

FS Consulting Blog

By PwC Deutschland | 14. März 2024

The pan-European evolution in payment transactions: SEPA Instant Payments

The payment landscape of European payment systems is facing a significant transformation.

Since the introduction of SEPA Instant Credit Transfers (SCT Inst) in 2017, it has been possible to execute transactions within the EU almost in real-time. Despite this revolutionary approach, the spread of real-time transfers has remained limited due to the lack of a mandatory implementation requirement by legislators – at least until now.

Currently, **only 15% of Euro-denominated** transfers within the EU are instant payments. This is set to fundamentally change, however, with the recent decision by the European Commission on February 7th, 2024, to make instant payments mandatory for banks and payment service providers in the EU, ensuring faster and more secure payment processing. The regulation obliges payment service providers to offer instant payments in euros and prohibits the costs for this service from rising above those of traditional credit transfers. The aim of this initiative is to promote financial inclusion, increase the efficiency of transactions, and strengthen the strategic independence of the European financial sector. Ensuring that payments can be processed within seconds not only improves the liquidity management of businesses and consumers, but also lays the foundation for the development of innovative financial products and services.

Technological and operational consequences of the Regulation

The decision for mandatory instant payments and the associated publication in the EU journal paved the way for an implementation countdown for all payment service providers offering credit transfers in euros. They are required to adapt their systems and will have specific deadlines:

- January 2025 to be ready to receive instant payments in euro
- October 2025 to be ready to send instant payments in euro
- October 2025 to implement the Verification of Payee (VOP) or the IBAN Name Check

All payment service providers that offer credit transfers in euros will need to closely review and, if necessary, fundamentally redesign their IT and payment transaction architectures, which may involve considerable investment. Additionally, close coordination and cooperation between relevant specialists, compliance, and IT teams is necessary to fully address all regulatory requirements for SCT Inst. Possible non-compliance penalties of up to 10% of annual turnover underscore the seriousness with which the Commission views this transformation project.

For new participants in SCT Inst, the greatest challenges lie in the complexity of integrating connected systems, applications and adapting processes across the entire range of business activities, from payment initiation to clearing and settlement:

- Ensuring a robust and highly available system landscape that allows payment transactions to be processed 24/7/365
- Using real-time analytics for fraud prevention, sanctions screening and AML compliance
- Connecting to scheme infrastructures for real-time data exchange and processing of VOP

procedures

- Establishing a liquidity management system to ensure successful transaction processing and clearing
- Providing real-time exchange rates through currency conversion systems, considering capital market volatilities

In the current phase of implementing instant payments, the technical requirements and strategic preparations need to be examined in detail. The European Payments Council (EPC) has already laid the initial groundwork for this undertaking in the [VOP Scheme Rulebook v0.1](#) and is continuing to work on technical specifications to guarantee seamless interoperability and connectivity between payment service providers. The aim is to finalize all specifications and the VOP Rulebook by the end of September 2024, ensuring that they can come into force in time to meet the deadline set in the regulation.

A comprehensive readiness assessment regarding the above considerations is crucial to ensure that all necessary adjustments can be identified and implemented in time and quality.

Why we are the right partner for you

In the rapidly evolving world of financial technologies, all payment service providers constantly face the challenge of keeping pace with regulatory requirements while simultaneously integrating innovative and competitive solutions. At PwC Germany, our focus is not only on ensuring regulatory compliance, but also on recasting regulatory requirements as opportunities for further innovative developments. A strategic implementation of instant payments, for example, in combination with [SEPA Request-to-Pay](#), not only ensures compliance, but also opens up the potential for new use cases in payment transactions and the creation of new ecosystems. Our customer-specific concept allows you to secure a strategic advantage over the competition. Thanks to our in-depth expertise in payment transactions, we enable you to position yourself optimally in the constantly changing payments landscape so that you can fully exploit the potential of the opportunities that arise.

[Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more about the opportunities and offerings here.](#)

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Kontakt



Maximilian Harmsen

München

maximilian.harmsen@pwc.com