PAYMENTS EUROPE: RESPONSE TO PSMEG QUESTIONNAIRE ON INSTANT PAYMENTS

Payments Europe supports the uptake of instant payments, as it will further contribute to a dynamic and vibrant payments market in Europe. We believe **instant payments will complement, rather than replace, existing payment instruments such as cards.** The availability of a variety of payment instruments leads to increased choice for consumers and retailers, something we strongly support given that each payment instrument has different use cases.

As every payment instrument has different value and cost features, **end-users should be allowed to decide which payment method better suits them** for any specific purchase. But for this to be the case, consumers should be given **access to all the necessary information** about the different features, value, functionalities and costs of new methods of payment they might want to rely on. With this in mind, Payments Europe advocates for the importance of informed choice.

In light of the above, Payments Europe invites policymakers to ensure **new regulatory measures do not undermine the ability of payment service providers to design and promote instant payments products, but rather provide a framework that is respectful of the well-functioning payments market and level playing field**. Indeed, regulatory intervention, especially around core features or pricing, may distort market balance and lead to poor or slow uptake.

Taking note of the European Commission's plans to propose a legislative initiative to enable the uptake of Instant Payments and of the related questionnaire developed by the PSMEG[1], Payments Europe would like to highlight the following considerations with regards to (1) adherence to SEPA SCT Inst scheme and sequencing, (2) pricing, and (3) consumer protection.

Adherence to SCT Inst and sequencing

Payments Europe believes that payment service providers (PSPs) have made significant progress to voluntarily improve adherence to the SCT Inst scheme. According to the European Central Bank data[2], as of June 2021, 69% of the SCT scheme participants adhered to the SCT Inst scheme at the European level. However, there are stark differences between Member States, ranging from 92% of Austrian PSPs providing SCT Inst options to 0% in other Member States such as Greece and Slovakia.

Should adherence to SCT Inst be mandated, Payments Europe believes that market players should have **sufficient time to make necessary investments to receive/send instant credit transfers without putting at risk the safety and security of transactions** and the high level of protection that European consumers have been accustomed to in payments. Based on the experience our members have had with the implementation of PSD2, we would foresee that there should be **at least two years** between the entry into force of the legislation and the adherence deadline. Payments Europe also believes that

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non-euro area PSPs should be granted more time, seeing the lower levels of adherence to the SCT Inst scheme amongst these Member States, with an average of only 4%.

Pricing of euro instant credit transfer transactions

Payments Europe supports a European market where all payment instruments are treated equally by policymakers. We believe **the choice for use should sit with end-users, and regulators should allow for instruments to compete in a regulatory-neutral framework**. To ensure the uptake of instant payments, all stakeholders in the value chain should find commercial benefits in them and pricing should allow for this. Pricing intervention could distort market balance as it could reduce commercial interest for one player in the value chain, leading to less use or acceptance of instant payments.

The offering of instant payment solutions will most likely be associated with extra costs due to the need to implement the required infrastructure and/or specific features such as consumer protection. Payments Europe calls on the regulators to **let the market determine the fees and commercial dynamics** – and not intervene on what type of pricing should be allowed. If instant payments become a cost, it will unlikely be promoted.

Protecting consumers from sending funds to the wrong beneficiary

One recurrent issue that consumer have encountered when executing instant payment transfers is the risk of sending the funds to the wrong beneficiary. Payments Europe and its Members fully understand the advantages of having a central IBAN verification database, due to its simplicity and low derived costs. However, we are mindful of the required daily heavy update process and the greater potential for problems in terms of operational resilience and security. We are supportive, at this stage, of having **Confirmation of Payee mandated by the regulators**. If this is the final option chosen, the regulation should **allow the market to decide** how to implement such a Confirmation and avoid prescriptive rules regarding the form or the messaging used as this would speed up and facilitate market adoption of such a Confirmation of Payee requirement to the benefit of consumers.

As more payment instruments come to market, it is paramount that consumers have access to all the necessary information about the different payment solution features, such as the applicable fraud or consumer protection measures, to be able to make informed choices.

ABOUT PAYMENTS EUROPE

Payments Europe is an association of global and European card-based payment solutions providers created to strengthen the voice of the industry. Payments Europe's members are active throughout Europe representing card issuers, card acquirers, four-party card schemes and other stakeholders active in the ecosystem that offer card-based payment solutions. Our mission is to promote a better understanding of the complexity of card payments and the inherent value it brings to society. We support a vibrant, innovative, and competitive European payments market, that is based on a balanced regulatory framework and puts