

The European Commission's Consultations on Instant Payments in the EU: What Are the Questions And Why You Should Reply



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On 24 March 2021, the European Commission (EC) published its Consultation Strategy on Instant Payments in the EU. This initiative is a follow-up to the [EC's Retail Payments Strategy \(RPS\), which I covered in another post](#), and it wishes to promote the availability of competitive homegrown and pan-European payment solutions.

The EC is consulting to collect evidence to identify obstacles to the creation of efficient pan-European instant payment solutions, to assess the effectiveness of possible solutions to such obstacles, and to measure the potential benefits and costs of those solutions for various types of stakeholders. For this purpose, the consultation is composed of two parts.

Putting questions to PSPs and technical services providers

The first part is a targeted consultation aimed at collecting information from payment service providers (PSPs) and providers of supporting technical services. [More information on the consultation can be found online](#); it is possible to reply until **2 June 2021**.

The questionnaire starts with liquidity management questions to banks, regarding whether a sudden surge in the number of payment orders received by them for initiation of instant credit transfers would entail the risk that instant credit transfers would not be processed within seconds due to shortage of liquidity at the level of those banks. It is asked whether, for example, a central management of liquidity within banking groups could represent a solution to such a risk.

The questions continue about sanctions screening; whether there is a need for alleviated screening of transactions by PSPs involving clients vetted or whitelisted beforehand, or if a common EU-wide list of false hits and/or the use of the Legal Entity Identifier (LEI) for firms and digital IDs for individuals could solve any sanctions screening-related issue that instant payments may create.

Moreover, the questionnaire includes questions about incorrect beneficiary and complaints/requests for refunds related to instant credit transfers made to the wrong beneficiary by mistake. Or, made to a fraudulent beneficiary as a result of authorized push payments, when the consumer is manipulated into making an instant credit transfer to a fraudster. So here the EC identifies a refunds-related risk that is specific to instant payments due to their irrevocable nature. A service to verify the match between the IBAN of the beneficiary and the name on the beneficiary account prior to the initiation of the transfer is portrayed in the questionnaire as a possible solution to that issue.

The business model of such a service is also investigated by the EC, as details about the cost to put in place such a service are also enquired. In the same fashion, the questionnaire asks about existing front-end solutions offered by PSPs that allow the initiation/acceptance of instant credit transfers, and about the initial investment costs to launch such solutions, the per transaction costs and the respective breakdowns per cost component (such as scheme fees or other) of such offerings.

The questionnaire also asks about the business model underlying such a proposition, and whether this service is remunerated via user (consumer) fees, where it is offered to payers, or via merchant fees if it is offered to payees (merchants).

Public consultation also relevant for PSPs

The second part of the EC consultation consists of a Public Consultation, which was launched on 31 March 2021 ([and can also be found online](#)). The consultation is open until **23 June 2021**. PSPs and technical services are invited to provide answers to both the targeted consultation and the open public consultation, and in particular to **questions 15-18** of the public consultation. These three questions cover the benefits that PSPs see in offering instant credit transfers, the possible risks instant credit

transfers could represent for banks and the possible mechanisms or tools that could address this type of intense liquidity outflow (daily limits regarding the amount that could be transferred via instant credit transfers, a discretionary power allowing competent authorities to suspend instant payment obligations of the financial institution concerned for a certain period of time).

The third and final question of this section covers the need for a **single European QR code standard for instant credit transfers**. The questionnaire asks whether such a standard is necessary, whether it should be developed by market participants or by European standardization organizations, or if such a standard is not necessary – as the same objective could be achieved through the interoperability of existing QR codes.

Is it important to reply to this set of consultations? Yes, because the European regulator is asking for our advice as experts and representatives of the industry, in order to build a viable model and framework for instant payments. Whether you believe there is a need for regulatory intervention – or not – for instant payments to develop, this is our chance to say it.

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