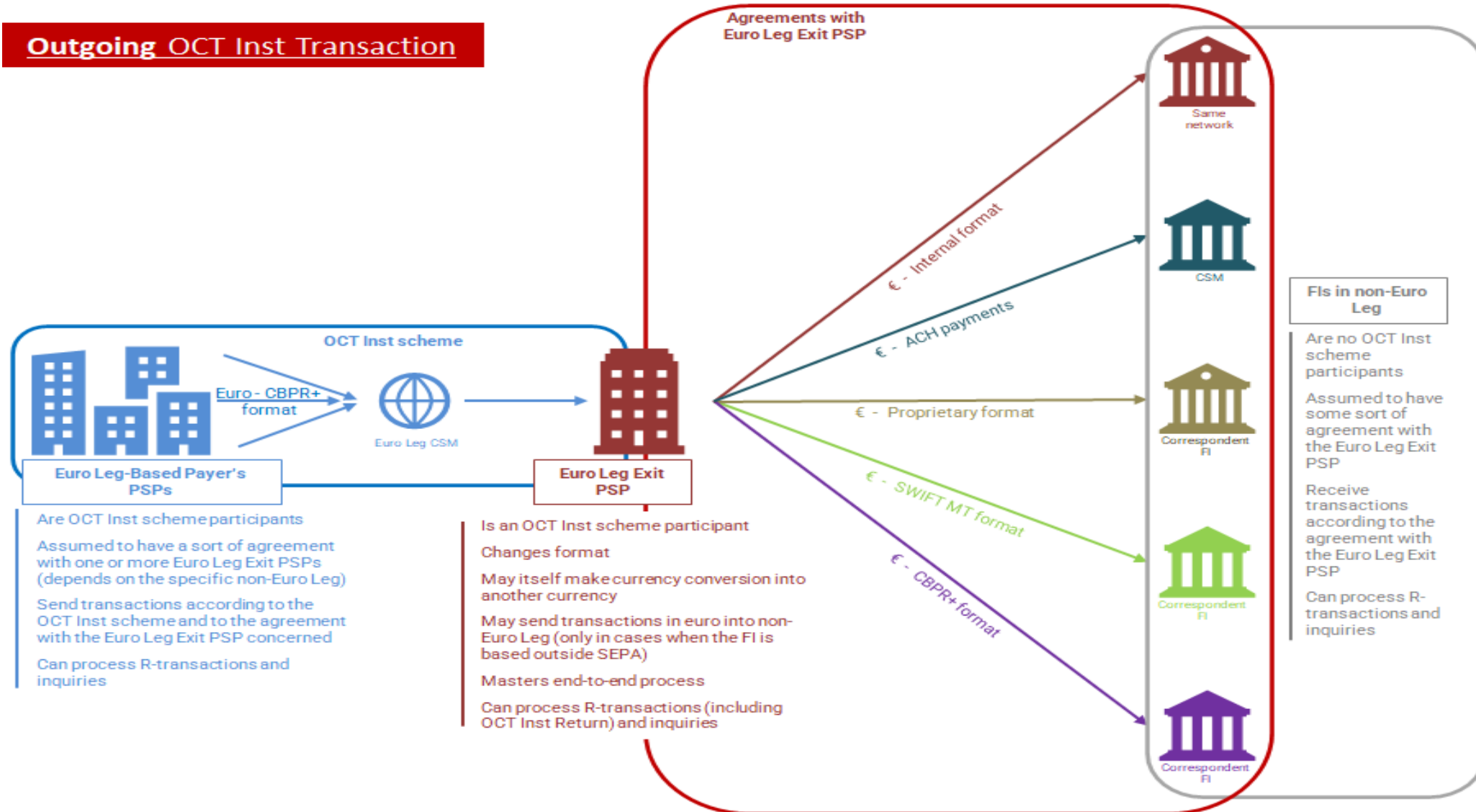
# Main OCT Inst Transaction Flows (1/2)





# Main OCT Inst Transaction Flows (2/2)

## Outgoing OCT Inst Transaction



**Euro Leg-Based Payer's PSPs**

- Are OCT Inst scheme participants
- Assumed to have a sort of agreement with one or more Euro Leg Exit PSPs (depends on the specific non-Euro Leg)
- Send transactions according to the OCT Inst scheme and to the agreement with the Euro Leg Exit PSP concerned
- Can process R-transactions and inquiries

**Euro Leg Exit PSP**

- Is an OCT Inst scheme participant
- Changes format
- May itself make currency conversion into another currency
- May send transactions in euro into non-Euro Leg (only in cases when the FI is based outside SEPA)
- Masters end-to-end process
- Can process R-transactions (including OCT Inst Return) and inquiries

**FIs in non-Euro Leg**

- Are no OCT Inst scheme participants
- Assumed to have some sort of agreement with the Euro Leg Exit PSP
- Receive transactions according to the agreement with the Euro Leg Exit PSP
- Can process R-transactions and inquiries



# Formal OCT Inst Scheme Participants

- **Euro Leg Entry PSP:** a Euro Leg-Based PSP introducing international instant credit transfers into the Euro Leg offering intermediary services to the Euro Leg-Based Payee's PSP
- **Euro Leg-Based Payee's PSP:** receives the OCT Inst transaction coming from the non-Euro Leg Payer's FI and makes the funds instantly available on the payment account of the Payee, according to the information provided in the OCT Inst transaction
- **Euro Leg-Based Payer's PSP:** receives the international instant credit transfer instruction from the Payer and makes the payment to the non-Euro Leg Payee's FI in favour of the Payee's account according to the information provided in the instruction
- **Euro Leg Exit PSP:** a Euro Leg-Based PSP offering intermediary services for the non-Euro Leg of an outgoing OCT Inst transaction to the Euro Leg-Based Payer's PSP. The Euro Leg Exit PSP ensures that the full content of the OCT Inst transaction is made available to the non-Euro Leg Payee's FI.
- Participants to the OCT Inst scheme must as a minimum support the scheme as a **Euro Leg-based Payee's PSP**



# Maximum Execution Timeline

For the Euro Leg of an incoming OCT Inst transaction	For the Euro Leg of an outgoing OCT Inst transaction
<ul style="list-style-type: none"><li>■ Euro Leg Entry PSP: must receive a positive or negative confirmation latest 10 sec after it has put the <b>Euro Leg Time Stamp</b>, reporting whether the Euro Leg-Based Payee's PSP made the Funds available or not</li><li>■ CSM of the Euro Leg-Based Payee's PSP: to respect a hard time-out deadline of 20 sec after the Euro Leg Time Stamp</li></ul>	<ul style="list-style-type: none"><li>■ Euro Leg-Based Payer's PSP: must receive a confirmation latest 10 sec after it has put the <b>Euro Leg Time Stamp</b>, reporting whether the Euro Leg Exit PSP is in a position to forward the payment in the non-Euro Leg</li><li>■ CSM of the Euro Leg Exit PSP: hard time-out deadline of 20 sec after the Euro Leg Time Stamp</li><li>■ Euro leg Exit PSP: in case the non-Euro Leg of the transaction failed, it must <b>Instantly</b> send an <b>OCT Inst Return</b> to the Euro Leg-Based Payer's PSP (so no Euro Leg Time Stamp a maximum execution time defined for the OCT Inst Return)</li></ul>

- The scheme **recommends** non-Euro Leg processing timespans (i.e. 60 sec) for the Euro Leg Entry PSP and Euro Leg Exit PSP vis-à-vis the non-Euro Leg Payer's FI and the non-Euro Leg Payee's FI
- Outgoing OCT Inst: the Euro Leg Exit PSP and the Euro Leg-Based Payer's PSP can agree to use an arrangement of their preference to inform the Euro Leg-Based Payer's PSP about the payment status in the non-Euro Leg (*except for the OCT Inst Return for which there are concrete rules*)



# Maximum Amount

- Amount currently identical to the SCT Inst maximum amount
- Same maximum amount for incoming and outgoing OCT Inst transactions
- Any transaction with a higher amount is rejected by the OCT Inst participants unless otherwise agreed between individual participants or communities of participants in the Euro Leg
- Incoming OCT Inst: the Euro Leg-Based Payee's PSP is obliged to accept and process OCT Inst transactions up to and including the OCT Inst maximum amount
- Outgoing OCT Inst: the Euro Leg Exit PSP is obliged to accept and process OCT Inst transactions up to and including the OCT Inst maximum amount subject to:
  - An agreement with the Euro Leg-Based Payer's PSP on any lower maximum amount in the Euro Leg and/or
  - To any maximum amount to be respected in the non-Euro Leg



# Payment Charges

- The scheme allows all types of charging options (OUR, BEN, SHA) - with the recommendation for SHA so that the Payer and the Payee are charged separately and individually
- The SHA principle is to be respected in case the EU Payment Services Directive (PSD) applies to both the Euro Leg PSP and the non-Euro Leg FI
- Full information about the charges applied by the relevant actors for an incoming or outgoing OCT Inst transaction, must be included in the OCT Inst transaction message to provide the Payer and the Payee with transparency on charges, in line with the original charging option chosen by the Payer
- An Euro Leg Entry/Exit PSP may decide to charge specific fees for the services provided to the Euro Leg-Based Payee's PSP/Payer's PSP. Such fees should be established in a non-discriminatory and transparent manner.
- Charges should be debited separately from the credited amount or debited amount of the OCT Inst transaction





# R-Transactions (1/2)

## OCT Inst Recall and Return

- No deadlines are set for the PSPs/FIs concerned by which they can send an OCT Inst Return/ Recall. The Cross-Border Payments and Reporting Plus (CBPR+) guidelines do not define such deadlines either. This is different to the SCT schemes.
- The amount transferred back can differ from the original amount of the OCT Inst transaction:

The Euro Leg-Based Payee's PSP/ Euro leg Exit PSP may decide to charge a fee to the Euro leg Entry PSP/ Euro Leg-Based Payer's PSP (e.g., to cover currency conversion costs). Such fees should be established in a non-discriminatory and transparent manner.

## OCT Inst Return

- Can also be used when the Payee's payment account/ account has already been credited and the Payee wishes to return the funds (similar to CBPR+). This is also different to the SCT schemes.



# R-Transactions (2/2)

## OCT Inst Recall

- It combines the reasons known under the SCT (Inst) procedures Recall and Request For Recall by the Originator (RFRO), and the related Request for Status Update
- The use of the foreseen Recall reasons is not limited to one or another actor as the scheme cannot impose what the non-Euro Leg actors can or cannot do (<-> under the SCT schemes, only the Originator can use the RFRO reasons)
- Must be replied to within 15 SEPA Banking Business Days
- Charges can be taken for handling an OCT Inst Recall by any actor without any limitation as the scheme cannot impose what the non-Euro Leg actors can or cannot do (<-> SCT schemes: only the Beneficiary PSP in case of a positive answer)



# Inquiries – Investigations

- 'Claim of Non-Receipt' Inquiry

- For OCT Inst transactions with a (claimed) debit date up to 13 months in the past
- This inquiry is only possible for the non-Euro Leg for **outgoing** OCT Inst transactions - the Euro Leg-Based Payer's PSP would make such inquiry towards the non-Euro Leg Payee's FI (via the Euro Leg Exit PSP)

- Investigation within the Euro Leg

For both incoming and outgoing OCT Inst transactions: an optional investigation procedure for the Euro Leg Entry PSP/ Euro Leg-Based Payer's PSP when no confirmation message has reached the Euro Leg Entry PSP/ Euro Leg-Based Payer's PSP after the Euro Leg time-out deadline of 20 seconds



# Non-Euro Leg Reach of the Euro Leg Exit PSP

- Each Euro Leg Exit PSP must make available to all Euro Leg-Based Payer's PSPs all relevant information to process outgoing OCT Inst transactions in the non-Euro Leg
- The Euro Leg Exit PSP is free to determine how to make such information available to the Euro Leg-Based Payer's PSP (e.g., bilateral agreements, disclosure on a specific website, general terms and conditions, a combination of these, etc)
- This information should contain among others:
  - The reachability of the Euro Leg Exit PSP towards specific non-Euro Leg Payee's FIs and/or countries
  - the Euro Leg Exit PSP's own concrete transaction fees and any other costs applicable for OCT Inst transactions, cut-off times, banking business days and hours and execution times
  - Any non-Euro Leg country specific requirements such as geographical coverage (e.g., by country, the FIs in each country in case of incomplete country coverage), the cut-off times by each country, any maximum amount by each country, maximum execution timespan etc



# Other Features

- Use of the 2019 version of ISO 20022: encourages the end-to-end processing of OCT Inst transactions via this standard. The Euro Leg must **always** be in ISO 20022.
- Transport of more data in line with CBPR+ and Cross-Border Instant Payments Plus (IP+) guidelines such as:
  - Currency and type of the accounts of the Payer and of the Payee
  - The proxy/alias of the accounts of the Payer and of the Payee
  - The initial amount in the other currency and currency conversion details
  - The currency requested by the Payer for the funds in the non-Euro Leg
  - Other identifiers to BIC and IBAN in the non-Euro Leg (note: BIC and IBAN are mandatory in the Euro Leg)
  - Unique End-to-End Transaction Reference (UETR)
  - More details (e.g., names and address) about the Payer, Payee and their respective reference parties, the Payee's PSP/FI, the Payer's PSP/FI, the Euro Leg Exit/Entry PSP, the intermediary PSPs/FIs
  - Charge option, the charges applied and the actor(s) applying them
- Character set: follows the CBPR+ character set which supports more special characters (i.e. ! # \$ % & \* = ^ \_ ` { | } ~ " ; < > @ [ \ ] ) than the SEPA character set

# Which Entities Can Adhere to the OCT Inst Scheme?



- **OCT Inst scheme participant:** a PSP established in and/or licensed to operate in a country or territory included in the SEPA Schemes' Geographical Scope, and operating in the Euro Leg, and which adheres on an individual basis.
- **OCT Inst processors:**
  - is a legal entity established and/or under oversight to operate in a country or territory included in the SEPA Schemes' Geographical Scope. It offers OCT Inst scheme-based services towards one or more participants and formally adheres to the scheme on behalf of the participants using its services.
  - Such entity may operate in the capacity of a CSM in the Euro Leg but alternatively can be a financial messaging service provider, a currency conversion service provider or even already an OCT Inst participant
  - It may offer, either directly by itself or indirectly using other actors, Euro Leg Entry PSP-related and/or Euro Leg Exit PSP-related services to participants
  - Background: they may already serve a large community of PSPs for which they have designed or will design specific rules for OLO transaction processing. A SEPA-wide reach via a legal commitment with a processor can be achieved much faster.



# What Adherence Option for PSPs to Chose?

- **Via an OCT Inst processor:** some PSPs may prefer the reachability via an OCT Inst processor as they have already a direct access to such entity (e.g., an SCT Inst scheme participant to an SCT Inst scheme-compliant CSM) and these PSPs are just interested to take up the role of a Euro Leg-based Payee's PSP
- **As an OCT Inst scheme participant on its own:**
  - The OCT Inst processors concerned may only support a few currency pairs/corridors or countries
  - These PSPs already have their own (extensive) network covering various regions and/or currencies
  - These PSPs may also be interested to position themselves in the Euro Leg as an Entry PSP and/or Exit PSP
  - Certain PSPs cannot enter in a direct relationship with some of these OCT Inst processors (e.g., a Payment Institution or an Electronic Money Institution not having access to a CSM in the Euro Leg whereby such CSM positions itself as an OCT Inst processor)



# Advantages for Payers and Payees

- Supports account-to-account based payment solutions for incoming and outgoing international instant euro credit transfers
- Maximum execution times are set for the Euro Leg of such transfers. Depending on the performance of the channel used in the non-Euro Leg jurisdiction, this may lead to a more rapid end-to-end execution of these payments
- Attributes foreseen to provide better transparency on the costs for all parties—both those inside and outside of the Euro Leg—as well as on payment status traceability (e.g., UETR)
- The scheme relies on open and commonly accepted standards and data elements which help to improve the initiation and reconciliation of OCT Inst transactions on a Straight-Through-Processing (STP) basis
- Possibility to send or to receive remittance data end-to-end on either a structured or an unstructured basis
- The maximum amount set for OCT Inst transactions can support a wide variety of payment use cases



# Advantages for Future Participants



- Allows Euro Leg PSPs to offer their customers account-to-account based payment solutions supporting incoming and outgoing international instant euro credit transfers
- Possibility to offer their customers a faster execution of such transactions, more up-front transparency on costs and on the parties involved in/concerned about, and a better payment status traceability (e.g., via the UETR)
- Well defined processing timelines and steps for OCT Inst transactions in the Euro Leg
- Maximum alignment with the SCT Inst scheme and the re-use of SEPA channels/processes
- Permits a more efficient and cost-effective processing, clearing and settlement of OCT Inst transactions within the Euro Leg, through the use of the ISO 20022 standard and existing Intermediary PSPs and CSMs in the Euro Leg
- The clearing and settlement through Euro Leg-based intermediary PSPs and CSMs, and through the preferred non-Euro Leg channels (e.g., national payment infrastructures, schemes) will potentially improve the liquidity management for those involved (e.g., via the offset between incoming and outgoing payment positions)
- Participants could optimise the number of euro correspondent banking relationships
- It supports concepts, processes and attributes specified in CBPR+
- Predictable and automated R-transaction handling and inquiry processing