



EUROPEAN CENTRAL BANK

EUROSYSTEM

# One-Leg Out Instant Credit Transfer (OCT Inst) scheme



12 October 2023

target | TIPS  
services

# Overview

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- 2 OCT Inst vs SCT Inst
- 3 Details of OCT Inst scheme
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# 1

## Introductory remarks

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What is a one-leg out payment in TIPS

# 1.Introductory remarks

In March 2023 the EPC published the One-Leg Out (OLO) Instant Credit Transfer (OCTInst) Rulebook\*, dedicated to international instant credit transfers. It covers the set of rules, practices and standards to achieve interoperability for the provision and the operation of the Euro Leg of an international instant credit transfer agreed at inter-payment service provider level within SEPA.

## One-Leg Out (OLO) transaction is



- a transaction in any possible currency under the condition that at least one of the two legs is denominated in EUR (Euro leg);
- an incoming or outgoing account-to-account-based credit transfer; and
- processed instantly on a 24/7/365 basis in the Euro leg.

\* [https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2023-03/EPC158-22%20v1.0%202023%20One-Leg%20Out%20Instant%20Credit%20Transfer%20%28OCT%20Inst%29%20Scheme%20Rulebook\\_0.pdf](https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2023-03/EPC158-22%20v1.0%202023%20One-Leg%20Out%20Instant%20Credit%20Transfer%20%28OCT%20Inst%29%20Scheme%20Rulebook_0.pdf)

# 2

## OCT Inst vs SCT Inst

## 2. OCT Inst vs SCT Inst

The key determinants for using either the OCT Inst or the SCT Inst scheme are:

- In which currency the Payer wishes to transfer funds (i.e. in euro or in another currency?)
- The currency requested by the Payer in which the Payee must receive the funds (i.e. still in euro or in another currency?)
- In which countries the financial institutions, respectively sending and receiving funds, are based (i.e. only one is based in SEPA or both are based in SEPA?)

Which EPC instant credit transfer payment scheme to use?				
<i>Note: apart of the currency in which the instant credit transfer itself is expressed, under the OCT Inst and SCT Inst schemes the payment account of the Payer and/or of the Payee can be in euro or in any other currency.</i>			To Payee with an account held in	
			SEPA	non-SEPA
For Euro --> Euro trx (i.e. no currency conversion)	From Payer with an account held in	SEPA	SCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme
For Euro --> other currency trx or for other currency --> Euro trx	From Payer with an account held in	SEPA	OCT Inst	OCT Inst
		non-SEPA	OCT Inst	Other non-EPC scheme

# 3

## Details of OCT Inst scheme

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### 3. Details of OCT Inst scheme

- The OCT Inst scheme is an **optional scheme**, available to any PSP in the SEPA Schemes' Geographical Scope.
- An OCT Inst scheme participant is a PSP established in and/or licensed to operate in a country or in a territory included in the SEPA Schemes' geographical scope and operating on **the Euro leg**.
- All participants must be technically capable to process the Euro Leg of the OCT Inst transactions on a **24/7/365** basis.
- Enforcement of the OCT Inst scheme is **legally and technically limited to the Euro leg** of the OCT Inst payment chain, while the EPC cannot define concrete direct obligations for the non-Euro Leg.



# 3. Details of OCT Inst scheme

## Maximum Execution Timeline

- The Euro Leg PSP must receive either a **positive or a negative confirmation latest 10 sec.** after it has put the Euro Leg Timestamp.
- CSMs of the Euro Leg PSP have to respect a **hard time-out deadline of 20 sec.** after the Euro Leg Timestamp.
- The scheme recommends non-Euro Leg processing time span (i.e. 60 sec.) for the **Euro Leg Entry PSP** and the **Euro Leg Exit PSP** vis-à-vis the **non-Euro Leg Payer's FI** and the **non-Euro Leg Payee's FI**.

## Maximum Amount

- Maximum Amount currently **identical to the SCT Inst maximum amount** (i.e. 100,000 EUR).

# 4

## Business Cases - Examples

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# 4. Business case outgoing OCT Inst

## Remittances

- International remittances play an essential role in supporting economic development and policy objectives related to financial inclusion.
- Remittances typically flow from developed economies to emerging markets and developing economies (EMDEs), in addition to intra-EMDE flows.
- Remittances flows amounted to 626 billion USD in 2022 and sometimes represent a large share of a country's GDP (e.g. 50% in Tonga, 38% in Lebanon, 32% in Tajikistan, 27% in Honduras).

## Remittances are usually more costly and take longer

- The UN Sustainable Development Goals for 2030 is to reach an average cost for remittances of 3% and eliminate remittance corridors with costs higher than 5%.
- However, according to World Bank data in Q2 2022, the cost for sending a 200 USD remittance payment was 6% in average (twice the objective, with little or no progress since 2021), with certain specific corridors exceeding 10%.

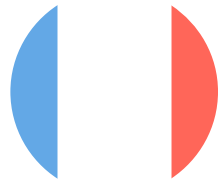
# 4. Business case outgoing OCT Inst

## OLO scheme and remittances

- By enhancing processing rules as well as clearing and settlement mechanisms, the OLO scheme could improve the cost, transparency and speed of cross border payments, including remittances.
- OLO scheme should be calling for reciprocity on the non-euro leg. If replicated, it could lead to an improvement in remittance payments.
- In 2021, remittances from Germany amounted to 17 billion USD, from France 16 billion USD, the Netherlands 15 billion USD.



**17 bn USD**



**16 bn USD**



**15 bn USD**

# 4. Business case outgoing OCT Inst

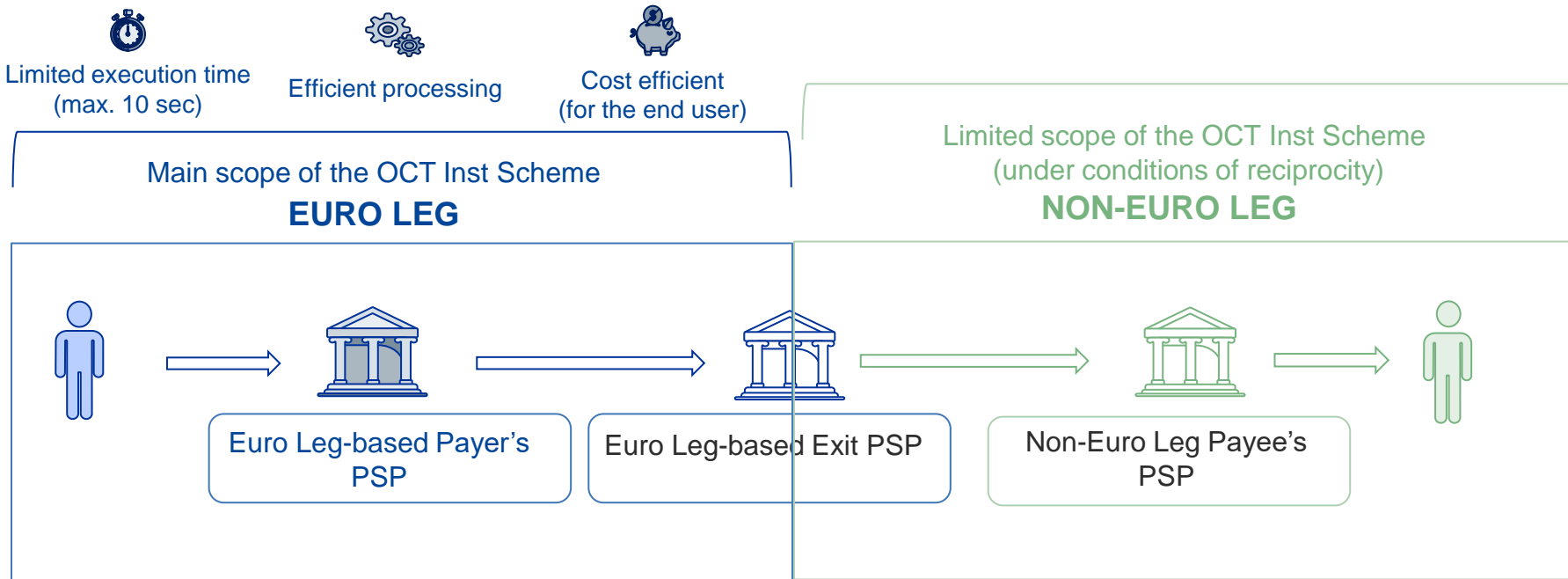
## The Franco-Algerian use-case

- France: remittances flows have been steadily improving in recent years (+25% between 2010 and 2018). Almost 40% of all remittances originating in France are sent to three Northern African countries: Morocco, Algeria and Tunisia.
- Money sent from France to Algeria in Q4 2022 had a total cost of 11.39% of the amount sent (based on a 140 EUR wire). This was due to both the fee and the FX conversion margin. Via some PSPs, the wire can take more than two days, for others it is less than an hour.
- With a one-leg out payment, the standardization of the processing clearing and settlement could **drive the costs and thus the fees down**, while the transparency for upfront costs could bring the FX conversion fee down. The payment could take **less than 10 seconds** to be executed.



# 4. Business case outgoing OCT Inst

## The Franco-Algerian use-case – with OLO scheme



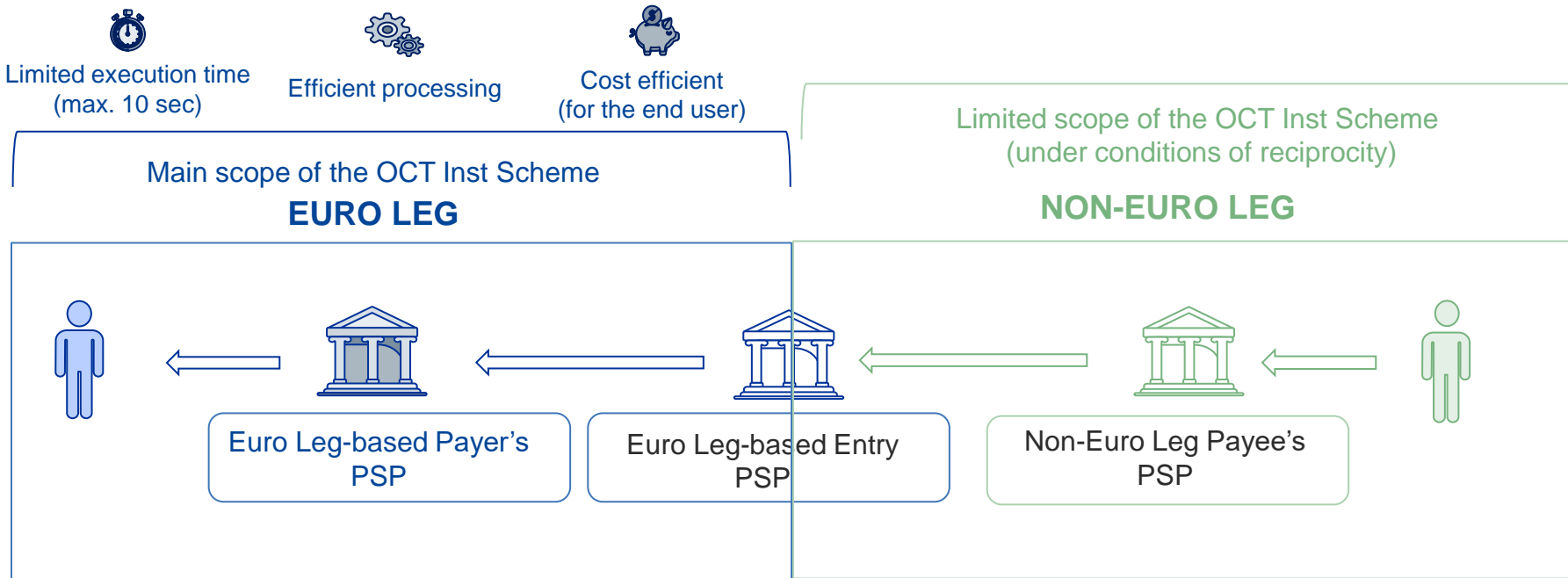
# 4. Business case incoming OCT Inst

## **Transfers to support students living in Europe**

- Studying in Europe can be very expensive for students from outside Europe.
- To support their cost of living and study financial aid from family/friends might be necessary.
- But the costs of transfers are high and take a lot of time.

# 4. Business case incoming OCT Inst

## Transfers to support students living in Europe – with OLO scheme





# 4. Summary of advantages for both business cases



More efficient clearing, processing and settlement



Increased transparency for FX conversion fees



Richer remittance information for AML-FT



Common messaging standards and API protocols



Payment status traceability (UETR)



Reduction of transaction time



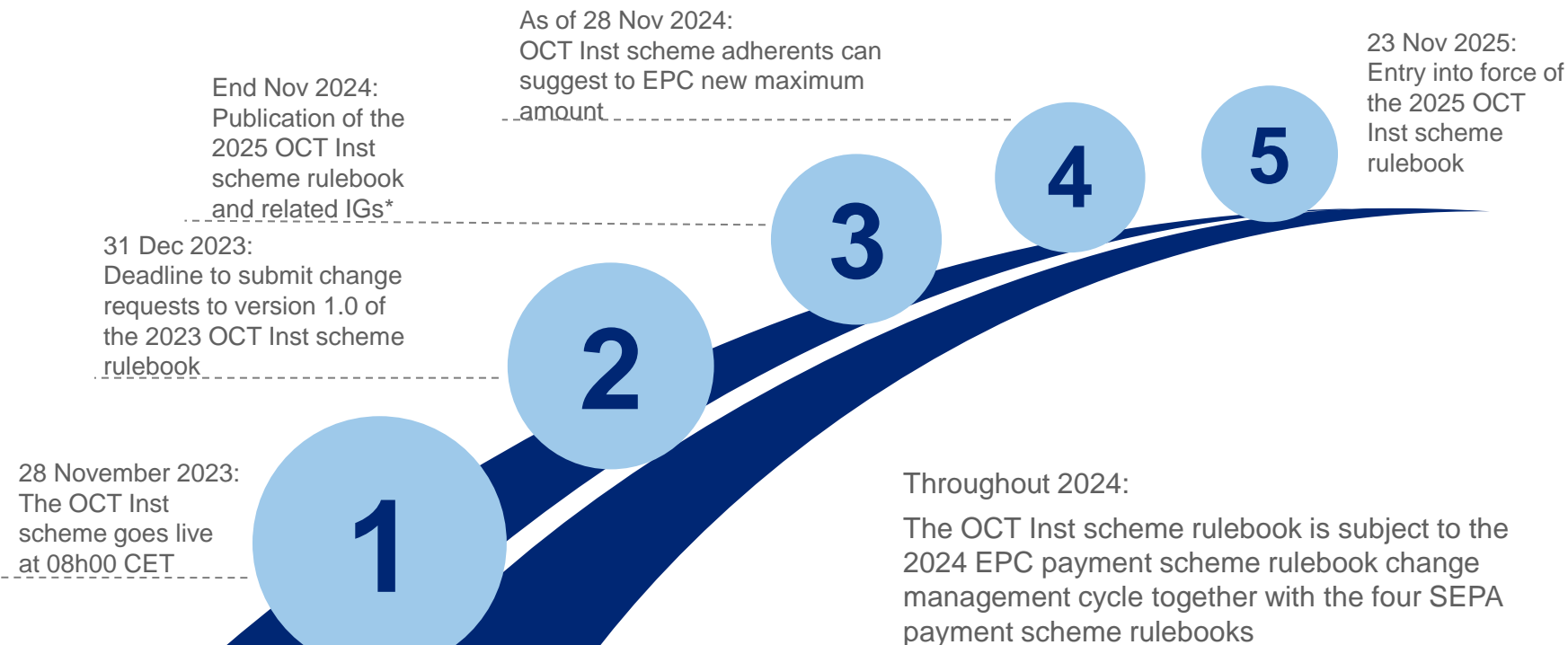
Decreasing costs for end users

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## OLO Timeline

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# OLO Timeline of the EPC



\* Implementation  
Guidelines (IGs)

6

Way forward

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## 6. Way forward

- Any feedback from TIPS-CG members? (e.g. Should more examples of business cases be added?)

# Thank you for your attention!

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**ECB: market infrastructure and payments**