

The European Commission's Instant Payments Regulation: what is going to change in Instant Payments?



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On the 26th of October 2022, the European Commission published the proposal for a Regulation on Instant Payments (IPs).

The IPs Regulation amends the 2012 SEPA Regulation and the Regulation on cross-border payments and creates four new definitions, namely the definition of 'instant credit transfer', 'payment service user interface,' 'payment account identifier' and the definition of 'listed persons or entities'. Also, it amends the definition of 'retail payment system' in the SEPA Regulation and provides different timelines for compliance with its provisions, depending on whether the Payment Service Providers (PSPs) in scope of the Regulation are in the eurozone or outside the eurozone.

The IPs Regulation establishes that PSPs that provide credit transfers in euro must offer the service of sending and receiving IPs in euro. There is no such obligation for Payment Institutions (PIs) and E-Money Institutions (EMIs) though, as they currently do not have direct access to settlement systems designed under the Settlement Finality Directive (SFD). For the time being, PIs and EMIs will not be prevented from offering instant payments on a voluntary basis, but it is not mandatory that they do.

In addition, PSPs are required to receive payment orders and be reachable for IPs 24 hours a day, 365 days a year, without any possibility to set up cut-off times or limit the processing of IPs to business days only. PIs and EMIs are excluded from this requirement.

As for customer interfaces, the ones via which orders for credit transfers may be submitted must also allow the submitting of orders for IPs, and where a PSP provides the option of submitting multiple payment orders for credit transfers packaged together in bulk, it must offer the same service for euro IPs.

As for charges, the IPs Regulation explains that charges applied by PSPs for sending or receiving euro IPs should be no higher than the same PSPs' charges for sending or receiving a non-instant credit transfer in euro. This obligation applies to PSPs offering euro IPs and PIs and EMIs. The Regulation also explains that – as for cross-border euro IPs executed by a PSP located in a non-euro area Member State, the Regulation on cross-border payments could lead to a higher charge than this proposal requires. The Regulation on cross-border payments is amended to ensure that a cross-border euro IP should be

priced at the same or a lower level than a corresponding regular cross-border euro credit transfer, even if this means that the price for such cross-border euro IP is not the same as the price for a corresponding domestic IP in the national currency.[KN1]

Furthermore, the IPs Regulation establishes an obligation for the payers to verify the discrepancies between the name and payment account identifier of the payee in the case of euros IPs. This means that all PSPs offering instant payments must provide their payment service users with a service checking that the payee's International Bank Account Number matches the payee's name and notifying the user of any detected discrepancy. This obligation applies to both national and cross-border IPs. PSPs will hence be obliged to notify the payer in case there is no matching before the IP payment order is finalised and before the PSPs execute the instant payment.

The draft IPs Regulation is now to go through the legislative procedure.



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