



Electronic Money Association

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Eric Ducolombier
Head of Unit, DG FISMA B3
Office SPA2 04/08 - Rue de Spa, 2
European Commission
Brussels
Belgium

23 June 2021

Dear Eric

Re: EMA response to the European Commission's Public Consultation on Instant Payments

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, and mobile payment instruments. Most members operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

I would be grateful for your consideration of our comments and proposals.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Thaer Sabri', with a long horizontal flourish extending to the right.

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA response

Payment Service Provider (PSP) perspective

15. If you are a PSP providing and maintaining payment accounts for payers, have you adhered to an instant credit transfer scheme:

| | Yes | No | I don't know | Not applicable |
|--|-----|----|--------------|----------------|
| To the SCT Inst. Scheme | | | | X |
| To another scheme (for instant credit transfers in an EU currency other than euro) | | | | X |

Please explain your answers [open box]

The EMA is an industry association representing European PSPs which provide and maintain payment accounts, and does not directly participate in an instant credit transfer scheme.

16. What benefits do you see, as PSP, in offering instant credit transfers? (please rate the importance of the benefits listed below):

| | 1 (unimportant) | 2 (somewhat unimportant) | 3 (neutral) | 4 (somewhat important) | 5 (important) | No opinion | Not applicable |
|--|--------------------|-----------------------------|----------------|---------------------------|------------------|------------|----------------|
| Attract a larger customer base | | | | | X | | |
| Preserve the existing customer base | | | | | X | | |
| Save costs in other areas of operations (e.g. cash management and distribution, ATM maintenance, security costs) | | | | | X | | |
| Ability to (cross) sell other services | | | | | X | | |
| Provide an alternative to other widely used means of payment such as cards and therefore generate cost savings and | | | | | X | | |

| | 1 (unimportant) | 2 (somewhat unimportant) | 3 (neutral) | 4 (somewhat important) | 5 (important) | No opinion | Not applicable |
|---|--------------------|-----------------------------|----------------|---------------------------|------------------|------------|----------------|
| become more independent from other providers Other (please specify) | | | | | | | |

Please explain your answers [open box]

Instant payments have the capacity to form the foundation for many payments use cases between consumers (P2P), businesses and consumers (P2B, B2P), and among businesses (B2B). This creates the opportunity for PSPs to develop innovative services and enhance existing products and services; often to target market segments which are underserved.

However, in order for PSPs to leverage the benefits of cross border instant payments there remain challenges in terms of interoperability between national instant payment schemes and the reachability of PSPs. For instance, not all PSPs currently adhering to SCT Inst are reachable due to a lack of interoperability at the clearing and settlement layer. We welcome the ECB's facilitation of an interoperability framework across European CSMs to remove this long-standing obstacle, but also recognise that this will not resolve all reachability issues.

Whilst an account servicing PSPs (ASPSPs) may adhere to the EPC SCT Inst scheme and be fully 'reachable' in the terms of the scheme, the capability to send and receive instant payments may only be available in some of their products/services where transaction speed is important, and of benefit to the customer. There may also exist legacy products/services within their customer-base for which instant payments is not enabled. This can result in instant payments being rejected when sent to an account that is unable to accept instant payments, and can undermine confidence in using instant payment for end-users.

In addition, while the SEPA SCT Instant scheme applies across the EU, national regulators adopt local, and differing, approaches towards anti-money laundering (AML) regulations and sanctions screening of cross-border intra-EU transactions. These checks can dramatically slow down the transaction time and, in some cases, result in rejection of instant payments which can subsequently be successfully carried out in non-real time (using SCT).

We acknowledge that the customer demand and business case for offering the ability to send and receive instant payments is not present for all use cases and ASPSPs. We therefore, believe that any legislative proposals for driving the take-up of instant payments must be focused on removing regulatory obstacles, be open, and technically neutral as possible. An overly prescriptive regulatory approach, which may require functionality or costs related to instant payments could take considerable time to implement, and constrain the market's ability to innovate and develop solutions which meet market needs. A clear success factor for instant payments will be PSP's ability to develop competitive, user-friendly, and reliable instant payment products and services which deliver convenience and advantages for end users.

17. In your opinion, could instant credit transfers aggravate bank runs and thus contribute to bank failures?

- Yes
- No
- Don't know / no opinion / not applicable

17.1. If so, which of the following mechanisms or tools would you consider as useful in addressing this type of intense liquidity outflows?

| | Yes | No | I don't know | Not Applicable |
|--|-----|----|--------------|----------------|
| A daily limit as regards the amount which could be transferred via instant credit transfers? | | | | X |
| A discretionary power allowing competent authorities to suspend instant payment obligations of the financial institution concerned for a certain period of time? | | | | X |
| Other mechanisms that may be available to either PSPs or competent authorities | | | | X |

Please explain your answers [open box]

The Settlement Finality Directive ([Directive 98/26/EC](#)) seeks to reduce the systemic risk associated with participation in payment settlement systems, and in particular the risk linked to the insolvency of a participant in such a system.

Further controls within the SCTInst Scheme – transaction limits, and pre-funding settlement model; provide additional measures that reduce the risk of instant payments facilitating a bank run. In addition, PSPs employ transaction limits and controls (both volume and value), which can be deployed rapidly in an emergency situation.

We therefore do not consider that additional mechanisms or tools are required to manage emergency situations. Indeed, if it is widely known that such a mechanism could be deployed, it may have the unintended consequence of accelerating a bank run as bank customers rush to withdraw funds ahead of the stop-gap measure being applied.

Technical

standardisation

18. In your view, should a single European QR code standard for instant credit transfers be available? Please explain.

- Yes, it should be developed by market participants
- Yes, it should be developed by the European standardisation organisations
- Yes, for other reasons
- No, I don't believe there should be a single EU QR code standard, because I think that the same objective could be achieved through the interoperability of existing QR codes
- No, I don't believe there should be a single EU QR code standard, because other technologies (e.g. Near Field Communication) are safer and/or more convenient
- No, for other reasons (please specify)

The EMA supports standardisation efforts for all technologies which enable the initiation of instant payments in a variety of payment acceptance environments. In order to safeguard a level playing field, technical standards should be developed at a European level by multi-stakeholder organisations. Hence ensuring that no segment of the payments market can effectively create technical barriers to new payment solutions entering the market, and that pan-European interoperability is established by design from the outset.

We note that progress to define QR code standards has been made by the EPC Multi-Stakeholder Group for Mobile Initiated SEPA (Instant) Payments (MSG MSCT). Further that these QR-code specifications have been recognised as a key component of the framework developed by the ERPB Working Group on the interoperability of instant payments at the point of interaction (POI). However, further evaluation of adopting a single QR code standard for instant payments needs to be carried out so that the market can assess the impact on the broad range of existing QR codes used in payments at a national or payment scheme level. Furthermore, existing QR codes are also used for initiating transactions for various payment instruments (other than credit transfers), and the compatibility and interoperability with these QR codes needs to be fully considered.

Horizontal aspects

19. Do you believe that the widespread use of instant credit transfers could trigger risks that could negatively affect operations of a particular financial sector or pose broader societal costs (e.g., in terms of privacy)?

- Yes (please explain)
- No
- Don't know / no opinion

20. Do you consider that instant payments could bring broader societal benefits, for example in terms of:

| | Yes | No | Don't Know/no opinion | Not applicable |
|--|-----------|----|-----------------------|----------------|
| Financial inclusion | X | | | |
| Public health | X | | | |
| Data protection | X | | | |
| Fiscal benefits | X | | | |
| Other types of broad benefits (please specify) | See below | | | |

Please explain your answers [open box]

Evidence of the wider societal benefits of instant payment can be seen in countries where instant payment schemes have been in operation for a number of years. Depending on the conditions in a given country these can include:

- reducing the overall cost of payment systems by displacing legacy payment instruments (such as cash, and cheques) and the subsequent cost reduction across the economy.
- improving the efficiency of the financial system which can increase economic activity; for example, reducing delays to salary or social security payments which allows consumer spending.
- Reducing delays and uncertainty in payments to businesses lessening operational financial constraints, and freeing up capital which can contribute to their growth and development.

The common theme of these societal benefits is that the instant payments infrastructure created a platform for the market to develop payment products and solutions to address specific market issues which arise when payments are expensive, slow, and inconvenient for both business and consumer users.

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