

# How to unlock the potential for instant payments?

*Beatriz Pozo Pérez & Willem Pieter de Groen*

## Meeting Report<sup>1</sup>

The ongoing digitalisation process is amplifying the importance of electronic payments for the functioning of the European economy. In response, the European Commission has stepped-up its ambitions to create an integrated payment system and to increase the autonomy of existing means of payments.

Real time electronic payments, also known as instant payments, play a pivotal role in creating the desired homegrown pan-European integrated payment system for both online and point-of-sale payments. In fact, the Commission has pledged to make instant payments the ‘new normal’ in the EU. The Commission is supported in this endeavour by various other public and private organisations, including the European Central Bank (ECB) and the various European banks that are a part of the European Payments Initiative (EPI).

Instant payments can have multiple benefits in comparison to traditional card payments, in terms of lower costs, more liquidity, trust and even economic growth. Instant payments accounted for [118 billion](#) transactions globally in 2021 with a year-on-year growth of 65 %. Emerging nations such as India have taken the lead, whereas the uptake of instant payments is lower in countries with more mature markets for electronic payments. This is confirmed by the figures for the mature EU market.

Uptake in the EU is growing, but remains low and varies a lot across countries. Instant payments accounted for about 11 % of credit transfers in total by November 2021, up from 7 % in the first half of 2020. Looking across countries, Estonia remains the only EU country where more than 50 % of electronic payments are instant payments, while there are also several countries where instant payments penetration is close to zero.

Instant payment solutions have been developed for their respective domestic markets. For example, [Bizum](#) in Spain or Swish in Sweden have been very successful domestically. However, consumers cannot use them for cross-border payments, for instance when travelling in other EU countries. Merchants therefore depend on international card schemes for cross-border electronic payments. EPI aims to overcome this by creating a pan-European instant payments initiative, which makes instant payments a real alternative to the international card schemes. But the future of EPI is still uncertain.

---

<sup>1</sup> This meeting report is the authors’ interpretation of the discussion held during the CEPS-ECRI conference on ‘How to unlock the potential for instant payments?’ on 5 May 2022.

Considering the limited uptake and lack of cross-border initiatives, the Commission is working on a solution to unlock the cross-border potential of instant payments, which is expected to be published in September 2022.

## Instant payments have some clear benefits

A recent [ACI Worldwide](#) study estimates that instant payments helped generate an additional economic output of USD 78 billion in 2021, which could grow to USD 173 billion by 2026. Benefits in the EU are relatively limited because of the low uptake of instant payments and the more advanced retail payments infrastructure. For example, the projected additional economic output from instant payments is estimated at USD 0.9 billion in France and USD 3.3 billion in Germany by 2026.

Most of the economic benefits are generated by lower transaction costs, mostly due to a reduction of the liquidity stuck in the system. For example, in the EU at any given time there is up to EUR 127 billion caught in transit because of a delay in the execution of payments. This will especially bring benefits to merchants and governments as they will receive their revenues and tax payments faster. Moreover, instant payments have a lower level of fraud and fewer failed transactions. This is important for SMEs, which are more often required to provide a proof of payment. With instant payments this impediment is overcome as there are basically no delays between the initiation and the transfer of the funds. The move from cash to instant payments is further likely to reduce the shadow economy with more registered transactions.

Instant payments can also promote innovation. Instant payments initiatives allow the development of new payment products such as a QR-based request to payment solutions. This allows merchants to offer new customer experiences, such as more integrated payment experiences that can bring a competitive advantage and new revenue streams. For customers, it allows them to better track and control their expenses, improving their ability to budget.

## Developing cross-border instant payment solutions

Despite these benefits, many obstacles remain for the development of instant payments in the EU. Currently, one in three EU credit institutions still do not offer instant payments and have not set up the systems to accept them. Moreover, the current implementation, based on national initiatives, has resulted in an amalgam of solutions across the EU with their own specificities. Interoperability and/or consolidation are necessary to allow instant payments to work across borders.

Interoperability would require either a coordinated effort between the different instant payments solutions at national level to agree on common standards, regulatory intervention or the development of new instant payment solutions based on common standards. Both a system based on interoperability or a new pan-EU solution would require important investment in new infrastructure, connectivity and adaptation.

The EPI aims to develop an EU-wide solution. It has 13 European shareholders (11 banks and two acquirers) that have the ambition to create an unified, innovative pan-European payment solution based on SEPA Instant Credit Transfer (SCT Inst). With the cooperation between established payment services providers, EPI follows the model that was also successful for BIZUM in Spain and Swish in Sweden, which were both developed by domestic banks.

Looking at the markets where instant payments are most developed, there is often a clear commitment from governments. Outside the EU this is for instance the case in Brazil and Malaysia. Inside the EU it has happened in [Hungary](#), where payment service providers (PSPs) are required to offer instant

payments with a maximum five second execution time for transactions under EUR 28 000. Only 21 months after its implementation, instant payments account for about one-third of all electronic payments. Hungary is considering taking further action to increase the adoption of instant payments, such as QR code-based payments.

## Convincing consumers and merchants

To unlock the instant payments potential it is important to make instant payments attractive for both consumers and merchants.

This means that the solutions need to support simple, convenient and secure payments for consumers. There are various instant payment solutions for e-commerce, Point Of Sale (POS) and P2P, which could qualify, such as QR codes, scan and go, and Request-to-Pay. The security of instant payments is a particular challenge as there is less time to assess the validity of a payment as for conventional payments. Various instant payment providers have devised solutions for this. EPI is developing a rulebook for instant payments in e-commerce to ensure the consistency of consumer rules regarding issues such as refunds, recharges, deferred payments and liabilities. Other initiatives have mostly opted to use existing banking solutions, such as mobile banking apps, to offer their services. In addition, the instant payment solutions have been investing in brand recognition to earn consumers' trust.

Pricing is a key factor influencing both consumers' interest in using instant payments, as well as merchants' willingness to accept instant payments. Many PSPs currently only offer instant payments as a premium service, requiring consumers to pay extra to use it. To make instant payments more attractive to consumers, it would need to be free, or at least not more costly than other forms of electronic payments. Similarly, for merchants it is important that the instant payments are at least equally and preferably less costly than the current most used payment methods.

Instant payments may also cause challenges for certain companies that do not continuously (24/7) manage their accounts (e.g. evenings/nights and weekends). In this regard, the possibility to choose how (individually or in bundle) and when (same day or next day) their transactions are executed is a possible solution, especially for smaller merchants.

## The European Commission proposal

The European Commission has repeatedly expressed its objective to create a well-integrated and competitive retail payments market in the EU. Instant payments play an important role in reaching their objective. After focusing a big part of its [2020 Retail Payment Strategy](#) on instant payments, the Commission is now preparing a legislative initiative in the form of an amendment to the [2012 SEPA regulation](#). The new legislation will set criteria at EU level, allowing for different instant payment solutions to co-exist.

The proposal will consist of four elements to further develop the market for instant payments:

- An obligation or mandate on instant payments for all relevant credit institutions;
- Pricing rules to ensure that instant payments are not more expensive than standard payments;
- To ensure the security of instant payments, several initiatives are being considered, including automatic IBAN name checking to detect possible discrepancies between the inserted name and the name connected to the receiving bank account. The proposed legislation will also provide further clarification on liability and data protection issues; and
- A reduction in the number of false positives in sanction screenings, as often false red flags appear when there is an automatic screening of payments against sanction lists based on similar but not

identical names. Importantly, any measures in this regard cannot harm the effectiveness of sanctions controls.

The Commission proposal is expected to be published in September 2022.

# How to unlock the potential for instant payments?\*

5 May 2022 | 10:00-12:00 | [Zoom](#)

Ongoing digitalisation has amplified the importance of electronic payments for the functioning of the European economy. In response, the European Commission has stepped-up its ambitions to create an integrated payment system and increasing the autonomy of existing means of payments.

Real time electronic payments, also known as instant payments, play a pivotal role in creating the desired homegrown pan-European integrated payment system for both online and point-of-sale payments. The European Commission is supported by various other public and private organisations, including the European Central Bank (ECB) and the various European banks collected in the European Payments Initiative (EPI).

Developing the full potential of instant payments remains very challenging. Ensuring 24/7 availability of payments requires an important investment in infrastructure and connectivity as well as cooperation between payment service providers (PSPs) that might be operating with different systems. Equally, guaranteeing consumer protection to the same level than other forms of payments is fundamental as instant payments must be secure to earn the trust of citizens.

Instant payments only accounted for about 7% of credit transfers in the first half of 2020. Both the European Commission and ECB have since taken several measures to reach full acceptance of instant payments by the end of this year. The European Commission will present a new proposal on instant payments in the second part of the year.

During this CEPS-ECRI conference, policymakers, national authorities and industry representatives will provide their insights on the application of instant payments in various EU Member States and discuss the policy challenges and interventions to develop the instant payments market.

\*This event is supported by a grant from the Central Bank of Hungary (Magyar Nemzeti Bank)

## AGENDA

10-00-10:05 **Introduction by** Karel Lannoo, CEO of CEPS and General Manager of ECRI

10:05-11:05 **Presentations: Experiences with instant payments**

The application and penetration of instant payments varies largely across Member States. This session will focus on instant payment solutions with a large penetration, and their success factors and limitations.

- [The value proposition of instant payments](#)  
Somya Patnaik, Principal Product Manager, ACI Worldwide
- [Instant payments for P2P and POS: Bizum \(ES\)](#)  
Fernando Rodríguez Ferrer, Business Development Director, Bizum
- [Instant payments as catalyst for innovation: Hungarian framework](#)  
Lajos Bartha, Executive Director for Financial Infrastructures and Banking Operations, Central Bank of Hungary

*Moderated by Willem Pieter de Groen, Senior Research Fellow and head of the Financial Markets and Institutions Unit at CEPS.*

11:05-12:00 **Discussion: Regulatory challenges and solutions**

Regulators face many challenges in promoting widespread establishment and use of instant payments. This session will discuss the main challenges (fragmentation, interoperability, consumer protection, level-playing field, etc.) as well as potential solutions.

- **European Commission**  
Steve Ryan, Policy Officer
- **EPI Representative**  
Martina Weimert, CEO
- **EBA Clearing**  
Hays Littlejohn, CEO
- **SMEunited**  
Gerhard Huemer, Director Economic & Fiscal Policy

*Moderated by Willem Pieter de Groen, Senior Research Fellow and head of the Financial Markets and Institutions Unit at CEPS.*

## European Credit Research Institute

The European Credit Research Institute (ECRI) is an independent, non-profit research institute that develops its expertise from an interdisciplinary team and networks of academic cooperation partners. It was founded in 1999 by a consortium of European banking and financial institutions. ECRI's operations and staff are managed by the Centre for European Policy Studies. ECRI provides in-depth analysis and insight into the structure, evolution and regulation of retail financial services markets in Europe. Through its research activities, publications and conferences, ECRI keeps its members up-to-date on a variety of topics in the area of retail financial services at the European level, such as consumer credit and housing loans, credit reporting, consumer protection and electronic payments. ECRI also provides a venue for its members to participate in the EU level policy discussion.

For further information, visit the website: [www.ecri.eu](http://www.ecri.eu).



## Centre for European Policy Studies

CEPS is one of Europe's leading think tanks and forums for debate on EU affairs, with an exceptionally strong in-house research capacity and an extensive network of partner institutes throughout the world. As an organisation, CEPS is committed to carrying out state-of-the-art policy research that addresses the challenges facing Europe and maintaining high standards of academic excellence and unqualified independence and impartiality. It provides a forum for discussion among all stakeholders in the European policy process and works to build collaborative networks of researchers, policy-makers and business representatives across Europe.

For further information, visit the website: [www.ceps.eu](http://www.ceps.eu).



European Credit Research Institute (ECRI) at the Centre for European Policy Studies (CEPS)  
1 Place du Congrès, 1000 Brussels, Belgium  
Tel: +32 (0) 2 229 39 87, e-mail: [ecri@ceps.eu](mailto:ecri@ceps.eu), web: [www.ecri.eu](http://www.ecri.eu)