

Status Update on SCT Inst Scheme

July 2022 ERPB Meeting



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Approved

1. Background

At its 25 November 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, together with relevant stakeholders and standardisation bodies on the ERPB invitation, to develop a standard and governance framework for a QR code standard for instant payments, as well as the work on recommendations endorsed by the ERPB in November 2019 and November 2020;
- took note of the European Commission update concerning its initiative – to be delivered in the second quarter of 2022 – to accelerate the roll-out of instant payments, and its work on the accompanying impact assessment;
- encouraged supply side participants to implement instant payments, if they have not already done so, thereby ensuring pan-European reach as soon as possible, and to support end user take-up, including by providing safe and efficient end user solutions with the capacity to achieve pan-European reach at a competitive price;
- endorsed the MSG MSCT recommendations for next steps in the development of the QR code standard, encouraged the MSG MSCT to continue analysing alternative options for consumer-presented QR codes in view of the further guidance provided by the EBA, and invited the MSG MSCT to report on its progress at the June 2022 ERPB meeting;
- invited the EPC to broaden the scope of work on a QR code standard (making sure to involve relevant stakeholders and standardisation bodies) to include other technologies, starting with near-field communication (NFC) and continuing with Bluetooth low energy (BLE), and to report back at the June 2022 ERPB meeting;
- supported assessing whether to conduct further work on the remaining elements of an interoperability framework during its June 2022 meeting, taking into account the progress of the work at MSG MSCT level, ongoing market developments and initiatives taken by the authorities.

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 June 2022, there are 2,360 registered SCT Inst scheme participants representing a share of 61 percent of all SCT adherents (i.e. 3,872) in **all** SEPA countries (and 68% for the EU and 71% for the euro area only). It must be noted that within the 61 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.

July 2022 ERPB Meeting

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 Target Instant Payment Settlement (TIPS)) have already disclosed 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 Regulation 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 June 2022. Based on these adherence figures, the first condition of the SEPA Regulation is fully met. Only nine countries currently meet the second condition. It should also be noted that five other countries are in the 40-49 percent range.

Country	SCT Inst	SCT	Percentage of SCT Inst scheme participants vs. SCT scheme participants (Status 10 June 2022)
Euro	2.321	3.247	71%
AUSTRIA	426	460	93%
BELGIUM	23	48	48%
CYPRUS	3	21	14%
ESTONIA	7	12	58%
FINLAND	7	9	78%
FRANCE	132	263	50%
GERMANY	1.216	1.374	89%
GREECE	11	23	48%
IRELAND	9	209	4%
ITALY	289	405	71%
LATVIA	10	18	56%
LITHUANIA	41	90	46%
LUXEMBOURG	6	66	9%
MALTA	5	30	17%
NETHERLANDS	12	38	32%
PORTUGAL	16	35	46%
SLOVAKIA	4	17	24%
SLOVENIA	14	14	100%
SPAIN	90	115	78%
Non-Euro	11	191	6%
BULGARIA	3	25	12%
CROATIA		21	0%
CZECH REPUBLIC	1	19	5%
DENMARK	1	46	2%
HUNGARY		23	0%
POLAND	1	24	4%
ROMANIA	1	23	4%
SWEDEN	4	10	40%
Grand Total	2.332	3.438	68%

July 2022 ERPB Meeting

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 15¹ 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:

- 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.

¹ Austria, Belgium, Estonia, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

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 11.48 percent in the first quarter of 2022 compared to 8.57 percent in the first quarter of 2021.

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 requiring the attention of the ERPB.

5. 2022 SCT Inst scheme rulebook change management cycle

The SCT Inst scheme rulebook is updated every two years to reflect market needs and evolutions in the technical standards. The eventual 2023 version of the SCT Inst scheme rulebook is 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 were received and they had been subject to a three-month public consultation from mid-September to mid-December 2021.

The EPC decided to include the following proposed changes in the SCT Inst scheme entering into force on 19 November 2023:

- To formally enable the SCT Inst scheme to cater for both retail and Financial Institution-to-Financial Institution payment use cases, the term 'Customer' is replaced by the term 'Payment Service User' (PSU) including an appropriate definition for this new term.
- Provision of the structured address of the payment service user:

As of 19 November 2023 at 08:00 CET, payment service users are allowed to send a structured address of the Originator and/or the Beneficiary in electronic Customer-to-PSP files based on at least the EPC SCT Inst Customer-to-PSP Implementation Guidelines (IGs).

In view of the above, all SCT Inst scheme participants must be able to support the delivery of structured addresses when payment service users want a structured address in their outgoing and incoming SCT Inst payments. The use of an unstructured address will still be possible and supported by the SCT Inst scheme up to and including 22 November 2025.

As of 23 November 2025, the use of the structured address will become mandatory for payment service users when they send electronic Customer-to-PSP files based on at least the EPC SCT Inst Customer-to-PSP IGs. From that date, the use of an unstructured address will no longer be allowed and will hence lead to rejects.

- Inclusion of the Proxy/Alias of the payment account of the Originator and/or of the payment account of the Beneficiary as an optional attribute in certain datasets. This attribute is an

July 2022 ERPB Meeting

element supplied by the Originator and cannot substitute the IBAN as unique identifier for a payment account.

The [2023 SCT Inst rulebook](#) itself was published on the EPC website on 25 May 2022. The related IGs are based on the **2019** version of the ISO 20022 standard and will be published on the EPC website by 22 June 2022 close of business. Back in 2020, the EPC already decided to migrate all ISO 20022 standard-based XML payment messages used under the SCT Inst scheme, to the 2019 version of the ISO 20022 standard. In light of this upcoming ISO version migration, the EPC also published a dedicated guidance document ([EPC 087-22](#)) for payment service users and SEPA payment scheme participants on how to prepare themselves for and to handle the change-over to the 2019 version of ISO 20022 by 19 November 2023.

6. Next SEPA payment scheme rulebook change management cycle

The next scheme change management cycle will take place in 2024. Stakeholders are invited to submit change requests to the SCT Inst rulebook by 31 December 2023 by completing a [dedicated template](#). The received change requests will be considered with regard to the SCT Inst rulebook version and associated IGs to be published in November 2024, and to take effect in November 2025. Change requests finding broad acceptance will be taken forward if they are technically and legally feasible.

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

Publication 2nd release MSCT IG

The MSG MSCT developed a final draft of the 2nd release of the MSCT Payments and Technical 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.

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.

July 2022 ERPB Meeting

A 3-month public consultation on the final draft 2nd release of the MSCT IG was launched in Q3 2021. The MSG MSCT finalised the analysis of the comments received through this public consultation and conducted an impact analysis on MSCT IG in view of the answers received from the EBA on the following questions posted to the EBA Q&A tool: 2020_5366, 2020_5476 and 2020_5477. This resulted in the preparation of a final version of the 2nd release of the MSCT IG which was published on the EPC website on 21 February 2022. The MSG MSCT also prepared a Disposition of comments (MSG MSCT 123-21) which was sent to all submitters of comments through the public consultation.

Standardisation of QR-codes for MSCTs

The MSG MSCT developed a new document on the *Standardisation of QR-codes for MSCTs* (EPC024-22). It standardises a payee and a payer-presented QR-code for all types of MSCTs, i.e. all payment contexts (P2P, C2B, B2B and B2C) while addressing both SCT instant and SCT payments. The MSG MSCT leveraged for this work the document on “*Standardisation and governance of QR-codes for IPs at the POI*” (EPC212-21), they developed in 2021, hereby addressing the request made by the ERPB to the EPC in their Statement of June 2021 (ERPB/2021/012). In addition, the present document contains a chapter devoted to the security aspects of the data contained in the QR-codes, which is based on Chapter 10 of the MSCT IG (EPC269-19 2nd edition).

The new document also takes into account the answers received from the EBA on the EBA Q&A 2020_5476 and 2020_5477. It should be noted that the MSG MSCT is still awaiting the EBA answer to a new question posted in November 2021, namely Q&A 2021_6298 – *Clarification on the EBA answer to EBA Q&A 2020_5476*, which may result into additional options for the payer-presented QR-codes in Chapter 4, as mentioned in Annex 2, in document EPC024-22.

The final draft document went through an 8-week public consultation that closed on 14 April 2022. The MSG MSCT has processed during the past month all comments received through this public consultation and prepared a final version of the document for publication on the EPC website mid-June 2022. The MSG MSCT also prepared a Disposition of comments (MSG MSCT 032-221) which will be distributed after publication of the document to all submitters of comments through the public consultation.

The MSG MSCT has also evaluated the possible tracks for submission of the document, generalised to *Standardisation of QR-codes for mobile initiated (instant) credit transfers* (instead of being limited to SEPA), to an International Standardisation Body through a so-called “fast-track” procedure. Hereby, two potential bodies have been considered: the European standardisation body CEN and the global committee ISO TC 68 SC 9 *Financial services - Information exchange for financial services*. For this evaluation, the following criteria have been applied:

- Liaison membership from the EPC to the International Standardisation Body, which is required to be eligible to submit a document for a fast-track procedure;
- Proven expertise of the International Standardisation Body with respect to the scope concerned (mobile financial services);
- Elapsed time of the fast-track procedure from submission to publication;
- Experience with respect to the potential support for the set-up of a registration authority for the issuance of mobile payment service provider identifiers (contained in the QR-code) in support of the international standard.

July 2022 ERPB Meeting

Based on this evaluation, the majority of the MSG MSCT members recommend the submission to ISO TC 68 SC 9, while the ECB, the European Commission and BEUC have their reservations to follow this route based on concerns relating to control and the future maintenance of the standard. The MSG MSCT further recommends that if the fast-track procedure through ISO would fail, the QR-code standard should be withdrawn from ISO and submitted to CEN via a fast-track procedure.

In view of these recommendations, the MSG MSCT will start the development of the *Standardisation of QR-codes for mobile initiated (instant) credit transfers* in ISO format in June 2022.

Note that this new document and the further international standardisation also addresses Recommendations A and B included in the ERPB Statement published in November 2021 (ERPB/2021/028).

Interoperability of MSCTs based on NFC or BLE

According to their mandate extension (MSG MSCT 128-21) and following the MSCT roadmap (MSG MSCT 089-20v2.0), the MSG MSCT also started the work on a further interoperability analysis and potential standardisation of MSCTs based on other proximity technologies. Note that the EPC was also invited to conduct further work on the standardisation of MSCTs based on NFC or BLE in the ERPB Statement ERPB/2021/028 published in November 2021.

The first focus of the MSG MSCT will be on NFC², followed by BLE³. Through a call for nominations within the MSG MSCT and an open call on the EPC website, launched in December 2021, a new dedicated work-stream was composed end January 2022 for this purpose. The new work-stream held regular meetings over the past months. These work-stream meetings have been dedicated to the further analysis of MSCT use cases based on NFC or BLE, and on (technical) experiences (lessons learnt) with these proximity technologies from account-based payment solutions that have been present in the market or have been decommissioned during the past years. The work-stream also analysed the recent answers received from the EBA Q&A 2020_5247 and 2020_5367 for which further clarifications and guidance will need to be sought.

The current planning is to develop a new document on MSCTs based on NFC or BLE by November 2022.

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

² Near Field Communication

³ Bluetooth Low Energy