



EUROPEAN CENTRAL BANK

EUROSYSTEM

Confirmation of Payee (CoP) initiative

ECB-UNRESTRICTED

05 July 2023

target | TIPS
services



Agenda

- 1** **Background: TIPS-CG yearly business prioritisation exercise**
- 2** EC initiative on IPs and the requirement on the Confirmation of Payee
- 3** EPC CoP development
- 4** Three possible scenarios
- 5** Preliminary discussion and way forward

Background: TIPS-CG yearly business prioritisation exercise

- The Confirmation of Payee initiative (IBAN name check) was part of the 2023 yearly Business Prioritisation exercise
- This initiative was submitted to the TIPS-CG members with 2 options:
 - Option 1/ with TIPS acting as a Central Repository containing IBANs and Names provided by PSPs
 - Option 2/ with TIPS introducing dedicated message-based process where name check request and response are exchanged via TIPS with each response individually provided by beneficiary PSP

- Option 2 was by far the most preferred option and was ranked as a top priority

Ranking	Initiative	Initiative Title	Average business value
1	Initiative under investigation	Confirmation of Payee (IBAN Name check) Option 2 Confirmation of Payee (IBAN Name check) with TIPS introducing dedicated message-based process where name check request and response are exchanged via TIPS with each response individually provided by beneficiary PSP	40.2
2	Initiative under investigation	Cross currency instant payments → GBP (x4), USD (x3), SEK (x2), CHF (x2), JPY (x1), AUD (x1), CAD (x1), NOK (x1), DKK (x1)	22.3
3	Initiative under investigation	One-leg out	21.2
4	Initiative under investigation	Bilateral links to other IP platforms	19.4
5	Initiative under investigation	Participation in international/multilateral links	17.9
6	Initiative under investigation	Confirmation of Payee (IBAN Name check) Option 1 Confirmation of Payee (IBAN Name check) with TIPS acting as a Central Repository containing IBANs and Names provided by PSPs	17.7
7	SEPA Request to Pay (SRTP)	On hold due to the lower priority feedbacks received in the previous consultations	6.3

Agenda

- 1 Background: TIPS-CG yearly business prioritisation exercise
- 2 **EC initiative on IPs and the requirement on the Confirmation of Payee**
- 3 EPC CoP development
- 4 Three possible scenarios
- 5 Preliminary discussion and way forward

EC initiative on IPs and the requirement on the Confirmation of Payee

- In the text of the EC regulation on instant payments, article 5c states:

Article 5c - Discrepancies between the name and payment account identifier of a payee

“All PSPs offering the service of sending of euro IPs (including those not under an obligation to do so) are required to provide their PSUs with a service checking that the payee’s IBAN matches the payee’s name and notifying the PSU of any detected discrepancy. The notification must be given before the payer finalises the IP payment order and before the PSPs executes the IP. The user remains free to decide whether to submit the payment order for an IP in all cases.[...]”

EC initiative on IPs and the requirement on the Confirmation of Payee

- On 22 May 2023 the Council of the European Union provided its remarks to the EC regulation
- Some suggestions are brought on the paragraphs concerning the “Discrepancies between the name and payment account identifier of a payee” (renamed “Verification of a payee in case of instant credit transfers”)

Article 5c - Verification of a payee in case of instant credit transfers

- The service to verify whether there is any discrepancy does not prohibit the offering and use of other services for the purpose of verification of the payee.
- A payment order may be placed without inserting the payment account identifier or the name of the payee, e.g. by using QR codes, services of payment initiation service providers or proxies such as telephone numbers or email addresses.
- PSPs located in a Member State whose currency is the euro shall comply with Article 5c 24 months after the date of entry into force of this Regulation.
- PSPs located in a Member State whose currency is not the euro shall offer IPs shall comply with Article 5c 42 months after the date of entry into force of this Regulation.

Agenda

- 1 Background: TIPS-CG yearly business prioritisation exercise
- 2 EC initiative on IPs and the requirement on the Confirmation of Payee
- 3 **EPC CoP development**
- 4 Three possible scenarios
- 5 Preliminary discussion and way forward

EPC CoP development

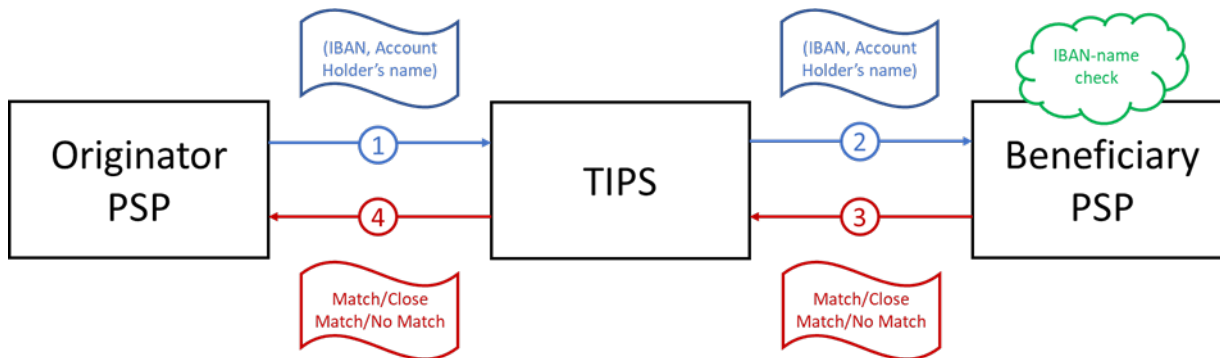
- According to the EPC Payment Scheme Management Board (PSMB), the EPC intends to work on **CoP without specifying whether it would be part of the SCT Inst scheme or a new EPC scheme.**
- Currently the EPC envisage to publish a document not before September 2023 and to possibly submit it to the market for a three-month public consultation.
- Subject to the input obtained from a public consultation and the latest developments of the EC legislative initiative on instant payments at a future point in time, the EPC would then finalise its CoP work.

Agenda

- 1 Background: TIPS-CG yearly business prioritisation exercise
- 2 EC initiative on IPs and the requirement on the Confirmation of Payee
- 3 EPC CoP development
- 4 **Three possible scenarios**
- 5 Preliminary discussion and way forward

Three possible scenarios

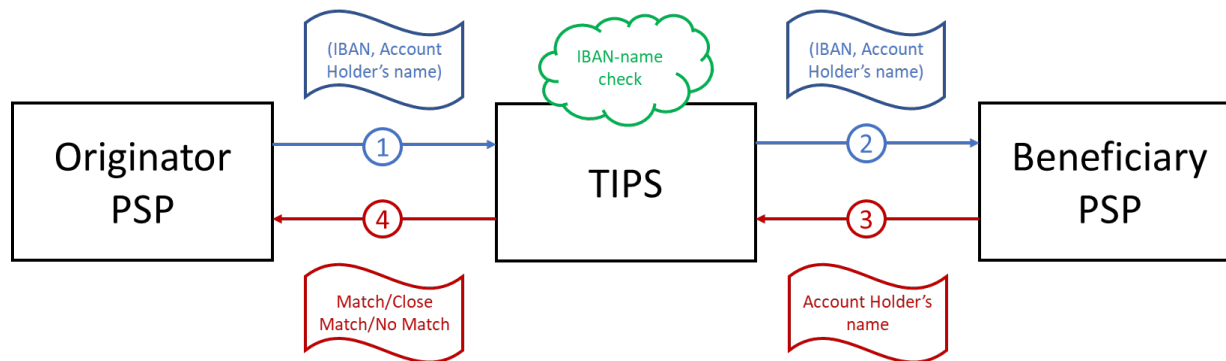
➤ Scenario 1 – IBAN-name check is performed by PSPs



- **Pros:** TIPS would need to support the exchange of messages (adapting existing ones or introducing new ones); probably lower costs with respect to the implementation of an IBAN-name check algorithm by TIPS.
- **Cons:** fragmentation and heterogeneity of PSPs' solutions; we need to have a solution that is agreed by all participants (currently different solutions might be in place in different markets).

Three possible scenarios

➤ Scenario 2 – IBAN-name check is performed by the CSM

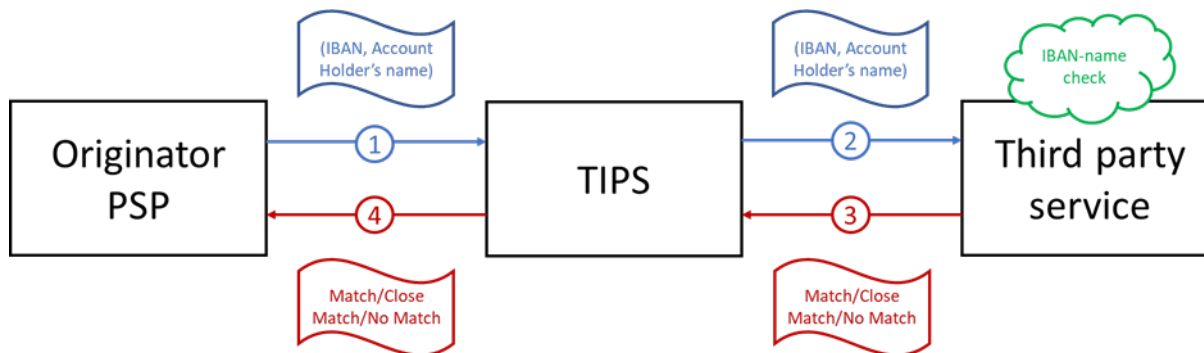


This solution would be based on the amended use of the MPL functionality as an option presented during the yearly prioritisation exercise.

- **Pros:** harmonisation of the functionality with corresponding reduction of waiting times for PSPs in implementing a solution as well as a higher potential of attracting new customers.
- **Cons:** higher costs for TIPS, implementation of new functionality and responsibility of handling PSPs' sensitive information; banks have to agree on the way of exchanging information.

Three possible scenarios

➤ Scenario 3 – IBAN-name check is performed by a third-party service



- **Pros:** TIPS would need to support the exchange of messages with the third party (adapting existing ones or introducing new ones); probably less time and efforts needed for TIPS to make the functionality operational, compared to scenario 3.
- **Cons:** possibility of making already existing PSPs' CoP solutions useless; management of the procurement for the selection of the third party.

Three possible scenarios

➤ Open issues on the Scenarios:

- Uncertainties remain as to the timetable for PSPs to comply with the confirmation of payee requirement as:
 - the Council of the European Union will start now negotiations with the European Parliaments, so the time granted to the PSPs may change
 - no visibility yet on when the regulation will enter into force
- General Data Protection Regulation (GDPR) compliance implications
- Business model: possible need to connect CoP with SCT Inst instruction.
- For scenario 3:
 - what are the costs involved in using a third party (e.g. legal and reputational implications in case of a data leak, etc.)?
 - which third party would offer the service in a neutral way and to all and who is contracting the third party?

Agenda

- 1 Background: TIPS-CG yearly business prioritisation exercise
- 2 EC initiative on IPs and the requirement on the Confirmation of Payee
- 3 EPC CoP development
- 4 Three possible scenarios
- 5 **Preliminary discussion and way forward**

Preliminary discussion and way forward

- The discussion in the TIPS-WG meeting suggested the way forward was to:
 - contact the EPC asking for an update on the analysis/timeline on the CoP work they are performing
 - wait for the EPC work finalisation before potentially approaching some banks (the TIPS-WG discussed before the postponement of the EPC)

Preliminary discussion and way forward

Some questions to the TIPS-CG members:

- What do you think out of the three scenarios presented?
- Would you still wait for the EPC to finalise their CoP work?

Thank you for your attention!

 **TIPS@ecb.europa.eu**

www.ecb.europa.eu/paym

 **ECB: market infrastructure and payments**