Developments in the context of instant payments

AMI-Pay, 9 February 2017
The ERPB agreed on (1 December 2014):
- the need for **at least one pan-European instant payment solution for euro** open to any payment service provider (PSP) in the EU
- the main features:
  - electronic *retail* payments with **24/7/365** availability
  - (close to) immediate clearing between Payment Service Providers (PSPs)
  - (close to) immediate availability of funds to the payee
  - confirmation to the payer (within seconds of payment initiation)
  - neutral to underlying payment instrument (credit transfer, direct debit or payment card)
  - neutral to underlying arrangements for clearing and settlement

The ERPB agreed (29 June 2015):
- that instant payment solutions should be **developed at the pan-European level or, at least be interoperable** with those solutions based on the same payment instrument
- to invite the EPC to present to the ERPB by November 2015 a proposal for the design of an instant SEPA Credit Transfer scheme (SCT\textsuperscript{inst})
  - The ERPB expects that pan-European instant payment solutions based on credit transfers in euro will be based on SCT\textsuperscript{inst}
  - The ERPB endorsed (26 November 2015) the scheme design proposal prepared by the EPC and welcomed (28 November 2016) the finalisation of the rulebook
  - The ERPB expects instant payments in euro to become available to end users at a pan-European level from the end of 2017
The “layers” of instant payments

- **scheme layer**
  - **end-user solutions**
    - Cooperatively or competitively developed on the market
    - Expected to enable pan-European reach through interoperability
    - e.g. person-to-person mobile payment solutions, online payment solutions, person-to-business and business-to-business payment solutions
  - **schemes**
    - Instant SEPA Credit Transfer (SCT\textsuperscript{inst}) scheme as basis for pan-European euro instant payment solutions based on credit transfer
  - **clearing layer**
    - Intrabank or
    - Bilateral interbank or
    - ACH or
    - “Point-to-point network”
  - **settlement layer**
    - Deferred net settlement (with cash or securities collateral) vs
    - Real-time gross settlement (in the RTGS or in a dedicated module of the RTGS)
SEPA Instant Credit Transfer scheme

- Following agreement within the ERPB, the European Payments Council (EPC) has published a scheme rulebook for instant credit transfers with SEPA-wide reachability in November 2016.

- The commercial launch of the scheme will take place on 21 November 2017.

Source: www.europeanpaymentscouncil.eu
ECB dialogue with the stakeholders involved from the clearing industry to facilitate instant clearing arrangements

Eurosystem and ACHs agreed on:

i. a **single procedure for settlement** of pan-European instant payments via TARGET2

ii. a **single model for risk management** based on **full pre-funding** in cash of clearing members’ positions

iii. a way forward for a **common access policy**

With the objective to achieve **interoperability** and **pan-European reach**

Eurosystem **expects** ACHs to use **post-funding** for **inter-ACH settlement**

Eurosystem to **enhance** its **current TARGET2 settlement module** (ASI6 real-time) to cater for the needs of the clearing industry

Clearing industry provided in November 2016 a **technical interoperability framework** for pan-European instant payments in euro. **Implementation** thereof to ensure pan-European reachability **remains an open issue** in practice.