



# SEPA: a Payments Inclusiveness Journey

Western Balkan Payment Integration:  
Bridging the Gap towards SEPA

Ohrid - 29 June 2023

Pres EPC053-23





# Agenda

- The EPC in brief
- The EPC's role in shaping EU payments
- The SEPA Geographical Scope: Expanding Borders
- Connecting SEPA: the OCT Inst Scheme





# The EPC in Brief

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## ■ What?

- The **European Payments Council ('EPC')** is a PSPs' association that supports and promotes EU payments' harmonization, integration and development throughout the



## ■ How?

- By developing and managing pan-European payment and payment-related **schemes** meeting **market needs**
- By formulating positions and proposals on EU payment matters
- **In constant dialogue** with stakeholders and regulators

## ■ Where?

- The **SEPA Geographical Scope**

## ■ Who?

- **78 Members**
  - Individual **Payment Service Providers** (PSPs as per PSD2)
  - EU and national **PSP associations**
- Nearly **4,000** scheme participants
- **46** billion payment transactions per year (2021) and still growing



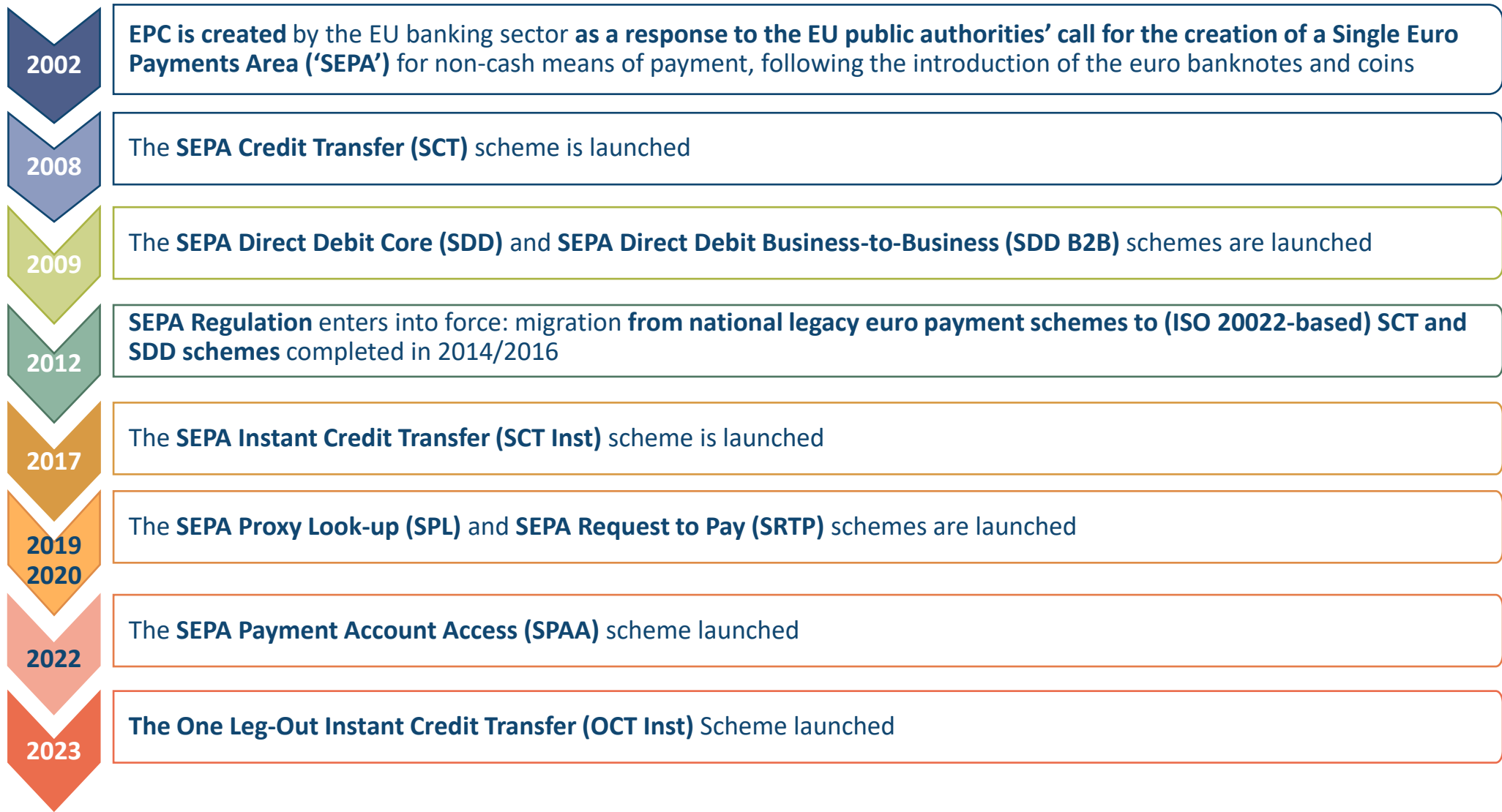
# The EPC's Role in Shaping EU Payments



# The EPC's Role in Shaping EU payments

- Made **SEPA** become **a reality that is continuously evolving** and expanding to meet changing market needs
- Represents within its membership **all types of PSPs** (Credit Institutions, Payment Institutions, Electronic Money Institutions, TPPs)
- **Stakeholders' involvement** at the centre (e.g., through Multi-Stakeholder Groups representing merchants and consumers associations, technical players, corporate users, etc.)
- **Agnostic** towards market choices, solutions, infrastructures and technologies
- Ensures the evolution of the SEPA schemes to **meet changing market needs** (e.g., through public consultations processes)
- Adopts as much as possible (and contributes to) **global standards** (notably ISO)
- **Fosters competitiveness and innovation** in an integrated European economy
- Provides a “**toolbox**” and guidance to PSPs who choose in full discretion what they implement and how, subject to pan-European interoperability and reachability requirements
- Contributes to **safe, efficient, and convenient payments** which meet the needs of payment service users (PSUs), fostering positive customer experiences and competition

# The EPC's Evolution Timeline



# SCT in Real Time: SCT Inst



- **SCT Inst effective since November 2017**
  - Availability **24/7/365**
  - An SCT in **10 seconds** (initial maximum duration)
  - Over **14%** of all euro CTs are INST but only the start of a “transformational journey” and still a “diverse picture” across Europe
  - **Maximum amount:** currently € 100,000 and set to increase over time to facilitate B2B payments in particular
  - **“Optional” scheme but EC Instant Payments Regulation**
    - Mandate to offer Euro instant credit transfer service
    - Mandate for Payer’s PSP to offer an IBAN/name verification service (CoP)
    - Equalisation of price v. standard credit transfer
    - Sanctions screening no longer at transaction level
    - Potential impact on SCT Inst scheme (e.g., adherence transaction volume, maximum processing time, maximum amount, exception processing)
  - **SCT Inst opens up new use cases:**
    - P2P payments – physical commerce and e-commerce payments
    - EPC provides also Mobile Initiated Instant Credit Transfer (**MSCT**)
- Interoperability guidance** (QR-code standard, NFC and BLE, etc.)

ESTIMATED SHARE OF SCT INST VOLUMES IN TOTAL CT\* VOLUMES



\* SCT + SCT Inst.

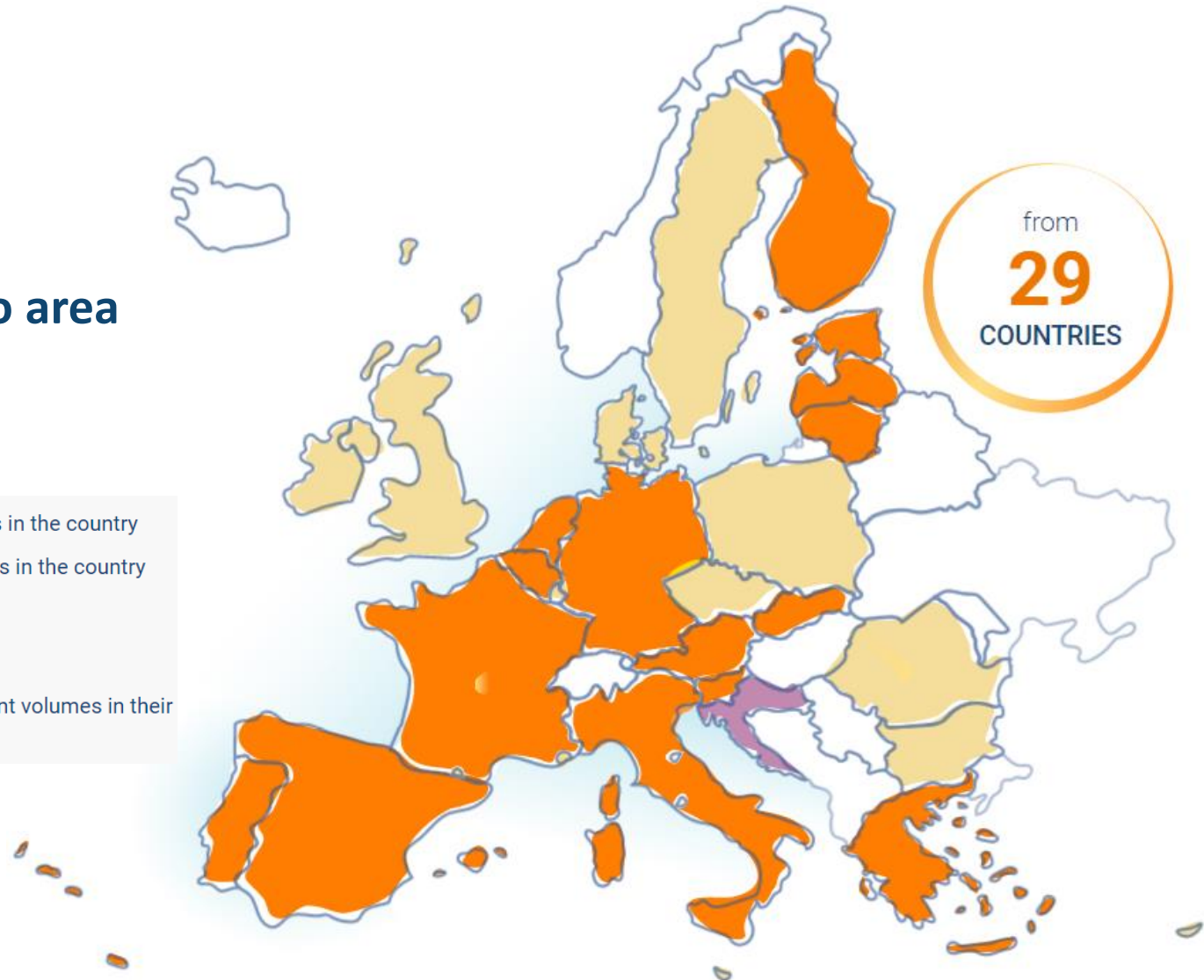
# SCT Inst – Adherence Status – June 2023



**2333 payment service providers  
have already joined the scheme:  
62% of European PSPs  
and over 71% of PSPs in the euro area**

- At least 1 SCT Inst participant and a majority of payment accounts in the country
- At least 1 SCT Inst participant but no majority of payment accounts in the country
- Readiness date: 24 June 2023
- No SCT Inst scheme participants in the country

\*SCT Inst scheme largely enumerates those having the most significant volumes in their countries.

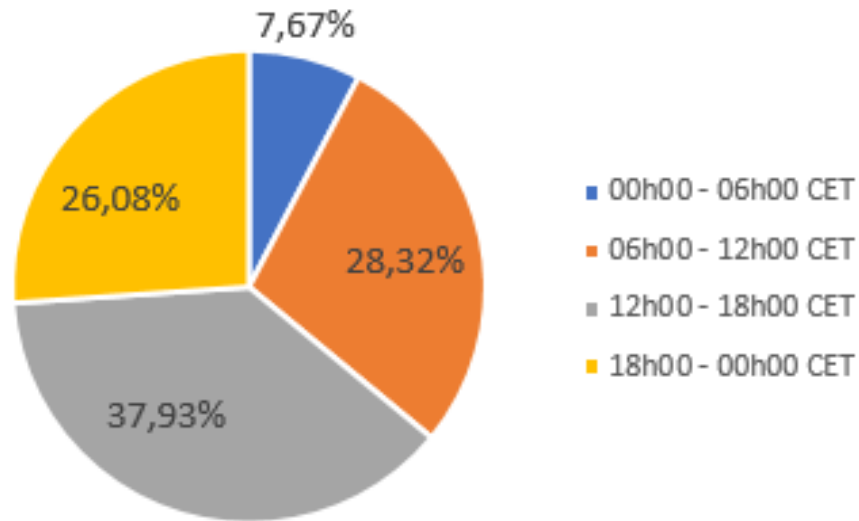


# SCT Inst – Usage Patterns (Q1-2023 data)

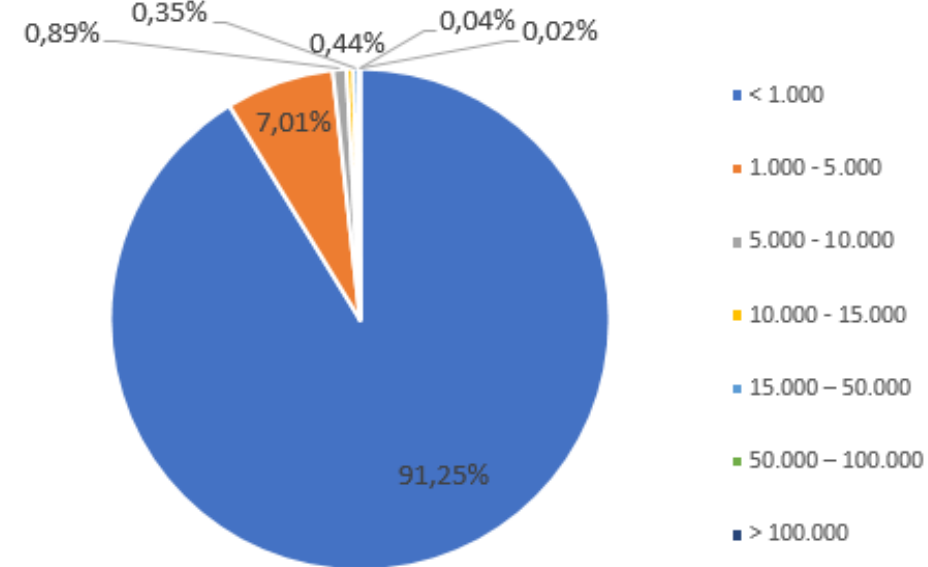


**Overwhelming majority of the SCT Inst transactions are currently below 1,000 euros, and about 2/3 of transactions are made during daytime (from 6:00 to 18:00 CET):**

% of SCT Inst transaction by day period



% of SCT Inst transactions by amount



# Supporting SCT Inst and Beyond



## ■ SEPA Proxy Look-Up (SPL) Scheme

- Covers rules for (mobile) payments whereby the mobile telephone number or optionally the email address is used as a proxy to an IBAN
- Status: no concrete market interest for pan-European interoperability to date in spite of growing number of local solutions

## ■ SEPA Request to Pay (SRTP) Scheme

- Covers rules and technical elements (including messages) that allow a Payee to request the initiation of a payment from a Payer in a wide range of physical or online use cases.
- Status: now a complete and stable scheme ready for progressive take-up

## ■ SEPA Payment Account Access Scheme (moving towards EU Open Finance)

- Covers the rules, practices and standards that will allow the exchange of payment accounts related data and facilitate the initiation of payment transactions in the context of PSD2 'value-added' ('premium') services provided by Asset Holders (i.e., ASPSPs) to Asset Brokers (e.g., TPPs)
- Status: expected launch in November 2023

## ■ SEPA One-Leg Out Instant Credit Transfer (OCT Inst) Scheme

- Covers the set of rules, practices and standards to foster international instant credit transfers
- Status: expected launch in November 2023



# The SEPA Geographical Scope: Expanding Borders



# The current SEPA Geographical Scope

## 27 Member States of the Union (EU)

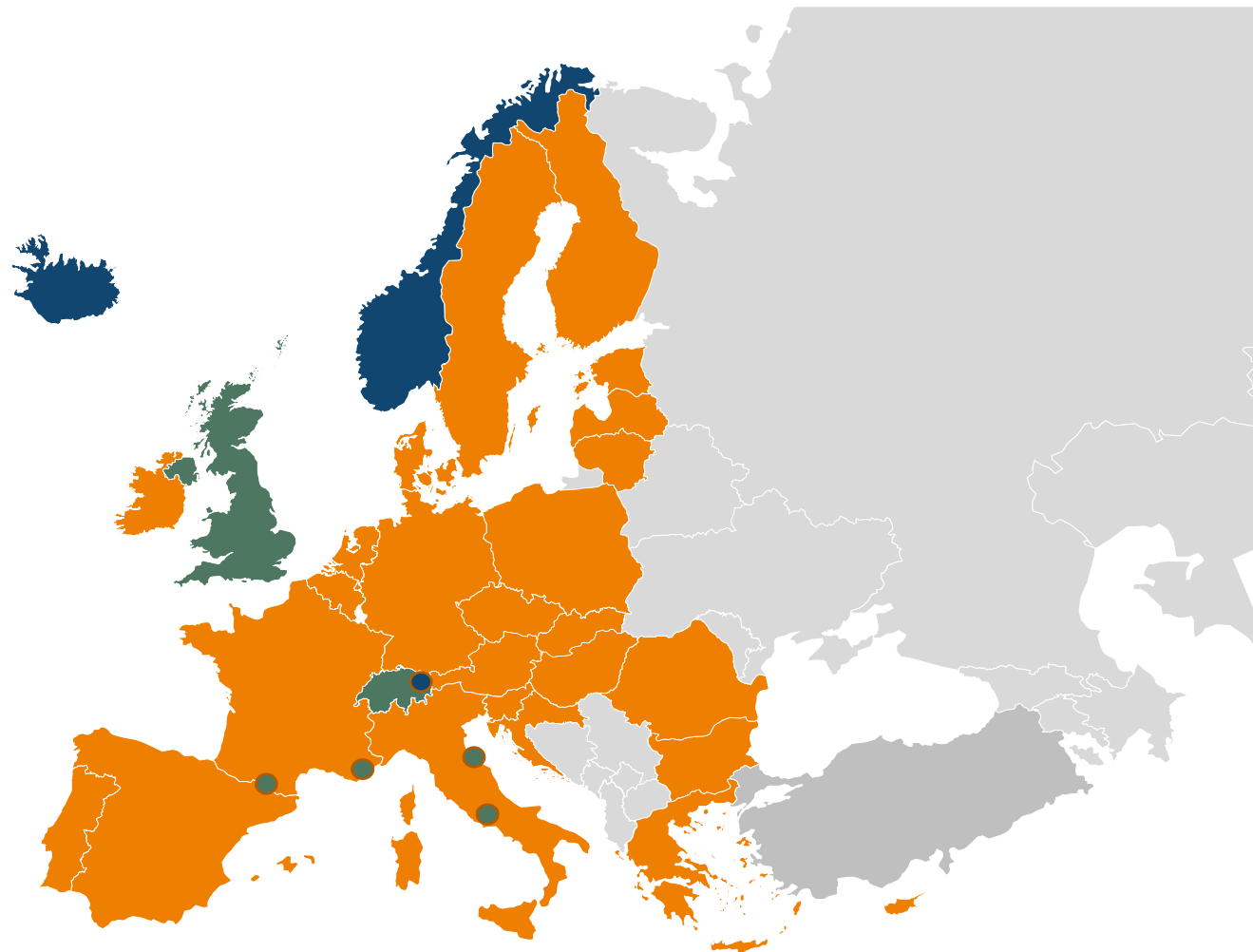
## 3 Countries of the European Economic Area (EEA)

- Norway
- Iceland
- Liechtenstein

## 6 Non-EEA Countries

- UK
- Switzerland
- Andorra
- Monaco
- San Marino
- Vatican City State

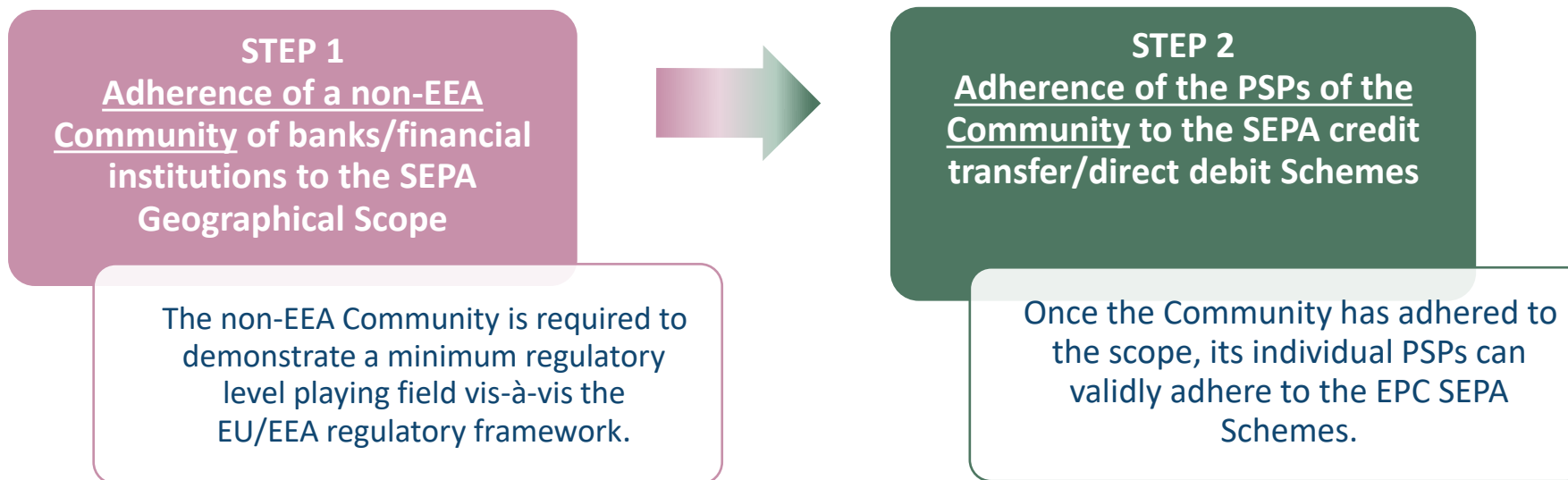
See full [List of SEPA Countries and Territories](#)






# Managing and Expanding the Scope

- The EPC manages the SEPA Geographical Scope **in close cooperation with the EU Authorities**
- Adherence to the SEPA Geographical Scope and to the SEPA Schemes is a **two-step process**:




- Administrative process: all operational aspects are left to the Community's infrastructures, and in accordance with the SEPA Schemes' technical requirements
- **Level playing field** is key

# Step 1 – Entering the SEPA Scope




A non-EEA Community of PSPs ('Applicant'), represented by their National Central Bank (or another relevant public body), express their interest in joining SEPA to allow their PSPs to participate in the SEPA Schemes.



The EC and the banking and/or payments regulator(s) in the Applicant's country or territory have all been consulted and raised no objection to the inclusion of the Applicant within the SEPA Geographical Scope.



The EPC Board needs to take an informed decision regarding the Applicant, on the basis of specific Participation Criteria.



The fulfilment of the Participation Criteria is to be demonstrated by the Applicant by means of a Legal Opinion, to be produced by the Applicant's appointed legal counsel (\* cost to be covered by the Applicant) demonstrating how all the relevant conditions are fulfilled.



The Legal Opinion will be reviewed by the EPC's Legal Support Group (LSG), to determine whether the Applicant's PSPs would be able to participate in the SEPA Schemes based on a level playing field with other EEA-based Scheme participants.



Following review, the LSG submits a resolution on the Applicant's participation to the EPC Board for formal approval. Upon a positive EPC Board decision, the Applicant's PSPs can adhere to the SEPA schemes



# Step 1 – Demonstrating Compliance

**A. Relationships with the EU:** economic links and political relationships

**B. Criteria to ensure a level playing field between non-EEA and EEA SEPA Scheme participants:**

a minimum regulatory level playing field must be in place for payments in euro (e.g., PSD2 (Titles III and IV), Regulation (EU) 2015/847 on Information on the Payer Accompanying Transfers of Funds, Article 5 and the Annex of SEPA Regulation (Regulation (EU) 260/2012), AML Directive (Directive (EU) 2015/849), FATF compliance, UN Sanctions, etc.)

**C. Other legal and regulatory criteria**

e.g., no laws/regulations applicable to the Applicant's PSPs (e.g., sanctions legislation) which would prohibit or impede the cross-border transactions.

**D. Market and operational criteria** (e.g., ability to use Euro)

**E. Additional criteria to preserve the integrity of the SEPA Schemes**

See full [List of Criteria to extend the SEPA Geographical Scope](#)

# Lessons Learned and Main Challenges



**Regulatory  
Preparedness**

**Operational  
Preparedness**

**Timing**

**Interim**

**Changing EU  
Regulatory Landscape**

**Continuous Compliance**

- EPC can only form an evaluation on **consolidated acts**
- The listed Participation Criteria are the **baseline**, with possibility to go further to enrich the offer (e.g., to adhere to the payment-related Schemes)
- **Coordination between operational preparedness and adherence of individual PSPs is key** to ensure a successful process
- The main adherence process can start with the minimum operational preparedness requested (**2-step process**) The operational side (e.g., clearing and settlement) can follow shortly after.
- **EPC process might take longer** if the application is incomplete / if not all the acts have been made into law (yet) / EU authorities have not delivered a complete assessment / issued a nihil obstat
- **EPC evaluation process can be very quick**, depending on the first Board meeting scheduled
- Non-EEA countries often start **by subscribing a license to use the Schemes' Rulebooks and Implementation Guidelines** to develop local solutions. This ensures an alignment by design with the EPC Schemes, fostering an expedite adherence of individual PSPs following the country adherence to SEPA (NB: a license is required under IP law to re-use EPC IP)
- The EC just published a number of key proposals for the payments industry. **PSR and PSD3 are expected to impact the Schemes** and should be taken into account by applicant countries.
- A **gap assessment** is likely needed in the next future also for the countries that have already adhered (pending evaluation)
- **Every 5 years (average) a fitness check** exercise is launched
- A fitness check might also be launched if triggered by **events** (e.g., Brexit)



# Connecting SEPA: the OCT Inst Scheme

# What is OCT Inst?



- A transaction in **any possible currency (including non-euro SEPA currencies)** under the **condition** that **at least one of the two legs** of the OLO transaction is denominated in **Euro (Euro Leg)**
- Incoming or outgoing account-to-account credit transfer which will be processed instantly **on a 24/7/365 basis in the Euro Leg** (NB: capability to process OCT Inst transactions in the Euro-Leg on a 24/7/365 basis is a requirement)
- **Between a PSP** established in and/or licensed **in the SEPA** and operating in the Euro Leg and
  - **Option 1:** a so-called Financial Institution (FI) operating outside the SEPA Schemes' Geographical Scope (e.g., an FI based in USA, Japan etc), where the funds transferred in the non-Euro Leg can be denominated in each possible currency, including Euro
  - **Option 2:** a FI established and/or licensed inside the SEPA Geographical Scope (e.g., a PSP based in Poland, Switzerland etc), where the funds transferred in the non-Euro Leg can be denominated in each possible currency, except Euro
- The **payment accounts** of the Payer and/or of the Payee can be **in Euro or in any other currency**
- **Optional Scheme**, available to any PSP in the SEPA schemes' geographical Scope **as of November 2023**
- The EPC cannot define contractual obligations for the non-Euro Leg FIs:
  - non-Euro Leg rules for OCT Inst will differ (regulatory obligations, payment infrastructures, systems or practices, etc.)
  - no uniform set of standards, business-, usage- and technical rules, and messaging formats for the non-Euro Leg
  - a possible consequence is that the non-Euro Leg of an OCT Inst transaction is not processed instantly because e.g., the jurisdiction of the non-Euro Leg concerned has no instant retail payment infrastructure



# When can OCT Inst be used?

## Which EPC instant credit transfer payment scheme to use?

<b>Note:</b> apart from the currency in which the instant credit transfer itself is expressed, under the OCT Inst and SCT Inst schemes the payment account of the Payer and/or of the Payee can be in euro or in any other currency.			To Payee with an <b>account</b> held in	
			SEPA	non-SEPA
Euro --> Euro TRX (no currency conversion)	From Payer with an <b>account</b> held in	SEPA	SCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme
Euro --> other currency TRX or other currency --> Euro TRX	From Payer with an <b>account</b> held in	SEPA	OCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme



**THANK YOU !  
ВИ БЛАГОДАРАМ!**



@EPC\_SEPA