

# Eurosystem expectations for clearing infrastructures to support pan-European instant payments in euro

## 1 Background

Instant payments are electronic retail payments that allow an immediate transfer of value from the payer to the payee, at any hour of day, on any day of the year.<sup>1</sup> Instant payments entail different “layers”: a **scheme** layer (i.e. a set of agreed rules and technical standards for executing instant payment transactions), and the underlying **clearing** and **settlement** layers.<sup>2</sup>

The European Payments Council (EPC), representing European payment service providers (PSPs), is developing an instant SEPA credit transfer **scheme** – SCT<sup>inst</sup>. The EPC is expected to open the scheme for voluntary adherence by PSPs from November 2016. The new scheme is to be implemented by November 2017. PSPs should then be in a position to offer, and are expected to offer, service proposals for end users (“end-user solutions”) for instant payments in euro at pan-European level. These will include person-to-person mobile payment solutions.

For **clearing** and **settlement**, the Eurosystem maintains close dialogue with the market to ensure that both layers can best support the implementation of the SCT<sup>inst</sup> scheme.

## 2 Expectations

In line with the objective of fostering an innovative, integrated and competitive retail payments market, the Eurosystem expects the **clearing** industry to adopt a pan-European approach to instant payments, in particular as regards their access policies and interoperability, while ensuring appropriate risk mitigation.

- **Access policies**

A PSP adhering to the SCT<sup>inst</sup> scheme must be able to reach, and be reached by, any other scheme participant in the EU. Where there is more than one clearing infrastructure, it shall be enough for a PSP to participate in one infrastructure only

<sup>1</sup> The Euro Retail Payments Board has defined instant payments as “electronic retail payment solutions available 24/7/365 and resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee’s account with confirmation to the payer (within seconds of payment initiation). This is irrespective of the underlying payment instrument used (credit transfer, direct debit or payment card) and of the underlying arrangements for clearing (whether bilateral interbank clearing or clearing via infrastructures) and settlement (e.g. with guarantees or in real time) that make this possible”. For further information, see <http://www.erpb.eu>

<sup>2</sup> <http://www.ecb.europa.eu/paym/retpaym/instant/html/index.en.html>

and be reachable at pan-European level. This requires infrastructures to adopt fair and open access policies vis-à-vis both PSPs and other infrastructures. In particular, infrastructures should not impose participation or registration obligations on users of other infrastructures. All infrastructures that have an interest in offering pan-European instant clearing services are expected to clarify their access policies to the Eurosystem by March 2016.

- **Interoperability**

Infrastructures must ensure interoperability in line with Regulation (EU) No 260/2012.<sup>3</sup> The Eurosystem expects infrastructures to define the conditions to ensure full technical and business interoperability by November 2016 and to implement them by November 2017.

*Technical interoperability* entails using standards developed by international or European standardisation bodies or by the industry, and adoption of procedures for the efficient and safe clearing and settlement of transactions between infrastructures. *Business interoperability* involves bilateral (or multilateral) agreements between infrastructures, covering their mutual obligations in processing transactions – on an equal footing – on behalf of their participants.

- **Risk mitigation**

If and when deferred net settlement is applied to instant payments between PSPs, the payee's PSP makes the funds available to the payee before receiving them from the payer's PSP. In order to mitigate the consequent credit risk,<sup>4</sup> infrastructures are expected to put in place appropriate and enforceable measures (e.g. pre-funding, cash guarantee funds and/or securities guarantee funds). This applies equally in the case of interoperability of infrastructures. Ideally, such risk mitigation measures should be harmonised across infrastructures to facilitate cross-border interoperability.

The Eurosystem has called on the market to define requirements for settling instant payments and the related risk mitigation. As a market infrastructure operator, the Eurosystem will take such requirements into consideration to support the settlement of instant payments in TARGET2 and, in the longer-term perspective, in view of its vision for 2020.

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<sup>3</sup> Regulation (EU) No 260/12 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 (OJ L 94, 30.3.2012, p. 22).

<sup>4</sup> All layers of instant payments can contribute to risk mitigation. In particular, the scheme will do so by setting a maximum amount limit for individual instant payment transactions.