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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) No 260/2012 and (EU) No 2021/1230 as regards instant credit transfers in euro

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Executive Summary Sheet
Impact assessment on the Commission proposal for a Regulation on instant credit transfers in euro
A. Need for action
What is the problem and why is it a problem at EU level?
The problem is the insufficient uptake of euro instant payments (IPs), i.e. credit transfers which provide funds to the payee within maximum ten seconds of the order from the payer. Despite the existence of a common set of rules (a scheme) and infrastructure for IPs in euro since 2017, these are only offered by about two thirds of EU Payment Service Providers (PSPs) and only constitute about 11% of all euro credit transfers in the EU. This low uptake is problematic because it leads to unrealised efficiency gains and limited choice of means of payment at Point of Interaction (PoI) with merchants. The problem drivers are insufficient incentives for PSPs to provide euro IPs and related network externalities; dissuasive transaction fees of IPs for payers; a high rate of rejected IPs due to false hits in sanctions screening; and payer fears regarding the risk of fraudulently and erroneously misdirected IPs.
What should be achieved?
The objective is to significantly increase the uptake of IPs, so that the majority of euro credit transfers will be instant. This will be achieved by making IPs in euro available by all relevant PSPs in the Euro area, removing price deterrents to the use of IPs, eliminating failure of IPs due to false positive hits in sanctions screening, and assuaging consumer fears about fraud and mistakes in IPs by providing a means of reducing them. The initiative is expected to improve the efficiency of the retail payments market and unlock the benefits of instant payments for EU citizens and businesses. It should also facilitate cross-border trade within the EU and enhance the integration of the Single Market, supporting the recovery of the European economy.
What is the value added of action at the EU level (subsidiarity)?
Given the network effects, the unavailability of euro IPs from many relevant PSPs hinders the effective uptake of cross-border euro IPs. The underdevelopment of IPs in several Member States cannot be solved at national level. The initiative will enhance the existing Single Euro Payments Area (SEPA) and take the form of an amendment of the SEPA Regulation.
B. Solutions
What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?
The preferred option is a combination of an obligation on all relevant PSPs to offer IPs in euro, a requirement of at least equal pricing of IPs and regular credit transfers, harmonising the rules on sanctions screening of IPs based on frequent (minimum daily) updating of client lists with sanctions lists (without lowering the effectiveness of sanctions screening), and an obligation on PSPs to offer a service verifying concordance between IBAN and name of payee, in order to reduce errors and fraud in IPs. Rejected options include the baseline, and more interventionist options such as phasing out non-instant credit transfers and requiring IPs to be offered free of charge.
What are different stakeholders' views? Who supports which option?
Consumer organisations are strongly in favour of an initiative on IPs, obliging PSPs to offer IPs at the same price as regular credit transfers and with a preference for more far-reaching options than those selected in terms of consumer protection (including a refund rights for IPs). The merchant and business sectors, including SMEs, are very supportive of IPs, which they consider can provide more choice and thus drive down the cost of making and accepting payments, in particular at PoI. The approach of PSPs depends on their current situation and in particular whether they already offer euro IPs and at what price to the payers: those which already offer euro IPs without premium pricing are supportive, while those which do not, or do only for a premium price, tend to prefer a voluntarist approach. All PSPs are very supportive of having harmonized rules

on sanctions screening. Member States are broadly supportive.
C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise of main ones)?
A wide range of benefits from improved liquidity and cash-flow will accrue to all recipients of credit transfers, including consumers, merchants, businesses and public administrations including tax authorities. This will significantly boost economic efficiency at both macro and micro level. Currently, billions of euro are in transit in payment systems at any given time and not available for consumption or investment. Greater use of IPs will also stimulate the development of new payment solutions to permit their use for purchase of goods and services at PoI, in particular cross-border, increasing choice of payment methods and producing cost reductions for merchants which can potentially be passed onto consumers. The new approach to sanctions screening will involve major cost savings for PSPs, largely offsetting the costs to PSPs of other components of the package.
What are the costs of the preferred option (if any, otherwise of main ones)?
There will be material, yet proportionate, one-off implementation costs for most PSPs for offering a service verifying the match between IBAN and name of the payee, and for those PSPs which do not already do so, for offering IPs. Ongoing costs for PSPs should be limited. Overall, cost impact for PSPs should be neutral over time, in light of savings for sanctions screening, reduced efforts related to the follow-up of fraud and errors, reduced costs related to handling cash and cheques, and the possibility to more effectively compete with the incumbents and offer innovative PoI solutions based on IPs, including for cross-border payments.
What are the impacts on SMEs and competitiveness?
SMEs which are PSPs incur lower costs in order to offer IPs than larger PSPs. SMEs which are business users of payments (corporates), should benefit from better cash flow, without incurring any significant adaptation costs. SMEs which are merchants will share the potential benefits of greater competition at PoI. IPs should make the EU economy broadly more competitive internationally. Greater choice of means of payment at PoI should reduce the EU's dependency on International Card Schemes and BigTechs in this area.
Will there be significant impacts on national budgets and administrations?
There will be no significant costs for national budgets and administrations. Public administrations will share the benefits, as users of payment systems, in terms of faster receipt of revenues including tax collection and reduction in tax evasion.
Will there be other significant impacts?
The envisaged service verifying the match between name and IBAN of the payee is expected to contribute to a reduction in fraud levels associated with IPs and may also be offered by PSPs for other types of credit transfer.
How is proportionality achieved?
Proportionality is achieved first by excluding from the obligation to offer IPs those PSPs which are not relevant, either those which do not offer payment services to clients or which do not necessarily have direct access to payment systems and for whom offering IPs can be more difficult or expensive. Secondly, there are differentiated sequenced deadlines for the services of receiving and sending IPs and for PSPs in the Euro area and outside the Euro area.
D. Follow up
When will the policy be reviewed?
The uptake of IPs and the application of the different requirements by PSPs will be evaluated at an appropriate time following the occurrence of the various application deadlines, in accordance with the European Commission best practice on evaluation.