

Status Update on SCT Inst Scheme

November 2021 ERPB Meeting



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Approved

1. Background

At its 28 June 2021 meeting the ERPB notably:

- took note of the EPC update on the implementation of and adherence to the SCT Inst scheme;
- took note of the work conducted by the MSG MSCT on the recommendations stemming from the November 2020 report on an interoperability framework for instant payments at the POI. In the meantime, the ERPB has agreed to conduct further work on the development of a QR-code standard beyond what had already been set out in the report of the ERPB working group of November 2020, covering the requirements for such a standard as well as its governance and the process for future updates. In this regard, the EPC was invited to coordinate this work, involve relevant stakeholders and standardisation bodies, and report back to the ERPB's November 2021 meeting. This work could thereafter be broadened to other technologies such as NFC or BLE;
- took note of the EPC's further analysis of a pan-European label. Taking notably into account the perceived consumers' and merchants' needs for such a label, the ERPB supported that work on a label should be taken-up in the context of the possible resumption of work on the remaining elements of an interoperability framework for instant payments at the POI;
- recognised the important investments already undertaken by the supply side to implement instant payments and encouraged the remaining supply side participants to do the same, to ensure pan-European reach as soon as possible, and to support end user take-up, including by providing safe and efficient end user solutions at a competitive price with the capacity to achieve pan-European reach;
- agreed to consider whether to launch an ERPB workstream on end-user communication to raise awareness on instant payments in the context of the November 2021 ERPB meeting's discussion on the ERPB priorities going forward.

The present document provides an update to the ERPB on the actions undertaken by the EPC since the last ERPB meeting and on the contemplated next steps.

2. Adherence status and compliance criteria from the SEPA Regulation

A. Across SEPA

As of October 2021, there are 2,312 registered SCT Inst scheme participants representing a share of 59 percent of all SCT adherents (i.e. 3,895) in **all** SEPA countries (and 66% for the EU and 70% for the euro area only). It must be noted that within the 59 percent of Payment Service Providers (PSPs) that already joined the scheme, SCT Inst generally enumerates those having the most significant payment volumes and representing the vast majority of payment accounts.

The current list of SCT Inst scheme participants can be consulted on the [Register of Participants webpage](#). 36 Clearing and Settlement Mechanism (CSM) organisations (including national central banks under TIPS¹) have already disclosed their intention to be SCT Inst scheme compliant. These CSMs are listed on the [Clearing and Settlement Mechanisms webpage](#).

B. Within the EU

Article 4 of the SEPA Regulation² stipulates that euro-denominated payment schemes must ensure that the PSPs being a participant to such scheme must a) constitute a majority of PSPs within the EU and b) represent a majority of PSPs within a majority of EU Member States.

This article allowed the EPC to apply for a temporary exemption for these two conditions for a maximum of three years. The SCT Inst scheme was officially launched on 21 November 2017 and had formally been granted this temporary exemption until 21 November 2020.

The table below shows the SCT Inst scheme adherence status compared to the SCT scheme adherence in the EU as of October 2021. Based on these adherence figures, the first condition of the SEPA Regulation is fully met. Only seven countries currently meet the second condition. In addition, in one eurozone country, half of SCT scheme participants are SCT Inst scheme participants. It should also be noted that five other countries are in the 40-49 percent range.

¹ Target Instant Payment Settlement

² Regulation (EU) 260/2012

Country	SCT Inst	SCT	Percentage of SCT Inst scheme participants vs. SCT scheme participants (Status 08 October 2021)
Euro	2.279	3.264	70%
AUSTRIA	425	462	92%
BELGIUM	23	48	48%
CYPRUS	1	20	5%
ESTONIA	7	12	58%
FINLAND	7	8	88%
FRANCE	128	265	48%
GERMANY	1.215	1.382	88%
GREECE	10	23	43%
IRELAND	4	206	2%
ITALY	275	415	66%
LATVIA	9	18	50%
LITHUANIA	35	87	40%
LUXEMBOURG	6	65	9%
MALTA	5	30	17%
NETHERLANDS	11	38	29%
PORTUGAL	16	36	44%
SLOVAKIA		18	0%
SLOVENIA	12	16	75%
SPAIN	90	115	78%
Non-Euro	8	195	4%
BULGARIA	3	25	12%
CROATIA		21	0%
CZECH REPUBLIC		21	0%
DENMARK	1	46	2%
HUNGARY		25	0%
POLAND	1	24	4%
ROMANIA		23	0%
SWEDEN	3	10	30%
Grand Total	2.287	3.459	66%

On the other hand, when measured in terms of reachable payment accounts - which is a more meaningful criterion from a user or market perspective - the current SCT Inst scheme penetration is much broader across the euro area. There are already fourteen³ euro area countries with a substantial majority of payment accounts reachable for SCT Inst. This number will further grow in the coming quarters.

Despite these encouraging developments, we consider that the following elements still influence some SCT scheme participants to postpone their adherence to the SCT Inst scheme for the time being:

³ Austria, Belgium, Estonia, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, the Netherlands, Portugal, Slovenia and Spain.

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- The current lack of interoperability between CSMs creates a clear obstacle for the take-up of the SCT Inst scheme and to benefit from its potential across the EU.

Today, to be fully reachable not only for national but also for cross-border SCT Inst transactions, the existing SCT Inst scheme participants must connect to several CSMs, national and/or European, and set aside multiple liquidity pools. This is inefficient and costly.

The decision of the ECB's Governing Council to facilitate the implementation of an interoperability framework across European CSMs by mid-December 2021, will soon give PSPs an efficient way to get full SEPA reach including the possibility to rely on a single liquidity pool. We expect that this implementation will resolve an important hurdle for some SCT scheme participants in their decision-making process to adhere to the SCT Inst scheme.

- A non-negligible number of SCT scheme participants may not yet see a business case for a rapid move to SCT Inst compared to the significant investment and operational changes they would have to do.

For some SCT participants, payment services are not a core business and there is no business case to invest in and operate SCT Inst. They serve specific market niches, service a low number of payment accounts, or process a very low number of payments. When their customers wish to send or receive urgent euro payments, TARGET2 or EURO1 meets their needs.

Other PSPs have just entered the payment services industry (e.g., we note a continued influx of payment institutions and electronic money institutions adhering to our SEPA payment schemes). These new entrants mostly decide to offer in a first phase only those payment instruments with the widest possible reach across SEPA (being SCT among others). In a later phase, these SCT participants may consider offering SCT Inst services.

- Eight EU countries currently do not use the euro as official currency. For many PSPs in these countries, their current SCT transaction volume processed is rather low compared to their national currency credit transfer volume.

As a result, some of these PSP communities give the priority to developing and implementing credit-transfer based instant payment solutions for local national currency transactions.

On the other hand, we would like to point out that the PSP communities of Bulgaria, Croatia, Hungary, the Nordic countries as represented by the Nordic Payments Council and Romania have signed a license agreement with the EPC to use the SCT Inst rulebook as foundation for their national instant credit transfer payment scheme.

Even though the SCT Inst scheme has not met all formal conditions set by the SEPA Regulation, we will continue to actively promote, monitor, review and communicate about SCT Inst adherence across the EU

- with the aim of meeting the coverage requirements of the SEPA Regulation as soon as possible;
- thereby supporting several important objectives of the EU retail payments strategy published by the European Commission.

The EPC believes that a critical mass of scheme participants and reachable payment accounts will be achieved across the EU - starting with the euro area - in due course through a natural, market-based process based on the benefits of the SCT Inst scheme for end-users and PSPs.

3. SCT Inst transaction evolution

The EPC collects on a quarterly basis the SCT Inst transaction volume statistics from all SCT Inst scheme compliant CSMs. The share of SCT Inst transactions in the total volume of SCT and SCT Inst transactions is 10.35 percent in the third quarter of 2021 compared to 7.47 percent in the third quarter of 2020.

The latest quarterly SCT Inst transaction volume percentage is available on the [EPC homepage](#).

Given these increases in transaction volume and in scheme adherence with the latter bringing additional transaction volume, the EPC regularly reminds all SCT Inst scheme participants to proactively guarantee a resilient production and back-up infrastructure and necessary extra processing capacity to process and screen higher volumes of transactions and related r-transactions including in peak traffic times.

4. Reported issues

All SCT Inst scheme participants are regularly invited to submit any concrete SCT Inst processing issues they may have. No new concrete issues had been reported.

5. 2022 SEPA payment scheme rulebook change management cycle

The EPC SEPA payment scheme rulebooks are updated every two years to reflect market needs and evolutions in the technical standards. The eventual 2023 versions of the four EPC SEPA payment scheme rulebooks will be the result of the rulebook change management cycle that started already in 2021. All scheme participants and stakeholders had the opportunity to submit SCT Inst scheme rulebook change requests by 30 June 2021.

In total 16 SCT Inst change requests have been received and they are now subject to a three-month public consultation. SCT Inst scheme participants and other stakeholders can submit their comments about these change requests to change-request.epc-scheme@epc-cep.eu **until 11 December 2021 at 17h00 CET at the latest**.

Change requests finding broad acceptance will be taken forward if they are technically and legally feasible. They will be implemented in the 2023 rulebook versions and associated implementation guidelines (IGs) to be published in May 2022 to take effect on 19 November 2023.

6. Multi-stakeholder Group on Mobile Initiated SEPA (Instant) Credit Transfers (MSG MSCT)

Preparation 2nd release MSCT IG

The MSG MSCT has developed a final draft of the 2nd release of the MSCT Interoperability Guidance document (MSCT IG - EPC 269-19v1.14). The new version of this document includes a maintenance of the original version of the document, published in 2019, in view of technical developments and market evolution during the past two years. Furthermore, it integrates the following two documents that have already been published on the EPC website, hereby also applying some updates as needed:

- EPC312-19v1.0: Technical interoperability of MSCTs based on payee-presented data;
- EPC096-20v1.0: Technical interoperability of MSCTs based on payer-presented data.

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This new release also integrates the updated version of the document on new MSCT use cases and interoperability models (EPC031-21v0.14) that went through an 8-week public consultation earlier this year. Also the following documents developed by the MSG MSCT have been integrated into this 2nd release:

- MSG MSCT 078-20: MSCTs - The security of QR-codes and their data;
- MSG MSCT 108-20v1.0: MSCT technical interoperability - unsuccessful and R-transactions that analyses in detail the process flows for these transactions, hereby making a distinction between MSCTs based on SCT Instant and those based on SCT;
- MSG MSCT 020-21v1.0: Minimum data sets for MSCT technical interoperability messages covering, successful, unsuccessful and R-transactions.

Note that some of these documents addressed requests made to the MSG MSCT in the Recommendation A in the ERPB Statement published in November 2020.

A 3-month public consultation on the final draft 2nd release of the MSCT IG was launched on 8 July 2021. The MSG MSCT is currently analysing the comments received through this public consultation as well as conducting an impact analysis on the answers received from the EBA on the following questions posted to the EBA Q&A tool: 2020_5366, 2020_5476 and 2020_5477. The MSG MSCT is still awaiting feedback on the following remaining questions posted to the EBA Q&A tool: 2020_5367, 2020_5570 and 2020_5573. The final publication of the 2nd release of the MSCT IG is planned in Q1 2022.

Requirement for consumer selection of preferred payment instrument

The MSG MSCT contributed their expertise to a joint task force with the European Cards Stakeholders Group (ECSG) for the development of business requirements for consumer selection of preferred payment instrument at the Point of Interaction (POI). Hereby both physical and virtual POIs have been covered. The document (MSG MSCT 045-21) is submitted to the ERPB meeting of November 2021.

Standardisation and governance of QR-codes for IPs at the POI

As requested by the EPC, the MSG MSCT has undertaken further work on QR-codes. This is a follow-up on the agreement by the ERPB in June 2021 *“to conduct further work on the development of a QR-code standard beyond what had already been set out in the report of the ERPB working group of November 2020, covering the requirements for such a standard as well as its governance and the process for future updates”* and the invitation to the EPC to coordinate this work. For this purpose, the MSG MSCT extended their work-stream on technical interoperability of MSCTs with relevant stakeholders and standardisation bodies, as per the suggestion made by the ERPB.

Over the past months, a dedicated document was developed that covers:

- A technical standard for QR-codes for Instant Payments (IPs) at the POI that should be submitted to an International Standardisation Body to become an International Standard for which the maintenance is managed by this International Standardisation Body.
- The registration and issuance of an identifier to the IP service providers (used for routing purposes in the QR-codes for interoperability of IPs) which could be done by a registration authority operated by a third party (possibly under the auspices of the Interoperability Framework for IPs at the POI, ISO or CEN) and the governance of IP service providers, including

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their eligibility for registration, which should become part of the governance of an Interoperability Framework for IPs at the POI.

For each of these two topics, a schematic overview is included in the document that illustrates the processes to be followed. The document also provides a few recommendations on the next steps concerning the QR-codes for IPs at the POI.

MSCT roadmap

The MSG MSCT reviewed the MSCT roadmap (MSG MSCT 089-20), originally developed in 2020, hereby applying the necessary updates in view of the market evolution and adjusting the high priorities to be addressed for a successful market take-up. To further address these priorities, the MSG MSCT submitted a request for extension of their mandate (MSG MSCT 128-21) for approval by the EPC Board on 24 November 2021.

The agendas and minutes of the MSG MSCT plenary meetings are available on the EPC website through the following link:

https://www.europeanpaymentscouncil.eu/search?qry=&kb%5B0%5D=ctype%3Akb_document&kb%5B1%5D=tags%3A4801