

Consultation strategy for the initiative on instant payments in the EU

1. Background information

EU citizens and companies expect to have at their disposal convenient, secure and cost-efficient payment solutions to make all their payments, both domestically and cross-border. Instant payments technology can be a powerful enabler for the emergence of payment solutions meeting these expectations. Most credit transfers today are only credited to the beneficiary on the following business day, and some even take longer. Instant credit transfers allow funds to be available on the account of the recipient within seconds, 24 hours a day, every day of the year (including weekends and public holidays), and can therefore support important efficiency gains for all parties. Besides their ability to ensure a quick transfer and receipt of funds, when combined with mobile phone applications (such as digital wallets), e-invoices, standardised messages requesting payments or similar solutions, instant credit transfers can be conveniently used in a variety of situations, such as purchases in shops and online, where they offer an alternative to card-based payments, corporate payments, or person-to-person payments (e.g. splitting restaurant bills), for which they could offer a convenient, safe and cost-efficient complement to cash.

In 2017, the European Payments Council launched a voluntary scheme (the 'SEPA Instant Credit Transfer Scheme', or 'SCT Inst. Scheme'), which ensures a single set of rules, practices and standards for the execution of instant credit transfers in euro. Similar schemes exist in some Member States for instant credit transfers in other EU currencies.

A broad level of participation in the SCT Inst. Scheme is a precondition for the uptake of euro instant payments at EU level and ensures that euro instant credit transfers can be processed between a payer in any EU country and a beneficiary in any EU country. The instant payment transaction can only happen if the payment service provider (PSP) present at each end of the transaction is enabled to send/receive instant payments. If a PSP offering to its customers the service of sending money instantaneously is not sure that the PSP on the receiving side is able to instantly credit the funds to the recipient, this can lead to instant transactions being unsuccessful. Such a result has a negative impact on the reliability of and trust in instant payments. Ultimately, these uncertainties may dissuade those potential participants that have not yet joined a Scheme from doing so, which further perpetuates the problem of failed transactions. In January 2021, over 35% of EU payment service providers were still not able to receive and send euro instant credit transfers. In view of this unsatisfactory level of participation in the SCT Inst. Scheme, certain coordinated actions and/or policy measures at the EU level are warranted in order to create effective incentives for the payment service providers to adhere to the scheme.

The insufficient adherence levels to the SCT Inst. Scheme may be caused by some of the following obstacles affecting either the supply or demand of instant payments:

- (i) Consumers and merchants' concerns about safety and pricing of instant payments;
- (ii) Payment service providers concerns about meeting their regulatory compliance obligations, for example related to sanctions screening;
- (iii) Concerns over potential impacts of instant payments on PSP's liquidity and the effectiveness of the crisis management framework for financial institutions;
- (iv) Reluctance of providers of payment solutions to develop attractive instant payment-based products (which could be in part due to the uncertainty about the payment ecosystem's

- preparedness to process instant payments or the uncertainties surrounding possible business model designs);
- (v) Absence, despite some multi-stakeholder efforts ongoing, of a clear interoperability framework for existing solutions and technical standardization at EU level; and
 - (vi) Lack of transparency and choice for consumers and merchants about the type of payment (e.g., card scheme, credit transfer, direct debit) triggered at the point of interaction (physical point of sale or online checkout).

This initiative is a follow-up to 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 to the Commission Communication on a *“Retail Payments Strategy in the EU” adopted on 24 September 2020*.² The latter 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. This initiative would promote, as part of the Commission’s vision for the EU’s retail payments, 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

More information on the initiative can be found in the Inception Impact Assessment [here](#).

2. Consultation scope and objectives

The objective of the consultation activities is to collect information and evidence in order to:

- Better identify the obstacles, from the perspective of various stakeholders, to the creation of well-functioning and efficient pan-European instant payment solutions.
- Identify and assess the potential effectiveness of possible solutions to the problems and obstacles that have to be addressed in order to achieve the objectives of the initiative.
- Assess the extent of potential benefits and costs of those solutions for various types of stakeholders.

In conducting this work, the Commission will also draw on the results of the information gathered in the course of the public consultation conducted in April – June 2020 in order to inform the Commission Communication on a Retail Payments Strategy for the EU. The summary of the results of that consultation is publicly available.⁴

During six separate meetings held in 2019 and 2020, the Commission services discussed a number of issues relating to instant payments with the members of its Expert Group on Banking, Payments and Insurance

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>

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

⁴ https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/2020-retail-payments-strategy-consultation-summary-of-responses_en.pdf

(EGBPI)⁵, bringing together national authorities, as well as with the Payment Systems Market Expert Group⁶, bringing together industry, consumers and academic representatives. The Commission gathered feedback on various operational, regulatory and other obstacles identified by stakeholders for the uptake of instant payments, and tested the viability and support for potential intervention at EU level.

The Commission services also carried out a targeted consultation of payment service providers adhering to the SCT Inst. Scheme. The consultation, which ran between November and December 2020, focused on gathering information from individual payment service providers on their necessary efforts, related costs and expected benefits from the perspective of an individual payment service provider adhering to SCT Inst. Scheme and offering instant credit transfers.

3. Mapping of stakeholders and type of information to be collected

To gather further information on the aspects set out in Section 2, the Commission services will conduct a number of consultation activities set out in Section 4, including an online open public consultation and a targeted consultation of PSPs and providers of supporting technical services, to inform the impact assessment accompanying this initiative. The main stakeholder groups targeted by the consultation activities are:

- Payment service providers. This category includes credit institutions, payment institutions and e-money institutions that may be acting as account servicing payment service providers (ASPSs), payment initiation service providers (PISPs), acquirers or providers of other types of payment services. Consultation activities will aim to gather evidence as regards their experience so far with instant payments, with a focus on obstacles, operational challenges, risks and any potential related solutions that are relevant for the smooth provision of their services in this area and for its expansion in the future. Importantly, consultation activities will also aim to collect evidence on various types of benefits and costs (both one-off and ongoing) linked to the provision of instant payment services.
- Providers of technical services supporting the provision of instant payments: This group covers various types of actors that develop and provide services such as end-user solutions allowing initiation of instant payments in different contexts (i.e. mobile application developers, providers of messaging schemes, providers of safety-enhancing services (such as IBAN-name verification). Relevant feedback on the initiative with respect to this stakeholder group will include elements such as interoperability and/or cross-border application of the existing solutions and services, as well as readiness / willingness to migrate to potential standardised solutions or technologies.
- Payment service users:
 - o Consumers. Consultation activities will aim to further clarify the perception of the usefulness that this stakeholder group associates with instant payments, with a view to identifying and designing necessary “enablers” (i.e., policies and / or requirements that would facilitate a greater use of instant payments) to promote their usage. This will cover consumer views as

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<https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2885&NewSearch=1&NewSearch=1>

⁶
<https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2287&NewSearch=1&NewSearch=1>

regards benefits and advantages of this service, the level of pricing, and their concerns in terms of safety and recourse possibilities in case of erroneous transfers.

- Corporate users: The consultation will seek to assess any potential additional obstacles for the uptake of instant payments specific to corporate users, such as relating to the current limit imposed by the SCT Inst. Scheme to the maximum amount of an instant credit transfer in euro.
- Merchants. Evidence will be collected to assess the level of merchants awareness of the advantages of instant payments and their views will be sought on any obstacles in terms of accepting instant payments (be it of technical or commercial nature).
- Payment systems settling instant credit transfers. Feedback from these stakeholders may cover areas such as their capacity to handle temporary and sustained increases in the volume of instant payments as well as interoperability.
- Relevant competent authorities (such as supervisors and resolution authorities). Feedback from these authorities will be gathered to assess whether the existing requirements (e.g. prudential, resolution, other), including their scope, intended to ensure sound management of payments service providers, and the financial stability in general, are optimal in view of the sought increases of instant payment volumes.
- National regulators (Member State finance ministries). National regulators will be consulted in order to collect their views as regards possible policy options on 'instant payments enablers' and, more generally, to gauge their preferences as regards a more harmonised pan-EU framework for instant payments and the appropriate type of initiative (legislative vs. non-legislative).
- Other stakeholders (such as academics, think tanks, international organisations).

4. Selection of consultation activities & their accessibility

To gather the information specified in Section 2, the Commission services will conduct a number of consultation activities. The central activity will be an online open public consultation. The consultation will be published for 12 weeks starting in April 2021 on the Have your Say portal, and will be accessible to all stakeholder groups mentioned in Section 3. The questions will focus on issues pertaining to consumers, corporates, merchants, PSPs, providers of supporting technical services and relevant competent authorities. A summary of the consultation will be published on the dedicated online consultation page. In addition, a targeted consultation addressed specifically to PSPs and providers of supporting technical services, complementing the online open public consultation, will be conducted.

The Commission services will also consult with national regulators, relevant competent authorities and payments service users that are members of the Expert Group on Banking, Payments and Insurance (EGBPI) the Payment Systems Market Expert Group (PSMEG) and the Financial Services Users Group (FSUG). The Commission services will continue to liaise with all stakeholders through bilateral contacts and will organise an open hearing to help further substantiate the analysis of the available policy options, in line with the Better Regulation guidelines.

The Commission services may also liaise with the European Central Bank, national central banks, relevant multi-stakeholder task forces and working groups, the European Banking Authority, and national competent authorities, financial ombudsmen, industry associations and consumer representatives.

5. Summary /overview on consultation activities by stakeholder groups and indicative timing

Consultation activity	Targeted questionnaire	Public consultation (Retail Payments Strategy)	EGBPI	Targeted consultation addressed to providers	Public consultation	FSUG	PSMEG	Public hearing	EGBPI	Ad hoc bilateral meetings
Indicative timing	Nov-Dec 2019 (completed)	Apr-Jun 2020 (completed)	Mar 2021	Mar-June 2021	Apr-June 2021	Apr 2021	May 2021	Jun 2021	Oct 2021	Throughout duration of the exercise
Providers of payment services	x	x		x	x		x	x		x
Consumers and businesses		x			x	x	x	x		x
Merchants		x			x	x	x	x		x
Providers of supporting technical services		x		x	x		x	x		x
Payment systems		x			x			x		x
Relevant competent authorities		x	x		x			x	x	x
National regulators		x	x		x			x	x	x
Other stakeholders		x			x		x	x		x

6. Consultation webpage & communication activities

The Commission services will advertise consultation activities through social media, online and via email to persons and organisations who have contributed to previous online consultations. The Commission services will pay particular attention to informing organisations that represent large numbers of stakeholders.

A summary of the online public consultation will be published on the dedicated online consultation page.