

European Payment Institutions Federation

Response to the Commission Public Consultation on Instant Payments

June 2021

EPIF welcomes the opportunity to provide our views to the Commission public consultation on Instant Payments. Given the structure of the questionnaire, EPIF decided to share with the Commission some general comments that our members have on this issues. 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. In reference to the development of APIs, harmonization on the standard that will be used and having one single standard for APIs, would help strengthening interoperability of products and services, thus, of instant payments solutions in Europe.

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**.

EPIF membership would support 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. If a legislative proposal were to be put forward by the Commission, EPIF strongly recommends the commission to carefully assess the following issues.

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). 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.

Furthermore, taking into consideration the payment capping set at EUR 100,000, EPIF has concerns on the **impact on AML & CFT payment screening obligations**. Whilst it is correct to state that both recipient and beneficiary will be holding accounts with an EU licenced institution (thus screening on an ongoing basis), subject persons are required to screen payment activity for Sanction's exposure (prior releasing the transaction).

Similarly, a transaction for EUR 100,000 under normal SEPA processing warrant the collection and scrutiny of supporting documentation prior being released. EPIF would like to clarify whether there is any intent to mandate the collection of supporting documentation for these type of transactions or if collection of supporting documentation is done only on an ad hoc risk based approach basis, whereby based on the known customer relationship (by the distinct sending and receiving institutions), the absence of supporting documentation would constitute a breach in view of the transaction value (potentially up to EUR 100,000)

EPIF wishes to establish if the Commission is considering this payment channel as a low-risk payment medium, which would in turn justify screening on a post transaction monitoring basis. From a receiving bank point of view, EPIF would like to establish if this product should be considered as an optional (add-on) service or an essential service falling under the Payment Accounts - Directive 2014/92/EU for a Basic Banking Account service. The EPIF is posing this question to assess the impact and the exposure created by this product taking into consideration the product risk (give the velocity of fund movement) vs the clients provided with Basic Banking accounts.

An effective SEPA Instant Payment solution is when all European Credit and Financial institutions are participating in this scheme. EPIF would like to establish if the Commission has established or is envisaging a deadline by when this functionality will be mandated since adequate lead-time is required in order to conduct the necessary technical integration to handle this payment service. 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**.

Finally, we would like to point out that EPIF is conscious of the challenges of creating instant payment-based solutions, especially in what regards competition with card systems. It should be important that the **right incentives are in place to make instant payments competitive over time**, especially by allowing the possibility of charging merchants and/or payment users for the provision of instant payments or by leaving to the market the level of fees that should be charged. This would help ensuring competition. Hence, we are against any price cap or control that could possibly end up preventing from creating premium products for consumers, corporates or merchants that would choose them because of the benefits these very premium products provide to them. Customer choice should be protected as well as some proportionality between pricing and costs.

EPIF also believes that merchants need a **variety of payment methods** that ensure that purchases are finalised, therefore all solutions (card, SCT, SCT Inst, direct debit etc) should be considered relevant. Convenience, choice, customer experience, price, etc are all relevant factors for merchant' choice of payment methods offered.

From a merchant's perspective, new payment solutions are welcome if they can capitalize the investments already done (i.e. cost of equipment, software integration). A convenient payment method should simplify the post-sale activities (i.e. reconciliation, claims management), increase efficiency (time/costs) and mitigate risks (e.g. cash management at the point of sale incl. robberies, counting and checking out banknotes,). The ability to provide value added services would be key. A new payment method would have an important **basic element in Digital ID**. The same platform used to authenticate payments should be used to identify the customer in order to ease the online onboarding. All the above factors are key to allow a smooth and seamless payment process and to provide a better service to merchants.

ABOUT EPIF (EUROPEAN PAYMENT INSTITUTIONS FEDERATION)

EPIF, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 190 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe. **EPIF** thus represents roughly one third of all authorized Payment Institutions ("PI") in Europe. All of our members operate online. Our diverse membership includes a broad range of business models, including:

- Three-party Card Network Schemes
- E-Money Providers
- E-Payment Service Providers and Gateways
- Money Transfer Operators
- Acquirers
- Digital Wallets
- FX Payment Providers and Operators
- Payment Processing Services
- Card Issuers
- Independent Card Processors
- Third Party Providers
- Payment Collectors

EPIF seeks to represent the voice of the PI industry and the non-bank payment sector with EU institutions, policy-makers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment. It is our desire to promote a single EU payments market via the removal of excessive regulatory obstacles.

We wish to be seen as a provider for efficient payments in that single market and it is our aim to increase payment product diversification and innovation tailored to the needs of payment users (e.g. via mobile and internet).