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

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Public

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.

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 document replaces version 1.1 of NPC017-01.

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Version History

Version	Date	Edited by	Comments
1.0	2020-08-20	NPC	Decided version at the Scheme Management Committee (SMC) 20th of August 2020
1.1	2021-04-30	NPC	Updates agreed by NCT & NCT Inst WG 29 Mars 2021. New layout first and second page, change in section 2.2 and change 'answer' to 'response' throughout the document.
2.0	2022-12-21	NPC	Updates agreed by NCT & NCT Inst WG based on changes made in NCT & NCT Inst Rulebooks 2023 version and clarifications needed.

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 domestically. 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."**

Cross-border opt-out can be chosen for either Credit Transfer Transactions, Instant Credit Transfer Transactions, or both. NPC Scheme participants adhere to the Schemes per BIC which means that the opt-out option must be chosen per BIC.

One reason for opt-out from receiving Cross-Border Transactions could be that the PSP only wants to send and receive domestic transactions in domestic currency.

A Cross-border Credit Transfer Transaction is defined a Credit Transfer Transaction where the PSP of the Originator and the Beneficiary are located in different countries and the country code of the Originator's IBAN is different than the country code of the Beneficiary's IBAN (IBAN Country Code is determined by looking at position 1,2 of the IBAN)[1].

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[1] "Local country regulations may apply to determine cross border payments from a tax reporting perspective"

Note: Since the commonwealth Denmark consist of Denmark, Faroe Islands and Greenland all these countries use Denmark's Central Bank, Nationalbanken, for settlement. Because of that an exception to the Cross-border Credit Transfer description above is when the first two characters of the IBAN are 'DK', 'FO' and 'GL'. In such cases, even though the country code between the Originator and Beneficiary IBAN may differ, credit transactions between these IBANs are not considered as Cross-border.

2.1.1   Example of a domestic NCT or NCT Inst Credit Transfer:

Originator PSP BIC	Beneficiary PSP BIC	Originator /IBAN country code	Beneficiary /IBAN country code	Currency	Domestic	Cross border	Opt out Possibiity	Type
SE	SE	SE	SE	SEK	x			NCT/NCT Inst
DK	SE	SE	SE	SEK	x			NCT/NCT Inst
DK	DK	DK	DK	DKK	x			NCT/NCT Inst
MT	SE	SE	SE	SEK	x			NCT/NCT Inst

Note: A PSPs primary BIC will typically point to the country where they have their primary operations/licence. They can however within the EU conduct banking activities without establishing a branch. As a result of this we can, e.g., see non-Swedish BICs as participants in the Swedish RTGS.

2.1.2   Example of a Cross-border NCT or NCT Inst Credit Transfer:

Originator PSP BIC	Beneficiary PSP BIC	Originator /IBAN country code	Beneficiary /IBAN country code	Currency	Domestic	Cross border	Opt out Possibiity	Type
SE	DK	SE	DK	DKK		x	x	NCT/NCT Inst
DK	SE	DK	SE	SEK		x	x	NCT/NCT Inst
SE	DK	SE	DK	SEK		x	x	NCT/NCT Inst
DK	SE	DK	SE	DKK		x	x	NCT/NCT Inst

2.2 Handling of Alias, Proxy or National Account Number Structure

In the NCT and NCT Inst Implementation Guidelines there are specific defined elements for Alias, Proxy and National Account Number (commonly referred to as BBAN) and Originator PSP must forward Beneficiary's Alias, Proxy or National Account Number when initiating the payment. Originator PSP needs to resolve the Beneficiary's Alias, Proxy or National Account Number into IBAN and verify OCR/KID/reference. The payment is to be rejected if OCR/KID/reference is incorrect.

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

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

Reference is made to the section 1.4 of the Inter-PSP and Customer-to-PSP Implementation Guidelines (IGs) of the NCT and NCT Inst Scheme Rulebooks.

- PSPs must be allowed to use the character set currently in use at national level,

- PSPs cannot be required to support the full character set.

Therefore:

- The ISO 20022 XML messages allow for the full range of global language requirements (UTF-8).

- 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

- References, identifications and identifiers must respect the following:

  o Content is restricted to the Latin character set as defined above

  o Content must not start or end with a '/'

  o Content must not contain '//'s

- 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 PSP or of the Beneficiary PSP, 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 amount in any of the scheme currencies of the initial NCT/ NCT Inst instruction (except for Recall, see section 2.7 below).

2.5 Recommended Customer-to-PSP Implementation Guidelines and Recommendation of PSP-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-PSP and Recommendation of customer reporting Implementation Guidelines.

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

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

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

The positive response of the Beneficiary PSP 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 PSP 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 PSP.

In exceptional cases, the currency conversion loss can be settled outside the Recall or RFRO 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 PSP?

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

PSP. 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 PSP, 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 PSP.

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 (i.e, in addition to their names):

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/NCT Inst 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** one occurrence of structured remittance information. If the Originator PSP 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 Structured Address

From 1 May 2023 for NCT and 19 November 2023 for NCT Inst until the in-effect date[2] for NPC payment Schemes 2025 version the following applies:

During this period, Payment Service Users (PSUs) are allowed to send a structured address

- Of the Originator (Ultimate Debtor and Debtor), in NCT and NCT Inst transactions, and/or
- Of the Beneficiary (Ultimate Creditor, Creditor) in NCT and NCT Inst transactions

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[2] NPC have not yet decided on the exact in effect date for NCT & NCT Inst Scheme Rulebooks in November 2025.

in **electronic Customer-to-PSP files** based on at least the relevant NPC Customer-to-PSP Implementation Guidelines (IGs) for NCT**.** These IGs define the rules to be applied to the ISO 20022 standard-based XML payment messages for the implementation of NCT in the Customer-to-PSP space.

As of 1 May 2023, for NCT and 19 November 2023 for NCT Inst, also **NPC payment scheme participants** are **allowed** to provide structured addresses in their Inter-PSP ISO 20022 standard-based XML NCT and NCT Inst payment messages and any related r-transaction messages where applicable.

In practice, **all NPC payment scheme participants** concerned **must support the acceptance and the delivery of structured addresses** when Payment Service Users and other scheme participants want to have a structured address in their outgoing and incoming NPC payment transactions. From 1 May 2023 for NCT Inst and 19 November 2023 for NCT and onwards, the NPC payment scheme participants concerned cannot reject NPC payment transactions only due to the inclusion of a structured address.

The use of an unstructured address will still be possible and supported by the NPC payment schemes until the in-effect date of NPC payment scheme version 2025.

Note: Address line is not to be used after the in-effect date of NPC payment schemes version 2025, only structured postal address elements must be used. From that date, the use of an unstructured address will no longer be allowed and will hence lead to rejects.

2.11   Provision of country-related information in the inter-PSP 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 PSP or the Beneficiary PSP 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 Inter-PSP Implementation Guidelines (IGs) define the usage rules for the data element 2.55 ("Postal Address") selected for AT-03 (Address of the Originator) and its sub-data elements 2.70 ("Country") and 2.71 ("Address Line").

#	NPC Mult	Message Element	Inter-PSP Payment NPC Core Requirements	
2.55	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Debtor +++Postal Address	*NPC Rulebook* *NPC Usage Rule(s)*	*AT-03 The address of the Originator.* *Mandatory when the Originator PSP or the Beneficiary PSP is located in non-EEA SEPA country or territory.* *Mandatory when Local Instrument PAPR is used. If a Postal Address sub-element other than 'Address Line' and 'Country' is used, then 'Address Line' is forbidden. A combination of Address Line and Country is allowed. If 'Address Line' is not used, then at least Town Name and Country must be used. Address line is not to be used after 2025. Only structured postal address elements must be used.*
			ISO Name	Postal Address
			ISO Definition	Information that locates and identifies a specific address, as defined by postal services.
			XML Tag	PstlAdr
			Type	PostalAddress24

2.70	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Debtor +++Postal Address ++++Country	*ISO Name* *ISO Definition* *XML Tag* *Type* *Pattern*	Country Nation with its own government. Ctry CountryCode [A-Z]{2,2}
2.71	0..2	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Debtor +++Postal Address ++++Address Line	*NPC Usage Rule(s)* *ISO Name* *ISO Definition* *XML Tag* *Type* *ISO Length* *NPC Length*	*Only two occurrences are allowed.* *If 'Address Line' is used, then 'Postal Address' sub-elements other than 'Country' are forbidden. A combination of 'Address Line' and 'Country' is allowed.* *Address line is not to be used after 2025. Only structured postal address elements must be used.* Address Line Information that locates and identifies a specific address, as defined by postal services, presented in free format text. AdrLine Max70Text 1 .. 70 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. See section 2.10 for more information about Structured Address.

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. If an unstructured address has been used, then the presence of the 'Country' element is mandatory. Any other interpretation would complicate an accurate and automated check on the country information at the Beneficiary PSP.

Such difference in interpretations can lead 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".

Under the current applicable NCT and NCT Inst Inter-PSP 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'.

Note: Address line is not to be used after the in-effect date of NPC payment schemes 2025 version, only structured postal address elements must be used.

2.12   Usage of Country of Residence

The NPC recommends the usage of Country of Residence for ultimate debtor and debtor. The two data elements 2.50 and 2.94 for NCT (2.38 and 2.82 for NCT Inst) have been included to use in the NCT and NCT Inst Rulebook as optional fields.

2.50	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Ultimate Debtor +++Country Of Residence	ISO Name	Country Of Residence
			ISO Definition	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.
			XML Tag	CtryOfRes
			Type	CountryCode
			Pattern	[A-Z]{2,2}

2.94	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Debtor +++Country Of Residence	ISO Name	Country Of Residence
			ISO Definition	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.
			XML Tag	CtryOfRes
			Type	CountryCode
			Pattern	[A-Z]{2,2}

2.13   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-PSP (C2B) means for an Originator to initiate the r-transaction	By any C2B means	
Inter-PSP message to initiate the r-transaction	Camt.056	
Party that can initiate or request the initiation of the r-transaction	1. Originator; 2. Originator PSP.	Originator
Time criterion to respect to initiate the r-transaction	Originator PSP must initiate the Recall within the period of • 10 Banking Business Days for the reasons 'Duplicate sending' and 'Technical problems resulting in an erroneous SCT (Inst)'; • 13 months for the reason 'Fraudulent originated SEPA Credit Transfer/SCT Inst' following the execution date of the initial	The debit date of the original NCT (Inst) transaction falls within the 13 months preceding the date at which Originator PSP receives the RFRO

	Recall	RFRO
	SCT or SCT Inst transaction subject to the Recall.	
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; 3. By request of the Originator without any reason specified.
Timespan for the Beneficiary PSP to respond to the r-transaction	Within 15 Banking Business Days after the Beneficiary PSP received the r-transaction. The Beneficiary PSP is in breach with the NCT (Inst) scheme rulebook if it has not responded to the r-transaction within this specific timespan. If the Beneficiary PSP has received no response from the Beneficiary to this r-transaction within this timespan, the Beneficiary PSP must send a negative response with the reason "No response from the Beneficiary" to the Originator PSP.	
Phase 2a: negative response to the r-transaction		
Inter-PSP negative respons message	Camt.029	
Party instructing the negative response	1. **Beneficiary** in case it refuses the r-transaction, claims to have never received the initial NCT (Inst) transaction, disputes the monetary amount requested by the Originator or the Originator PSP, or has already transferred back the funds; 2. **Beneficiary PSP** 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 response to the r-transaction		
Inter-PSP positive response message	Pacs.004	
Party instructing the positive response	1. Beneficiary; Beneficiary PSP if legally possible (or on the basis of an agreement with the Beneficiary).	Beneficiary
Phase 2c: no response from the Beneficiary PSP		
Request for status update	Pacs.028	
Timespan for the Beneficiary PSP to response to the request for status update	See *"Timespan for the Beneficiary PSP to response to the r-transaction"* under Phase 1.	
Inter-PSP negative response message to the request for status update	See phase 2a.	
Inter-PSP positive response message to the request for status update	See phase 2b.	

2.14   Request for Recall by the Originator

The aim of this clarification is to highlight to NCT and NCT Inst scheme participants the possibility of a Request for Status Update under RFRO;

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').

2.15   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. The Beneficiary may provide the purpose code "RRCT" (Reimbursement Received Credit Transfer). The Beneficiary can use the Remittance Information attribute (AT-05) to include the reference which the Originator mentioned him/herself in his/her initial SCT (Inst) instruction, in the SCT (Inst) transaction to transfer back funds to the Originator.

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 PSP-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 PSP 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-PSP NCT and NCT Inst Implementation Guidelines (IGs) 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:
    o There is a bilateral agreement between the Beneficiary and the Beneficiary PSP of the original transaction; **and**
    o The delivery of a reference as agreed with and given by the Beneficiary PSP of the original transaction (e.g., the 'Account Servicer Reference' of the camt.052/053/054). The Beneficiary PSP is now the Originator PSP of the Transfer Back transaction.
- To be used only if the category purpose code is "RRCT"

The code RRCT is a (inter-PSP) category purpose code (i.e. AT-45) and a new (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 PSP 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-PSP pain.001 message (i.e. AT-44) and relevant inter-PSP 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. This code being mandatorily present in the pain.001 message also must be present in the related inter-PSP pacs.008 message.

2.16   NCT and NCT Inst r-transaction reason codes

The NCT/NCT Inst scheme rulebook attribute AT-R3 'The Reason Code for Non-Acceptance of the NPC Credit Transfer/NCT Inst' outlines the possible reasons for the non-acceptance of an NCT/NCT Inst transaction.

This rulebook attribute explicitly points out that the documents NPC019-01 'Guidance on reason codes for NCT R-transactions' and NPC020-01 'Guidance on reason codes for NCT Inst R-transactions' **pre-scribe** which ISO code the CSM and the Beneficiary PSP should use for each of the reasons mentioned for the r-transaction types NCT/NCT Inst Reject and NCT Return.

All Beneficiary PSPs are reminded that they are **obliged** to use the correct R-transaction reason codes described in the documents NPC019-01 and NPC020-01.

Originators and Originator PSPs can consult the documents NPC019-01 'Guidance on reason codes for NCT R-transactions' and NPC020-01 'Guidance on reason codes for NCT Inst R-transactions' to correctly interpret the reason codes given in the R-transaction related to their unsuccessful initial NCT/NCT Inst transaction. These documents also provide the Originators and the Originator PSPs with suggested actions for each NCT/NCT Inst R-transaction reason code.

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 inter-PSP 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 1.26 and 1.28 should be used illustrated below.

#	NPC Mult	Message Element	Inter-PSP Payment NPC Core Requirements	
1.26	0..1	FITo FICustomer Credit Transfer V08 +Group Header ++Payment Type Information +++Local Instrument	*NPC Usage Rule(s)*	*Must be used if the Debtor PSP has processed payments based on paper initiated payment service (Envelope service) either on group or transaction level.*
			ISO Name	Local Instrument
			ISO Definition	User community specific instrument.
				Usage: This element is used to specify a local instrument, local clearing option and/or further qualify the service or service level.
			XML Tag	LclInstrm
			Type	LocalInstrument2Choice

1.28	1..1	FITo FICustomer Credit Transfer V08 +Group Header ++Payment Type Information +++Local Instrument ++++Proprietary	*NPC Usage Rule(s)*	*Proprietary code PAPR must be used if the Debtor PSP has processed payments based on paper-initiated payment service (Envelope service).*
			ISO Name	Proprietary
			ISO Definition	Specifies the local instrument, as a proprietary code.
			XML Tag	Prtry
			Type	Max35Text
			ISO Length	1 .. 35
			NPC Length	*1 .. 35*

For the 'Credit Transfer Transaction Information' data elements 2.13 and 2.15 should be used illustrated below.

2.13	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Payment Type Information +++Local Instrument	*NPC Usage Rule(s)*	*Mandatory to use if the Debtor PSP has processed payments based on a paper-initiated payment service (Envelope service) either on group or transaction level.*
			ISO Name	Local Instrument
			ISO Definition	User community specific instrument.
				Usage: This element is used to specify a local instrument, local clearing option and/or further qualify the service or service level.
			XML Tag	LclInstrm
			Type	LocalInstrument2Choice

2.15	1..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Payment Type Information +++Local Instrument ++++Proprietary	*NPC Usage Rule(s)*	*Proprietary code PAPR mandatory to use if the Debtor PSP has processed payments based on paper-initiated payment service (Envelope services).*
			ISO Name	Proprietary
			ISO Definition	Specifies the local instrument, as a proprietary code.
			XML Tag	Prtry
			Type	Max35Text
			ISO Length	1 .. 35
			NPC Length	*1 .. 35*

For paper-initiated payments, the name and address of the debtor is mandatory and the data element 2.55 ("Postal Address") with sub-elements should be uses, see illustration below.

#	NPC Mult	Message Element	Inter-PSP Payment NPC Core Requirements	
2.55	0..1	FITo FICustomer Credit Transfer V08 +Credit Transfer Transaction Information ++Debtor +++Postal Address	*NPC Rulebook*	
			NPC Usage Rule(s)	*AT-03 The address of the Originator. Mandatory when the Originator PSP or the Beneficiary PSP is located in non-EEA SEPA country or territory.* *Mandatory when Local Instrument PAPR is used.* *If a Postal Address sub-element other than 'Address Line' and 'Country' is used, then 'Address Line' is forbidden. A combination of Address Line and Country is allowed. If 'Address Line' is not used, then at least Town Name and Country must be used.* *Address line is not to be used after 2025. Only structured postal address elements must be used.*
			ISO Name	Postal Address
			ISO Definition	Information that locates and identifies a specific address, as defined by postal services.
			XML Tag	PstlAdr
			Type	PostalAddress24

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 PSP 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 inter-PSP 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 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 PSP 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 inter-PSP IGs both in the role of an Originator PSP and a Beneficiary PSP. If the Originator PSP has an agreement to send an NCT inquiry message about a NCT transaction through another channel or message standard with the Beneficiary PSP, it can use that alternative channel. Once a given NCT inquiry has been launched via an ISO 20022 standard-based XML message based on the NCT scheme inter-PSP IG specifications, any future response message related to that NCT inquiry must also be sent as an ISO 20022 standard-based XML message following the NCT scheme inter-PSP IG specifications. There cannot be a mixture of ISO 20022 standard-based XML messages and other message standards to handle an NCT inquiry.

Concrete process questions

		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?	The inquiry message for the reasons 'Claim of Non-Receipt' and 'Claim for Value Date Correction' concerns a **single** initial NCT Credit Transfer only. If several initial NCT Credit Transfers are concerned, then several NCT inquiry messages must be sent.
		The inquiry message for the reason 'Request for Status Update' can refer to one single NCT inquiry, **or** to several NCT inquiries.
4)	How must an Originator PSP interpret the inter-PSP positive response to a claim of non-receipt inquiry from the Beneficiary PSP?	The Beneficiary PSP confirms that it has credited the initial NCT transaction on the account of the Beneficiary and also provides the Originator PSP with the date on which this NCT transaction has been credited.
5)	As of when the Originator PSP can send a request for a status update about an original NCT inquiry to the Beneficiary PSP?	The Beneficiary PSP 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.
	Is there a maximum number of requests for a status update that can be sent?	It is at the discretion of the Originator PSP 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 PSP to handle each request.
6)	Does the Beneficiary PSP have to respond to a request for a status update if it has already responded to the original inquiry?	No, the Beneficiary PSP does not have to respond to such request as it has already responded to the initial inquiry.
		The inter-PSP response from the Beneficiary PSP and the request for a status update from the Originator PSP may have crossed each other.
7)	The Beneficiary PSP is obliged to respond to the original NCT inquiry within the 10 Banking Business Days after it has received this NCT inquiry.	The aim of the NCT inquiry is to get information about the concrete fate of the original NCT transaction, i.e., has the Beneficiary PSP well received it and/or has it applied the correct value date.
	Does this mean that any charge and/or interest compensation that the Beneficiary PSP may ask, should also be settled within this deadline?	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 inter-PSP 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 PSP charge a fee for handling the NCT inquiry?	The published inter-PSP IGs for the NCT scheme rulebook point out that only for **positive** inter-PSP responses to an NCT inquiry, the Beneficiary PSP can charge a fee from the Originator PSP.
9)	In which situations is a Beneficiary PSP 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 PSP settle the interest compensation and/or any other fees requested by the Beneficiary PSP?	Via the dataset DS-11 *Inter-PSP Fee and/or Compensation Payment Dataset* (see the sections 4.4.4 and 4.5.11 in NCT Rulebook). Further important clarifications about the implementation of the DS-11 are provided in section 3.4 below.
11)	In case of an NCT inquiry "Claim for Value Date Correction", the Beneficiary PSP 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. When the Beneficiary PSP communicates back to the Originator PSP that it has well received the interest compensation and the new value date of the NCT transaction, can the Beneficiary PSP ask a second fee for handling this specific NCT inquiry?	The Beneficiary PSP 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.

3.4   Implementation of the dataset DS-11 'Inter-PSP Fee and/or Compensation Payment Dataset'

The 2023 NCT scheme rulebook includes the new dataset DS-11 'Inter-PSP Fee and/or Compensation Payment Dataset' (see the sections 4.4.4 and 4.5.11 of the 2023 rulebook). As of 1 May 2023, the Originator PSP can use this dataset to pay the Beneficiary PSP a fee (in case of a positive response to an NCT inquiry for the reasons 'Claim of Non-Receipt' and 'Claim for Value Date Correction') and/or interest compensation (resulting from a positive response to an NCT inquiry for the reason 'Claim for Value Date Correction') to finally resolve a NCT inquiry.

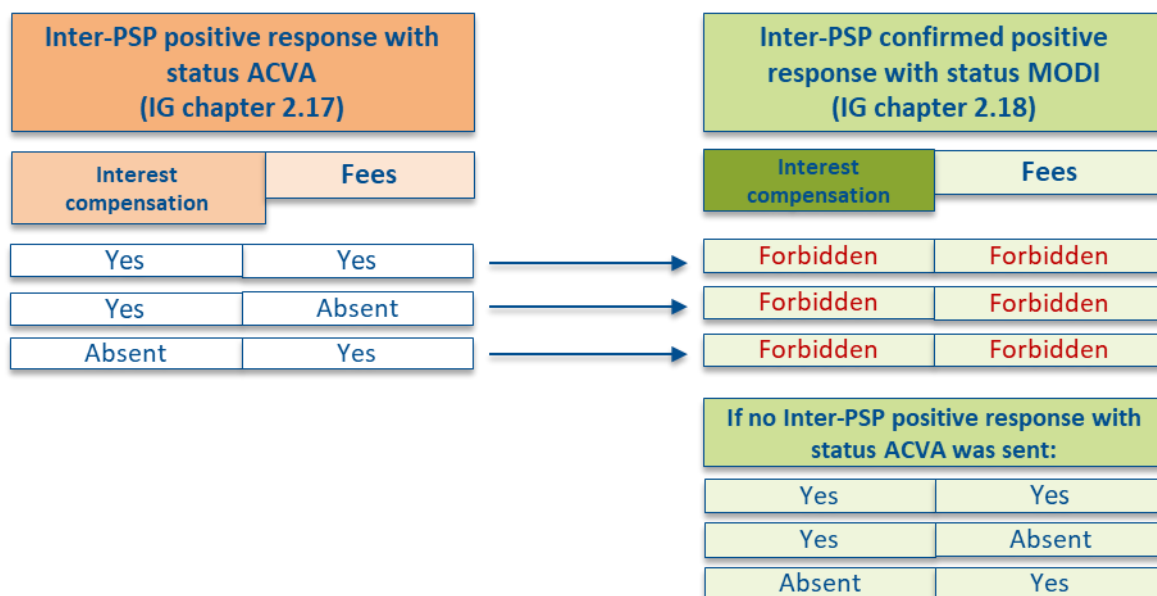Important main specifications for the implementation of DS-11:

- NCT scheme participants may agree (e.g., on a bilateral or community/country basis) to use another practice outside the NCT scheme to settle such payments. But to ensure a minimal standard at a Nordic level, all scheme participants must implement the DS-11 pacs.008 message (i.e. at least the DS-11 'Credit Transfer Transaction Information' block in case of a DS-02/DS-11 mix) as described in section 2.19 of the NCT IGs.
- The Originator PSP can send a mix of NCT transactions based on the dataset DS-02 'The Inter-PSP Payment Dataset' and DS-11 in a single pacs.008 message.
- The Beneficiary PSPs may agree on a bilateral basis with their CSM on how the DS-02/DS-11 transactions will be sent to them (e.g., via dedicated DS-02/DS-11 files or mixed files).
- DS-11 is used to settle the NCT inquiry fee and/or interest compensation payments for a single NCT inquiry case **or** for multiple NCT inquiry cases unlike to what is specified in the 'Rules applied' section of DS-11 in the NCT scheme rulebook.

3.5   Clarifications on how to claim and to pay the interest compensation and/or the Inter-PSP fee under the NCT Inquiry procedure

The section 4.4.2 of the NCT scheme rulebook stipulates that the Beneficiary PSP reports at just one occasion the total amount in interest compensation and/or fees for handling an NCT inquiry for the reason 'Claim for Value Date Correction': either at the moment it communicates the claim to receive first the interest compensation and/or the fee before executing the value date correction, or at the moment it communicates that the value date correction has been done.

This business rule has been translated in the technical message specifications of the sections _2.17 Inter-PSP Positive Response to Claim for Value Date Correction (DS-10)_ and _2.18 Inter-PSP Confirmed Positive Response to Claim for Value Date Correction (DS-10)_ of the NCT Inter-PSP IGs.

The following diagram shows how the Beneficiary PSP can use the camt.029 message to claim an interest compensation and/or Inter-PSP fee when responding positively to the relevant NCT inquiry:

Some NCT scheme participants question how the Beneficiary PSP can indicate in the camt.029 message that the inquiry fees and the interest compensation are to be paid in two separate payments or in just one payment, and in case of two payments, how to indicate these payments are to be paid to two different accounts.

The Originator PSP will make two payments only when the Beneficiary PSP mentions two different accounts in its camt.029 message.

It is the decision of the Originator PSP to make just one payment, even if the Beneficiary PSP mentions in its camt.029 message the same account number for both the inquiry fee and the interest compensation.

When the Beneficiary PSP wants to receive two payments, it also must realize that the Originator PSP may send these two payments in just one pacs.008 message or in two different pacs.008 messages.

The following diagram shows the possibilities for the Originator PSP allowed under the NCT Inter-PSP IGs, to send NCT inquiry fee and interest compensation payments via pacs.008 messages:

Info in camt.029	
Interest compensation	Fees

Yes	Yes
Account A	Account A

Yes	Yes
Account B	Account C

Possibilities for Originator PSP

2 payments in pacs.008

2 payments in pacs.008

1 payment in pacs.008

Then in pacs.008 (DS-11)	
Interest compensation	Fees

Interest compensation	Fees
Payment **INTE**	Payment **FCOL**
Payment **INTE**	Payment **FCOL**
Payment **FCIN**	

2 payments in pacs.008

2 payments in pacs.008

Payment **INTE**	Payment **FCOL**
Payment **INTE**	Payment **FCOL**