



One-Leg Out (OCT Inst), a scheme-based approach to instant international cross-border payments

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International cross-border payments, available options and approaches being tested



1. Correspondent banking (bilateral agreements)
2. Interlinking agreements between RTGS/ACHs/IPS
3. Centralized, hub'n'spoke approach
4. Fully distributed approaches e.g. DLT-based
5. (a combination thereof)

Why to define a scheme-based approach for international cross-border payments?



- A change request to SCT Inst already received in 2017

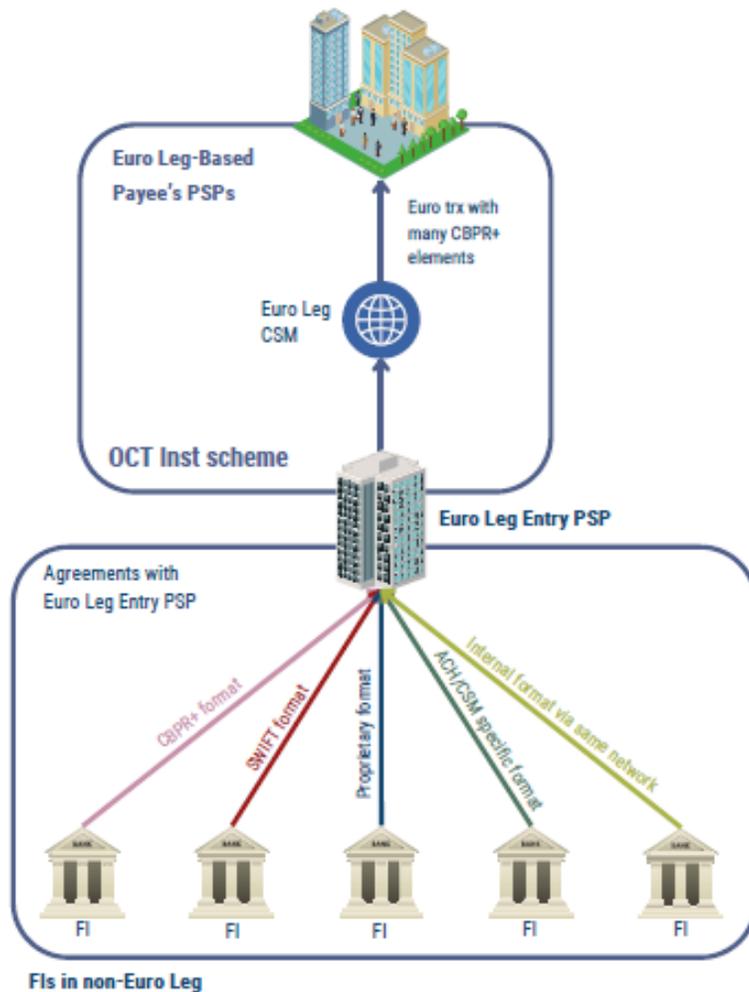
- Practical opportunity broadly supported by the EPC PSPs community, related to:
 - The massive SCT Inst PSPs base in SEPA and growing volumes
 - Global convergence on ISO20022 standard
 - Growing number of countries (64+) with an IP infrastructure

- High-level policy objectives
 - G20 objectives / FSB targets on increasing speed, cost, transparency, access
 - EC and Eurosystem policy vision on the ‘international role of the Euro’

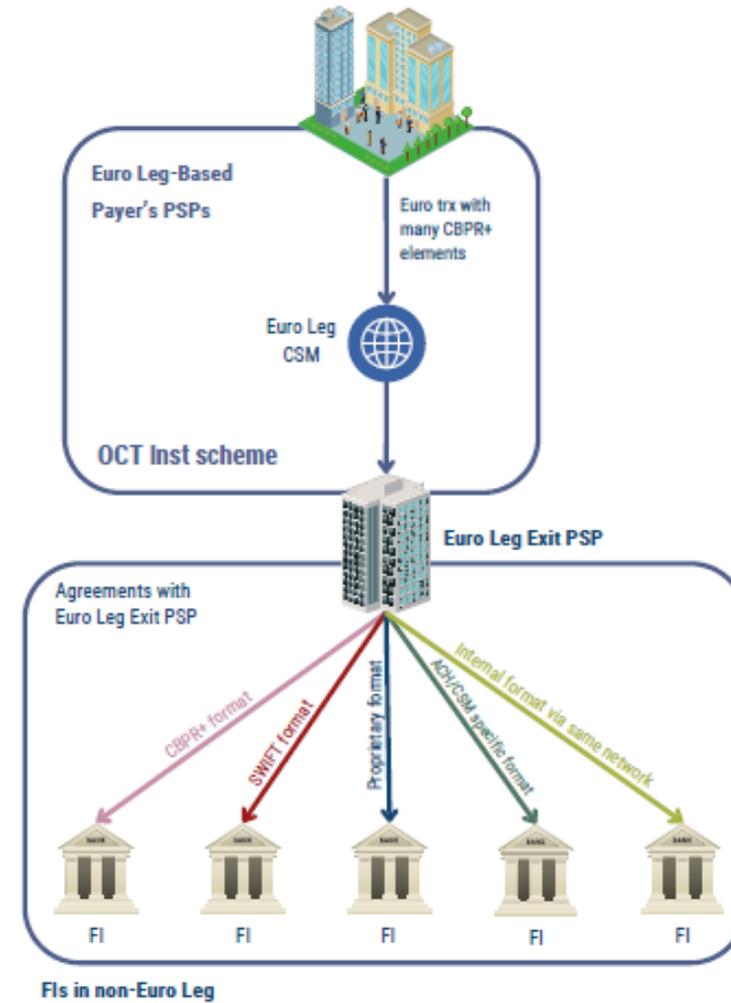


How the One-Leg Out scheme (OCT Inst) works

INCOMING FLOWS



OUTGOING FLOWS



The advantages of a scheme-based approach based on OLO scheme (OCT Inst)



- OLO scheme (OCT Inst) **builds upon key characteristics** of **SEPA Instant Payments (SCT Inst)** i.e.
 - Speed: 100% below 10 sec, ar. 99% below 5 secs
 - Access (reachability): 62% of PSPs at SEPA level, 15% of CT volumes before the new IP regulation, already fulfilling speed and costs
 - Costs (relatively low depending on SEPA country, and expected to decrease as an effect of IP Regulation)
- On top of these, the **OLO scheme (OCT Inst)** adds
 - transparency, i.e. broad alignment with CBPR+ / IP+ specs
 - traceability (e.g. based on UETR support)

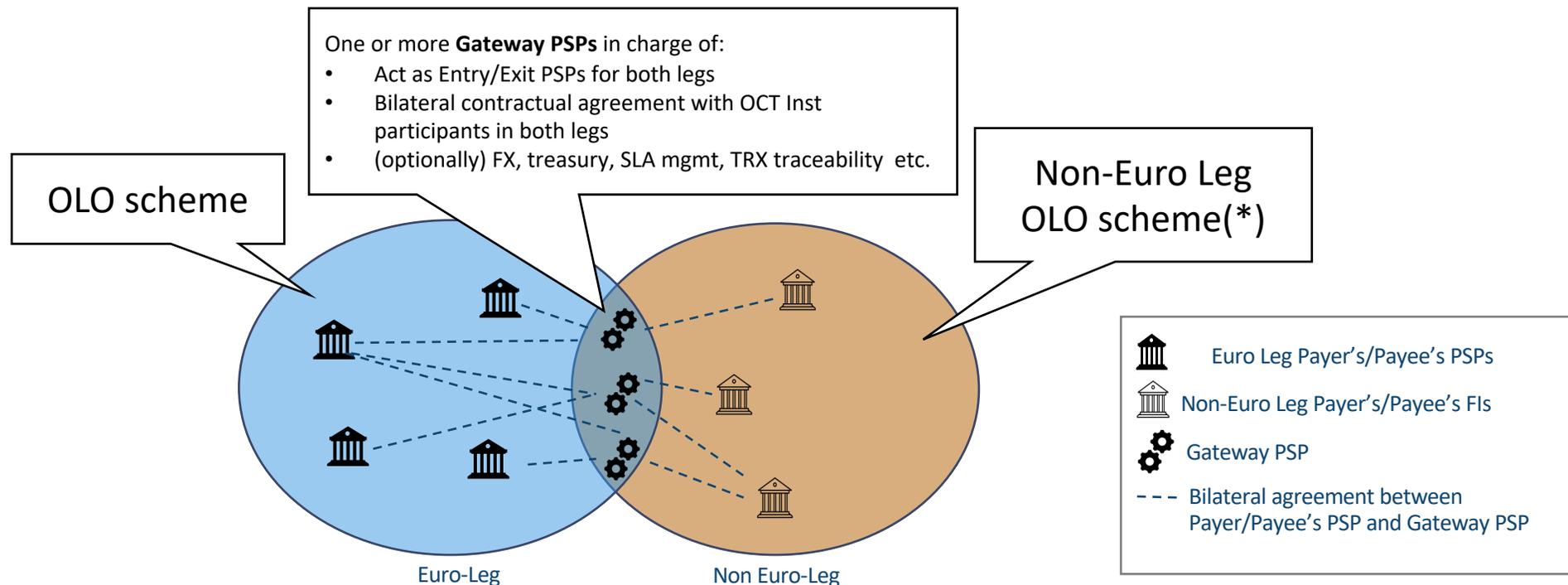
Next steps for OLO scheme (OCT Inst): building reciprocity with non-Euro leg jurisdictions



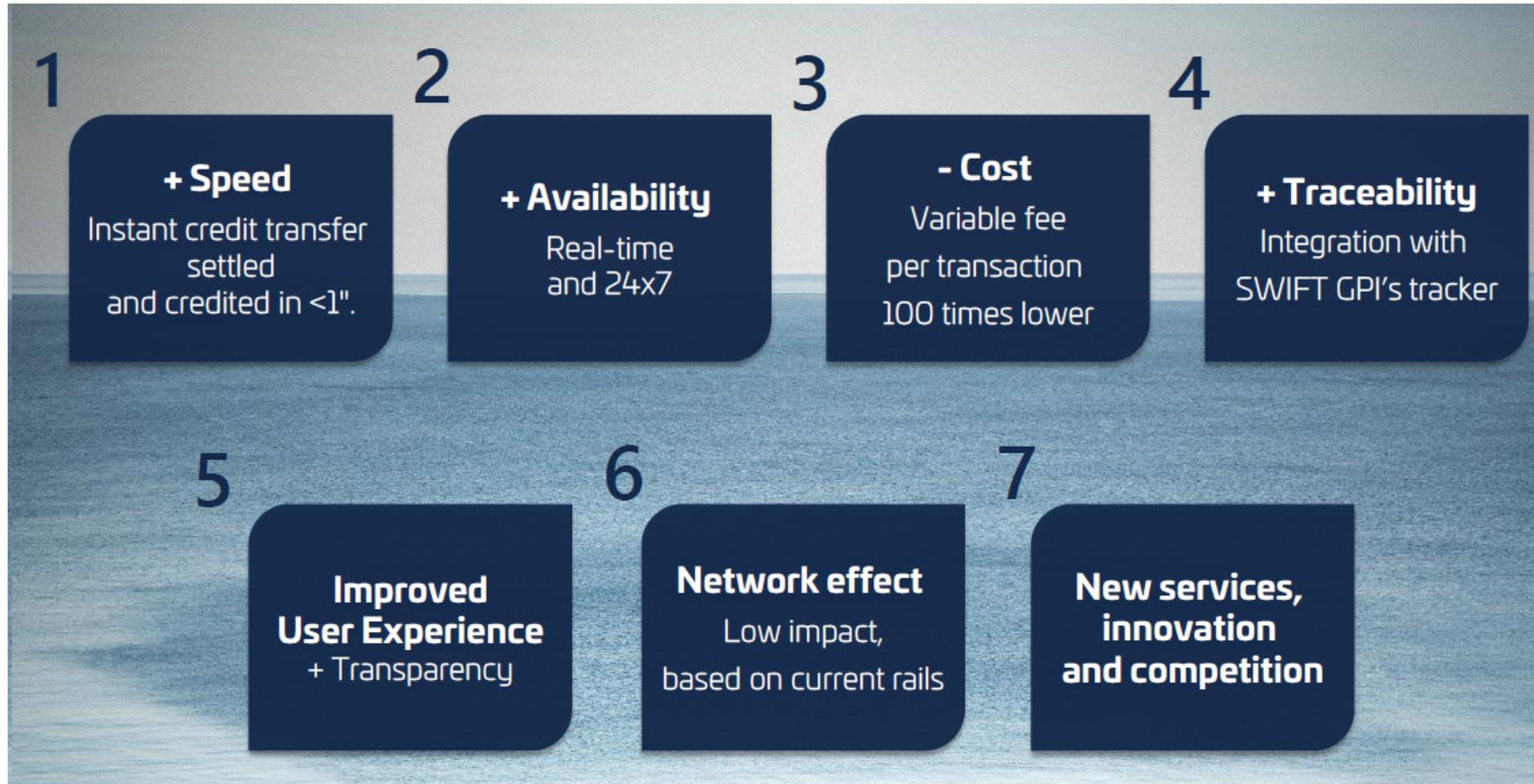
- The OLO scheme is “**asymmetric**”
 - Obligations and rights apply only to Euro Leg participants and not end-to-end
- The business model underlying the OLO scheme is a **two-sided** network, with two different classes of participants¹
 - Euro Leg **Payer’s and Payee’s PSPs**
 - Euro Leg **Entry- and Exit-PSPs**
- The **asymmetry** of the scheme and **the need for Entry/Exit PSP** to actively set up **corridors** means that:
 - OLO scheme adherence ‘per se’ does not provide either the **reciprocity** or the possibility to **activate end-to-end corridors**
 - Scheme adherence of Payee’s and Payer’s PSPs is influenced by the availability of a **sufficient number of active corridors**, to be activated by **Euro Leg Entry and Exit PSPs**
- The **asymmetry** and **two-sided nature** of OCT Inst give rise to a classical **chicken and egg** or cold-start problem for the OLO scheme, which requires an innovative approach by the EPC

(1) In comparison, SCT and SCT Inst may be considered as a “one-sided” (or P2P) networks, where all participants are peers with the same characteristics and motivations to participate.

A possible “twin scheme” approach to accelerate the setup of end-to-end corridors and achieve reciprocity



OLO scheme (OCT Inst), early results from first pilot in Spain





THANK YOU !



@EPC_SEPA