



OFA position on the EU instant payments proposal

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PSD2 supported open banking providers to initiate bank transfers, reducing reliance on cards and manual bank transfers, introducing cheaper and more convenient payment methods.

Open banking elevates instant payments from a bank transfer option available only through online banking, to an alternative payment method in fast-moving sectors like e-commerce or investment.

SEPA Instant promised to enable easy and instant cross-border payments across 36 countries. It was meant to be the foundation of a new EU normal, where instant and frictionless payments work the same way within country borders as across them. Unfortunately, coverage issues and the cost of instant payments have prevented this uptake.

The upcoming EU legislation on instant payments is an opportunity to address the limitations of SEPA Instant in order to enable truly frictionless instant open banking payments across the EU.

- **Coverage:** OFA supports the legislative proposals aimed at increasing coverage of instant payments. Greater coverage would be achieved if payment and e-money institutions also have direct access to payment infrastructure.
- **Pricing:** OFA supports the proposal to make SEPA Credit and SEPA Instant fees equal. This will make instant payments competitive with incumbent payment methods. Any changes to SEPA Credit charges should be monitored to ensure that policymaker objectives for SEPA Instant fees are realised.
- **IBAN verification:** OFA supports a targeted, risk-based approach with a carve-out for open banking use cases where payee details are pre-populated by the PISP and the payee has a business relationship with the PISP. The rules should be technology-neutral to enable innovation.
- **Definitions:** OFA believes that the definition for “PSU interface” should explicitly include access via dedicated interfaces.
- **IBAN discrimination:** OFA encourages the EU and its Member States to take action against widespread IBAN discrimination which impacts open banking in order to encourage the adoption of instant payments.

Coverage

Right now, SEPA Instant is optional, which means a little over half of EU banks make it available. Coverage of SEPA Instant varies [significantly](#) between member states, from 100% in Slovenia to just 4% in Denmark.

OFA supports the proposal that payment service providers offering regular credit transfers should also be required to offer instant credit transfers. This will lead to a much higher coverage rate across SEPA and in turn stimulate adoption.

We also believe that payment and e-money institutions should also be enabled to have direct access to the payment infrastructure in order to create a level playing field and accelerate the uptake of instant payments.



Pricing

Where SEPA Instant is offered by banks, adoption remains relatively low. The main reason is that consumers are often charged a fee for using it, making it less competitive against incumbent methods that are free, such as non-instant transfers or cards. The fees vary by bank and from country to country, and they can range from flat-fees to basis-point fees. Overall, instant payments adoption is highest where the end-user fees are lowest.

Instant payments cannot be a premium service. Success will depend on them being competitive with incumbent methods - for example card payments (which in many cases are free to the payer).

OFA supports the proposal that instant payments should be offered at the same cost as regular credit transfers. As part of monitoring the proposals implementation, the EU should monitor any changes to SEPA Credit charges to ensure that policymaker objectives for SEPA Instant fees are realised.

Price intervention should not undermine value-added business models. Any value-added services should remain clearly outside the price intervention.

IBAN verification

The rules should be technology neutral to foster innovation. Currently, IBAN verification is increasingly used to help stop fraud and payments being accidentally misdirected, by checking whether the name of a payee's account matches the name and account details provided by a payer. However, stronger tools could be developed in the future and legislation should not restrict innovation.

When open banking is used for payments to businesses, the risks that IBAN verification seeks to address often do not exist. That's 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 (the equivalent effect of IBAN verification) and pre-populates the payment details, ensuring the payment goes to the right place. Verification can be relevant for some open banking payments where a payer needs to input the recipient's account details, but there needs to be a method of opting in or out of verification, depending on the use case.

OFA believes it is important that the EU adopts a targeted, risk-based approach to using IBAN verification. Applying it inappropriately can create unnecessary friction that could confuse consumers and dissuade them from using open banking.

For other open banking use cases, where the payer needs to input the recipient's account details, TPPs should be able to easily and freely access the verification infrastructure without impeding customer journeys. This access should not be prohibitively difficult in terms of regulatory requirements, technical complexity or costs to the TPP.

Access to the verification infrastructure should be seen as a significant risk reduction method, and access to it should be actively encouraged. Lastly, the implementation of the check should not create unnecessary friction in the payment journey which would dissuade a user from making a legitimate journey.

Definitions

The obligation to provide instant payments is limited to the “same PSU interfaces” that PSUs can use to make other credit transfers. Definition of “PSU interface” is “any method, device or procedure through which the payer can place a paper-based or electronic payment order to its PSP for a credit transfer, including online banking, mobile banking application, automated teller machine, or in any other way on the premises of the PSP”.

In order to ensure consistency, the definition of “PSU interface” should be expanded to explicitly include open banking dedicated interfaces.

Eliminating cross-border obstacles

Making SEPA Instant mandatory will improve the functioning of pan-European payments, but will not by itself eliminate all obstacles to making cross-border payments.

The SEPA Regulation requires that all cross-border electronic payments in euros should be as easy to make as domestic payments. However, IBAN discrimination continues to be a considerable problem which affects all forms of payment.

In the case of open banking, it means that instant payments either cannot be initiated to a bank account from a different member state, or that banks create discriminatory, unnecessary steps which discourage the user and lead to high rates of abandoned or cancelled payments. Cross-border payments within SEPA are also rejected at a higher rate than domestic payments.

Examples of discriminatory steps in the payment process include:

- Having to use a card reader to validate the payment.
- Having to register a non-domestic SEPA IBAN as a trusted beneficiary.
- Having to manually increase the account’s non-domestic transfer limit in the online banking channel – or by calling the physical branch of the bank.

To truly unlock cross-border instant payments, discriminating against IBANs from other SEPA countries must become a thing of the past.

Contact

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