

CLARIFICATION PAPER ON NPC CREDIT TRANSFER AND NPC INSTANT CREDIT TRANSFER SCHEME RULEBOOKS

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Abstract

This document addresses operational issues arising from the implementation of the Nordic Payments Council Credit Transfer (NCT) scheme rulebook and the Nordic Payments Council Instant Credit Transfer (NCT Inst) scheme rulebook. This document applies to the NCT and NCT Inst scheme rulebooks.

Reason for Issue

This document has been created to avoid a fragmented approach in the manner in which the NPC Credit Transfer and the NPC Instant Credit Transfer Inst scheme rulebooks are implemented. This is the first version of this document published by the NPC.

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Version History

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1.0	2020-08-20	NPC	Decided version at the Scheme Management Committee (SMC) 20 th of August 2020

1 Introduction

This document has been created to avoid a fragmented approach in the manner in which the NCT Credit Transfer and the NCT Credit Transfer Inst scheme rulebooks are implemented.

In this document the Nordic Payments Council (NPC) provides guidance and, where feasible, recommendations to NPC scheme participants on how to handle situations that are not as such described in the rulebooks. This document will be updated from time to time by the NPC, once new questions and issues arise and need clarification.

2 General questions & answers on the NCT and NCT Inst scheme rulebooks.

2.1 The NPC Opt-out Option for Cross-border transactions

According to section 2.2 in the NCT and NCT Inst scheme Rulebooks the Participant has a so-called opt-out option:

“All Participants need as a minimum to be reachable domestically in one of the Scheme Currencies covered by this scheme with the option of not accepting Cross-border Credit Transfer Transactions, if the Participant only participate in one of the Scheme Currencies. As a consequence of opting out from receiving Cross-border Credit Transfer Transactions the Participants will not be allowed to send Cross-border Credit Transfer Transactions either.”

A Cross-border Credit Transfer Transactions is a defined a Credit Transfer Transactions where the Originator Bank and the Beneficiary Bank are located in different countries.

The location of the Originator Bank and the Beneficiary Bank will be defined by the country code in the BIC of the Originator Bank and the Beneficiary Bank.

2.2 Handling of Alias, Proxy or National Account Number Structure

In the IG specific defined elements for Alias, Proxy and National Account Number Structure (commonly referred to as BBAN), Originator Bank must forward Beneficiary Alias, Proxy or National Account Number Structure when initiating the payment. Originator Bank needs to resolve the Beneficiary's Alias, Proxy or National Account Number Structure into IBAN and verify OCR/Reference and be rejected if incorrect.

Information about the Originator Alias, Proxy or National Account Number Structure (BBAN) must be pasted on as information by Originator Bank if given by the Originator.

2.3 Receipt of an NCT/NCT Inst transaction by the Beneficiary Bank or CSM which includes characters not covered by the NPC character set

NCT and NCT Inst scheme participants and their customers must be able to support the Latin character set commonly used in international communication, and in addition to this, the Scandinavian characters and the @-sign which are as follows:

a b c d e f g h i j k l m n o p q r s t u v w x y z å ä ö æ ø

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z Å Ä Ö Æ Ø

0 1 2 3 4 5 6 7 8 9

/ - ? : () . , ' + @

Space

It is not recommended to use the Scandinavian characters and the @-sign in the technical reference elements.

NCT and NCT Inst scheme participants and their customers throughout SEPA cannot be required to support the full character set used in all SEPA countries.

However, there may be bilateral or multilateral agreements to support one or more sets of characters beyond the character set referred to above.

More information on this subject can be found in the document EPC217-08 'Best practices SEPA Requirements for an extended character set' which contains a set of best practices to be used in dealing with local language and special characters used in some SEPA countries.

2.4 Non-scheme currencies denominated accounts held by NCT/NCT Inst scheme participants

Section 2.4 of the NCT and the NCT Inst scheme rulebooks specify that all NCT/ NCT Inst transactions are in one scheme currency in all process stages. The accounts of the Originator and of the Beneficiary may be denominated in a scheme currency or any other currency.

Subject to the Terms and Conditions of the Originator Bank or of the Beneficiary Bank, payment service users can use a non-scheme currency denominated account for NCT and NCT Inst transactions. This means an NCT scheme participant may only reject or return NCT transactions or an NCT Inst scheme participant may only reject NCT Inst transactions if the selected account is not designated to send or to receive NCT or NCT Inst payments.

In case of NCT/ NCT Inst r-transactions, the transferred amount will be the original a scheme currency amount of the initial NCT/ NCT Inst instruction (except for Recall, see section 2.7 below).

2.5 Recommended Customer-to-Bank Implementation Guidelines and Recommendation of Bank-to-Customer Reporting

As of the current version of the NCT and NCT Inst scheme rulebooks, the NCT/ NCT Inst scheme participant offering electronic file services is recommended to support the XML message standards and to accept the messages as described in the NCT/ NCT Inst Customer-to-Bank and Recommendation of customer reporting Implementation Guidelines.

Originator Banks would still be free to agree with their Originators to use any other ISO 20022 XML payment message format to submit their Customer-to-Bank NPC payment message files to their PSPs.

2.6 Liability for a potential currency loss in case of a Recall for an NCT/ NCT Inst transaction which was subject to a currency conversion at the Beneficiary Bank

A Recall is always initiated by the Originator Bank, possibly on behalf of the Originator. Neither the Beneficiary nor the Beneficiary Bank has any influence on it. Consequently, they should not bear any loss related to it.

The positive response of the Beneficiary Bank to a Recall request is an ISO Payment Return message with a specific return reason "following cancellation request" (FOCR). The NCT and NCT Inst schemes allow for the Beneficiary Bank to charge a fee for such a positive response. This fee is clearly identified in the ISO Payment Return message, which also contains the amount of the original NCT/ NCT Inst transaction and the actual returned amount. Currency conversion losses may be included in the Recall fee that may be charged by the Beneficiary Bank.

In exceptional cases, the currency conversion loss can be settled outside the Recall procedure by rejecting the Recall request and settling the issue in a bilateral way.

2.7 Auto-conversion practices: can an NCT/ NCT Inst transaction be converted into a non-scheme currency before reaching the Beneficiary Bank?

Reference is made to Section 2.4 of the NCT and the NCT Inst scheme rulebooks which states that “all transactions are in scheme currencies in all process stages”. In other words, the amount of the transaction must remain unchanged and expressed in scheme currency until it reaches the Beneficiary Bank. This also means that currency conversion of an NCT/ NCT Inst transaction to be credited to a non-scheme currency account can only be carried out by the Beneficiary Bank, and currency conversion of an NCT/ NCT Inst transaction to be debited from a non-scheme currency account can only be carried out by the Originator Bank.

2.8 Clarification on specific attributes to identify counterparties in NCT/ NCT Inst transactions

The NCT and the NCT Inst scheme rulebooks foresee the following attributes to identify counterparties in NCT/ NCT Inst transactions:

1. AT-09 The identification code of the Originator Reference Party
2. AT-10 The Originator identification code
3. AT-24 The Beneficiary identification code
4. AT-29 The identification code of the Beneficiary Reference Party

These attributes refer to elements of the ISO 20022 XML message standard to transfer information or codes. The codes inserted in each of these attributes allow a unique and unambiguous way of identifying an organisation or an individual. This can be useful for the automated and straight-through-processing identification of the counterparties involved in the NCT transaction.

2.9 Clarification of Remittance Information sent by Originator to Beneficiary in the NCT

Remittance information and Extended remittance information (ERI) is described in detail in the NCT Rulebook under AT-05 and in Annex V.

In a regular NCT transaction (not using ERI option), it is only allowed to send either a maximum of 140 characters unstructured **or** structured remittance information. If the Originator bank receives a payment with both unstructured and structured remittance information only the structured information should be prioritised and forwarded. The reason for this is that only the structured remittance information will enable automated reconciliation by the Beneficiary.

2.10 Provision of country-related information in the interbank messages

The Regulation 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (Funds Transfer Regulation 2 – FTR2) specifies among others that the full address of the Originator needs to be provided in the credit transfer message when the Originator Bank or the Beneficiary Bank is based in a SEPA country that is not part of the European Economic Area (EEA).

As an illustration, the screenshots below from the NCT Interbank Implementation Guidelines (IGs) define the usage rules for the data element 2.48 (“Postal Address”) selected for AT-03 (Address of the Originator) and its sub-data elements 2.57 (“Country”) and 258 (“Address Line”)¹

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements	
2.48	0..1	FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address	<i>NPC Rulebook</i> AT-03 Address of the Originator Mandatory when Local Instrument PAPER is used.	ISO Name Postal Address ISO Definition Information that locates and identifies a specific address, as defined by postal services. XML Tag PstLAdr Type PostalAddress6

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements	
2.57	0..1	FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address ++++Country	ISO Name Country ISO Definition Nation with its own government. XML Tag Ctry Type CountryCode Pattern [A-Z]{2,2}	
2.58	0..2	FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address ++++Address Line	<i>NPC Usage Rule(s)</i> Only two occurrences are allowed. ISO Name Address Line ISO Definition Information that locates and identifies a specific address, as defined by postal services, presented in free format text. XML Tag AdrLine Type Max70Text ISO Length 1..70 NPC Length 1..70	

Interpretations among NCT and NCT Inst scheme participants differ about whether both the elements “Address Line” and “Country” **must** be completed in case the address of the Originator has to be provided in the element “Postal Address”.

One interpretation is that the data element “Postal Address” consists of two optional elements as the data element “Country” is not stated as mandatory. Under this view, the provision of the Country Code or other country-related information as free format data in the data element “Address Line” - together with the other address information (e.g., street, location) - is sufficient as provided information.

Another interpretation though is that the elements “Address Line” and “Country” are mandatory. The logic behind this viewpoint is that if the element “Country” exists, one should not use the unstructured address line to put the country code or other country-related information. Any other interpretation would complicate an accurate and automated check on the country information at the Beneficiary Bank.

Such difference in interpretations leads to Rejects or Returns of NCT and NCT Inst transactions only because the data element “Country” is not filled in, even though the country-related information is given in the data element “Address Line”.

¹ The green colored fields are highlighted to draw the reader’s attention and are thus not colored as such in the concerned IGs.

Under the current applicable NCT and NCT Inst Interbank IGs, the NCT and NCT Inst scheme participants have the possibility to report the country-related information either in “Address Line” or “Country”. If that information sits in the “Address Line”, the NCT and NCT Inst transaction should not be rejected.

The NPC nevertheless recommends that all NCT and NCT Inst scheme participants

1. Adapt their systems to complete the data element ‘Country’ for outgoing NCT and NCT Inst transactions in which a scheme participant from a non-EEA SEPA country is involved;
and/or
2. Determine workarounds to avoid that NCT and NCT Inst transactions in which a scheme participant from a non-EEA SEPA country is involved, are rejected only due to the missing element ‘Country Code’.

Regarding the usage of the local instrument ‘PAPR’ for paper-initiated payments please refer to section 3.1 Handling of paper-initiated payments.

The NPC recommends the usage of Country of Residence for ultimate debtor and debtor. The two data elements 2.43 and 2.62 for NCT (2.30 and 2.49 for NCT Inst) have been included to use in the NCT and NCT Inst Rulebook as optional fields.

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements	
2.43	0..1	FIto FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Ultimate Debtor +++Country Of Residence	ISO Name ISO Definition XML Tag Type Pattern	Country Of Residence Country in which a person resides (the place of a person's home). In the case of a company, it is the country from which the affairs of that company are directed. CtryOfRes CountryCode [A-Z]{2,2}

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements	
2.62	0..1	FIto FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Country Of Residence	ISO Name ISO Definition XML Tag Type Pattern	Country Of Residence Country in which a person resides (the place of a person's home). In the case of a company, it is the country from which the affairs of that company are directed. CtryOfRes CountryCode [A-Z]{2,2}

2.11 Differences between Recall and Request for Recall by the Originator

The NCT and NCT Inst scheme rulebooks contain dedicated sections explaining the procedures for Recall and Request for Recall by the Originator (RFRO). Some NCT (Inst) scheme participants and payment end-users misunderstand the concrete objectives of both r-transactions, in which cases and how they can be used. The table below compares the two r-transaction types and highlights the differences:

	Recall	RFRO
Phase 1: initiation of the r-transaction		
Concrete Customer-to-Bank (C2B) means for an Originator to initiate the r-transaction	By any C2B means	
Interbank message to initiate the r-transaction	Camt.056	

	<u>Recall</u>	<u>RFRO</u>
Party that can initiate or request the initiation of the r-transaction	1. Originator; 2. Originator Bank.	Originator
Time criterion to respect to initiate the r-transaction	Originator Bank to initiate the Recall within 10 Banking Business Days after the execution date of the related NCT (Inst) transaction	The debit date of the original NCT (Inst) transaction falls within the 13 months preceding the date at which Originator Bank receives the RFRO
Possible reasons for which the r-transaction can be used	1. Duplicate; 2. Technical problem leading to an erroneous NCT (Inst) transaction; 3. Fraud	1. Wrong IBAN; 2. Wrong amount; By request of the Originator without any reason specified.
Timespan for the Beneficiary Bank to answer to the r-transaction	<p>Within 10 Banking Business Days after the Beneficiary Bank received the r-transaction.</p> <p>The Beneficiary Bank is in breach with the NCT (Inst) scheme rulebook if it has not responded to the r-transaction within this specific timespan.</p> <p>If the Beneficiary Bank has received no response from the Beneficiary to this r-transaction within this timespan, the Beneficiary Bank must send a negative answer with the reason "No response from the Beneficiary" to the Originator Bank.</p>	
Phase 2a: negative answer/response to the r-transaction		
Interbank negative answer/response message	Camt.029	
Party instructing the negative answer/response	1. Beneficiary in case it refuses the r-transaction, claims to have never received the initial NCT (Inst) transaction or has already transferred back the funds; 2. Beneficiary Bank if the claimed amount cannot be debited from the account of the Beneficiary, the Beneficiary did not respond or the initial NCT (Inst) transaction has never been received.	
Phase 2b: positive answer/response to the r-transaction		
Interbank positive answer/response message	Pacs.004	
Party instructing the positive answer/response	1. Beneficiary; Beneficiary Bank if legally possible (or on the basis of an agreement with the Beneficiary).	Beneficiary
Phase 2c: no answer/response from the Beneficiary Bank		
Request for status update	<i>Pacs.028</i>	Pacs.028
Timespan for the Beneficiary Bank to answer to the request for status update	See "Timespan for the Beneficiary Bank to answer to the r-transaction" under Phase 1.	Timespan for the Beneficiary Bank to answer to the request for status update
Interbank negative answer/response message to the request for status update	See phase 2a.	
Interbank positive answer/response message to the request for status update	See phase 2b.	

2.12 Request for Recall by the Originator

The aim of this clarification is to highlight to NCT and NCT Inst scheme participants:

- a) the possibility of a Request for Status Update under RFRO;
- b) how to set up an interbank response to the RFRO.

Clarification for a):

Even though the list of RFRO reason codes (see the NCT and NCT Inst attributes AT-50 and AT-52) includes 'The Request for Status Update' as a reason code, the ISO 20022 message **pacs.028** is used to initiate 'The Request for Status Update'.

The ISO 20022 message **camt.056** is used for the other RFRO reason codes (i.e. 'Wrong unique identifier of the Beneficiary account'; 'Wrong amount' and 'By request of the Originator without any reason specified').

Clarification for b):

The dataset for the positive interbank answer to a **Recall** (i.e. DS-06 for NCT and NCT Inst) foresees in the element "originator" (3.25) the attribute AT-R2 "*The identification of the type of party initiating the "R" message*". The AT-R2 will either mention the BIC of the Beneficiary Bank (the Beneficiary Bank is allowed to debit the Beneficiary without his consent), or the name of the Beneficiary (Beneficiary agrees to reimburse).

In case of a negative interbank answer to a **Recall**, the element "originator" (4.16) can either be completed with AT-21 "*Beneficiary name*" or AT-23 "*BIC Beneficiary Bank*".

However, the attribute AT-R2 is **not** foreseen for the rulebook dataset for the interbank response to a **RFRO** (i.e. DS-08 for NCT, DS-09 for NCT Inst) in the 2020 and 2021 Interbank IGs. In case of a positive response, the element "originator" (3.25) can only be completed with AT-21 "*Beneficiary name*" (not with AT-R2 as for Recall).

For a negative response, the element "originator" (4.16) can either be completed with AT-21 "*Beneficiary name*" or AT-23 "*BIC Beneficiary Bank*" (i.e. the same process as for Recall).

2.13 Transfer back of funds to the Originator

When the Beneficiary's account has been credited through an NCT (Inst) transaction and the Beneficiary wishes to transfer back funds to the Originator, the Beneficiary can do this by initiating a new NCT (Inst) transaction indicating the IBAN of the payment account of the Originator as the account to be credited through this transaction.

This forms no issue for Beneficiaries having a payment account with an NCT (Inst) scheme participant which is allowed to pass on the IBAN of the payment account of the Originator to the Beneficiary through the transaction reporting tools in the Bank-to-Customer space (e.g., account statements).

However, the Beneficiary may have a payment account with an NCT (Inst) scheme participant which is not allowed to pass on the IBAN of the payment account of the Originator to the Beneficiary (e.g., due to national data protection legislation).

In such cases, a transfer back of funds is still possible on the condition that the Beneficiary Bank and the Beneficiary have made a specific arrangement. The Beneficiary submits an alternative identifier to the IBAN of the Originator in the original NCT (Inst) transaction, for the new NCT (Inst) instruction.

The Customer-to-Bank NCT and NCT Inst Implementation Guidelines (IGs), if agreed bilaterally between the Beneficiary and the Beneficiary Bank includes specific usage rules how to submit such alternative identifier for electronically bundled NCT transactions in ISO 20022 XML format.

In this scenario, the element "IBAN" under "Creditor Account/ID" (pain.001 message) cannot be used and instead "Other/ID" under "Creditor Account/ID" should be used. A number of conditions must be met to use "Other/ID":

- The following two usage rules are to be respected:
 - There is a bilateral agreement between the Beneficiary and the Beneficiary Bank of the original transaction; **and**
 - The delivery of a reference as agreed with and given by the Beneficiary Bank of the original transaction (e.g., the 'Account Servicer Reference' of the camt.052/053/054). The Beneficiary Bank is now the Originator Bank of the Transfer Back transaction.
- To be used only if the category purpose code is "RRCT" (reimbursement of a received credit transfer) i.e. the category purpose code is to be seen mandatory in this case.

The code RRCT is a (interbank) category purpose code (i.e. AT-45) and a (end-to-end) purpose code (i.e. AT-44) to tag the pain.001 message as an NCT (Inst) transaction to transfer back funds of an earlier settled NCT (Inst) transaction.

In case the Beneficiary Bank wants to offer such facility to its Beneficiaries, the field for the category purpose code RRCT in the pain message will be a mandatory field (i.e. AT-45).

Moreover, in order to allow the Originator of the original NCT (Inst) transaction to understand that the received NCT (Inst) transaction is related to a transfer back of earlier transferred funds, the (end-to-end) purpose code in the customer-to-bank pain.001 message (i.e. AT-44) and relevant interbank pacs.008 message is mandatory for this use case. The messages need to be completed with either the new purpose code RRCT or another code meaningful for identifying the NCT (Inst) transaction as a transfer back of funds.

3 Specific points for the NCT scheme rulebook

3.1 Handling of paper-initiated payments

Payments initiated by paper-initiation services (envelope services) are allowed in the NCT scheme. These payments should be marked as being initiated by a paper-initiation service in the interbank message. Information about paper-initiated payments should be indicated in the 'Payment Type Information' as a 'Proprietary' code in the 'Local Instrument' either in the 'Group Header' or in the 'Credit Transfer Transaction Information'.

The proprietary code 'PAPR' should be used.

For the 'Group Header' data elements 1.24 and 1.26 should be used illustrated below.

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements
1.24	0..1	FITo FICustomer Credit Transfer V02 +Group Header ++Payment Type Information +++Local Instrument	<p>NPC Usage Rule(s) <i>Must be used if the Debtor Bank has processed payments based on a paper-initiated payment service (Envelope service) either on group or transaction level.</i></p> <p>ISO Name Local Instrument ISO Definition User community specific instrument.</p> <p>Usage: This element is used to specify a local instrument, local clearing option and/or further qualify the service or service level.</p> <p>XML Tag LclInstrm Type LocalInstrument2Choice</p>

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements
1.26	1..1	FITo FICustomer Credit Transfer V02 +Group Header ++Payment Type Information +++Local Instrument ++++Proprietary	<p>NPC Usage Rule(s) <i>Proprietary code PAPER must be used if the Debtor Bank has processed payments based on a paper-initiated payment service (Envelope service).</i></p> <p>ISO Name Proprietary ISO Definition Specifies the local instrument, as a proprietary code.</p> <p>XML Tag Prtry Type Max35Text ISO Length 1 .. 35 NPC Length 1 .. 35</p>

For the 'Credit Transfer Transaction Information' data elements 2.12 and 2.14 should be used illustrated below.

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements
2.12	0..1	FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Payment Type Information +++Local Instrument	<p>NPC Usage Rule(s) <i>Mandatory to use if the Debtor Bank has processed payments based on a paper-initiated payment service (Envelope service) either on group or transaction level.</i></p> <p>ISO Name Local Instrument ISO Definition User community specific instrument.</p> <p>Usage: This element is used to specify a local instrument, local clearing option and/or further qualify the service or service level.</p> <p>XML Tag LclInstrm Type LocalInstrument2Choice</p>

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements
2.14	1..1	FITo FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Payment Type Information +++Local Instrument ++++Proprietary	<p>NPC Usage Rule(s) <i>Proprietary code PAPER mandatory to use if the Debtor Bank has processed payments based on a paper-initiated payment service (Envelope services).</i></p> <p>ISO Name Proprietary ISO Definition Specifies the local instrument, as a proprietary code.</p> <p>XML Tag Prtry Type Max35Text ISO Length 1 .. 35 NPC Length 1 .. 35</p>

For paper-initiated payments, the name and address of the debtor is mandatory and the data element 2.48 ("Postal Address") with sub-elements should be used, see illustration below.

#	NPC Mult	Message Element	Interbank Payment NPC Core Requirements	
2.48	0..1	FIto FICustomer Credit Transfer V02 +Credit Transfer Transaction Information ++Debtor +++Postal Address	<i>NPC Rulebook</i>	<i>AT-03 Address of the Originator Mandatory when Local Instrument PAPR is used.</i>
			ISO Name	Postal Address
			ISO Definition	Information that locates and identifies a specific address, as defined by postal services.
			XML Tag	PstlAdr
			Type	PostalAddress6

3.2 Clarification about the Return reason “By order of the Beneficiary”

Section 4.4 of the NCT scheme rulebook for Returns specifies that the Return procedure must not be used in cases where the Beneficiary’s account has already been credited and the Beneficiary wishes to return the funds. Instead, the procedure of initiating a new Credit Transfer applies.

On the other hand, the attribute AT-R3 ‘Reason code for non-acceptance of the NPC Credit Transfer’ in section 4.7.1 lists as possible Return reason “By order of the Beneficiary”.

Comparing this part of section 4.4 with the permitted Return reason, this may be interpreted as a contradiction in the NCT scheme rulebook.

However, the use of this specific Return reason is justified when the Beneficiary Bank acts on behalf of the Beneficiary following an instruction from the Beneficiary whereby the Funds have not yet been credited on the payment account of the Beneficiary but the interbank settlement for this Credit Transfer has already taken place.

3.3 Clarification about the NCT inquiry process

The NCT inquiry process is described in section 4.4 of the 2020 NCT scheme rulebook. The table below provides the NCT scheme participant with clarifications on several topics which the NCT scheme participant may be confronted with:

Concrete process questions		
1)	Is the NCT scheme participant obliged to use the ISO 20022 XML message based NCT inquiry process in case the Beneficiary Bank can be reached through another channel (e.g., via MT 19x message, a message format or channel agreed at national level)?	All NCT scheme participants must support the ISO 20022 XML messages as defined in the NCT interbank IGs both in the role of an Originator Bank and a Beneficiary Bank. If the Originator Bank has an agreement to send an NCT inquiry message about a NCT transaction through another channel or message standard with the Beneficiary Bank, it can use that alternative channel. Once a given NCT inquiry has been launched via an ISO 20022 XML message based on the NCT scheme interbank IG specifications, any future response message related to that NCT inquiry must also be sent as an ISO 20022 XML message following the NCT scheme interbank IG specifications. There cannot be a mixture of ISO 20022 XML messages and other message standards to handle an NCT inquiry. This would hinder certain automated process steps and complicate the audit trail.
2)	Which NCT transactions are subject to the NCT inquiry process?	Only for NCT transactions with a debit date within the 13 months preceding the submission date of the NCT inquiry.
3)	Can a single NCT Inquiry cover an entire bulk file of NCT transactions?	No, the section 4.4.1 of the NCT rulebook lists the main characteristics of an NCT inquiry irrespective of the type of NCT inquiry. The inquiry message covers only a single initial NCT transaction or a reminder to a single earlier issued NCT inquiry.

Concrete process questions		
4)	How must an Originator Bank interpret the interbank positive response to a claim of non-receipt inquiry from the Beneficiary Bank?	The Beneficiary Bank confirms that it has credited the initial NCT transaction on the account of the Beneficiary and also provides the Originator Bank with the date on which this NCT transaction has been credited.
5)	As of when the Originator Bank can send a request for a status update about an original NCT inquiry to the Beneficiary Bank? Is there a maximum number of requests for a status update that can be sent?	The Beneficiary Bank is obliged to respond to the original NCT inquiry within the 10 Banking Business Days after it has received this NCT inquiry. Not respecting this deadline is a breach against the NCT rulebook. It is at the discretion of the Originator Bank to send such (multiple) request(s) for a status update after 10 Banking Business Days after the receipt of the NCT inquiry. Nevertheless, the use of the request for a status update should be minimized as it creates workload for the Beneficiary Bank to handle each request.
6)	Does the Beneficiary Bank have to respond to a request for a status update if it has already responded to the original inquiry?	No, the Beneficiary Bank does not have to respond to such request as it has already responded to the initial inquiry. The interbank response from the Beneficiary Bank and the request for a status update from the Originator Bank may have crossed each other.
7)	The Beneficiary Bank is obliged to respond to the original NCT inquiry within the 10 Banking Business Days after it has received this NCT inquiry. Does this mean that any charge and/or interest compensation that the Beneficiary Bank may ask, should also be settled within this deadline?	The aim of the NCT inquiry is to get information about the concrete fate of the original NCT transaction, i.e. has the Beneficiary Bank well received it and/or has it applied the correct value date. All subsequent actions to correct the current status of the NCT transaction should be done as soon as possible to reduce further friction for the Originator and the Beneficiary. However, these subsequent actions may not be realized within this period of 10 Banking Business Days depending on the complexity of the concrete correction itself, the number of interbank parties to be involved and the internal approvals that each NCT scheme participant may require to authorise this correction.

Interest compensation and fees for NCT inquiries		
8)	In which situations can a Beneficiary Bank charge a fee for handling the NCT inquiry?	The published interbank IGs for the 2020 NCT scheme rulebook point out that only for positive interbank responses to an NCT inquiry, the Beneficiary Bank can charge a fee from the Originator Bank.
9)	In which situations is a Beneficiary Bank allowed to ask for an interest compensation for the NCT inquiry?	Only in case a positive rate is applied to correct the value date. The rate to be applied follows the local principals based on the currency used in the original NPC Credit Transfer.
10)	How should the Originator Bank settle the interest compensation and/or any other fees requested by the Beneficiary Bank?	The payment of the interest compensation and, if applicable charges, is to be effectuated according to the current interbank practices related to such matters. When paying the interest compensation and, if applicable charges, the Originator Bank must provide 'AT-81 The specific NCT inquiry reference of the Participant initiating the NCT inquiry' in order to allow the Beneficiary Bank to allocate the payment to the right case." The element 'Financial Institution Identification' is to be used under element 'Creditor Agent' (interest compensation) or 'Agent' (charges) as follows:

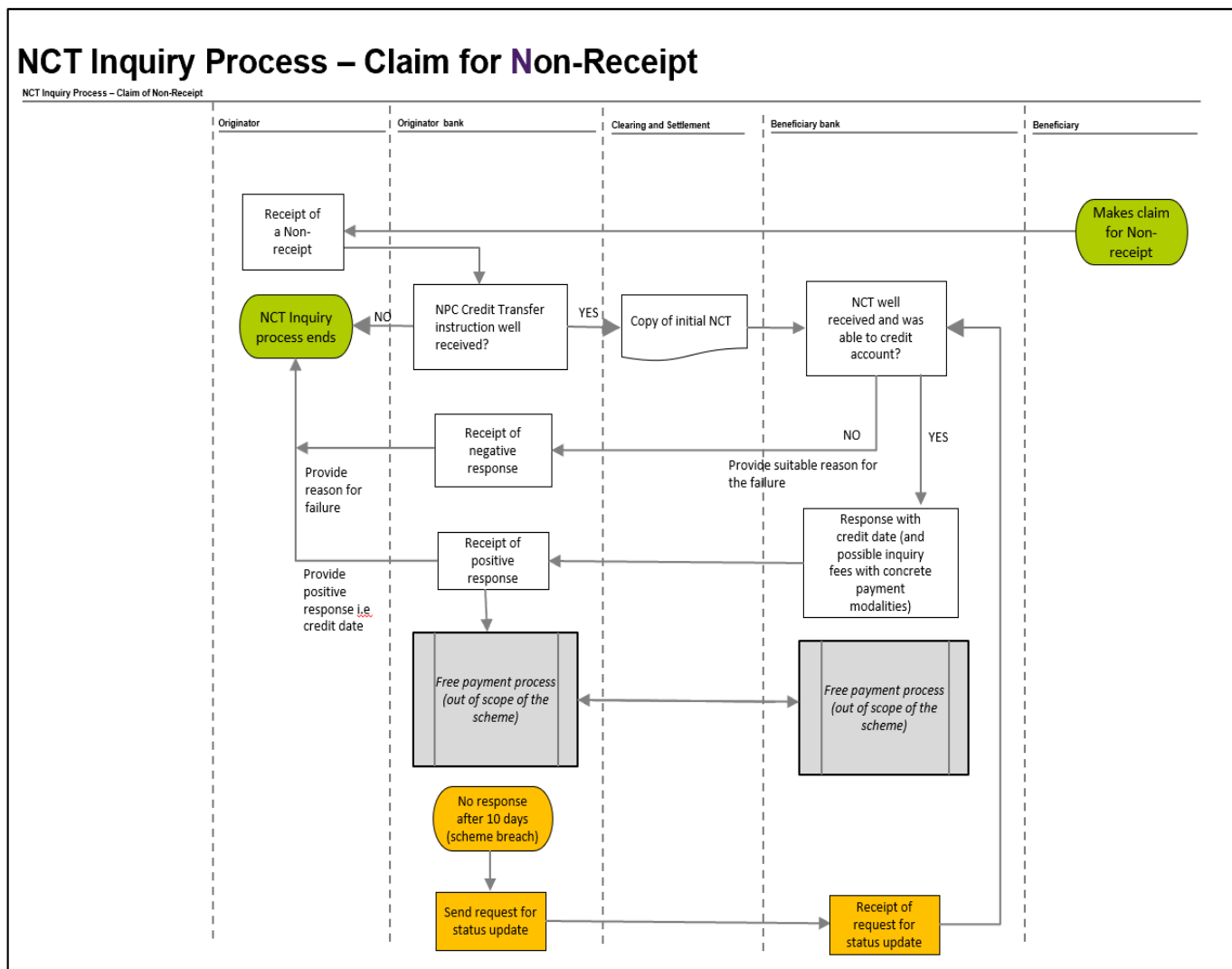
Interest compensation and fees for NCT inquiries

		<ul style="list-style-type: none"> • Mandatory use of element 'BICFI' to instruct the BIC of the Beneficiary Bank. • Optional use of element 'Other/identification' to instruct the IBAN of the Beneficiary Bank (note: no other information can be provided here).
11)	<p>In case of an NCT inquiry "Claim for Value Date Correction", the Beneficiary Bank is allowed to claim first the receipt of an interest compensation and possibly also a fee for handling the NCT inquiry, before it will execute the value date correction.</p> <p>When the Beneficiary Bank communicates back to the Originator Bank that it has well received the interest compensation and the new value date of the NCT transaction, can the Beneficiary Bank ask a second fee for handling this specific NCT inquiry?</p>	<p>The Beneficiary Bank reports at just one occasion the total amount in fees for handling such NCT inquiry: either at the moment it communicates the claim to receive first the interest compensation before executing the value date correction, or at the moment it communicates that the value date correction has been done.</p>

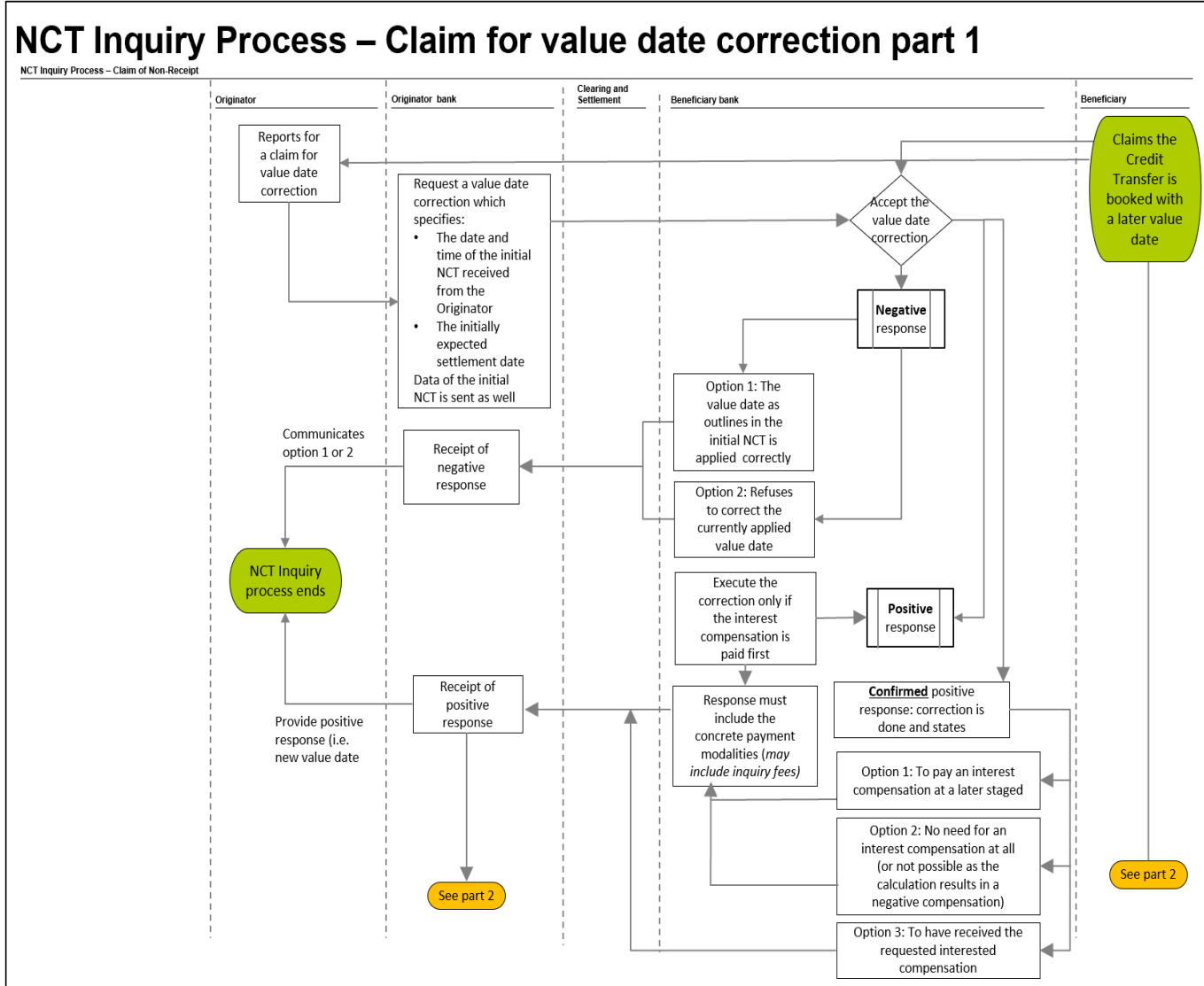
3.4 Schematic workflows of the NCT inquiry process

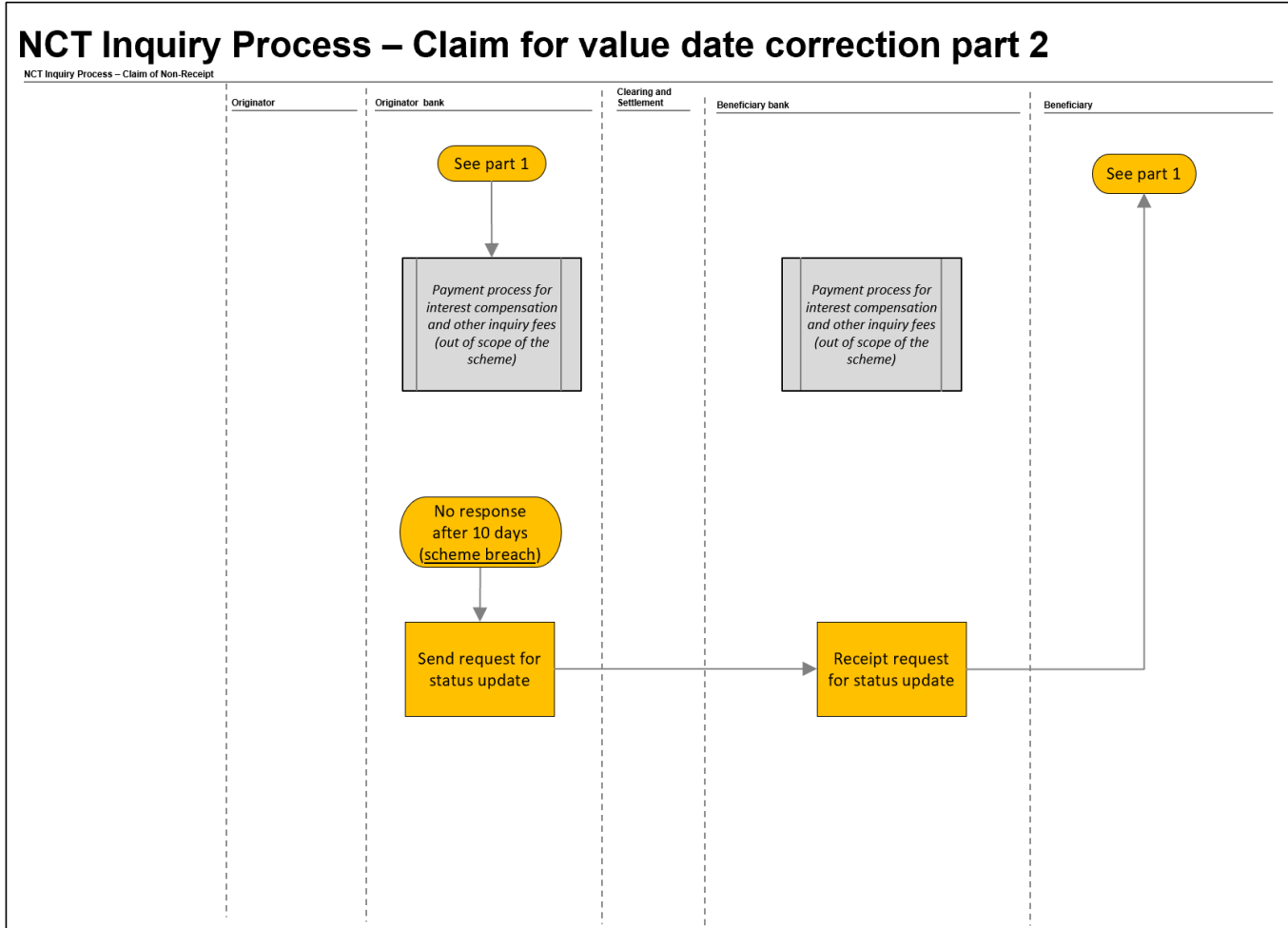
The workflows below can assist the NCT scheme participants in their implementation of the NCT inquiry process and in the day-to-day handling of NCT inquiries for a Claim of Non-Receipt, a Claim for Value Date Correction and the related responses.

3.4.1 Claim for Non-Receipt



3.4.2 Claim for value date correction





3.5 NCT inquiry procedure ‘Claim for Value Date Correction’: workaround for the Beneficiary Bank to charge administrative fees prior to the value date correction

NCT scheme participants have reported that for a positive response to a ‘Claim for Value Date Correction’, it is impossible for a Beneficiary Bank to claim its administrative fees for a value date correction prior to the correction of the value date.

The NCT Interbank IGs specify that the option of charging such fees prior to the correction, is only possible in combination with the Beneficiary Bank also claiming an interest compensation amount at the same time. When the Beneficiary Bank does not want or cannot² demand such interest compensation amount, the Beneficiary Bank technically cannot claim its administrative fees prior to the correction of the value date.

The Beneficiary Banks can do the following in such case to temporarily address this limitation: since the data element ‘Charges/Amount’ can only be populated if the data element ‘Compensation/Amount’

² Given the current negative interbank interest rates, this will rarely happen

has been populated as well, the Beneficiary Bank will populate the value '0.01 of a scheme currency' in data element 'Compensation/Amount' (element 9.5) in the camt.029 message.

3.5.1 Additional clarification regarding the timeline for responding to a Claim for Value Date Correction

The rulebook stipulates that “The Beneficiary Bank has to provide a response to-NCT-inquiry message about the concerned SCT inquiry within 10 Banking Business Days after it has received the NCT inquiry message”. In case of a first positive response (camt.029) requesting payment of an interest compensation and followed by a second one to confirm, please note that the above timeframe only applies to the first response, which reflects the position of the Beneficiary Bank. This in view of the fact that the aim of the NCT inquiry is to get information about the concrete fate of the original NCT transaction, i.e. has the Beneficiary Bank applied the correct value date.

The payment of the interest compensation and consequently the confirmed positive response are not included in this timeframe. However, these should be done as soon as possible to reduce further friction for the Originator and the Beneficiary.