



STET's Instant Payments CSM: Optimum Performance System for SCT_{inst}

A leader in European payment processing, STET will launch its new Instant Payments CSM in November 2017.

Instant Payments represent a challenge to all stakeholders along the value chain as regards account-to-account payment execution in a few seconds. Payment execution by PSPs needs to be supported by a payment infrastructure guaranteeing optimum performance and security combined with reliability and 24/7/365 availability. The infrastructure must also ensure that financial risk is eliminated between the payer and the receiver.

Cards and payments experience put together

Instant Payments processing therefore requires a new infrastructure. STET's IP CSM is being built based on its dual experience and expertise:

- Clearing & Settlement infrastructure processing SEPA and Non-SEPA schemes transactions (16.4 billion transactions in 2016)
- Processing Card-related payments (POS & ATM) on our authorisation platform (6.4 billion transactions in 2016)

The IP CSM will deliver SCT Inst clearing for PSPs in real-time through a highly performing access gateway with an active-active infrastructure in order to guarantee 99.9999% availability. For easier adoption, STET is working with a network-agnostic approach.

Compliance and Performance

The IP CSM will be fully compliant with the EPC's SCT_{inst} Rulebook and Implementation Guidelines. It will deliver value through the end-to-end orchestration of SCT Inst messages based on the transaction timestamp and provide PSPs full visibility and real-time information on the transaction status. Our highly performing CSM will guarantee a maximum one second SLA for its transaction clearing & settlement actions.

Supporting Local Requirements

In implementing the SCT Inst scheme, it is expected that some community variations may emerge in support of their specific market needs in order to meet consumer expectations. These are mainly in the areas of the maximum value of an SCT Inst transaction, which may exceed the basic scheme value of €15,000, and the end-to-end time of exchange, which may be shorter than the basic scheme definition of 10 seconds.

Understanding that diversity is a market reality, which needs to be supported alongside the underlying SCT Inst scheme, STET offers Closed User Group functionality with supporting governance to deliver the necessary flexibility for local variants. This is carried out without any impact to PSPs which would have a single view of the IP CSM with consolidated liquidity and information services.

Participation

Participation in STET's IP CSM is open to all European PSPs and banking communities operating in SEPA that have adhered to the EPC's SCT Inst scheme.

STET understands PSPs have different characteristics and requirements. This is why we are offering three participation options to PSPs:

- Direct participation for PSPs that want a direct access to the CSM with all real-time information and control functionality. They may also provide PSPs with indirect participation services.
- Indirect participation for PSPs that have entered into a bilateral relationship with a direct participant in the IP CSM. The direct participant collects and presents transactions to the IP CSM on behalf of the indirect participant.
- Indirect participation with direct technical access (IPDTA). The SCT Inst scheme introduces a challenge to the traditional Indirect Participant model because of the short time window available for message exchanges. Therefore and in order to deliver further efficiency to the market, STET proposes the IPDTA model whereby an Indirect Participant may exchange directly with the CSM but within a bilateral relationship with a Direct Participant for liquidity management.

Liquidity Management

The SCT Inst scheme brings up the question of liquidity management 24/7/365, of guaranteeing that funds are available for transactions and of payment finality.

Therefore and in order to answer its clients' concerns over Instant Payments funding, STET will have a Target2 technical account dedicated to the settlement of Instant Payments. This will be reflected in the IP CSM where each PSP will have its own position account mirroring the funds transferred into STET's technical account.

PSPs will pre-fund the technical account prior to any transaction being settled. Upon receiving an SCT Inst transaction, the IP CSM will reserve the transaction amount on the technical account until it is notified by the Beneficiary PSP that the transaction has been accepted. The funds can then be debited from the Originator PSP's position account and credited onto the Beneficiary PSP's position account.

The position accounts will execute settlement of SCT Inst transactions and provide finality. They offer PSPs a real-time view of the funds dedicated to Instant Payments.

Information Services

STET also offers services allowing PSPs to get real-time information on their transactions and funds.

Daily reports, which include information on accepted and rejected transactions, are directly available on the GUI. All other reports, such as reconciliation reports, are available via A2A messaging.

Preparing for November 2017

STET's Instant Payments teams are dedicated to delivering a robust, efficient and scalable IP CSM which will be live in November 2017.

