

Instant payments regulation

2024

IPR

In order to increase the use of instant credit transfers in euros at Union level, the EU legislators have amended Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro (the so-called **SEPA Regulation**). To that effect, Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 as regards instant credit transfers in euro (**IPR**) was published on 19 March 2023. The IPR entered into force on 8 April 2024 but the date on which the various obligations begin to apply depends on the type and location of the payment service provider (**PSP**).

A NEW REGIME

The IPR establishes a uniform set of requirements relating to the execution of instant credit transfers in euros, mainly by amending the SEPA Regulation.

An instant credit transfer is a credit transfer which is executed immediately, 24 hours a day and on any calendar day. Instant credit transfers must be credited to the payment account of the payee within ten seconds of the receipt of the payment order by the PSP of the payer.

The IPR also enables non-bank PSPs (payment institutions - PIs and electronic money institutions - EMIs) to directly participate in designated payment systems.



SCOPE

IPR amends four pieces of EU legislation

The IPR amends the SEPA Regulation to set out new rules on the execution of instant credit transfers as well as obligations for PSPs to provide a verification of payee service to payers (checking that the IBAN and the name of the payee match) in respect of all credit transfers (instant and non-instant).

The IPR also amends the rules on charges for cross-border payments and on the possibility for a PSP to levy additional charges when a user does not provide an IBAN and a Bank Identifier Code (where applicable) as set out in Regulation (EU) 2021/1230 on cross-border payments in the Union.

Finally, the IPR amends Directive 98/26/EC on settlement finality in payment and securities settlement systems (the **Settlement Finality Directive** or **SFD**) and Directive 2015/2366 on payment services in the internal market (**PSD2**) to introduce rules on direct access to payment systems for non-bank PSPs and new requirements for these non-bank PSPs and payment systems in this context. Amendments to the SFD and PSD2 must be transposed by EU Member States in their national legislation and be applicable by 9 April 2025.

IPR applies to PSPs within the meaning of PSD2

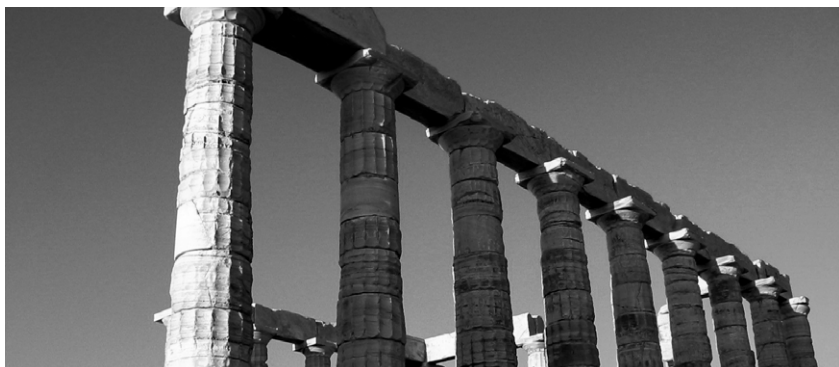
The scope of the IPR includes traditional banking actors as well as PIs and EMIs (though with longer implementation timeframes for PIs and EMIs). The new requirements however only apply to PSPs established in EU Member States.

The new requirements apply to instant credit transfers (but not only)

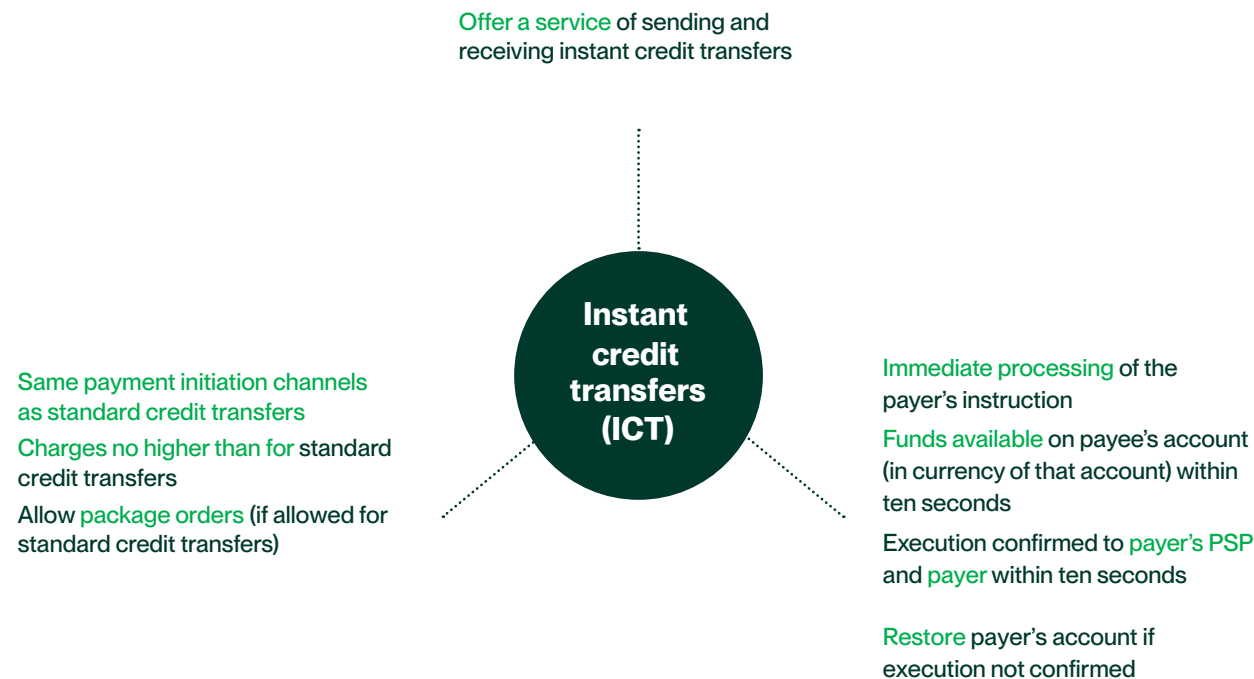
The focus of the IPR is on regulating instant credit transfers. However, the IPR creates a new obligation for payers' PSPs to offer to payers, with the support of the payees' PSPs, a service ensuring verification of the payee to whom the transfer is intended. This obligation also applies in respect of non-instant credit transfers in scope of the SEPA Regulation.

The new requirements only apply to transfers in euros which are not excluded from the SEPA Regulation

In line with the current scope of the SEPA Regulation, the new obligations will only apply in respect of instant credit transfers in euros (including payment transactions in euros initiated from an account denominated in another currency). The new requirements do not apply in respect of payment transactions which fall outside the scope of the SEPA Regulation.



Key IPR requirements for credit transfers



| SANCTIONS SCREENING

Screen all payment service users at least once per calendar day

| VERIFICATION OF THE PAYEE

- Payee's PSP to provide account details based on IBAN
- Payer's PSP to allow payer to decide whether to proceed with payment based on match results

Free of charge

Opt-out possible for non-consumers when sending orders as a package

Penalties for breaches of the new sanctions screening obligation will be:

- in the case of a legal person, maximum **administrative fines of at least 10% of the total annual net turnover** of the legal person in the preceding business year
- in the case of a natural person, maximum **administrative fines of at least EUR5 million**, or the equivalent amount in the national currency in the Member States whose currency is not the euro on 8 April 2024

For other IPR requirements, EU Member States must define the penalties under their respective national legislations



Access to payment systems for non-bank PSPs

Amendments to the SFD mean that designated payment systems will be able to accept non-bank PSPs as direct participants.

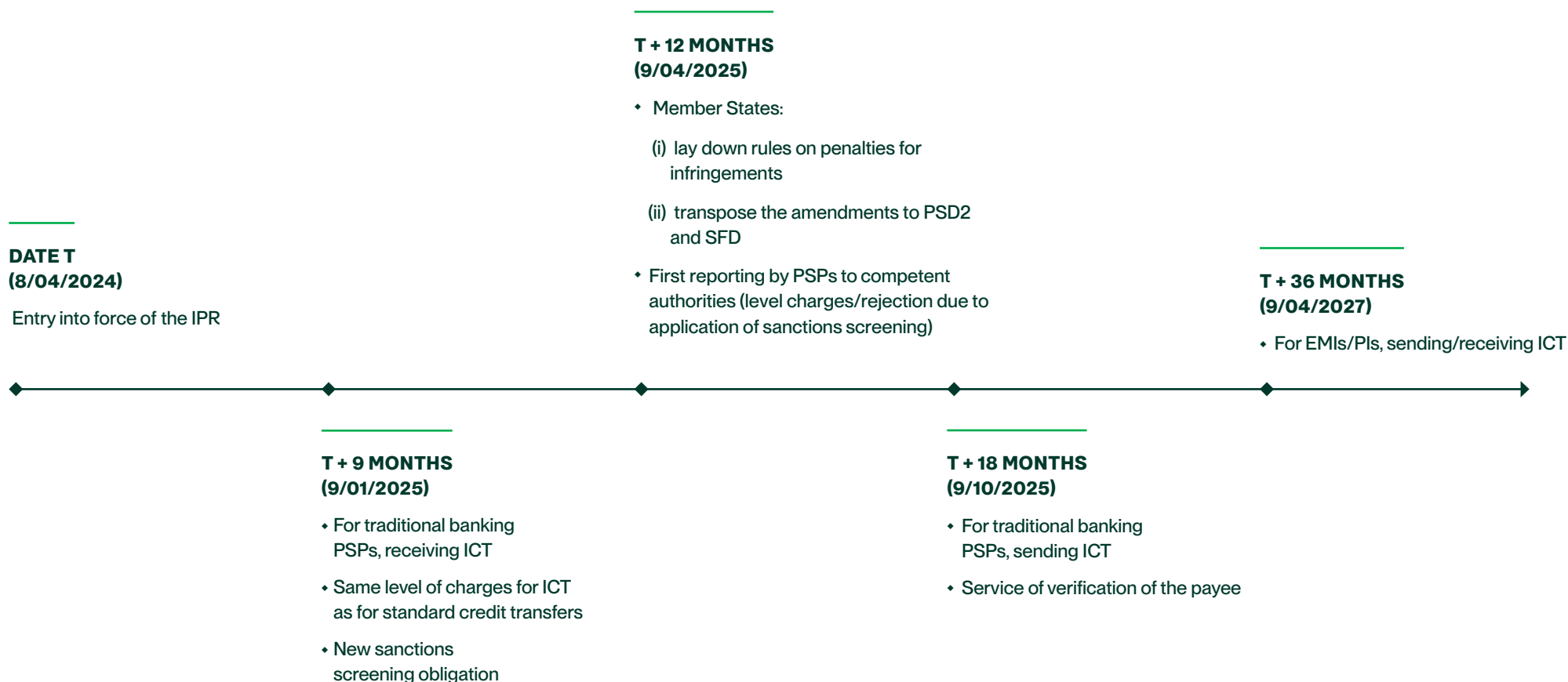
SFD designated payments systems will need to provide access to all PSPs on an objective, non-discriminatory and proportionate basis.

Since payment systems often require direct participants to hold a central bank account, non-bank PSPs will be permitted to safeguard funds in central bank accounts (where the central bank offers such accounts).

To directly participate in SFD designated payment systems, non-bank PSPs must meet new eligibility requirements in respect of:

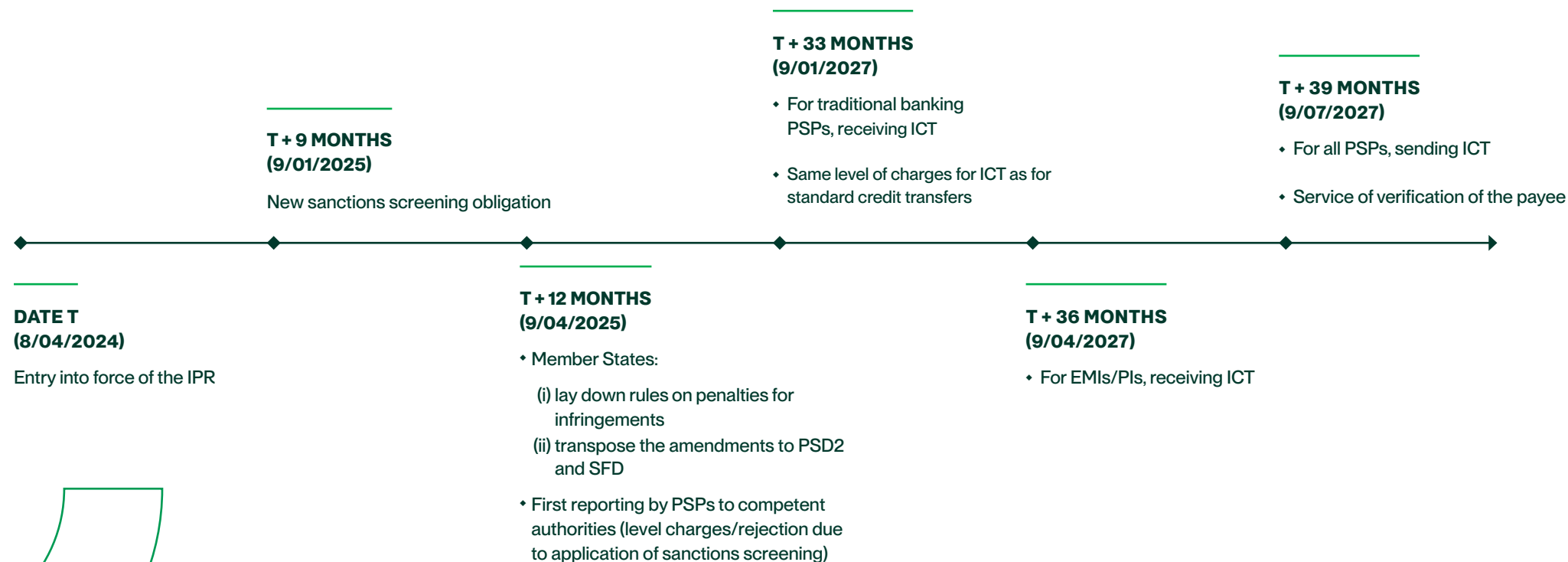
- safeguarding funds
- governance and internal control arrangements
- winding-up plans

Timeline for PSPs located in Member States whose currency is the euro



¹ Eurozone: Austria; Belgium; Croatia; Cyprus; Estonia; Finland; France; Germany; Greece; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Portugal; Slovakia; Slovenia and Spain.

Timeline for PSPs located in Member States whose currency is not the euro



Compliance with IPR requires preparation work

The type of work required to be compliant with the new obligations under the IPR should not be underestimated – even where firms are up to date with all their regulatory compliance requirements in respect of standard credit transfers.



Beyond the pure operational, connectivity, messaging and other technical aspects that must be addressed by PSPs, a review of, and certain amendments to, the PSPs' contractual documentation might be required in order to reflect certain obligations or opt-out options set out in the IPR but also, more generally, to preserve the rights and limit the liability of a PSP in the context of the provision of this new type of payment transactions. Adjustments to certain internal policies and procedures of the PSP will also be required.

We advise PSPs on all IPR matters, ranging from the technical considerations relating to the scope of the IPR and its new obligations as well as practical implementation and ongoing compliance therewith (including advice on the steps to be taken by a PI/EMI seeking direct access to a designated payment system). This includes advice and review of contractual documentation, internal policies and procedures, in-person workshops and trainings and detailed compliance gap analyses.

For our list of key contacts, please see overleaf.

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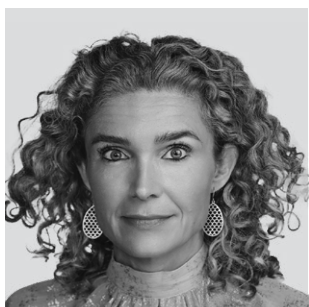
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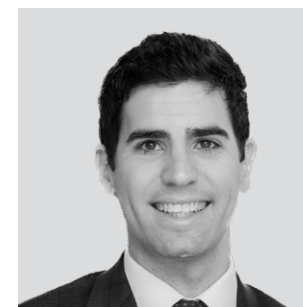
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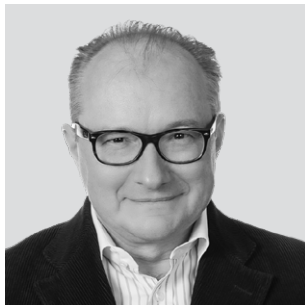
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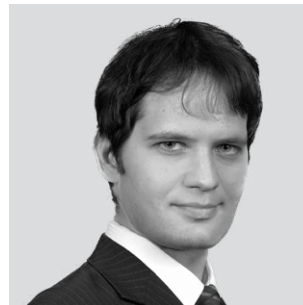
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