# Estonian Retail Payments Forum / Eesti Maksekeskkonna Foorum (MKF)

## Working Group on SCTinst[1]-based Payment Solutions / Välkmakselahenduste töögrupp

### CONCLUSIONS AND IMMEDIATE FOLLOW-UP OF THE 2ND MEETING

Date/time/venue: 21.02.2019, 10:00-13:00 EET at Eesti Pank

Participants:   Martti Metslaid (Kaupmeeste Liit/ COOP Eesti Keskühistu); Andreas Leznevsky (Kaupmeeste Liit/ Tallinna Kaubamaja Grupp); Toomas Veersoo (ITL/ Telema); Andres Lilleste (ITL/ Fitek); Rain Eller (Swedbank, esindab ka Kaubandus-Tööstuskoda); Art Lukas (Maksekeskus, esindab ka E-kaubanduse Liitu); Lars Trunin (Transferwise); Meelis Nurk (SEB); Indrek Kaljumäe (LHV); Jaan Sibul (Luminor); Teet Kerem (COOP Pank); Mariliis Mia Topp (Finance Estonia/ Paytailor); Enn Riisalu (Pangaliit); Jaana Nirk (Tarbijakaitse ja Tehnilise Järelevalve Amet); Külli Kraner (Majandus- ja Kommunikatsiooniministeerium); Mihkel Nõmmela ja Rainer Olt (Eesti Pank)

Chair:          Mihkel Nõmmela

Rapporteur:     Rainer Olt

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Approved agenda:

1. Summary of identified use cases and priorities for Estonia
2. Elaborating on the priority use cases in more detail – SWOT of the payment solution
3. Discussion on options to upgrade existing or developing new payment solutions
4. Wrap-up and next meeting

**Conclusions and immediate follow-up**

**1. Summary of identified use cases and priorities for Estonia**

> *The members took note of the use cases. It was felt that all described use cases were valid both in the person-to-person (P2P) and consumer-to-business (C2B) contexts, in particular considering that from the technical perspective the solutions would be quite similar.*
>
> *P2P proximity and remote payments*: the described payment situations and use cases will be streamlined to give input for the development of an interoperable P2P payment solution that
>
> - can be used as easily as cash for daily P2P payments at physical and digital marketplaces as well as shared economy platforms, including related mobile applications;
> - enable digital inter-PSP payment requests, i.e. a message or link sent from the payee to the payer that presents/opens a pre-filled payment order for authorization; and
> - simplify payment initiation by making it as easy as sending an instant message to a friend (e.g. using an IBAN proxy to automatically fill in the payee's name and IBAN).
>
> *C2B proximity and remote payments*: the described payment situations and use cases will be streamlined to give input for the development of an interoperable C2B payment solution that
>
> - can be used as easily as cash and/or cards for daily commerce payments at physical points-of-interaction (retailers and other businesses in the services sector), unattended vending machines and in e/m-commerce environments;
> - enable instant and secure inter-PSP e-invoice/request-to-pay/e-receipt messaging from the payee to the payer that *(a)* presents/opens a pre-filled payment order for authorization or *(b)* up to certain limits allows for automated payment to a trusted beneficiary, and in parallel *(c)* displays and stores the digital purchase details (i.e. the e-receipt) to the payer;
> - allow the payer to initiate a payment *(a)* directly at the e/m-commerce checkout by using an universal Bank Link[2] to initiate a SCT inst from any PSP and/or *(b)* through the mobile banking, other wallet application or seamlessly in the e/m-merchant's application;

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[1] SEPA Instant Credit Transfers

- enable instant B2C refunds and repayments in case of need.

*It was noted that "request-to-pay with a mandate/authorization" should be explored further with a view to identifying how to simplify (speed up) the checkout at the physical point-of-interaction. For instance, in addition to the Bank Link protocol, PSPs could explore PSD2's open banking features[3] to enable an immediate confirmation to the payee that a SCT Inst was initiated.*

*The option to use SCT Inst for checking whether the payer is the owner (in control) of the given IBAN will be kept as well.*

*The idea of using SCT Inst as "electronic cash" was noted, but it was agreed not to start elaborating on how to enable anonymous payments. It could be a niche service for the unbanked following the AML rules and allowing them to make micro payments, but there is no demand/market for this in Estonia.*

*[Needs further input from the members of the WG]*

*Is there a need for specific business-to-business (B2B) payment solutions, considering that ultimately PSPs are expected to open/enable SCT Inst payments in all their electronic channels? For instance, to catalyze further digitalization and security in the entire payment chain. Please elaborate on your ideas.*

## 2. Elaborating on the priority use cases in more detail – SWOT of the payment solution

*The working group had an exchange of views on the strengths, weaknesses, opportunities and threats of both P2P and C2B payment solutions. Eesti Pank will compile a more detailed analysis based on the discussion, which evolved around the following topics:*

- *The solution for P2P payments in face-to-face (proximity) and remote situations promises to simplify mobile payment requests/initiation and make it broadly available for all Estonians. There are questions how to ensure a good user experience in the web browser and what to do in case the payee's mobile number (IBAN proxy) is not reachable for SCT Inst. There is an opportunity to use this solution for subscriptions. Nevertheless, potential fraud cases (e.g. fraudster sends payment requests to all FB friends) and issues with payments to incorrect mobile numbers (IBAN proxies) need to be tackled.*

- *The C2B solutions are likely to provide a cost efficient way to accept electronic payments for businesses in the services sector, smaller retailers and in e/m-commerce. Larger retailers need to optimize the queue at the checkout and therefore expect the solution to enable confirmation of the payment within one second, as currently is the case with card payments. In this context, the key weakness relates to the strong customer authentication process, which may require too much time. Another issue that may impede usage at the payers' side is the fees for each SCT Inst transaction, in case applicable. In addition, the discussion flagged several points that need further elaboration, such as integration with the merchant's systems and current POS terminals (e.g. OR code and/or NFC), stability of mobile internet/offline situations, potential fraud and liability issues.*

- *The question whether the solutions should use only SCT Inst to execute the transaction or allow for fallback to regular SCTs needs to be considered further. In principle, for the payment service users it should be clear whether the transaction will be instant or not, because the payer/payee may want to use cash or card payment instead. Therefore, the fallback could be optional, depending on the situation.*

*The objective is that the outcome is usable by the PSPs for inputting the development of the solutions. Eesti Pank will contact the PSPs separately to discuss the details as to the required granularity of the P2P and C2B solutions' descriptions and the SWOT analysis.*

## 3. Discussion on options to upgrade existing or developing new payment solutions

*This agenda item was not discussed due to time constraints. The members of the WG were invited to provide written feedback based on the preparatory questions sent before the meeting in the agenda.*

## 4. Wrap-up and next meeting

*The next meeting is scheduled on 28 March 10:00-13:00 at Eesti Pank. The objective will be to discuss and agree on the basic functionalities of the SCT Inst based solutions.*

*Need to have separate meetings to discuss some of the potential weaknesses and obstacles in C2B.*

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[2] A service that allows the e/m-merchant to accept credit transfer based e-commerce payments. Currently, functions only in a closed-loop, where both, the payee and payer use the same PSP, but in the context of open banking and instant payments this is going to change.

[3] Relates to PSD2 article 65 "confirmation on the availability of funds", meant for third party Card Based Payment Instrument Issuers, and the new payment initiation service itself.