

Position Paper on the Instant Payments Proposal

Introduction

The European Fintech Association (EFA) welcomes and supports the European Commission's proposal to accelerate the rollout of instant payments for the benefit of citizens and businesses in the EU, including SMEs. Making instant payments the new norm and promoting fair and equal access to critical infrastructure is key to achieving a truly competitive payments landscape. In the view of this, EFA would like to feed into the current legislative work on the Instant Payments proposal.

High-level messages:

- **Instant Payments Mandate:** The EFA supports the clear legislative roadmap for mandating uptake of Instant Payments.
- **Fees and Pricing:** The EFA supports the proposal to equalise fees between SCT and SCT Inst transfers. Fees for regular SEPA credit transfers should not be raised to compensate for the instant transfer fees.
- **IBAN Verification:** EFA believes that the access to national databases or, ideally, the creation of a central cross-border scheme/database at the EU level should be guaranteed. Additionally, the verification requirements should not apply where payee details are pre-populated via Open Banking solutions and due diligence has already been conducted as part of the business relationship.
- **Sanctions screening:** Sanctions screening should follow a risk-based approach to occur when there is a relevant change either in the customer details or sanctions lists.
- **Timelines:** EFA supports the timelines introduced by the European Commission, and believes that they should remain ambitious to avoid further delaying the rollout of instant payments.
- **Definitions:** To ensure consistent application of rules, EFA believes that the new definition for the payment service user interface should cover the access via dedicated interfaces.
- **Direct Access to Payments Infrastructure:** EFA advocates for payment and electronic money institutions to have direct access to the payment infrastructure to create a level playing field and accelerate the uptake of instant payments.

Fees and Pricing

EFA believes that instant payments should not be more expensive/offered at a 'premium' cost compared to regular credit transfers, as it would curb their adoption. Processing costs of instant credit transfers will go down with scale as adoption grows. Thus, we agree with the Commission's proposal to equalise the fees between regular and instant credit transfers as it will encourage consumers to choose instant payments. At the same time, policymakers and regulators need to make sure that the industry doesn't as a consequence raise the fees for regular SEPA credit transfers to compensate for the instant transfer fees.

IBAN Verification

It is important that the EU learns from the experience of other jurisdictions where similar IBAN checks have been introduced and pursues a centralised approach which allows seamless information sharing, rather than the industry entering into individual agreements. To allow for verification of the authenticity of the data, all Member States should guarantee access to national databases or, ideally, the creation of a central cross-border scheme/database at the EU level that would allow all participants to cross-check the necessary information.

EFA also believes that the verification requirements should not apply when the payee is already known to the payment service provider. Such examples include Open Banking solutions where the payee details are pre-populated by payment initiation service provider and due diligence has already been conducted as part of the business relationship. When Open Banking is used for payments to businesses, the risks that IBAN verification seeks to address often do not exist. That is because the Open Banking provider has an established relationship with the recipient of the payment. It carries out due diligence before taking payments for them and pre-populates the payment details, ensuring the payment goes to the right place.

It is important to ensure that the new IBAN verification requirements do not create unnecessary friction that could confuse consumers and dissuade them from using Open Banking, nor adding any unnecessary delay into the payment flow making it less instant.

Sanctions screening

The proposed approach to conduct daily sanctions screening for Instant Payments may fail to address the risks at hand. If PSPs conduct sanctions screening once a day, new sanctions designations can occur outside of the screening window leading to an increase in risk. Sanctions screening should follow a risk-based approach to occur when there is a relevant change either in the customer details or sanctions lists.

Timelines

EFA fully supports the timelines for receiving/sending instant payment transfers introduced by the European Commission. We believe that they should remain ambitious to avoid further delaying the adherence to the SCT Inst. In this way EU citizens and businesses can achieve full-scale benefits faster.

Definitions

EFA believes that the new definition for the payment service user interface should cover the access via dedicated interfaces under Open Banking to ensure consistent application of rules.

Direct Access to Payment Infrastructure

The most innovative players are not allowed to participate in central bank settlements as direct members despite playing a central role in the European payments system. Payment and electronic money institutions should be allowed to have direct access to the payment infrastructure. Changes are required to the Settlement Finality Directive (SFD) to allow non-banks to directly participate in the payments infrastructure. This would create a level playing field between market participants and accelerate the uptake of instant payments. Such an opening would also benefit users, who would see their possibilities of using instant payments expanded. In addition, these non-bank players would contribute to the funding and maintenance of that infrastructure, further allowing processing costs to get lowered with scale.

About us:

The European FinTech Association (EFA) is a not-for-profit organization representing leading FinTech companies of all sizes from across the EU. It brings together a diverse group of 40+ FinTech providers ranging from payments, to lending, banking, robo-advice, investment as well as software-as-a-service for the finance sector, with a clear focus on enabling a single market for digital financial services. For more information, visit www.eufintechs.com or follow [@EFAAssociation](https://twitter.com/EFAAssociation) on Twitter.