

Terms of Reference

Background

20 November 2017 saw the launch of the SEPA Instant Credit Transfer (SCT Inst) Scheme by the European Payments Council (EPC).

The ramp-up of euro instant payments started on the same day with payment service providers (PSPs) from eight European countries rolling out instant payments for their customers. The number of PSPs adhering to the optional EPC SCT Inst Scheme is growing rapidly. Three months after the launch of the EPC scheme, 25% of European PSPs from 13 countries have adhered to the scheme.¹

Before the launch of the EPC Scheme, six Clearing and Settlement Mechanisms (CSMs) had declared their intent to provide an EPC SCT Inst Scheme-compliant processing infrastructure; this number has grown to 10 three months after the launch of the scheme. In addition, the Eurosystem has announced the launch of a central bank offering as part of the TARGET2 system (TARGET instant payment settlement service, abbreviated TIPS). At pan-European level, EBA CLEARING's RT1 system went live on the launch date of the SCT Inst Scheme of the EPC.

Real-time payments are expected to witness a significant uptake over the next few years. In the comparative study "Are Instant Retail Payments Becoming the New Normal?"² published in a draft version by representatives of the European Central Bank in November 2017, the authors concluded that instant retail payments have the potential to become the new normal in the euro area, but expect differences between countries when it comes to the extent to which this will be the case, as well as to the speed of this transformation.

The migration to end-to-end real-time payment processing requires many changes impacting payment operations, customer-facing systems and processes as well as interactions for account-servicing PSPs (AS-PSPs) in the inter-PSP space. While first movers have already entered this real-time reality, most AS-PSPs across Europe are still engaged in preparations to ready their intra- and inter-PSP infrastructure and interfaces as well as developing new customer products for payments fulfilling the requirements set by the SCT Inst Scheme. 24/7/365 availability of real time payments with instant availability of funds for the

¹ <https://www.europeanpaymentscouncil.eu/what-we-do/sepa-instant-credit-transfer>

² Monika Hartmann, Lola Hernandez, Mirjam Plooij and Quentin Vandeweyer, "Are Instant Retail Payments Becoming the New Normal? A Comparative Study," European Central Bank (November 2017):

https://www.ecb.europa.eu/pub/conferences/shared/pdf/20171130_ECB_Bdl_conference/payments_conference_2017_academic_paper_hartmann_hernandez_plooij_and_vandeweyer.pdf

beneficiary, coupled with the broadening of access by a wider range of actors for the initiation and end-to-end execution of payments, accentuates considerations in the field of fraud prevention, detection and handling, and more broadly, data security.

In order to support a smooth ramp-up experience of instant payments by PSPs and their customers throughout Europe and to foster pan-European harmonisation in the practical handling of these payments, there may be a benefit in establishing a platform for first-hand exchange between account-servicing PSPs rolling out instant payments within communities or across SEPA..

Based on the positive experience of initiatives such as the “Heathrow Group” for the introduction of the euro in 1999 as well as the EBA-facilitated “PSD Practitioners Panel” for the entry into force of the Payment Services Directive and SEPA Migration Action Round Table (SMART) for the migration to SEPA in 2014, a number of European payment banks and SMART participants have taken the initiative to relaunch SMART as an **SCT Inst Migration Action Round Table 2 (SMART2)**. As its predecessor, SMART2 will benefit from the pan-European facilitation and administrative support of the Euro Banking Association (EBA), as agreed by the EBA Board at its meeting on 21 February 2018.

The SMART2 initiative is a forum where practitioners from the different Eurozone countries can raise any issues they may be confronted with in their day-to-day operations during the ramp-up period, in particular as the uptake will gain in significance across the Single Euro Payments Area. To support the SEPA vision and allow uniform handling of instant payments for account-servicing PSPs – irrespective of whether these payments are “domestic” or “cross-border” transactions – this forum will enable payment experts to exchange views on and jointly identify any issues of an operational nature that should be solved ideally before instant payment usage increases in scale.

Mission

The **SCT Inst Migration Action Round Table** is aimed at dealing with **issues impacting a smooth end-to-end execution of instant payments in SEPA** that might benefit from joint analysis and exchange.

The Round Table will provide a facility for consultations on **issues of operational nature** that need to be collectively addressed. If the Round Table identifies major issues to be solved that lie beyond the realm of this inter-PSP forum, these issues will be channelled to the appropriate body or group, such as the European Payments Council.

The Round Table will not consult on or discuss matters that may potentially be or become part of the competitive domain.

The Round Table is infrastructure-agnostic and not a decision-making body. SMART2 is geared at **bringing clarification** to instant payment migration-related

issues and working towards **defining industry best practices**, where needed. The Round Table may choose to publish common positions on such issues to the wider market, based on a consensus among the participants. Such communication will list the names of the PSPs endorsing the position.

Administration and composition

- The SCT Inst Migration Action Round Table (SMART2) is open to practitioners from European account-servicing PSPs rolling out SCT Inst transactions, with a special focus on payments and operations.
- Issues to be discussed by the Round Table are raised by the participants. The requesting participant notifies the chair of a given issue and states the urgency of the matter. Depending on the urgency, the chair will call a conference call or add the issue to the agenda of the next scheduled conference call.
- The Round Table will designate a chair. Meetings will be called by the chair and should mostly take place via video or conference call.
- The Euro Banking Association provides administrative and logistical support to the SCT Inst Migration Action Round Table. If requested by the Round Table participants, communications by the Round Table will be posted on the EBA website.
- The SCT Inst Migration Action Round Table is a temporary forum, which will be disbanded once its participants decide that it is no longer needed.

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