

TARGETED CONSULTATION ON INSTANT PAYMENTS

Consultation period: 24 March 2021 - 2 June 2021

Version Finale

Date: 1ST June, 2021

You are invited to reply **by 2 June 2021** at the latest to the **online questionnaire** available on the following webpage:

https://ec.europa.eu/info/publications/finance-consultations-2021-instant-payments-targeted_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account.**

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published unless respondents indicate otherwise in the online questionnaire.

Responses authorised for publication will be published on the following webpage:

https://ec.europa.eu/info/publications/finance-consultations-2021-instant-payments-targeted_en

INTRODUCTION

This questionnaire aims to collect information from payment service providers (PSPs) and providers of supporting technical services.

Questions cover a number of relevant areas, including PSPs incentives to adhere to an instant credit transfer scheme, PSPs liquidity management, compliance with the sanctions screening obligations with respect to instant credit transfers, addressing the risk of incorrect identification of the beneficiary and development of interoperable front user solutions.

Please note that this targeted questionnaire complements the [online public consultation of all stakeholders](#) that will be launched on 31 March 2021.

You are invited to provide answers to both the present questionnaire and the open public consultation, and in particular to questions 15-18 of the public consultation which are addressed to the providers of payment services and supporting technical services.

The present consultation will inform the Commission on remaining obstacles as well as possible enabling actions that it could take to ensure a wide availability and use of instant payments in the EU. It will also enable the Commission to decide on whether EU coordinated action and/or policy measures are warranted in order to ensure that a critical mass of EU PSPs offer instant credit transfers. The consultation also seeks to identify factors that would be relevant for fostering customer demand towards instant credit transfers.

For an instant credit transfer to be successfully completed, at each end of the transfer there needs to be a Payment Services Provider (PSP) adhering to the same set of rules, practices and standards for the execution of that transfer (a single 'scheme'). For euro instant credit transfers within the [Single Euro Payments Area \(SEPA\)](#) such a scheme was developed in 2017 by the [European Payments Council](#) (the 'SCT Inst. Scheme'). A broad level of participation by PSPs in the scheme is a key precondition for the wide availability of euro instant payments at EU level. As of March 2021, just over 64% of PSPs located in 21 Member States had joined the SCT Inst. Scheme. Similar schemes also exist in some non euro area Member States for instant credit transfers in their local currency.

Instant credit transfers can be conveniently used in a variety of situations such as purchases in physical shops and online (so called 'point of interaction' with merchants), or person-to-person payments, such as splitting a restaurant bill. This requires the instant credit transfer to be combined with a 'front-end' solution, such as one based on mobile phone applications, e-invoices, standardised messages requesting payments etc.

The consultation aims at identifying the concerns that would need to be addressed to incentivise EU payments market players to offer innovative, convenient, safe and cost-efficient pan-European payment solutions based on instant credit transfers. At the same time, it would help establish what features and safeguards would enable the users to reap the benefits of instant payments to the fullest.

This consultation follows from the [Commission Communication from December 2018 "Towards a stronger international role of the euro"](#)¹, which supported a fully integrated instant payment framework in the EU in order to reduce the risks and the vulnerabilities in retail payment systems and to increase the autonomy of existing payment solutions, and the [Commission Communication on a "Retail Payments Strategy in the EU" adopted on 24 September 2020](#)² which confirmed the goal of fostering the full take up of instant payments in the EU and listed a number of possible initiatives to support that objective.

¹ https://ec.europa.eu/info/sites/info/files/communication_-_towards_a_stronger_international_role_of_the_euro.pdf

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0592>

The results of this consultation will be used to promote, as part of the Commission's vision for the EU's retail payments market, the availability of competitive home-grown and pan-European payment solutions, supporting Europe's open strategic autonomy in the macro-economic and financial fields, the importance of which was reiterated in the recent [Commission Communication of January 2021 "The European economic and financial system: fostering openness, strength and resilience"](#).³

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0032&qid=1611728656387>

CONSULTATION QUESTIONS: PAYMENT SERVICE PROVIDER PERSPECTIVE

Adherence to an instant credit transfer scheme (SCT Inst. Scheme for euro or another scheme for non-euro EU currency)

1. If you are an account servicing PSP (ASPSP), have you adhered to an instant credit transfer scheme:

- ☒ Yes
- ☐ No
- ☐ I don't know
- ☐ Not applicable

1.1. Please specify to which instant credit transfer scheme you have adhered:

☒ To the SCT Inst. Scheme

☐ To another scheme (for instant credit transfers in an EU currency other than euro):

1.1.1. If you are an ASPSP and have not adhered to an instant credit transfer scheme, do you intend to adhere in the future?

Yes

Please indicate to which one:

- ☐ SCT Inst. Scheme
- ☐ Another scheme (for instant credit transfers in an EU currency other than euro)

1.1.2. Please indicate by when you plan to adhere:

- ☐ End 2021
- ☐ End 2022
- ☐ End 2023
- ☐ Later (please indicate)

Please explain :

Not relevant

No

Please indicate why you do not intend to adhere in the future:

- ☐ My business model does not focus on providing payment services to customers (please explain)
- ☐ The cost of offering the service would exceed the expected revenues (please explain)
- ☐ My clients are not interested in instant credit transfers (please explain)
- ☐ There are risks (please explain)
- ☐ Other (please explain)

1.2. If you are an ASPSP adhering to an instant credit transfer scheme, please indicate to the extent possible, with respect to the last 12 months:

Note: The information we provide relates to the year 2020, excluding "on-us" and intra-groups transactions that are not available at interbanking level. Please note that a) the following information are related to the French national CSM and b) more than 80% of payment transactions are domestics.

- The size of your most recent balance sheet (in euro) → Not applicable as a banking federation.
- The volume of all payments processed (in euro)

STET, the CSM which processes most of the retail payment transactions in France processed 15,348.58 million transactions, that represent 5,033.64 billion € in 2020.

- The volume of instant credit transfers (number of transfers):
 - Sent from payment accounts you hold
 - To an account in the same Member State (MS)
 - To an account in another MS
 - Received on payment accounts you hold
 - From an account in the same MS
 - From an account in another MS

For the year 2020, French banks processed 30 million SCT Inst transactions.

- The share of instant credit transfers as % of all credit transfers (regular and instant combined) :
 - Sent from payment accounts you hold
 - To an account in the same MS
 - To an account in another MS
 - Received on payment accounts you hold
 - From an account in the same MS
 - From an account in another MS

In France, SCT Inst transactions represent around 1% of all credit transfers (SCT and SCT inst). However, even if the figures on the usage of SCT Inst remain low, but with progress, we believe that the future development of SCT Inst will depend on the capacity of the market to offer value-added services to customers, in order to ensure a better user experience, and not necessarily on low-value or free services.

1.3. If you are an ASPSP adhering to an instant credit transfer scheme, please indicate, for the last 12 months, what percentage of payment orders intended to be instant credit transfers failed to be processed instantly because the beneficiary PSP does not adhere to the same scheme as the originator PSP :

- failed domestic instant credit transfer transactions as % of all (failed and successful) domestic instant credit transfer transactions
- failed cross-border instant credit transfer transactions as % of all (failed and successful) cross-border instant credit transfer transactions

Please explain :

French banks only adhere to the EPC SCT inst scheme. This question is therefore irrelevant for the french community.

Nevertheless, we would like to clarify that reachability controls are carried out before the transaction is issued, based on CSM repositories. So, customers can issue an instant payment transaction only if the Beneficiary's bank is reachable. For some banks, in case of inability to process an instant payment transaction, there is a possibility to propose an alternative solution, using a regular SCT transaction.

1.4. If you are an ASPSP adhering to an instant credit transfer scheme, please indicate, for the last 12 months, what percentage of payment orders intended to be instant credit transfers failed to be processed instantly because the payment systems used by the originator and beneficiary PSPs adhering to the same instant credit transfer scheme are not interoperable :

- failed domestic instant credit transfer transactions as % of all (failed and successful) domestic instant credit transfer transactions → close to 0%
- failed cross-border instant credit transfer transactions as % of all (failed and successful) cross-border instant credit transfer transactions → Not available.

Please explain :

- Failed domestic instant credit transfer transactions as % of all: close to 0% because 95% of the accounts are reachable

- Failed cross-border instant credit transfer transactions as % of all: Not available currently but this issue will no longer exist from December 2021 because all banks and CSMs will be asked to be connected to TIPS that will handle the interoperability between participants.

1.5. If you are an ASPSP adhering to an instant credit transfer scheme, what was the overall investment needed to be able to send and/or receive instant credit transfers (e.g. ensuring 24/7/365 operations, adjusting online banking interfaces, adjusting liquidity management, etc.) [in euro]

For many PSPs, technical plate-forms to process instant payment transactions have been built at group level. As some entities are present in more than only one member state, the investments needed for offering an SCT INST service to clients in all European countries are potentially huge.

It is also difficult to assess and compare costs because institutions can adopt different strategies: build a platform dedicated to instant payments or upgrade existing systems. In our opinion, it is therefore not relevant to assess the investments made at this stage (at the start of the SCT Inst offer)

1.6. Please rank the ongoing costs per type of transaction executed (from 1 meaning the least costly to 3 meaning the most costly), and provide an estimated cost where possible:

	Ranking	Estimated cost per transaction
Instant credit transfer	N/A	Not applicable for a banking federation. However, we believe that this question would require a thorough analysis which is not possible to conduct until the 2 nd June.
Regular credit transfer	N/A	Not applicable for a banking Federation.
Direct debit	N/A	Not applicable for a banking Federation.

- 1.7. Please rank the ongoing costs per type of transaction at point of interaction (POI) executed (from 1 meaning the least costly to 4 meaning the most costly), and provide an estimated cost where possible:

	Ranking	Estimated cost per transaction
Instant credit transfer at POI	N/A	Not applicable for a banking Federation.
Regular credit transfer at POI	N/A	Not applicable for a banking Federation.
Direct debit at POI	N/A	Not applicable for a banking Federation.
Card payment at POI	N/A	Not applicable for a banking Federation.

- 1.8. If you are an ASPSP adhering to an instant credit transfer scheme, would you say that the investments made to provide instant credit transfers generated some cost savings, efficiencies and synergies in other areas?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please specify where and to what extent (in euro) [open box].

For the time being, there are no savings but only huge investments and costs. SCT INST volumes are very low although the investments to provide an instant payment service to customers are high. The 4000 European PSPs that are active in payments have certainly invested a total of several billions of euros with still very low volumes and low turnover.

Even if the willingness of financial institutions is to develop SCT Inst transactions, we do not have the certainty that this new payment solution will become the next universal solution. For the time being, there is no real business case for instant payments. We believe that this lack of business model is a barrier to a rapid grow of instant payment, which then potentially could remain a small niche solution.

In addition, our objective is not to replace the existing payment solutions by SCT Inst but to offer a wide choice of solution of payment to our customers (individuals and corporate), depending on different uses cases. The SCT inst must find its place within a global offer, among the existing payment solutions (Cards, SDD, SCT,). PSPs need to assess the necessary costs to develop the offer. EPI project should be a springboard to increase volumes.

Liquidity management

2. In case of a sudden surge in the number of payment orders received by ASPSP for initiation of instant credit transfers, would there be a risk that instant credit transfers would not be processed within seconds because of shortage of liquidity at the level of that ASPSP?

- ☒ Yes
- ☐ No
- ☐ No opinion

Please specify where and to what extent (in euro) [open box].

The SCT Inst is based on a "prefunding" mechanism and the solution is available 24/24 and 7/7. Basically, if the dedicated account is not sufficiently credited, the transaction is rejected at the CSM level and will not be processed.

We believe that PSPs will need to adapt their cash management policies to take into account the specific need of liquidity for instant payment transactions. Changes in liquidity management policies should be necessary depending on the evolution of the offer (e.g corporate specific offer which will need more liquidity), the evolution of Central Bank rates and the increase of the maximum amount per SCT Inst transaction. Indeed, SCT Inst offer is at its early stages for banks and we believe that the market players will have the capacity to adapt their business rules to the new needs related to SCT Inst, as the offer is more mature.

As regards the effectiveness of liquidity management tools of PSPs and relevant prudential requirements (such as Liquidity Coverage Ratio):

3. Would you agree that they are sufficient to address the liquidity risk inherent to instant credit transfers?

- ☐ Yes
- ☐ No
- ☒ No opinion

Please explain.

4. Would they continue to be adequate in view of a potential increase in the volume of instant credit transfers?

- ☐ Yes
- ☐ No
- ☒ No opinion

Please explain.

4.1. If no, what additional tools or requirements (or modifications to them) would be necessary?
[open box]

5. What could be the sources of additional liquidity in case of a temporary surge in instant credit transfers? [open box]

Each treasurer of each financial institution will have to adapt his liquidity management policy.

6. Would a more central management of liquidity within banking groups be conducive to effectively deal with situations of temporary surge in instant credit transfers?

- ☒ Yes
- ☐ No
- ☐ No opinion

Please explain.

A “central” management of liquidity will allow « netting » effects at Group level, which are not possible in a “decentralized” system.

Sanctions screening

7. In the last 12 months, what share of the following types of initiated payment orders could not be processed due to sanctions screening?

- Regular credit transfers [%] :
 - Domestic (France) : closed to 0%
 - Cross-border intra-EU : not available
- Card transactions [%] : Not applicable
- If you are a PSP which offers instant credit transfers:
 - Instant credit transfers for domestic transactions [%] : 0 %
 - Instant credit transfers for cross-border transactions in the EU [%] : around 4% (please see the note below)
 - Instant credit transfers as an overall % if you cannot distinguish domestic and cross-border transactions: not applicable.

Please explain :

Depending on the country of the beneficiary or the payer, the rejection rates may be higher, close to 7 to 10%.

If you are a PSP which offers instant credit transfers, please explain how sanctions screening obligations prevented the instant processing of the instant credit transfer transaction [open box]

As sanction screening need more time to process, it's impossible for banks to perform related controls within the time framework required by the SCT Inst operational and business rules. As a result, in case of doubt for a transaction, the beneficiary bank will reject the on-going transaction. Indeed, PSPs decided not to use the "pending" status in order to ensure transparency and to provide a better user experience. Thus, we believe that this situation is one of the barriers to a rapid deployment of SCT Inst.

8. Which of the following solution(s) do you consider to be effective in reconciling instant credit transfers and the sanctions screening obligations resulting from the applicable sanctions legislation:

Solution	Effective	Neutral	Not effective	No opinion	Not applicable	Please explain how it would work and what advantages it would bring
Alleviated screening of transactions by PSPs involving clients vetted or white-listed beforehand			X			The use of lists will not be effective because it is based on external information that have not been validated and checked by PSPs against their own customer data.
No screening of individual transactions within the EU subject to an obligation for PSPs to at least	X					The possibility to rely on the KYC and daily sanction screenings of the client databases

Solution	Effective	Neutral	Not effective	No opinion	Not applicable	Please explain how it would work and what advantages it would bring
daily check/update their clients lists against relevant sanctions lists (reflecting arrangements in place in some Member States which result in no screening of domestic transactions)						made by each PSPs would permit to avoid redundant screenings. In this case, SEPA zone is seen as a domestic zone.
Other harmonised screening method, agreed among national competent authorities, with consistent calibration of screening rules and parameters			X			Not effective if a lack of harmonization in some operational details are remaining.
Maintenance of a common EU-wide list of false hits			X			Could help a little bit but who would create this list? Who would maintain it up to date? Who would finance this list ? Who would be in charge of its governance and responsibility?
Use of the Legal Entity Identifier (LEI) for firms and digital IDs for individuals					X	We believe it's too early to use LEI. It might make sense in few years years because it would need heavy adaptations of banking and client infrastructures, CSMS, schemes as well as front-end solutions. All users (corporates) are

Solution	Effective	Neutral	Not effective	No opinion	Not applicable	Please explain how it would work and what advantages it would bring
						not ready to use LEI. And finally, this option does not resolve all the issues related to sanction screening: some transactions will still be rejected (false hit).
Employing advanced technologies		X				PSPs have already made investments in this field or are intending to. However, we believe that the use of advanced technologies will not allow to resolve all the issues.
Other						

Incorrect beneficiary

9. In the last 12 months, how many complaints/requests for refunds have you received from your clients related to:

- Instant credit transfers made to the wrong beneficiary by mistake (i.e. mistyped IBAN number) : **577** (0.002% of SCT inst transactions).
- Regular credit transfers made to the wrong beneficiary by mistake (i.e. mistyped IBAN number) : 15 084 (0.00064% of SCT transactions)
- Instant credit transfers made to a fraudulent beneficiary (i.e. as a result of authorised push payments) : **8 086** (0.028% of SCT Inst transactions).
- Regular credit transfers made to a fraudulent beneficiary (i.e. as a result of authorised push payments) : 21 631 (0.0009% of SCT transactions)

Note: The information we provide relates to the year 2020.

10. Do you provide a service to your customers of verifying the match between the IBAN of the beneficiary and the name on the beneficiary account prior to the initiation of the transfer?

- ☒ Yes
- No
- No opinion

10.1. If so, for what kind of payments do you provide these services?

- for **domestic** instant/regular credit transfers only
- ☒ for **both domestic and cross-border** instant/regular credit transfers
- I don't know

10.1.1. For what kind of domestic payments do you provide these services?

10.2. What challenges would you see to the extension of the use of the existing IBAN name verification solutions to PSPs across the EU? Please explain.

"In France, the banking community is already using a local solution that customers can use before a payment is validated. This service is offered to secure the banking details (IBAN) of a beneficiary (SCT) or a payer (SDD) in the customer's environment. Currently, this service is strictly independent from the payment process.

If the use of such a type of service is to be considered at EU-level, it should be marketed by PSPs as a value-added service and be optional for end customers. It would then be necessary to have an official register with the list of PSPs that have subscribed to the service and are able to respond to the verification requests. The responsibility of the PSP of the payer should not be engaged and the payer should remain the final responsible for finalizing the transaction or suspending it".

If you offer a service to your customers of verifying the match between the IBAN of the beneficiary and the name on the beneficiary account prior to the initiation of the transfer, please indicate:

10.3. What was the cost to put in place such a service

Not available.

10.4. Are there running costs per transaction?

- Yes
- No
- No opinion (if so, please provide an estimate if possible) ➔ Not applicable.

10.4.1. If so, for what type of running costs per transaction?

- ☐ Fixed
- ☐ Variable (depending on the volume of transactions)

Please provide an estimate.

“As stated before, currently the French banking community is using a local solution independent from the payment process. However, if another service, at EU-level, were to be offered, we believe that its implementation will require the build of an infrastructure and a value-added offer that will necessarily have a cost. Such a service should therefore not be free, otherwise it will dissuade potential suppliers from investing in a project.”

- 10.5.** Please provide an estimate of the drop of fraudulent transactions (i.e. as a result of authorised push payments) since the implementation of this service (in %) ➔ Not relevant.
- 10.6.** Please provide an estimate of the drop of misdirected transactions (due to an error in inputting the IBAN number by the payer) since the implementation of this service (in %) ➔ Not relevant.

Front-end solutions

11. As a PSP, do you currently offer to your customers front-end solutions with the following features. Please specify in the table below where appropriate:

	At physical POI	In e-commerce	Between individuals (P2P)
Allowing to initiate/accept regular credit transfers	Yes/no	Yes/no	Yes/no
Allowing to initiate/accept instant credit transfers	Yes/no	Yes/no	Yes/no

Please elaborate on your above answers [open box]

In France, there is a P2P offer called "Paylib entre amis". This is a P2P mobile payment solution that uses SCT and SCT inst.

11.1. Do you offer multiple front-end solutions?

Not applicable.

11.2. In which context(s) can this/these front-end solution(s) be used?

11.2.1. If you offer multiple front-end solutions, please indicate for which ones

11.3. Do you offer this front-end solution referred to in question above to:

- ☐ Payers (to initiate transactions)
- ☐ Payees (to accept such payments)

11.3.1. If you offer multiple front-end solutions, please describe, which ones are offered only to payers, which ones to payees and which ones to both

11.4. What were the initial investment costs to launch the solution?

11.5. What benefits do you see in offering such products to your customers?

12.1 If you offer a front-end solution to payers, what is the per transaction cost of offering: ➔ Not applicable

- Front-end solution based on instant credit transfers (please provide a breakdown per cost component, such as scheme fees or other)
- Front-end solution based on credit transfers (please provide a breakdown per cost component, such as scheme fees or other)
- Debit card transaction (please provide a breakdown per cost component, such as scheme fees or other)
- Credit card transaction (please provide a breakdown per cost component, such as scheme fees or other)

Information not available.

12.1.1 How is your entity remunerated?

- ☐ Through user (consumer) fees
- ☐ If so, as the fee per transaction
 - ☐ If so, as part of the overall payment account fee
- ☐ Other [please specify]

12.2 If you offer a front-end solution to payees (merchants), what is the per transaction cost of offering: ➡
Not relevant.

- Front-end solution based on instant credit transfers (please provide a breakdown per cost component, such as scheme fees, interchange fees or other)
- Front-end solution based on credit transfers (please provide a breakdown per cost component, such as scheme fees, interchange fees or other)
- Debit card transaction (please provide a breakdown per cost component, such as scheme fees, interchange fees or other)
- Credit card transaction (please provide a breakdown per cost component, such as scheme fees, interchange fees or other)

12.2.1 How is your entity remunerated?

- ☐ Through user (consumer) fees
- ☐ If so, as the fee per transaction
 - ☐ If so, as part of the overall payment account fee
- ☐ Other [please specify]