

**Summary of discussion*:
Third meeting of the Open Forum on
Pan-European Instant Payments
6th July 2015**

Agenda item 1: Welcome and introduction by EBA Chairman

In his capacity as chairman of the Euro Banking Association, Wolfgang Ehrmann welcomed the 60 participants from 45 institutions to the third meeting of the Open Forum on Pan-European Instant Payments held on 6th July 2015, from 13:00 to 17:00 CET. The meeting took place at the Sheraton Brussels Airport Hotel in Brussels, Belgium. The list of participating institutions is included at the end of this summary.

Wolfgang Ehrmann gave a look back on the key areas that had been at the centre of the discussion at the previous two meetings of the Open Forum and presented the proposed agenda of the third meeting to the participants. He then introduced the first speaker, Emanuela Cerrato, Market Infrastructure Expert at the European Central Bank, who presented reflections from the June meeting of the Euro Retail Payments Board (ERPB).

Agenda item 2: Reflections from the ERPB meeting on instant payments in June 2015

Emanuela Cerrato started her speech by reminding the participants of the definition of instant payments provided by the ERPB in December 2014. Instant Payments are defined by the ERPB as “electronic retail payment solutions available 24/7/365 and resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee’s account with confirmation to the payer (within seconds of payment initiation). This is irrespective of the underlying payment instrument used (credit transfer, direct debit or payment card) and of the underlying arrangements for clearing (whether bilateral interbank clearing or clearing via infrastructures) and settlement (e.g. with guarantees or in real time) that make this possible.”

Based on a layered approach, such solutions should leverage on the current payment instruments (first layer) and the underlying clearing and settlement infrastructures (second and third layers) and take advantage where possible of the harmonisation and integration already

** Disclaimer: This summary proposed by the EBA is not a complete and exhaustive transcript of the discussions / presentations. This document constitutes an effort to capture and highlight key elements of the discussions / presentations in an abbreviated format. Every effort has been made to fairly transcript the discussions / presentations and to avoid any mischaracterisation.*



achieved with the SEPA project, preventing the emergence of a fragmented European market for instant payments in euro.

Emanuela Cerrato also presented the key statements the ERPB members had agreed on at their meeting of 29th June 2015:

- Irrespective of the payment instrument on which they are based, instant payment solutions offered to end-users in euro should be developed at the pan-European level or, if developed at the national level, should at least be interoperable with those solutions based on the same payment instrument;
- The EPC is invited to present to the ERPB by November 2015 a proposal for the design of an instant SCT scheme (SCT^{inst}) in euro, open for voluntary adherence by EU payment service providers;
- A group should be created reflecting the composition of the ERPB at the level of alternate members to offer guidance as needed to the EPC regarding the development of SCT^{inst} in the period from June to November 2015.

In her concluding remarks, Emanuela Cerrato stressed that the ERPB expects that any pan-European instant payment solutions based on credit transfers in euro will be based on SCT^{inst}.

Agenda item 3: Taking stock of current instant payment developments and initiatives in Europe

Hansjörg Nymphius as coordinator of the Open Forum introduced the next agenda item, which consisted of a series of presentations on current instant payments initiatives in Europe.

Agenda item 3.1: The Dutch instant payment initiative

Inge van Dijk, Program Manager Instant Payments at the Dutch Payments Association, presented the current Dutch instant payment initiative. In May 2015, the Dutch banks announced their plan to deliver an infrastructure that supports 24/7 instant payments. This announcement had been unanimously positively received by the overall market, and by retailers in particular.

Inge van Dijk pointed out that the banks had been taking stock of the components they have already at their disposal for putting in place an instant payment offering as quickly as possible. Given that the current infrastructure used by the Dutch banks is not in a position to process instant payments within five seconds, the banks have committed themselves to deliver an all-new infrastructure based on SEPA standards within the next four years, which will meet this objective. It is also planned that this new infrastructure will support all services, products and



market segments since use cases are expected to snowball once an instant payment infrastructure solution will have been launched.

The infrastructure will be open to all payment service providers (PSPs) and built in a way that will support any connection to pan-European solutions. Inge van Dijk underlined that the Dutch bank are not planning to develop an instant payment product or scheme, but an instant payment infrastructure, on top of which new innovative services may be developed and to which some existing products may migrate, depending on (evolving) customer requirements and expectations. Inge van Dijk explained that the design phase is supposed to be finished by November 2015, and that the building phase will only start in the second half of 2016 in order to allow a proper alignment with stakeholder needs and any European initiative(s).

Inge van Dijk also gave an overview of the benefits of this future open instant payment infrastructure: an improved user experience through 24/7 opening hours, lower societal costs because of improved cash flow due to instant receipt of funds by the beneficiary and increased safety through expected cash reduction.

Asked about the envisaged settlement model during the question and answer session following her presentation, Inge van Dijk explained that no decision had been taken with regard to the settlement process at the present stage. She added that the Dutch Central Bank would be involved on this topic and that any decision on this matter would take into account the need for compatibility with any pan-European solution(s).

Regarding the primary scope of the new solution, Inge van Dijk stated that the Dutch banks had seen a need for instant payments in the P2B and P2P space in the first place; this does not mean that B2P and B2B will be out of scope. She also mentioned in this context that the fee structure, value limits to be applied to instant payment products as well as the channels via which banks would offer these products would probably influence the way the instant payment solution would be used.

When asked whether the Dutch central bank would supervise this new infrastructure, Inge van Dijk said that the central bank was not supervising the infrastructure delivery program as such, but that they would be involved on the operational side of the project as an observer. She added that the oversight division of the Dutch central bank had not yet become involved.

With regard to the need for a scheme, Inge van Dijk pointed out that the Dutch community would follow the EPC scheme effort with a lot of attention and would need to assess whether the commitments made to the local community could be entirely covered through this future scheme.

Agenda item 3.2: The Spanish instant payment initiative

Raquel Barrado Sierra, Financial Market Infrastructure at Banco Bilbao Vizcaya Argentaria, presented the current status of the Spanish instant payment initiative. Raquel Barrado Sierra explained that the project had started in 2015 and was being led by the local banks through the banking association with the support of a consultancy and legal experts.

The participants in the initiative are currently engaged in an analytical phase and looking into the different infrastructure models that could be used for account-to-account instant payments to be exchanged by PSPs 24/7/365 and providing immediate availability of funds. Examples of these models include a pre-funding possibility and payment guarantees with deferred settlement.

A first set of conclusions has been drawn at this stage: The Spanish community will concentrate on the credit transfer as underlying product and favours the approach that a basic service (which could converge to the future pan-European scheme) should be made available via the national clearing house while additional value-added services could be developed by other providers. All services should rely on a joint infrastructure providing immediate inter-PSP clearing and immediate crediting, based on a settlement model that remains to be determined and interoperability with other solutions.

Raquel Barrado Sierra ended her presentation by saying that two major points of focus of the initiative by the Spanish banks had been put on taking advantage of synergies and responding to customer needs. A detailed roadmap for the delivery of the Spanish initiative is currently under development.

Agenda item 3.3: The initiative of EBA CLEARING

Erwin Kulk, New Developments and Innovation, EBA CLEARING, explained that since EBA CLEARING has a proven track record of connecting PSPs all across Europe, it had been a logical step for the company to look with its users into the topic of instant payments to get synergies from a pan-European perspective. In early 2015, EBA CLEARING created an Instant Payment Task Force to analyse the requirements and specifications for a pan-European instant payment infrastructure solution.

As announced in March 2015, this task force composed of over 20 representatives of EBA CLEARING user banks delivered a Blueprint detailing high-level business requirements for a pan-European instant payment infrastructure solution and including a delivery roadmap 2015 – 2018. This Blueprint was finalised in June 2015 and is available upon request via the EBA



CLEARING website. Its content is currently subject to a consultation exercise with the Company's user community and stakeholders, which takes place from July to September 2015.

As there will be different instant payment use cases, some of them community-specific, others more relevant in several countries, Erwin Kulk pointed out that the infrastructure to be developed by the company is foreseen to be use case-agnostic and channel-agnostic. The consensus of the task force was further that credit transfers would be the most important instrument to be supported by a pan-European instant payment solution, even though the platform could be configured in a way that multiple instruments are supported. Also, the focus will lie on supporting the "cashless cash" experience for end-users.

The aim is to have a solution that supports completing an instant payment transaction within 5 seconds from the end-user perspective, aiming even at an adoption of the benchmark of 1.5 seconds for the transaction part after initiation of the payment order realised by newer real-time payment systems in the market. Erwin Kulk stated that no decision on the settlement model had been taken at this stage of the initiative. Erwin Kulk also pointed out that the pan-European solution to be developed by EBA CLEARING would be open to any PSP in Europe. A pilot is planned for the second half of 2017 with the launch and roll-out of this pan-European solution foreseen for 2018.

In a question and answer session following his presentation, Erwin Kulk further explained that there could be a need for a centralised database to map bank account numbers with phone number or other aliases. This and other optional offerings will be further explored as part of the wider consultation phase. Erwin Kulk also pointed out that interoperability will be an important aspect of the solution, but that interoperability requires the use of the same schemes by all parties, which will have to be further explored within the upcoming months.

Erwin Kulk also stated that every financial institution participating in the EBA CLEARING infrastructure solution should ideally be a direct participant in the clearing arrangements, but he added that there may be indirect settlement options and the possibility for PSPs to technically connect with the support of another participant or a technical provider.

Agenda item 4: Break and time for networking

Agenda item 5: ISO 20022: developments concerning global message standards for real-time payments

Stephen Lindsay, Head of Standards at SWIFT, held a presentation on standards and market practice for real-time payments. Stephen Lindsay mentioned that ISO 20022 is emerging as real-time payment standard for recent systems such as SWISH in Sweden, NPP in Australia or



Nets in Denmark. ISO 20022 is an open standard to which users can contribute and which is used not only in payments, but also in TARGET2 Securities, for instance. It is based on XML and easy to integrate and is used in payments by low-value payment systems and, in the next few years, by high-value payment systems as well (TARGET2, EURO1/STEP1), both at domestic and international level in the C2B and B2B space.

Stephen Lindsay explained that the ISO 20022 Market Practice describes, amongst other things, which ISO 20022 messages are to be used in which context and which message flows and usage guidelines are to be respected for a specific use case, such as real-time payments. Stephen Lindsay pointed out that it is important to define these market practices to have a common baseline for multiple implementations and to enable interoperability and re-use as well as to capture and codify best practice. Putting in place market practices further reduces 'accidental' differences, i.e. doing the same thing in a different way. At the same time, market practices should not be a 'straitjacket' and deviations should be allowed for business reasons such as local market requirements. Not all implementations of course have to work the same way but where they do the same things, they should do them in the same fashion.

Next, Stephen Lindsay presented the ISO Real-Time Payments Group (ISO RT PG), which was formed in May 2015 with open participation. Its task will be, amongst other things, to draft usage guidelines for the 'core' payment messages that were previously identified by the group (pacs.008, pacs.002, pacs.004 and pain.013) by Q4 2015. Multiple RTP system designs will be taken into account, such as centralised and distributed systems that deal with deferred net settlement or gross settlement. It is also likely that the practice group will identify common requirements for new ISO 20022 messages required for RTP. Message implementation guidelines are expected by end of July.

Stephen Lindsay explained that timing-wise, ideally any new instant payment systems would adhere to these standards, but given that the scheme-building and standard-developing work streams were being taken forward in parallel, there would need to be much coordination required between both initiatives in order to ensure a harmonised outcome.

Agenda item 6: Interoperability requirements as a result of fragmentation and the need to create reach: considerations on benefits and (in-)efficiencies of interoperability

Hansjörg Nymphius as Open Forum Coordinator led the discussion on the requirements for establishing interoperability and reach with regard to instant payments. Hansjörg Nymphius pointed out that interoperability would be a pre-requisite for the creation of reach. The key question would be how to connect different national solutions with each other and with any pan-European solution(s) in order to create pan-European reach. The moderator pointed out that

there would be interoperability challenges to be solved at different levels, such as at the messaging level, the clearing level and the settlement level.

The discussion focused on the following key aspects:

- *How can (basic) interoperability be achieved and do participants have the same understanding of what a basic instant payment service should consist in?*

There seemed to be agreement that interoperability should at least be achieved among instant payment services relying on the same instruments. Several participants stated that credit transfers would be the ideal instrument to start with. It was also stated that the focus should be on e- and m-channels first (with focus on same channels) and on instant payment solutions in euro. But since the complexity is huge, it was stressed that it would be important to keep the solution simple. It was further stated that interoperability and reach go together but also interoperability and competition, which needs to be ensured.

One participant stressed the need for a common scheme as well as common messaging standards as requirements for interoperability; the challenge of establishing interoperability between solutions with different risk models was raised as well.

It was also pointed out that scheme, business and messaging standards should ideally be developed in parallel and in close cooperation. It was felt that it would be important to have a forum that would serve as a joint platform for compiling the information related to all these topics and facilitating an exchange of views and experiences with a view to “cross-fertilising” the developments in different areas and ensuring they move into the same direction.

- *How can settlement be ensured? Do we need to find a central place where settlement takes place?*

While the idea of a central settlement arrangement was supported by some, others argued that this would be difficult to achieve given the differences between clearing systems, operators and technical platforms.

It was stated that since the EPC Scheme Rulebooks do not say that much about clearing and settlement, it would be important to have a discussion as to how clearing and settlement needs to be done in the context of instant payments.

- *Are merchants interested in an instant payment solution? How could they be involved in the discussions?*

There was consensus that it would be important to understand which merchant segments are interested in instant payments and what their objectives would be with

regard to instant payments. The comment was made that merchant needs might differ locally and that it would therefore be important to have discussions with merchants both at a national and European level.

One participant raised two reasons that kept merchants from getting involved in the instant payment debate at a pan-European level at this stage: 1. there is no clear platform for these discussions in place with the ERPB being seen as too far removed from the merchants and 2. the four-year frameworks that are currently being considered are too far ahead, so merchants do not yet sense the practical relevance of any instant payment initiatives. Retailers are certainly interested, but they first need to see what is planned.

- *How can reach be created?*

Various standpoints were expressed, such as taking a national approach, establishing reach at national level first and then go pan-European. However, there was agreement that if full reach is not achieved at a pan-European level, the use of an instant payment solution at a cross-border level will be difficult. Also, fraud and AML checks at cross-border level will be a big challenge. It was also stated that the market could drive reach once the solutions are in place provided that the necessary tools, such as a central reachability table are delivered.

- *Access to the Account*

It was raised that every bank that offers online payments will have to support Third Party Provider access to the payment accounts of its customers. It remains to be seen how this can be tied together with the instant payment project and if they are two different projects.

Agenda item 7: Closing remarks

The Open Forum Coordinator, Hansjörg Nymphius, closed the meeting by giving a summary on the topics discussed the meeting. Hansjörg Nymphius presented an overview of the planning for the next Open Forum meetings until the end of the year.

The moderator concluded by thanking all speakers and participants for their input and comments and invited everyone to the next meeting, which will most probably be held in early September 2015.



List of participating institutions in the third meeting on 6th July 2015

Accenture
ACI
Axway
BBVA
Clear2Pay
Commerzbank
Danske Bank
Deutsche Bank AG
Deutsche Bundesbank
Deutsche Postbank
Dovetail
Dutch Payments Association
DZ BANK
EBA CLEARING
EFiS EDI Finance Service AG / ABK Systeme GmbH
Equens
Erste Group Bank
European Central Bank
Fédération Bancaire Française
Fundtech
Gemalto
GEVA Business Solutions GmbH
Icon Solutions
iGTB
Infosys Limited
IntellectEU
J.P. Morgan
KPMG
Lloyds Banking Group
MyBank
Nets
NTT DATA Deutschland
Rabobank
RBS
Sentenial
SIA S.p.A
SRC Security Research & Consulting GmbH
SWIFT



Temenos

UL

Van den Berg AG

Vocalink

VTB Bank

Worldline

Euro Banking Association (Secretariat)