European
Payments Council

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MINUTES
3rd MEETING – EPC Scheme Technical Forum (ESTF)
25 August 2016 - 10:00 – 16:00
Venue: EPC Secretariat, Cours Saint-Michel 30a, B-1040 Brussels
(Approved by the ESTF)

Note: An overview of the action points from this meeting can be found at the end of these meeting minutes.

1. Welcome and approval of the agenda (ESTF 003-16)

The EPC co-Chair J-Y Jacquelin welcomed all ESTF participants. The agenda was approved unchanged and can be published on the EPC Website.

2. Developments since the 2nd ESTF meeting on 30 March 2016 (ESTF 002-16)

The meeting was informed that the EPC had held two public consultations on different EPC SEPA scheme rulebooks:
- 5 April until 4 July: on the 2016 change requests for the SCT, the SDD Core and the SDD B2B scheme rulebooks
- 12 April until 10 July: on the draft version of the SEPA Instant Credit Transfer (SCT Inst) scheme rulebook

3. Election of ESTF co-Chair representing the technical players (EPC005-15)

Prior to the meeting, the following persons submitted their candidacy for the ESTF co-Chairpersonship:

Gabriel Carpintero	Hermesti Ingeniería Documental
Raphael François	Azzana Consulting
Thomas Feiler	Equens

Two of the three candidates were present at the meeting and were given the opportunity to present their candidacy for the ESTF co-Chair function. The non-EPC related ESTF members were asked to cast their vote on their preferred candidate by an anonymous vote.

The result of the vote was: Gabriel Carpintero 2 votes, Raphael François 4 votes, Thomas Feiler 6 votes. As a consequence, Thomas Feiler is appointed as the ESTF co-Chair.

4. EPC Scheme Management Internal Rules (EPC 2017-14 v2.0)

The EPC Director General explained the process after an EPC SEPA scheme rulebook public consultation has ended and the role of the ESTF in this process.

After the Scheme Evolution and Maintenance Working Group (SEMWG) has internally reviewed the comments from the public consultation and has defined its change proposal for each change request, the ESTF and the Scheme End-User Forum (SEUF) are each separately asked to express their position on each change request and to the related SEMWG change proposal. Exceptionally – as a deviation from the Fora's Terms of Reference - the EPC Board had decided to seek the two Stakeholder Fora's input to

the SCT Inst scheme development process in order to maximise stakeholder involvement.

The Scheme Management Board (SMB) will then consider the views from the SEMWG, the ESTF and the SEUF before making a formal decision for each change request.

The purpose of this ESTF meeting was to obtain the ESTF position on the 2016 change requests for the SCT, the SDD Core and the SDD B2B scheme rulebooks and on the major categories of comments from the public consultation on the draft SCT Inst scheme rulebook. The ESTF position will be made public on the EPC website to give full transparency in the EPC SEPA scheme change management cycle.

The EPC Director General understood the remarks from some ESTF members on the short notice mail-out of the SCT Inst scheme-related documents to the ESTF. However it was pointed out that the EPC follows a very challenging timeline after the public consultation to have an SCT Inst scheme rulebook and new SCT and SDD rulebook versions ready in November 2016.

5. **Public consultation – SCT scheme rulebook (EPC 166-16)**

Given the high number of change requests per existing EPC SEPA scheme, the EPC co-Chair suggested that each ESTF member should indicate the change requests he would like to discuss during the meeting. A number of SCT change requests also feature in the list of the SDD Core and SDD B2B change requests.

The ESTF agreed with the approach that if there are SCT, SDD Core and SDD B2B change requests which are not raised for ESTF discussion, the ESTF fully supports the formulated SEMWG change proposal for each concerned change request.

The ESTF members discussed the SCT change request items 8, 19, 22, 29, 32, 37, 39 and 40.

Mandatory Customer-to-Bank (C2B) Implementation Guidelines (IGs) (# 8) (also in SDD Core and SDD B2B)

A first ESTF comment was whether the pain.007 message used for SDD reversals is in scope of the mandatory C2B IGs. The EPC members explained that the SDD creditor bank is not obliged by the SDD rulebooks to accept SDD reversals from the creditor.

If the creditor bank has an agreement with the creditor to process SDD reversals and the creditor wants to submit pain.007 message using the specifications in the EPC C2B IGs, then the creditor bank will have to accept and to process these reversals based on these EPC specifications.

A second ESTF comment was whether the scheme participants will accept the standard ISO attribute for the name space. The EPC members explained that this change request will not oblige scheme participants to change the C2B message specifications already agreed with their SCT originators and SDD creditors. But again, if the EPC C2B message specifications include the use of the standard ISO attribute for the name space and the SCT originators and SDD creditors want to use the EPC C2B message specifications, the scheme participants will have to process this specific attribute.

The EPC C2B message specifications will be made available in pdf and XSD file format. The C2B IGs will be based on the 2009 version of the ISO 20022 XML message standard.

Changes to structured remittance information (# 19 and 22)

The ESTF members expressed different views especially on the increase in the number of occurrences in remittance information.

The global discussion on this topic is either to increase the number of occurrences or to obtain the remittance information through another means than from the payment message itself (e.g., downloaded from an external storage location). Also other elements related to remittance information are addressed in this global discussion: to allow more types of characters or to allow a mix of structured and unstructured remittance information.

The ESTF made the following general recommendation on remittance information as a compromise: in total five occurrences of 140 characters of either structured or unstructured remittance information.

Making storage location for additional customer-to-customer information available outside the payment transaction (#37)

The ESTF members expressed different views on this proposal. Whereas some ESTF members reported that such solutions are already in use, other members expressed IT security, compliance and legal concerns.

The ESTF concluded the discussion that it does not support this change request. If the ESTF recommendation of having in total five occurrences of 140 characters of either structured or of unstructured remittance information is supported, there would be less need for such additional information.

Amendment to the SCT Return procedure allowing the Beneficiary Bank to return the funds when requested by the Beneficiary within ten days after settlement (#29)

Some members felt that that this change request was connected to #23 (Forward to the beneficiary the IBAN and address of the originator).

The EPC remark was that due to national legislation in some countries, the beneficiary will not receive the IBAN from the originator. Other ESTF members felt that automating a return for a settled SCT transaction via the initiation of a new SCT should not be a problem.

However, based on the current r-transaction volumes various ESTF members were in favour of the change request. Beneficiaries would have an easy way to return the funds received without initiating a new SCT.

The ESTF concurred not to support the SEMWG change proposal. The implementation of this change request will facilitate the processing of such specific return requests from the beneficiary, especially given the current volume of such type of SCT returns.

Amendment to Chapter '1.4 Character Set' of the Customer-to-Bank and Inter-Bank IGs (#32)

Although few ESTF members considered that extending the character set would not have an impact, the majority raised serious concerns. The obligation to convert special characters would shift from the sending PSP to the receiving PSP.

The ESTF concurred to support the SEMWG change proposal for not including this change request in the SCT rulebook.

Inclusion of SCT inquiries (# 39) and Inclusion of 'Recall Request by the Originator' (# 40)

The ESTF members were in favour of both change requests for implementation in November 2018.

6. Public consultation – SDD Core scheme rulebook (EPC 167-16)

The ESTF members discussed the SDD Core change requests on remittance information and items 13, 14, 15 and 28.

Remittance information (#25, 26 and 37)

A few ESTF members considered that there is less interest to extend or to combine structured and unstructured remittance information for SDDs as SDD files already contain much more data and require more processing time. However, other ESTF members supported the demand for extra remittance information for SDD.

The ESTF decided to apply its general recommendation on remittance information for SCT also on SDD Core and SDD B2B: in total five occurrences of 140 characters of either structured or of unstructured remittance information.

Extension of the use of existing technical r-transaction reason codes and the introduction of new technical r-transaction reason (#13)

Some ESTF members supported the idea behind this change request but the change request should have been worked out in more detail with concrete use cases and reason codes. The ESTF agreed to support the SEMWG change proposal for not including this change request in the rulebook. The ESTF should discuss this subject in further detail at a later stage.

AP 03.01 *ESTF to discuss the idea behind the 2016 change request #13 in more detail at a future ESTF meeting*

Assign clear responsibilities to scheme participants and CSMs for executing those SEPA Usage Rules defined in the interbank Implementation Guidelines (#14)

A few ESTF members wondered why this specific topic should be a discussion point with the ESTF. The EPC members suggested linking this item with the ongoing Eurosystem oversight assessments of the SEPA schemes and to discuss it at a future ESTF meeting.

The ESTF agreed to support the SEMWG change proposal for not including this change request in the rulebook. The ESTF should discuss this subject in further detail at a later stage.

AP 03.02 *ESTF to discuss the 2016 change request #14 in more detail at a future ESTF meeting*

Additional SDD r-tx reason codes for debtor driven reasons-whitelisting (#15)

A few ESTF members supported this change request. The proposed reason codes reflect the options given by the SEPA end-date Regulation to debtors to set specific parameters

on its payment account leading to the upfront acceptance or rejection of presented SDD collections. These codes are more accurate that the reason code MS03.

The EPC members however pointed out that national data protection legislation might not allow the use of such specific codes in some countries. Furthermore, debtors may not wish that such explicit reasons are communicated to the creditor.

Even though it is technically possible to implement this change, the ESTF agreed on the position that restrictions in national data protection legislation might prevent the use of these codes. The ESTF agreed to support the SEMWG change proposal for not including this change request in the rulebook.

Amendment of attributes present in DS-06 "Bank to Customer Direct Debit Information" and business rules for debtor PSPs (#28)

A few ESTF members supported this change request as the proposed amendments to these attributes would improve the STP processing and the reporting of SDD collections.

The EPC members however referred to national data protection issues when sharing the concerned attributes with the debtor bank located in a SEPA country different from the country of the creditor bank. There is a lack of a harmonised level playing field in the legislation of national data protection among the SEPA countries.

There is furthermore no guarantee that the debtor bank is able to comply with the national data protection legislation to be respected by the creditor bank. Including this change request would create fragmentation in the delivery of bank-to-customer direct debit information within SEPA.

The ESTF agreed to support the SEMWG change proposal for not including this change request in the rulebook.

7. Public consultation – SDD B2B scheme rulebook (EPC 168-16)

The ESTF members discussed only the SDD B2B change request items 16 and 33 to extend the SDD B2B return period with one additional day.

Even though this change request is technically feasible, the ESTF members felt that this would negatively affect the attractiveness of the SDD B2B scheme for creditors. The debtor banks should instead enhance their processing of SDD B2B mandate confirmations.

The EPC members explained that creditors like to have less returns as a compensation for one extra day of uncertainty of the funds. Debtor banks undertake all possible actions to get in touch with the debtor when a SDD B2B collection is presented but there is no SDD B2B mandate justifying this collection. This extra business day would give extra time to the debtor bank to contact the debtor in case of national or local public holiday in the country of the debtor.

The ESTF agreed to support the SEMWG change proposal under the assumption that this reduces the number of SDD B2B r-transactions and that more SDD collections between business customers will be processed under the SDD B2B scheme instead of under the SDD Core scheme.

8. Public consultation on draft SCT Inst scheme rulebook

The EPC co-chair presented the eight main categories of comments drawn from this public consultation.

The first and most important comment was what to do with the scenario where the originator bank has not received a confirmation message latest 25 seconds after the timestamp in the SCT Inst transaction. The current draft of the SCT Inst rulebook specifies that the originator bank has to assume that the transaction is successfully processed ("No News-is-Good News").

A large number of contributors to the public consultation suggested a "No News-is-Bad News" concept whereby the beneficiary bank first would have to indicate to its CSM that it can process the SCT Inst transaction. This CSM would then have to send a special 'credit confirmation' message simultaneously to the originator bank and to the beneficiary bank. Once the beneficiary bank receives this credit confirmation message, the beneficiary bank would make the funds available to the beneficiary.

The EPC internal discussions led to a move from "No News-is-Good News" to a combination of
- "Wait-and-See" for the originator bank and its CSM. The originator bank will still have the option to use an investigation procedure after 25 seconds;
- "No News-is-Bad News" for the CSM of the beneficiary bank after 20 seconds

This combination would also set the 20 seconds time-out as a **hard** deadline for both the beneficiary bank and the CSM of the beneficiary bank after which a negative confirmation message will have to be sent for the received SCT Inst transaction.

In this combination, the beneficiary bank may only proceed with making the funds available to the beneficiary if it has the certainty that its positive confirmation message was received by the CSM of the beneficiary bank within the 20 seconds.

The beneficiary bank already has settlement certainty for the SCT Inst transactions as the assumption is that the SCT Inst settlement will be based on a pre-funded model. The amount for the SCT Inst transaction is under that model already set aside by the CSM of the originator bank for the beneficiary bank when the latter receives the SCT Inst transaction from its CSM.

The ESTF members representing EPC SEPA-scheme compliant CSMs debated intensively on the necessity of having an extra 'credit confirmation' message as suggested in the "No News-is-Bad News" concept. Two main types of messages are actually exchanged between systems in the interbank space:

- Technical 'Acknowledged' (ACK)/ 'Non-Acknowledged' (NACK) messages from the connection network or from the communication protocol

- Messages specifically related to a payment message application

A large majority of these ESTF members saw no need to build in this special 'credit confirmation' message. This extra message would create extra overhead because it is an additional formal payment-related message.

The beneficiary bank can rely on the technical ACK/NACK messages to know if its confirmation message has arrived at the CSM of the beneficiary bank within the 20 seconds before the beneficiary bank decides to make the funds available.

The ESTF was provided the opportunity to give its position on the seven other categories of comments:

- SCT Inst transaction status investigation procedure: the ESTF supported the current EPC position to keep this procedure optional for the originator bank and to oblige the interbank parties and the beneficiary bank to process the investigation and to respond as soon as possible to such investigation.

- To extend the SCT Inst r-transaction types to returns and reversals: the ESTF supports the 2016 SCT change request # 29 to allow the beneficiary bank to return the funds when requested by the beneficiary. If the SMB accepts this change request, this possibility should be taken over in the SCT Inst rulebook.

- Process for hits against AML, CTF, Embargo and fraud checks: the EPC members explained that the EPC cannot define at which concrete stage of the SCT Inst instruction and transaction processing each SCT Inst scheme participant has to perform such checks. Each originator bank might do such checks before or after the timestamp is put.

  The ESTF suggested foreseeing in the interbank messages extra fields or attributes in which the CSMs can add 'scoring flags' to indicate suspicious transactions.

- Concrete role(s) of CSMs covered by the SCT Inst scheme rulebook: the ESTF view was not to include anything new in the SCT Inst scheme rulebook apart from oversight recommendations issued by the Eurosystem as the overseer of all SEPA schemes.

- Definition of the time stamp, the SCT Inst execution time cycle and the inclusion of a maximum processing time (MPT): the ESTF suggested UTC as time zone marker for the time stamp.

  Its position on MPT was not to include it in the rulebook. A service level field in the SCT Inst transaction message can be used instead to mark transactions to be processed by a specific MPT.

- Version of the ISO 20022 XML message standard for the SCT Inst scheme: the ESTF considered that the 2009 version of the ISO standard is sufficient for the start of the SCT Inst scheme. It recommended nevertheless to move to a newer ISO version for the four EPC SEPA schemes altogether at a future point in time.

- Specifications for Third Party Payment Service Providers (TPPs) in the rulebook: the ESTF was of the opinion that there was no need to include anything additional for TPPs in the SCT Inst rulebook.

9. AOB

The ESTF addressed the following points which the EPC should look into:

- A precise approach about how to make the version 1.0 and future versions of the SCT Inst rulebook effective. A concrete date and time will have to be communicated.

- What should the CSMs do when the EPC suspends EPC SEPA scheme participants that have not paid their scheme participation fees?

10. Date of next meeting and closure of the meeting

The ESTF agreed to set the following meeting dates:

- Conference call on 16 September from 13h00 to 15h00 CET

- Confirmed 2017 physical meeting dates: 14 March and 22 June

- 2017 physical meeting date still to be confirmed: 23 August

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List of open action items after

3rd ESTF Meeting

Item	Topic	Action	Owner	Status / Deadline
03.01	Change requests	Discuss the idea behind the 2016 change request #13 in more detail	ESTF	2017 ESTF meeting
03.02	Change requests	Discuss the 2016 change request #14 in more detail	ESTF	2017 ESTF meeting

List of participants – 3rd ESTF Meeting
Date: 25 August 2016

Name	Institution	Attendance
EPC Scheme Evolution and Maintenance Working Group (SEMWG)		
Jacquelin Jean-Yves (SEMWG Chair)	Erste Bank (Austria)	Yes
Schindler Axel	Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) (Germany)	Yes
Sramkova Helena	UniCredit (Czech Republic)	Apologies
SEPA Scheme compliant Clearing and Settlement Mechanisms (CSMs)		
Renault David	EBA Clearing	Yes
Bär Fred	European Automated Clearing House Association (EACHA)	Yes
Feiler Thomas	Equens	Apologies
Pfeffer Walter	Geldservice Austria	Yes
Langa José-Luis	Iberpay	Yes
Marchetta Angelo	SIA S.p.A.	Yes
Sequeira Luis	SIBS	Yes
Beltran José	STET	Yes
Technical players or European associations of technical players that provide SCT and SDD messaging services and are not already CSMs		
Bouille Isabelle	SWIFT	Apologies
Other technical players (or their European associations)		
Kislingbury Barry	ACI Worldwide	Apologies
François Raphael	Azzana Consulting	Yes
Belgini Enrico[1]	Cedacri S.p.A.	Yes
Chance David	Dovetail Systems	Yes
Denis Olivier	EastNets	Apologies
Carpintero Gabriel	Hermesti Ingeniería Documental	Yes
North Craig	Microsoft	Apologies
Heinze Volker	Unifits GmbH	Yes
Observers		
To be nominated	European Central Bank	--
To be nominated	European Commission	--
European Payments Council (EPC)		
Goosse Etienne	Director General	Yes
Clarebout Bart	ESTF Secretary	Yes

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[1] Alternate of Stefanelli Salvatore