

Instant retail payments in euro: proposal for next steps

1. Background

In December 2014 the Euro Retail Payments Board (ERPB) invited the supply side of the industry, in close cooperation with the demand side and with the active involvement of the European Payments Council (EPC) as a potential scheme developer, to make an assessment of the issues related to pan-European instant payment solutions in euro and present it at its meeting in June 2015. In response to this call, the EPC established an internal ad hoc task force that prepared a report on instant payments and submitted it to the 29 June meeting of the ERPB¹.

The report sets instant payments into the context of the Single Euro Payments Area (SEPA) and contains a thorough analysis of the topic, ranging from perceived users' expectations and needs to opportunities and implications for payment service providers (PSPs), and hinting at aspects related to the underlying clearing and settlement infrastructure. Scenarios and recommendations describe possible ways to make instant payments in euro available to end-users at pan-European level. Tentative milestones in this direction are also indicated.

2. Next steps envisaged on the scheme layer

On the basis of the EPC report on instant payments, this ERPB Secretariat note proposes the next steps to be taken by the ERPB, focusing on the basic scheme layer and taking into account the conclusions of the ERPB working group on person-to-person mobile payments. It is acknowledged that person-to-person mobile payments and other end user payment solutions may be competitively developed on the rails of basic instant payment schemes.

At the outset, as agreed by the majority of the EPC task force members, a basic instant payment scheme based on credit transfer may provide such rails. This is also in line with the ERPB stance on instant payments as agreed and communicated in December 2014, i.e. "...[instant payments] solutions should

¹ EPC 160-15, 4 June 2015. As indicated by the EPC, "this report must be seen as a preliminary contribution from just one SEPA stakeholder".

take advantage where possible of the harmonisation and integration already achieved with the SEPA project, preventing the emergence of a fragmented European market for instant payments in euro.” It may therefore be considered a logical next step that an instant SEPA Credit Transfer scheme (SCT^{inst}) should be developed. As a matter of fact, on the one hand, SCT currently ensures reachability of over 4,500 PSPs in Europe and could efficiently support the deliverable of at least one instant payment solution at pan-European level in the short run. On the other hand, it is not excluded that instant payment solutions in euro based on alternative electronic payment instruments (namely cards and direct debits)² may continue to be offered or developed. Arguably, however, such solutions may be viable at pan-European level only in the medium-to-long term, since SEPA for cards cannot be considered fully achieved yet, while instant direct debits – due also to their “pull” nature and the unconditional refund rights - lack the required “finality” for instant payment transactions.

To sum up, with a view to delivering pan-European instant payment solutions in euro to end-users in the short run, it is proposed that an instant SCT scheme (SCT^{inst}) should be developed. At the same time, irrespective of the payment instrument on which they are based, multiple instant payment end user solutions in euro may contribute to achieve the objectives of competition, innovation and integration in this market segment, provided that they allow for pan-European reachability. For these purposes, it is expected that solutions be developed at pan-European level or, if developed at national level, become mutually interoperable at least with those based on the same payment instrument.

2.1 Concrete next steps - focus on the development of an instant SCT scheme

As with the SCT, it is proposed that the EPC would be the scheme developer and owner of an instant SCT scheme (SCT^{inst}) open to any PSP in the EU.

It is understood that the existing EPC governance structures will be mobilised to develop the SCT^{inst}. According to information available, these governance structures also cater for demand and supply side stakeholder consultation. Therefore, rather than setting up an ERPB working group on instant payments it is suggested that the EPC as future scheme owner elaborate on the design of the new scheme.

Next to that, it will be important that the EPC work in this field is closely followed by the ERPB at the appropriate political level. Therefore, it is suggested to set up until the next ERPB meeting in November 2015 a group reflecting the composition of the ERPB to give guidance as needed to the EPC. The composition of this ERPB group should be normally at alternate level. The group will give the EPC the opportunity to report on the progress made in developing SCT^{inst} and to receive feedback directly from representatives of ERPB members, national central banks and the European Commission. It would not interfere with the day-to-day work carried out by the EPC in designing the scheme, but pursue the maintenance of the cooperative stakeholder approach in the interim of the full ERPB meetings. The

² It is assumed that this would not prevent the offering of instant payment solutions based on e-money. In this respect, it is clarified that e-money should not be considered as a payment instrument, but as monetary value (Directive 2009/110/EC, art. 2)

meetings of this ERPB group would take place in the period June to November 2015.³ The EPC is assumed to report back to the ERPB in November 2015.

An instant SCT scheme would include common basic (minimum) requirements not only for the inter-PSP space, but also for the customer-to-PSP and PSP-to-customer space. This would be essential to deliver a uniform customer experience of immediacy of payment at pan-European level. The EPC Report on Instant Payments (EPC 160-15, 4 June 2015) contains already a non-exhaustive list of possible high level requirements for instant payment solutions. The SCT^{inst} will be a “supportive” scheme to instant payment solutions (e.g. to instant mobile P2P solutions offered to end-users). The more end-user / business requirements for instant payments are covered by the SCT^{inst}, the less requirements need to be addressed by the respective instant payment solutions and the more harmonisation and interoperability at pan-European level is ensured. More information on possible high-level business requirements for SCT^{inst} is available in the Annex to this note.

It is a voluntary decision of PSPs to offer instant payment solutions and services to their customers. However, if PSPs offer instant payment solutions in euro on the basis of credit transfer, they are assumed to adhere to the SCT^{inst}.

3. Conclusions

Welcoming the EPC report as an important step forward in achieving pan-European instant payments in euro and on this basis, the ERPB members are invited to agree:

- that irrespective of the payment instrument on which they are based, instant payment solutions in euro should be developed at pan-European level or, if developed at national level, should become interoperable at least with those solutions based on the same payment instrument;
- to invite the EPC to present the proposal for an instant SCT scheme (SCT^{inst}) to the ERPB at the next meeting in 2015;
- to call for a group reflecting the composition of the ERPB at the level of alternate ERPB members to give guidance as needed to the EPC with regards to the development of the SCT^{inst} in the period June – November 2015.

³ Meetings to be organised by the ERPB Secretariat and to be chaired by the ECB.

Annex: Possible high-level business requirements for SCT^{inst} relevant to the ERPB

Without prejudice to the final outcome of the SCT^{inst} development process, on the basis of the EPC Report on Instant Payments (EPC 160-15, 4 June 2015) the following business requirements appear to be most relevant while developing an instant SCT scheme (SCT^{inst}):

- 24/7/365 availability of the instant SCT scheme to customers
- Timespan of execution instant payment transactions
- Immediate availability of funds to payees and value dating
- Payment certainty for the payer and the payee
- Minimum information provided to the payer and the payee by their PSPs on instant payment transactions
- Real-time access to payment status information
- Value limits on instant payment transactions
- Instant payment r-transactions and related messages relevant to customers
- Data protection, anti-fraud and anti-money laundering (AML) requirements

In addition to the above, other aspects of business requirements may also be taken into consideration where relevant.