



Fourth meeting

Frankfurt

17th November 2015

1. Welcome and introduction

Wolfgang Ehrmann, Chairman, Euro Banking Association

2. EPC's work on the SCT instant scheme concept

Etienne Goosse, Director General, European Payments Council

3. Reflections from the ECB on the SCT instant scheme concept

Emanuela Cerrato, Market Infrastructure Expert, European Central Bank

4. Coffee break & networking

5. Panel discussion: Considerations on interoperability

Moderator:

Hansjörg Nymphius, Advisor to the Board, Euro Banking Association

Panellists:

Fred Bär, Secretary General, EACHA

Erwin Kulk, New Developments and Innovation, EBA CLEARING

Petia Niederländer, Head of Group Retail & Corporate Operations,
Erste Group Bank

6. Closing remarks

Hansjörg Nymphius, Advisor to the Board, Euro Banking Association



EPC's work on the SCT instant scheme concept

Etienne Goosse

Director General

European Payments Council

EPC Design Proposal

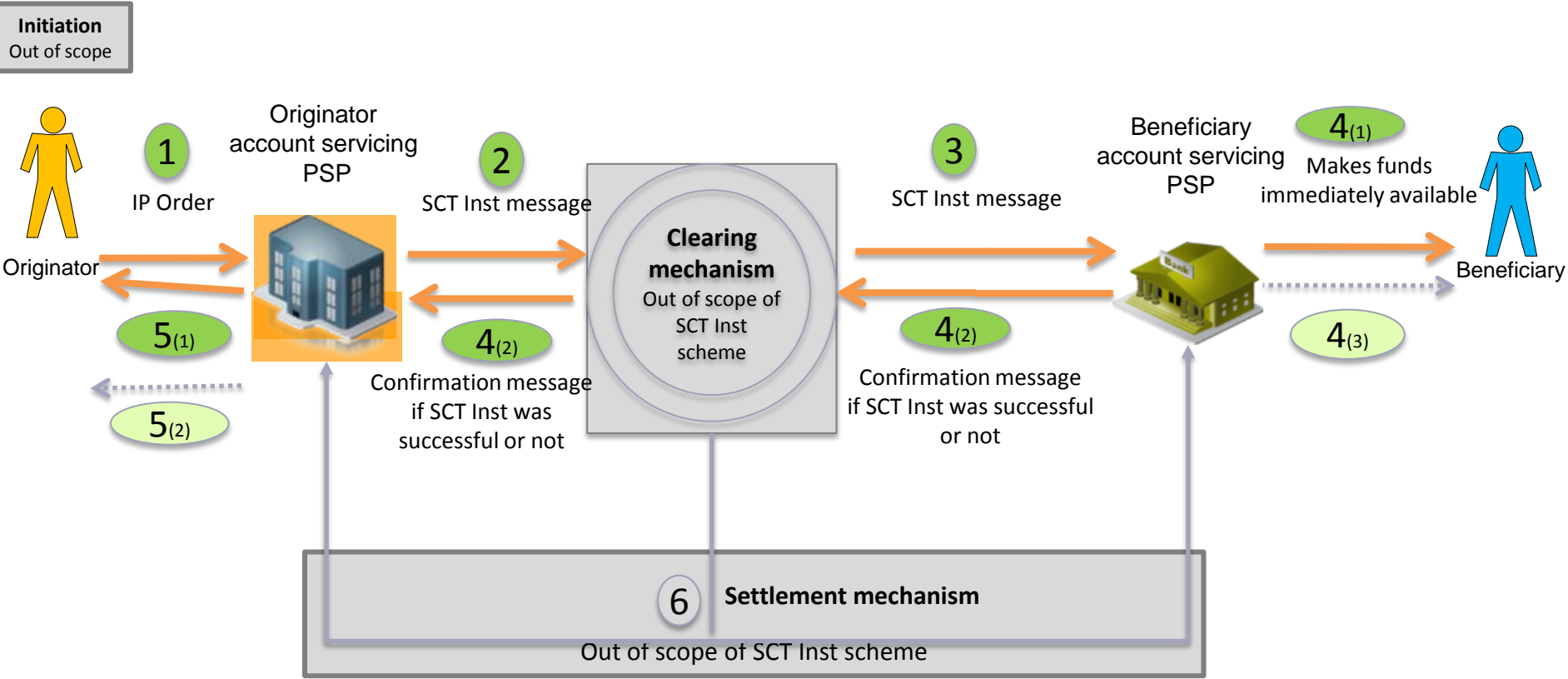
Optional Euro SCT Instant Scheme

Open Forum Meeting
17 November 2015



SCT Instant Scheme Overview

Conceptual Process Flow



AS PSP: Account Servicing Payment Service Provider

- (1) Originator AS PSP: receives an instant payment (IP) order from the Originator
- (2) Originator AS PSP: if the IP order is complete and correct and all validation checks are successful => immediately sends an SCT Inst message to the CSM
- (3) Clearing mechanism (**out of scope of SCT Inst scheme**): immediately sends the SCT Inst message to the Beneficiary AS PSP
- (4) Beneficiary AS PSP:
 - (1) if SCT Inst message is complete and correct and all validation checks are successful: funds immediately made available to the Beneficiary
 - (2) Sends immediately a message back to the Originator AS PSP through the same clearing mechanism to confirm if
 - Funds have been made available - *positive confirmation message*
 - Funds have **not** been made available - *negative confirmation message with an immediate reject*
 - (3) Information about the new funds is instantly accessible to the Beneficiary (e.g., via online banking app)
 - If agreed with the Beneficiary, it sends the Beneficiary an instant notification message about the funds made available (OPT-IN feature)

- (5) Originator AS PSP:
- (1) Funds had **not** been made available to the Beneficiary:
 - Is obliged to send immediately a negative confirmation message to the Originator
 - (2) Funds had been made available to the Beneficiary:
 - Instantly reserves the amount of the SCT Inst transaction on the Originator's payment account with this information instantly accessible to the Originator (e.g., via online banking app)
 - If agreed with the Originator, sends the Originator an instant notification message about the funds made available to the Beneficiary (OPT-IN feature)
- (6) **(out of scope of SCT Inst scheme)** Settlement mechanism: the amount of the SCT Inst transaction is included in the settlement procedure between the Originator AS PSP and the Beneficiary AS PSP

Important notes on the conceptual process flow and steps:

- It only shows the process of an SCT Inst transaction between 2 scheme participants **directly** using the **same** clearing mechanism
- The handling of exceptions and disruptions (e.g., message transmission issues, r-transactions) is not covered

- A **separate** and new Instant SEPA Credit Transfer scheme in euro
- Scheme participation: an **optional** SCT scheme
 - if an AS PSP adheres, it has to be at least **reachable** in the role of Beneficiary AS PSP
 - if Beneficiary AS PSP is not reachable, the initiated SCT Inst transaction is not possible and it will be rejected
- Exact starting point of SCT Inst scheme:
From the moment the Originator AS PSP **receives** the IP order from the Originator (step (1))
- **Re-use** of elements from the SCT Rulebook as much as possible
 - Recalls and returns follow the current SCT scheme procedure (are r-transactions after settlement)
 - Use of IBAN and BIC in the inter-AS PSP domain

- Funds to be **immediately made available** to the Beneficiary
- All messages from process step (1) to (4) (2) included to be exchanged within a **maximum number of seconds**
- The Originator AS PSP will be **obliged to settle** a successfully completed SCT Inst transaction to guarantee settlement certainty for the Beneficiary AS PSP
- Use of specific positive and negative confirmation messages **mandatory between AS PSPs**
- Mandatory **negative confirmation message** from the Originator AS PSP to the Originator
- The use of a **maximum amount** limit in the first release of the SCT Inst Scheme rulebook
 - A default maximum amount per transaction at scheme level between AS PSPs
 - SCT Inst scheme participants may bi-or multilaterally agree on a higher maximum amount
 - The Originator AS PSP has the freedom to set a lower maximum limit for its customers
 - The Beneficiary AS PSP has to honour valid transactions up to the scheme default maximum amount

- **Settlement risk management**
 - The Beneficiary AS PSP needs settlement certainty to make the SCT Inst scheme work
 - EPC's expectation: the ECB will steer a coordination between the clearing mechanisms, the settlement mechanisms and the EPC to meet this settlement certainty demand
- **Mandatory minimum performance requirements for an SCT Inst scheme participant**
 - Ensure 24/7/365 end-to-end availability and business continuity capability
 - Select clearing and settlement mechanisms that are able to support SCT Inst transactions
 - All SCT Inst messages to be exchanged within a maximum number of seconds
 - Outstanding: EPC processing mapping exercise to determine this maximum number of seconds

- **Anti-money laundering (AML) obligations**
 - The timing of AML checks done by AS PSPs is different between countries: either during or after processing the current SCT transaction
 - This will impact the processing duration of an SCT Inst within and across SEPA countries, and the reject rate
 - Investigation on this issue will be covered by the EPC processing mapping exercise
- **Sanction and anti-terrorist validation checks**
 - Time needed to do these checks will also influence the processing duration of an SCT Inst
 - The validation checks can lead to either a true or a false hit. The treatment of true and false hits still requires further investigation.
 - Further research on this issue will be covered by the EPC processing mapping exercise

- **Risk assessment by the scheme manager**
 - Beneficiary AS PSP makes the funds immediately available to the Beneficiary => measures are needed to mitigate credit and liquidity risk
 - Maximum amount per transaction at scheme level but not defined yet
 - The EPC still has to evaluate the potential need for additional measures in the inter-AS PSP domain
- **Definition of business day (value dating implications)**
 - Assumption that SCT Inst scheme participants will be open for “SCT Inst transaction business” for 365 days in a given year
 - Validation with the EC
- **Legal check vs. SEPA Regulation**
 - Internal EPC analysis and validation with the EC

- **Multiple clearing mechanisms - indirect participants in clearing mechanisms**
 - Originator AS PSP and Beneficiary AS PSP may not use the same clearing mechanism or are not direct participants in any clearing mechanism
 - Consequence: the SCT Inst messages to be routed over the infrastructures of two or more clearing mechanisms and/or through one or more direct participant(s)
 - This will demand extra time to complete the SCT Inst transaction process
 - This issue will be covered by the EPC processing mapping exercise
 - Maximum coverage

- **National labour laws**
 - Impact of these laws with respect to out-of-hours working for SCT Inst-related services (e.g., customer hotline, technical staff)
 - This is a matter for the relevant national public authorities

- EPC design proposal will be discussed at the ERPB meeting of 26 November 2015
- If EPC proposal is supported and EPC is invited to develop an SCT Inst Scheme
 - EPC will take up remaining open issues within its remit – early 2016
 - EPC development project plan – early 2016
 - Start of the development of the EPC ST Inst Rulebook (and IGs)
 - Expectation that actions residing with other parties will be carried out by them in parallel
 - Stakeholder involvement will remain key
- November 2016
 - The earliest possible date for publication of the first release of the SCT Inst Rulebook
 - A 90 calendar days public consultation will precede this first release
- November 2017: earliest possible effective date of the SCT Inst Rulebook

Thank you!





For any comments or questions, please contact
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