

EBA CLEARING view on enhancing cross-border payments¹

EBA CLEARING's mission is to deliver market infrastructure solutions for the pan-European payments industry, to support its users' needs in line with user requirements. It operates three pan-European cross-border payment systems: STEP2-T (SEPA payments), RT1 (instant payments) and EURO1 (large-value payments). EBA CLEARING aims to allow cost optimisation for its users and does not seek profit or shareholder value maximisation.

Based on its twenty years' experience in delivering cross-border payment solutions to its users, EBA CLEARING submits the observations below.

1.1. Examples of private-sector initiatives

The recent developments in the cross-border payments landscape that could catalyse or accelerate progress towards achieving the Roadmap's Targets include:

- migration of the EURO1 payment system to ISO 20022 in March 2023
- extension of operating hours of EURO1 to 02:30 - 16:30 CET and of STEP2-T to near-24 hour processing on TARGET days
- upgrade of the STEP2-T and RT1 payment systems to the 2019 version of ISO 20022, as aligned with the requirements of the respective SEPA Schemes governed by the European Payments Council, in November 2023
- pan-European Fraud Pattern and Anomaly Detection (FPAD) functionality available for RT1 and STEP2 users since March 2024, offering a wide range of real-time fraud-fighting tools based on fraud patterns and anomalies that can be identified at network level
- implementation of a One-Leg Out Instant Credit Transfer (OCT Inst) service in RT1 in November 2024, allowing payment service providers (PSPs) across Europe to rely on the processing infrastructure, interfaces and other key components of RT1 for the handling of incoming and outgoing international instant credit transfers. As defined by the EPC scheme, the transactions also fulfil the transparency and traceability requirements set by the G20 and the Financial Stability Board for cross-border payments.

¹ Further to the invitation by the Committee on Payments and Market Infrastructures to the industry to express its views on enhancing cross-border payments. https://www.bis.org/cpmi/cross_border/events.htm?accordion=Consultation+for+the+CPMI+Payments+Interoperability+and+Extension+%28PIE%29+taskforce+to+seek+industry+views+on+enhancing+cross-border+payments

- continued growth in instant payments in the eurozone, expected to accelerate due to the EU's Instant Payments Regulation.²

1.2. Remaining frictions or challenges

There are multiple ways in which the public sector could continue to support the industry's efforts to achieve the Roadmap's objectives.

Significant barriers to efficient cross-border payments exist on the regulatory side, where legal and regulatory frameworks covering areas such as AML/CTF, consumer protection, cyber security and data protection are not harmonised and make it more complex and expensive to execute payments. In some instances, efforts by the industry to increase the speed, transparency and reach of international payments have been hampered by de-risking, which is made worse by fragmented regulatory requirements around AML/CTF.

Regarding the fight against fraud, the coordinated support of the public sector across jurisdictions is essential to ensure that data privacy legislation allows the industry to share information for the purpose of combatting fraud.

Finally, regarding developments that could create additional challenges to cross-border payments, the proposed launch of central bank digital currencies (CBDCs) is detracting industry attention and resources. In the EU, should the digital euro project go ahead, PSPs will be required to invest in providing the architecture for their customers to use a digital euro, rather than focusing on existing opportunities (e.g. instant payments, request to pay solutions, etc). This diversion of resources to CBDCs – a brand-new project to be constructed from scratch – could add years to the realisation of frictionless cross-border payments.

1.3. Priorities going forward

EBA CLEARING would encourage the CPMI to focus on the overall objective – i.e. having a variety of domestic and regional payment systems that are resilient and interoperable and that continue to innovate to provide faster and more cost-effective cross-border payments – rather than defining the means with which the industry must achieve this objective. A single standard or method to improve cross-border payments is not an objective in and of itself.

It is vital that any public-sector actions in pursuit of the Roadmap maintain a level playing field between the infrastructure operated by the private sector and the infrastructure operated by the public sector, and between different types of payments. For example, the rules of RTGS systems should allow private-sector payment system operators to engage in cross-border initiatives on the same terms as public-sector operators. Further, it is essential that the operators of RTGS systems are fully transparent as regards the cost-recovery principles that they apply.

² Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro

EBA CLEARING supports, in particular, the catalyst function of central banks. In addition to facilitating industry discussions, central banks also have an essential role in ensuring that the applicable oversight frameworks support, rather than constrain, new cross-border arrangements.