

The European Commission Inception Impact Assessment on real-time payments in the EU: Is the real-time payments' future a regulated one?



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On March 10, 2021, the European Commission (EC) published an [Inception Impact Assessment \(IIA\) on the Commission's planned initiative on real-time payments in the EU](#). The IIA is open for feedback until April 7, 2021, and you can provide your contribution [here](#). The EC is further expected to consult on real-time payments via a broader public consultation in April or May this year. Both the IIA and the upcoming consultation are a follow-up to the [Commission Retail Payments Strategy \(RPS\)](#) I already covered on [this blog post](#).

The IIA explains that real-time payments have the potential to be used for national and cross-border payment transactions on a European payments infrastructure, but the minimum target laid down in the [SEPA Regulation](#) has not been achieved yet. A low level of awareness of the advantages of real-time payments and concerns over their safety and often premium pricing may constitute major hurdles to the mass uptake of real-time payments by consumers and merchants, while there might be lack of transparency for merchants about the fees associated with a given payments transaction. All this may, in the EC's views, dissuade European providers from investing in adjusting their systems to accept and offer real-time payments (e.g., real-time fraud or money laundering/terrorist financing transaction monitoring).

The IIA argues that in this context, most European Payment Services Providers (PSPs) have to rely on collaborating with large international players (card schemes or Big Techs) to be able to offer their users non-cash, cross-border payment means also within the EU.

The EC's objective is to ensure that anyone holding a payments account in the EU could be able to send and receive an instant credit transfer to and from any other payments account in the EU, initially in the euro and eventually in any EU currency. In order to allow this to happen, the EC is considering various policy options, including legislative options such as:

- Effective incentives for PSPs to offer instant credit transfers in euro
- Targeted consumer protection measures and tailored fraud prevention measures
- Addressing the issue of charges levied on consumers for instant credit transfers
- Exploring issues regarding fee structures for SEPA Instant Credit Transfer-based payment solutions at point of interaction (POI), also considering licensing and other scheme fees as possible sources of revenue and the possible need to incentivize merchants/the acquiring side
- Reconciling real-time payments with regulatory compliance obligations, for example related to sanctions screening
- Ensuring sound mitigation measures on the liquidity risk, including by enhancing the effectiveness of the crisis management framework for financial institutions
- Ensuring transparency and choice of payment options at the POI for both merchants and consumers
- Supporting interoperability of SEPA Instant Credit Transfer-based payment solutions and schemes
- Supporting technical standardization led by industry and/or, if necessary, via European standardization organizations (CEN, CENELEC, ETSI)
- Other “enabling” measures

In terms of economic impacts, the IIA explains that real-time payments have the potential to become a vehicle for EU PSPs to offer pan-European payment services, and to become more competitive against large incumbent payment market players, while representing cost savings for merchants in terms of lower pricing compared to alternative payment methods, such as cards, or increased bargaining power towards PSPs due to the availability of more options. On the other hand, in the short term, the IIA explains, the deployment of real-time payments could represent costs for at least some PSPs (e.g., putting in place the necessary systems to be operational). Merchants may incur initial costs as well.

A pre-condition to the full rollout of euro real-time payment solutions is the adherence to the EPC SCT Inst scheme and, to date, it appears that the target laid down in the [SEPA Regulation](#), under which a majority of PSPs within a majority of member states should participate in a SEPA scheme, has not been fully achieved. Is the future of real-time payments a regulated one?

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