

European Payment Institutions Federation

Response to Commission Inception Impact Assessment on Instant Payments

April 2021

EPIF welcomes the opportunity to provide our views to the Commission Inception Impact Assessment on Instant Payments. We would like to take this opportunity to share with you some general comments that our members have on this issue. We agree with the Commission's overall objective to foster pan-European market initiatives based on instant payments, which would ensure that anyone holding a payment account in the EU could be able to receive and send an instant credit transfer from and to any other payment account in the EU.

EPIF fully supports **the initiatives by the EU towards instant payments**. Instant payments open opportunities for payment initiation and acquiring in particular. It also allows for the development of APIs and other payment arrangement services, especially in the area of guarantees and new customer products, such as phased payment solutions, small-scale payments etc. We believe that the **design of any such an initiative should consider all possible barriers to instant payments**. This includes in particular barriers at the national level that may essentially challenge the benefits of instant payment despite that they may be not linked with instant payments.

EPIF believes that the **success of instant payments will depend on non-bank PSPs having direct access** to the intra bank payments systems. Under the current settlement arrangements for SCT Inst, EPIF members can only be indirect members of the TIPS ECB clearing arrangements. This puts the non-bank payment sector at a competitive disadvantage. Access to TIPS rests on our members having access to the system via their own banking relationships. Many of our members are facing the closure of bank accounts as banks reassess their AML/TF policies. The debate around de-risking demonstrates the vulnerability of the non-bank sector unless they can have direct access to TIPS via the intra-bank payment system. This is particularly sensitive given that banks and non-banks are often in open competition. EPIF's members will only really benefit from SCT Inst if the Settlement Finality Directive creates the legal framework for non-banks to have direct access to TIPS. New members would of course have to meet the ECB's other technical conditions which we fully acknowledge. Therefore, EPIF very much welcomes the Commission's plans to review the Settlement Finality Directive.

More generally, EPIF welcomes the fast evolution of the SCT Inst adherence rate and the growth of SCT Inst volumes of transactions. We fully **support the EPC work to actively promote adherence to SCT Inst and its efforts to foster the scheme's attractiveness and reachability. We also support the overall objective pursued by the Eurosystem's interoperability initiative to facilitate full pan-SEPA reachability**. We have been involved in the design of the scheme rules and continue to support the work of the EPC on this area.

As regards other **payment infrastructures or technological solutions**, EPIF believes that payment services providers should have open, fair and non-discriminatory access to payment infrastructure and technology solution based on reasonable terms and conditions.

EPIF agrees with the Commission that a **European instant payment infrastructure could strengthen the role of the euro**. We believe that **instant payments at the Point Of Interaction (POI) could be complementary to card payments**.

With regard to **possible additional risks of Instant Payments**, EPIF believes that, compared to the traditional credit transfers, **instant payments pose additional or increased risks** (in particular fraud or money laundering).

EPIF notes that there may be a range of **practical and legal issues associated with instant payments** from cases in Europe where mandating a rapid payment mechanism or settlement times can result in:

- Higher merchant settlement costs to merchants;
- Decreased merchant choices; and a
- Loss of protection consumers expect (e.g. dispute rights – for alternative payments).

The additional/increased risk lies in the speed. A real-time transaction could only be stopped with a real time-fraud solution and the challenge of false positives has to be taken into consideration. We believe that public authorities' support for the industry's **efforts to prevent and fight against fraud** would be welcome, as security is key for end-users' trust in payment solutions.

Experience of bank-to-bank payment methods in Europe also shows that consumers are not always of the protections in place.

Finally, we would like to note that given the substantial investment and operational costs required by the development, deployment and running of instant payment solutions, their **economic sustainability for all actors involved needs to be enabled by the European Commission**.

In the light of our comments **EPIF membership would support policy option two - a non-legislative option**, exploring possibilities of actively promoting the voluntary participation of PSPs in relevant standardisation processes or schemes, awareness raising campaigns addressed to payments services users such as consumers and merchants, setting up a structured dialogue with national payments communities to coordinate national plans for promoting the uptake of instant payments or potentially addressing a Commission Recommendation to Member States.