



EUROPEAN CENTRAL BANK

EUROSYSTEM

Instant Payments Regulation (IPR)

Overview & Key dates

TIPS-CG meeting

target | TIPS
services



Agenda

- 1** **Timeline for adoption of the final text**
- 2** Main elements of the IPR & implications for TIPS
- 3** Timeline for stepped implementation

Instant Payments Regulation (IPR)

Timeline for adoption:

26.10.2022
EC proposal

[Adoption of legislative proposal](#) on IPs for EU countries

12.05.2023
Council position

[Position of the Council](#) ahead of negotiations with the Parliament [before Trilogue phase (Jul-Nov 2023)]

29.11.2023
Final compromise

[Final compromise text on instant payments](#)

Feb 2024? [TBC]
Council & Parliament adoption

The Regulation shall enter into force the 20th day following its publication in the Official Journal of the EU

March 2024? [TBC]
Stepped implementation

Following the entry into force of the Regulation, the clock for stepped implementation starts..!

Agenda

- 1 Timeline for adoption of the final text
- 2 **Main elements of the IPR & implications for TIPS**
- 3 Timeline for stepped implementation

Instant Payments Regulation (IPR)

Reminder:

Main elements - Overview

- First version of the text (EC legislative proposal):
October 2022
- Final compromise text:
November 2023

Obligation on EU PSPs that already offer credit transfers in euro to offer also their instant version within a defined period

Obligation on PSPs to ensure that the price charged for instant payments in euro does not exceed the price charged for non-instant credit transfers in euro

Verification of payee Service (IBAN-name check)

Screening of persons that are subject to EU sanctions, through a procedure whereby PSPs will verify at least daily their clients against EU sanctions lists, instead of screening all transactions one by one against those lists

Where a PSP provides the option of submitting multiple payment orders for credit transfers packaged together in bulk, it must offer the same service for IPs

Instant Payments Regulation (IPR)

Obligation on EU PSPs that already offer credit transfers in euro to offer also their instant version within a defined period

There should be no difference in terms of the payment initiation channels through which Payments System Users (PSUs) can place payment orders for instant credit transfers and other types of credit transfer transactions.

- Principle out of scope for TIPS, but National Central Banks (NCBs) to support their community in view of joining the SCT Inst scheme
- Principle which applies also for PSPs located in Member States outside euro area:
 - *“PSPs located in a Member State whose currency is not the euro could have limited access to liquidity in euro outside of business hours. Therefore, it is proportionate to provide for the possibility that these PSPs ask for the permission of their competent authorities to provide the service of sending instant credit transfers from accounts denominated in the national currency of that Member State outside of business hours **only up to a certain transaction limit**. Competent authorities should be able to grant that permission based on their assessment of a PSP's access to liquidity in euro.”*
 - *“Where a payment order for an instant credit transfer in euro is submitted from a payment account that is not denominated in euro, the time of receipt should be the moment when the PSP, immediately upon receiving that payment order, converts into euro the amount of the transaction from the currency in which the payment account is denominated.”*
 - *Longer application deadlines for PSPs located in Member States outside euro area*
- **[NEW] Non-bank PSPs (EMIs and PIs) included in the scope in view of amendment of Settlement Finality Directive**
 - *Short deadline granted to Member States to enable it (text transposition)*

→ TIPS is already in place to support this obligation

Instant Payments Regulation (IPR)

Obligation on PSPs to ensure that the price charged for instant payments in euro does not exceed the price charged for traditional, non-instant credit transfers in euro

- ✓ Principle out of scope for TIPS
- PSPs to ensure that charges for euro instant credit transfers are not higher than charges for corresponding euro regular credit transfers
 - “[...] In those national markets where higher transaction-level charges for instant credit transfers in euro compared to charges for other types of credit transfers in euro have been applied, the uptake of instant credit transfers is low.[...] All types of charges applied to payers and payees for the execution of instant credit transfers in euro, including per transaction charges or lump sum charges, **should therefore not exceed** such charges applied to the same PSU for corresponding types of other credit transfers in euro.”
 - “In order to allow PSUs greater discretion when making use of instant credit transfers, PSUs **should be able to set individual limits, either on a daily or per transaction basis**, on amounts that they can send by means of instant credit transfers. PSUs should be able to modify or lift any such limits at any time and without difficulty, and the effect of such changes should be immediate.”

→ TIPS pricing is a competitive one and will make it easier for banks to migrate from the traditional SCT to the instant paradigm

Instant Payments Regulation (IPR)

Service of payee verification (IBAN-name check)

- Principle under analysis on TIPS side
- More details are now provided, e.g. reference to close match!
 - *“Some attributes of the name of the payee to whose account the payer wishes to make an instant credit transfer, such as the presence of diacritics or different possible transliterations of names in different alphabets, differences between habitually used names and names indicated on formal documents may result in a situation where the name of the payee and the payment account identifier supplied by the payer do not match exactly but almost match. [...] the PSP should indicate to the payer the name of the payee associated with the payment account identifier provided by the payer in a manner which ensures compliance with Regulation (EU) 2016/679.”*
 - *“The service ensuring verification of the payee should as far as possible be carried out in accordance with a Union-wide set of rules and standards, in order to encourage a smooth and interoperable implementation. Those rules and standards could be developed by organisations composed of or representing PSPs.”*
 - *Where the payee is a legal person, possibility to also refer to fiscal number, LEI*
- Scope extended to include euro regular credit transfers
- Service free of charge for all types of PSUs

Solving
GDPR
issue ☺

Implicit
role of
EPC

→ TIPS-CG members will be debriefed on the Verification of Payee (former IBAN name check) as part of the agenda item [4.4]

Instant Payments Regulation (IPR)

Screening of persons that are subject to EU sanctions, through a procedure whereby PSPs will verify at least daily their clients against EU sanctions lists, instead of screening all transactions one by one against those lists

- Principle out of scope for TIPS
- Not transaction based to avoid high rejection rates, especially towards cross-border payments, but to check own clients on daily basis:
 - “Screening of PSUs to verify whether a PSU is a listed person or entity in case of instant credit transfers
PSPs offering instant credit transfers shall verify whether any of their PSUs are listed persons or entities. PSPs shall carry out such verifications immediately after the entry into force of any new or amended restrictive measures adopted in accordance with Article 215 TFEU providing for asset freeze or prohibition to make funds or economic resources available , **and at least once every calendar day.**”

Instant Payments Regulation (IPR)

Where a PSP provides the option of submitting multiple payment orders for credit transfers packaged together in **bulk**, it must offer the same service for IPs

• Debulking at PSPs side: clarifications & details are now provided:

- *“Where a PSU submits a package of multiple payment orders for instant credit transfers to its PSP, **that PSP should immediately start to unpack that package so as to turn it into individual instant credit transfer transactions.** The time of receipt of a payment order submitted in a package of multiple payment orders should be the moment **when the ensuing individual payment transaction has been unpacked**, taking into account any capacity constraints of a retail payment system which have been communicated to the payer’s PSP. **Immediately upon unpacking, the payer’s PSP should transmit that individual instant credit transfer transaction to the payee’s PSP.** That transmission should occur without prejudice to possible solutions to be provided by retail payment systems which allow for the conversion of packages of multiple payment orders for instant credit transfers into individual instant payment transactions.”*
- *“When providing instant credit transfers **■**, PSPs shall offer to their PSUs the possibility to submit multiple payment orders as a package if they offer that possibility to their PSUs for other types of credit transfers. **PSPs may not impose limits on the number of payment orders that can be submitted in a package for instant credit payment which are lower than the limits they impose in respect of packages of other types of credit transfers.**”*

→ Bulk payments are processed in TIPS as “normal” single instant payments. In line with the provision regarding the possible constraints of the processing payment system, TIPS might discuss with the users measures to prevent a single user to use all the bandwidth of TIPS

→ TIPS-0041-URD “Introduction of NTC payments in TIPS: NTC payments have to be seen as an instrument to facilitate the migration of SCT payments towards the instant settlement, this way supporting the objective of making IPs the “new normal” → ensure TIPS capacity management of NTC & IPs transactions (request towards 4CB – outcome to be provided as part of DA)

Instant Payments Regulation (IPR)



- **New principle added in the regulation (p. 39):**
 - *“Notwithstanding Article 89 of Directive (EU) 2015/2366, where the payer's PSP has not received a message from the payee's PSP confirming that the funds were made available on the account of the payee **within 10 seconds from the time of receipt, the payer's PSP shall restore the payment account of the payer to the state in which it would have been had the transaction not taken place.**”*
- **Analysis/Impact of this article:**
 1. **Functioning of the SCT Inst Scheme may be changed:** from an overall 25-seconds timespan to a 10-seconds timespan compressing the overall timeline for all actors in the chain
 - PSP side: may lead to a higher number of rejects/return transactions
 - CSM side: may imply some adaptations
 2. Refund obligation for the originator/payer PSP in case it did not receive a confirmation **within 10 seconds**
 - possible credit risk
 3. **No clear explicit date for the entry into force of this requirement**

Based on the final text to be approved, TIPS will adjust accordingly

- The Regulation is saying how the scheme should work → our understanding is that the EPC is trying to reach the EC as this article jeopardises the readiness of the SCT Inst scheme to IPR
- Waiting for the final version of the text to be approved by the Council & Parliament (theoretically scheduled for February/March 2024)

Instant Payments Regulation (IPR)

- **Impact of IPR on instant payments volumes / TIPS capacity:**
Need for a PSP rule in TIPS for a Minimal TPS* capacity for receiving and/or Maximum TPS capacity for sending?
 - ✓ Today TIPS capacity is (very) far from being reached
 - ✓ Tomorrow, even if the instant payments volumes strongly increase, a throttling at NSP level would take place
For both topics, please refer to 4CB slides under agenda item [4.3 B]
 - ✓ Also, it is expected that in case of bulk payments, the Originator PSP, (i) as part of the unbulk process and (ii) in order to avoid rejections on Beneficiary side would not have the exactly same timestamps for all its unbulked instant payments transactions
- As a consequence, for the time being, it is not seen as needed to introduce a rule for the PSPs regarding minimal TPS capacity for receiving and/or maximum TPS capacity for sending



Agenda

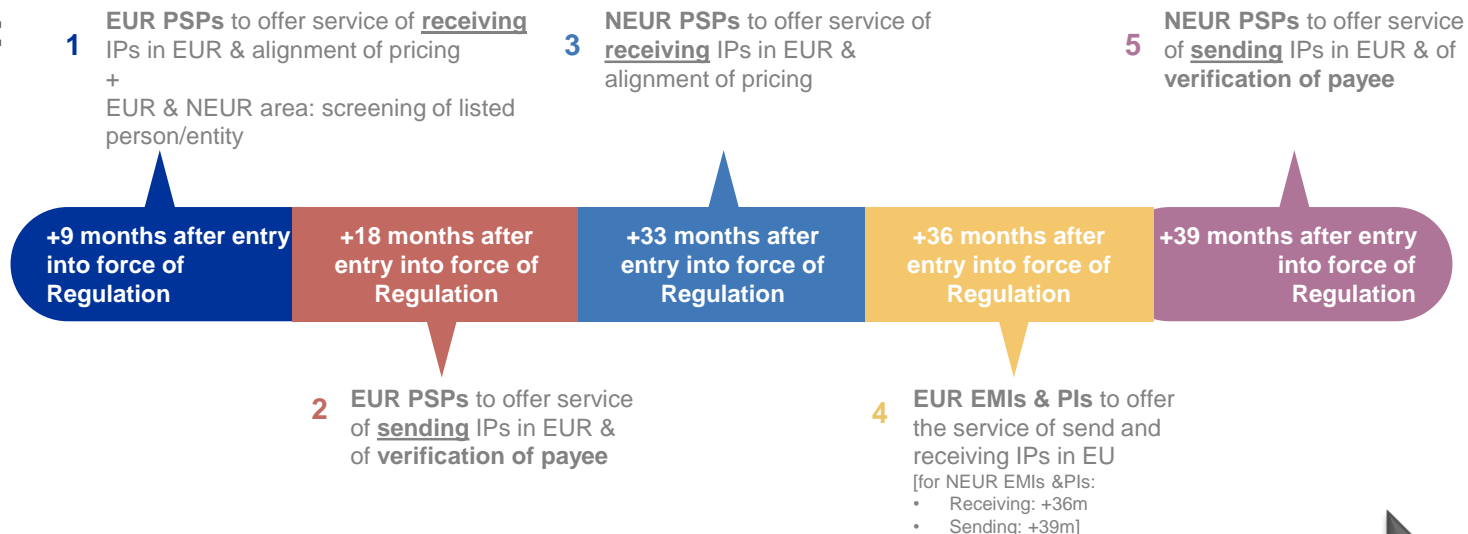
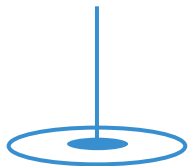
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Timeline for implementation:

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If no respect of it, Member States to impose financial penalties!!

Reporting from PSPs is expected every 12 months (first one: +12 months after entry into force of IPR)

Thank you for your attention!

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 **ECB: market infrastructure and payments**