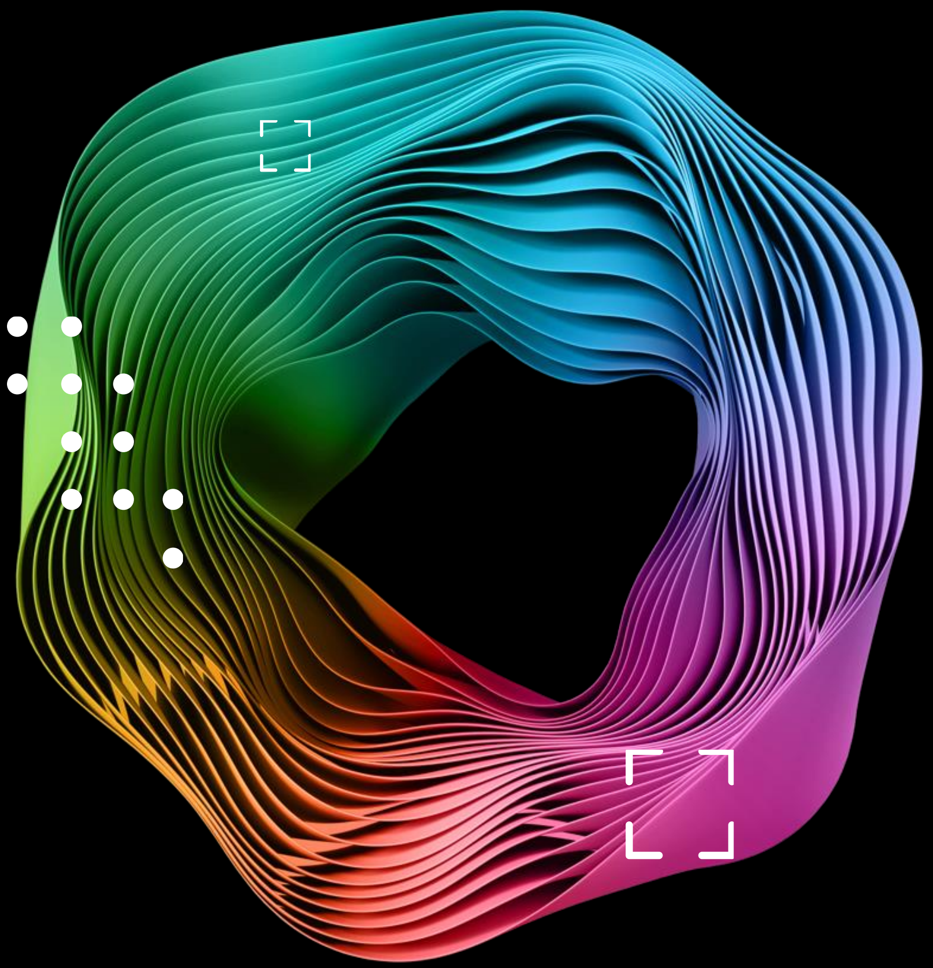


New Instant Payments Regulation

Insights, challenges and strategic recommendations

2025

Preface

The Instant Payments Regulation (IPR) marks a pivotal shift for the European payments landscape, demanding both speed and precision in implementation. In this context, we set out to better understand how Belgian banks are preparing for the regulation and how they perceive the opportunities it presents. To do so, we conducted a benchmark survey, convened a panel discussion with key stakeholders from the industry, and facilitated a roundtable dialogue to capture both quantitative data and qualitative insights.

This paper has three main objectives:

1. To share the benchmark results and reflect on the current maturity of the Belgian banking sector in responding to the IPR – looking beyond compliance alone.
2. To explore the key challenges and opportunities arising across three core dimensions: initiating and receiving instant payments, sanction screening, and verification of payee.
3. To offer our perspective on what the path to compliance looks like – and more importantly, how banks can translate compliance into long-term value.

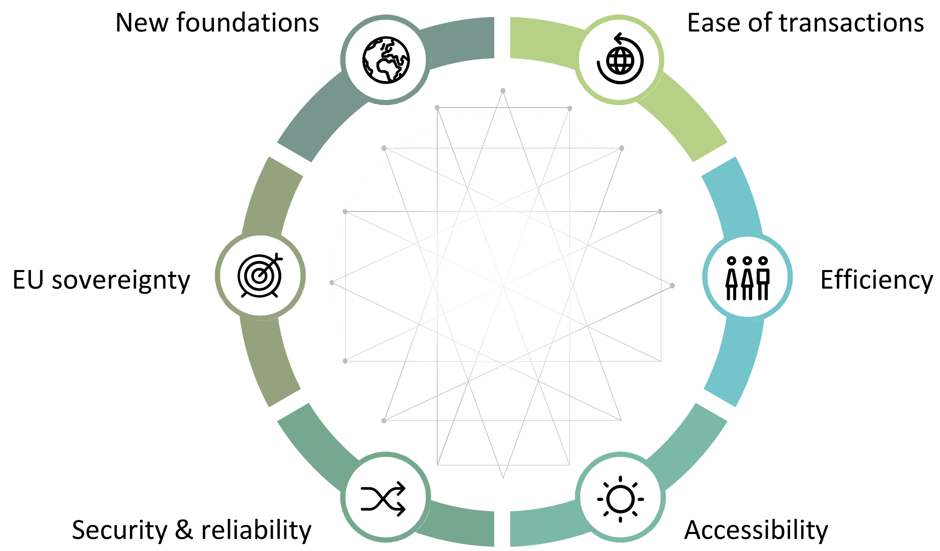
Transforming the EU financial ecosystem

The new Instant Payments Regulation (IPR) marks a transformative step in **modernizing the financial ecosystem across the EU**. Aimed at ensuring instant financial transactions, this regulation mandates that **funds are made available to recipients almost immediately after payment initiation**. It seeks to simplify payment infrastructure, increase efficiency and promote accessibility for both businesses and consumers, enabling greater financial inclusion. In addition, the regulation strengthens security and reliability in payment systems, ensuring that users' transactions and financial data are safeguarded. The IPR addresses key issues such as the high rate of rejected instant payments (IP) due to false hits in sanctions screening and the insufficient incentives for PSPs to offer euro IPs. It also aims to tackle dissuasive transaction fees and payer concerns about IPs' security.

The IPR favours EU sovereignty by **reducing reliance on non-European global payment giants**, fostering a more unified and accessible payment infrastructure. As a foundational layer for wider cross-currency international instant payment schemes, the regulation reflects the spirit of a fast-paced, interconnected world. By making the **SEPA Instant Credit Transfer scheme mandatory**, the regulation eliminates maximum transaction limits and requires that euro instant payment fees remain equal to or lower than standard transfer fees. It also means replacing ex-ante sanction screening by **daily customer screening**, instructing **Verification of Payee (VoP)** to be carried out for every payment initiation, and mandating **annual reporting** of charges, rejections and transaction data to national authorities for every Instant Credit Transfer.

The changes evolving from the new IPR are **set to roll out in different phases** that already started in January 2025 for all countries in the Eurozone. While this transformation promises a more interconnected and competitive financial landscape, it **also demands rapid adaptation** from financial institutions to handle high-volume instant payments securely and accurately.

Beyond the EU, **the IPR is shaping global efforts to modernize payment systems**, with G20 countries aiming to improve cross-border transactions. While this trend encourages greater innovation in the financial ecosystem, banks remain highly focused on meeting compliance requirements. Studies indicate that 60-70% of development teams' work is dedicated to regulatory adherence. The potential implementation of PSD3/PSR could intensify this compliance-driven focus, slowing innovation. Banks must strike a **balance between advancing innovation** and managing the rising **compliance burden**, ensuring they comply with regulations and lead in digital payment solutions.



MAIN OBJECTIVES OF THE NEW INSTANT PAYMENTS REGULATION

IPR implementation: key milestones and introduction to benchmark & panel

The SCT Instant scheme becomes mandatory and services offered need to be adapted

9th January 2025 – 1 2 – Mandatory to receive IP + sanction screening

9th October 2025 – 1 3 – Mandatory to initiate IP + Verification of Payee

9th April 2026 – 4 – First yearly reporting to authorities

1. IP services

- Mandatory reception & initiation for all PS<P's offering SCT
- No max. transaction amount
- Euro IP fees ≤ regular euro transfer fees

2. Sanction screening

- Ex - ante transaction screening must be stopped
- Daily customer screening must meet new requirements

3. Verification of Payee

- Mandatory offering for all PSP's offering SCT
- VoP process must be completed within 5 seconds

4. Reporting

- Must report charges, rejection rates, and Instant Credit Transfer (SCT & IP) volume and value
- Yearly submission to National Competent Authorities

Benchmark and panel discussion objectives & methodology

To better understand the market's perspective on the **impact, opportunities & challenges** of the new Instant Payment Regulation, a **benchmark**, a **panel discussion** and a **roundtable** were carried out.

The benchmark involved **11 Belgian Banking entities** (mainly Banks & PSPs), with the goal of evaluating their readiness and the anticipated effects of the regulation on their operations. Responses were gathered from multiple individuals within each entity to reflect varying viewpoints. For consistency, answers from each entity were consolidated and the most representative responses were selected for analysis.

A **panel discussion** took place on the 11th of February 2025, where **experts from various backgrounds of the Belgian market** were brought together: a core banking solution provider (SBS), the Belgian banking sector federation (Febelfin), the local clearing & settlement provider (CEC) as well as consultants in the banking industry (Deloitte).

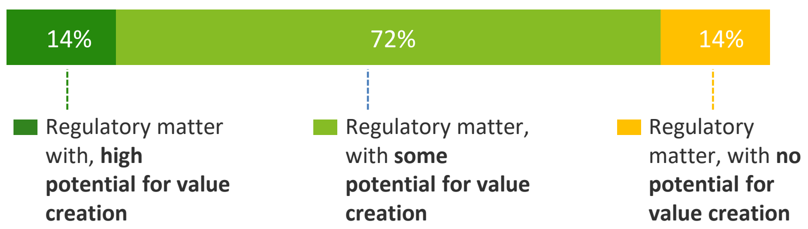
A **roundtable** took place on the same day. **21 Attendees working in the banking industry** gathered to discuss the impact arising from the regulation, providing further insight into the market maturity and key challenges & opportunities.

This report will **explore the findings** drawn from the benchmark, panel discussion and roundtable. All charts and insights presented are based on the results of this market research.

General results from benchmark & panel

The benchmark and panel results offer a snapshot of how Belgian banks are approaching the new Instant Payments Regulation, reflecting a blend of optimism and caution. As leaders in instant payments, Belgian banks draw on their extensive experience with instant payment systems, putting them ahead of many countries. This advantage fosters greater confidence in meeting the new IPR deadlines. While the regulation is seen as a valuable opportunity, banks also recognize the complexities involved in its implementation and the ongoing effort required to ensure full alignment with its provisions.

All of the respondent banks from the benchmark accepted the regulation as **being applicable to them** and the **majority of them see a potential for deriving business value** from it

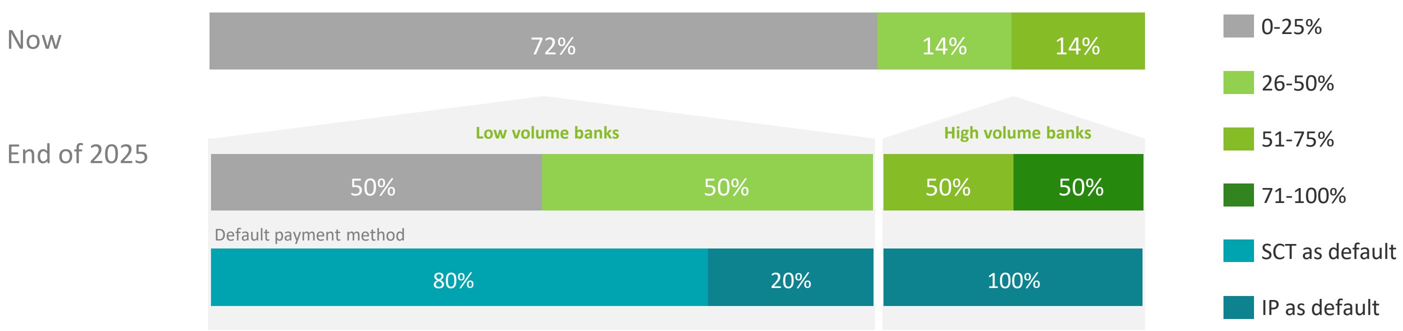


Perception of the new Instant Payment Regulation

Banks are largely aligned on the new Instant Payments Regulation. Most banks participating in the benchmark see it as relevant to their operations. Notably, 86% believe the regulation presents an opportunity for value creation, indicating strong optimism across the sector. However, 14% remain skeptical about its potential to drive value for them. This perception is crucial as it shapes the banks' approach to implementing necessary changes and their overall readiness.

For the majority of banks instant payment **volume is currently low,** but a **general volume increase is expected** by the end of 2025. Banks with the highest volumes today are also those who see the **highest potential for growth**.

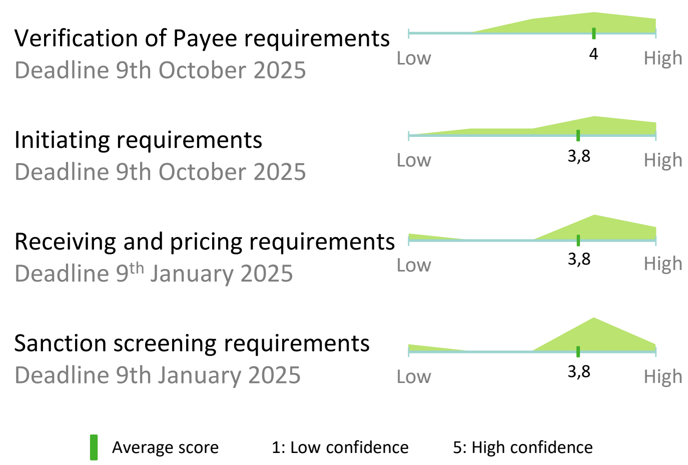
Currently, the volume of Instant Payments is modest for most banks, with 72% reporting that instant payment transactions represent less than 25% of their total payment volume. This reflects the fact that while Instant Payments are still growing, they haven't yet achieved widespread adoption. Interestingly, only half of these banks expect this volume to rise by 2025, indicating mixed beliefs in the regulation's ability to stimulate growth.
For banks where instant payments currently make up more than 25% of total volume, there is unanimous confidence that this share will continue to further grow by 2025. Additionally, the data shows a clear shift in how these banks view payment methods: those anticipating higher volumes of Instant Payments are more likely to consider it their default payment method, while banks predicting lower volumes still favor SCT as the primary choice.



Instant payments as a percentage of total payments volume today VS expected volume by the end of 2025

New Instant Payments Regulation | General results from benchmark & panel

Belgian banks are **confident in meeting IPR requirements** by the deadlines. However, work remains, and collective decision-making is crucial for full compliance

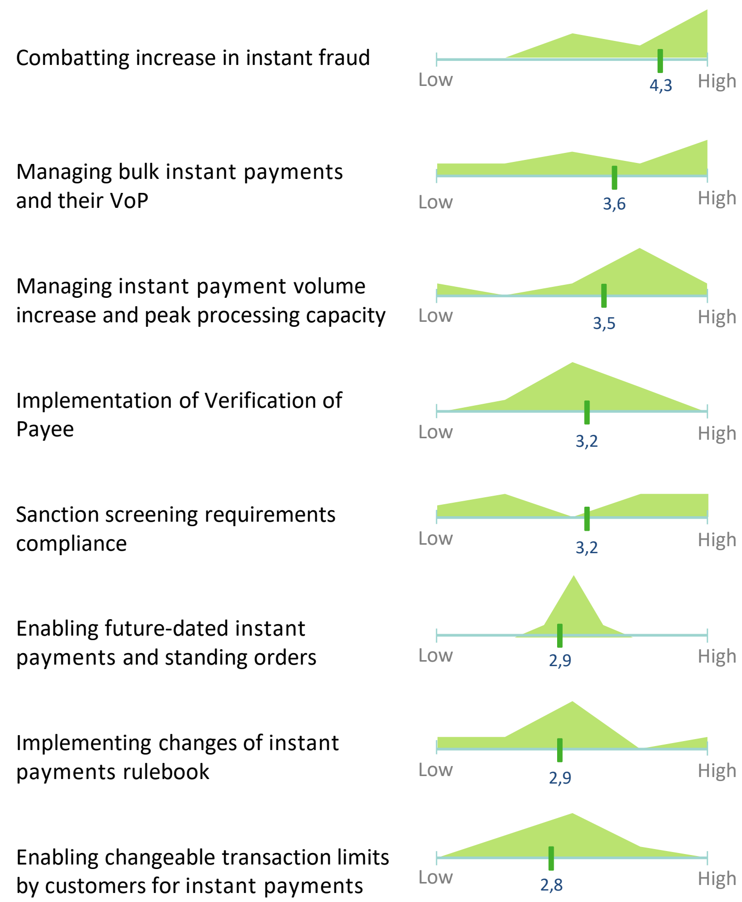


Level of confidence to be compliant with requirements

Belgian banks are largely confident about meeting the regulatory requirements by their respective deadlines. The survey results show high levels of confidence across the board, particularly when it comes to meeting the Verification of Payee (VoP) requirements, where confidence is the highest.
This confidence stems from Belgium's role as a frontrunner in instant payments, having built substantial experience with instant payment systems. This maturity positions Belgian banks ahead of many other countries, enabling them to concentrate on the finer details of the regulation. Work remains to be done on these items (e.g., bulk payments), and collective decision-making and collaboration across the industry might be required to move forward with full compliance.

Banks that **see value** in the regulation, are also the **most confident in addressing the key challenges** that come with the IPR and vice versa

Despite the high levels of confidence in meeting regulatory deadlines, banks are also facing several challenges with the Instant Payments Regulation. The prevention of instant fraud was ranked as the most difficult aspect to tackle. Other challenges include managing the increased volume and complexity of transactions, particularly during peak periods, and implementing the Verification of Payee process. The challenges associated with bulk payments, where the speed of transaction processing is critical, have also been highlighted as a particularly thorny issue. Banks are aware of the need to evolve their systems and processes to meet these challenges and ensure they can handle the increased demand for instant payments.
Interestingly, banks who see the most potential in the regulation are also the most confident in addressing its challenges. This suggests that banks taking a more strategic, value-driven approach to implement the regulation may find ways to navigate these challenges more effectively, easing the perceived difficulty over time.



Level of difficulty of the different challenges

Zoom: Initiating & receiving instant payments

The Instant Payment (IP) services mark a significant evolution in the financial landscape, by mandating instant transaction processing across the EU. For financial institutions, this brings both challenges and opportunities, requiring infrastructure upgrades, stricter security and faster processing. While compliance demands significant investment, it unlocks potential for innovation and improved customer service.

KEY REQUIREMENTS

- Each transaction must carry a **unique timestamp** including milliseconds to ensure precision and regulatory compliance (< 10 seconds)
- **Availability 24/7/365**, only allowing short and pre-notified planned downtimes for maintenance
- PSPs must **clearly disclose any fees associated with instant payments.** The charges for instant payments must not exceed the fees on regular transfers (SCT)
- **Unlimited maximum amount**
- The **initiation possibilities** of instant payments must be the **same** as for SCT (including potential submission of bulk)
- If no confirmation is received within 10 seconds, the Originator PSP must **immediately restore the payer's account to its original state**
- PSPs must allow **instant processing for both individual and recurring payments** to enhance future automation and scheduling efficiency
- **Bulk** instant payment must be **immediately unpacked** into individual payment with a unique timestamp

Understanding the impact of the Instant Payments Regulation

Rethinking operations for 24/7 availability

The mandatory introduction of Instant Payment (IP) services is compelling players in the financial industry to rethink their operations and infrastructure. To support continuous instant payments, banks must reorganize staffing and processes, ensuring seamless customer experience at all hours.

Addressing fee parity and scalability

Compliance with fee parity regulations requires a **recalibration of pricing models**, potentially impacting the profitability of premium instant payment services. Additionally, the surge in transaction volumes—especially during peak times like payroll and tax deadlines—requires **scalability to maintain smooth operations**.

Ensuring seamless payments processing

To meet instant payment demands, banks must adopt **cutting-edge systems that minimize latency** to under 10 seconds, while ensuring **robust system resilience and high availability**. By **using always-on backups** and alternatives to Core Banking Systems, institutions can stay ahead, offering faster, more reliable and customer-focused payment solutions.

New Instant Payments Regulation | Zoom into initiating & receiving instant payments

Key challenges in realizing instant payment benefits

The implementation of Instant Payment (IP) services brings several operational and strategic challenges for financial institutions, which are closely linked to their potential impact. In addition to the challenges outlined on page 5, the following obstacles were identified in the panel discussion:

- Increased **operational & technological pressure** to support instant, 24/7 operations
- Complexity in **managing liquidity** due to the necessity for immediate fund transfers
- **Intensified competition** among banks as customers can move funds instantly based on interest rates
- Confirmation within 10 seconds may **overwhelm clients with notifications**, especially during bulk payments
- Rise in **customer confusion** due to incomplete understanding of differences between instant payments and SCT
- Complex **management of transaction limits**

Bulk payments: key obstacles and solutions

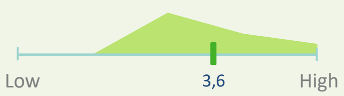
The implementation of **bulk payments** within instant payment systems presents challenges, particularly during peak periods. Managing **large volumes of transactions** while maintaining **speed and accuracy** can create operational complexity, especially when transactions need to be processed quickly.

To address these difficulties, banks cannot slow down the processing of instant payments themselves, but they can ensure payments are appropriately managed. Not all payments require the immediacy of instant payments, and in some cases, **same-day payments** may be a better option. It is important for clients to be educated on which payment methods best suit their needs. **Clear communication** is essential to help clients understand the **coexistence of Instant Payments (IP)** and **SEPA Credit Transfers** (SCT), as well as the limitations of instant payments for certain types of payments, such as bulk transactions.

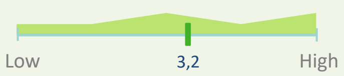
To meet the increasing demand for bulk payments, banks must adopt **scalable infrastructure** to ensure smooth processing and minimize disruption.

Difficulty of implementing bulk instant payments scenarios

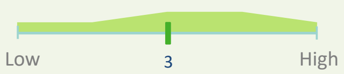
Managing an acceptable pace to execute bulk instant payments (performance)



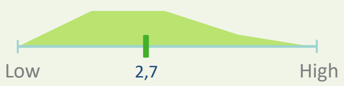
Apply smoothing to not disrupt other processes/other banks



Unpacking bulk instant payments into single instant payments



Processing instant payments received from other banks at high frequency



Opportunities & recommendations

Despite the challenges, the new Instant Payment Regulation also presents significant opportunities for financial institutions:

SOVEREIGNTY

Reduction of dependency on Non-European providers of payment solutions

CASH REPLACEMENT

Potential to replace cash as instant payments can be used as an immediate payment method

COST EFFICIENCIES

Enhanced **cost efficiency** providing cost savings for banks

These opportunities can drive growth, enhance customer experience, and position banks as leaders in the digital payment ecosystem. To fully capitalize on these benefits, banks should focus on **effective communication with clients,** ensuring they understand the coexistence of Instant Payments (IP) and SEPA Credit Transfers (SCT), and know when each method is most suitable for their specific needs.

Zoom: Sanction screening

As part of the instant payment regulation, ex-ante transaction screening must be replaced with daily sanction screening under stricter conditions than what is in-practice today. The main changes compared to before relate to the frequency of the screening (at least daily, and immediately in case of updates) and the treatment of the alerts (on the same calendar day). The objective is to ensure compliance and to mitigate the risk of financial crimes, maintaining the integrity of the financial system.

Key Sanction screening requirements and their impact

Scattered landscape for ex-ante screening

- Remove blocking transaction screening for instant payments regarding EU sanction lists for EEA + SEPA adhering to IPR
- Keep for other sanction lists (Belgium, OFAC) & other countries (all lists)
- Mainly relevant for outgoing instant payments as incoming payments in principle are not required to be screened ex ante

Customer impact

- Temporary suspension of the possibility to execute inbound/outbound instant payments on accounts for whom the owner/co-owner has a hit on EU sanction lists, until it is confirmed to be a false positive
- Revisit the ratio of false negatives, as this will directly impact customers & instant payments should not be hampered

Important impact on people & processes

- More frequent subject sanction screening against EU sanction lists → immediate
- Resolution of hits on EU-lists from subject sanction screening must be done as soon as possible & on the same calendar day → also on non-working days/outside business hours

Impact on AML processes

- Potential loss of information as no more ex-ante screening & no model to share information from subject screening → replace with ex-post / non – blocking screening
- Firms currently blocking certain transactions to perform AML investigations, need to re-visit their model

New Instant Payments Regulation | Zoom into sanction screening

Key challenges in implementing daily sanction screening

The implementation of daily sanction screening under the Instant Payments Regulation introduces significant operational complexities. Financial institutions must manage instant processing and accuracy, requiring advanced technology and resources.

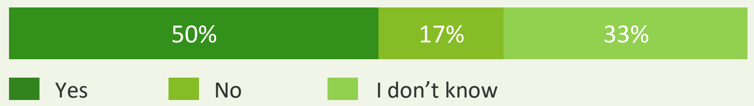
- » Conducting **multiple screenings** of the customer database **per day** can become unmanageable if the volume of data is excessively high
- » **Suspending services** may negatively impact customers, particularly certain groups of individuals
- » **Handling alerts** on the same calendar day, including non-working days, poses significant human resource challenges

Status of Belgian banks in sanction screening

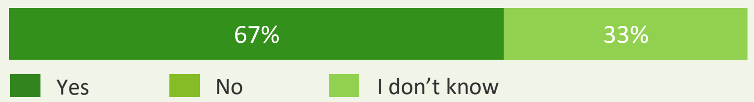
Benchmark results indicate that 50% of participating banks have stopped ex-ante sanction screening for lists within the scope of the IPR since January 9, 2025, while 17% have retained the practice.
67% of responding banks have adopted a non-blocking ex-ante or ex-post transaction screening approach, but 33% of respondents are uncertain.

Overall, the benchmark results show that most banks have implemented more frequent and consistent screening processes, with a strong focus on daily screenings or even multiple checks per day. While same-day handling of hits, including on non-business days, is also supported, it is less widespread. Notably, no respondents expect daily payment service user screening to remain unchanged.

Share of banks that stopped ex-ante sanction screening for lists in scope of the IPR, since 9/1/2025



Share of banks that perform non-blocking ex-ante or ex-post transaction screening for lists in scope of the IPR, since 9/1/2025



Recommendations

Sanction screening presents operational challenges, but the momentum created by the IPR can be an opportunity for PSPs to enhance their systems. While not a direct consequence of the IPR, integrating sanction screening with AML processes can lead to a more holistic compliance approach, strengthening financial crime prevention efforts. Similarly, improving PSU data quality, although not mandated by the IPR, can enhance not only sanction screening but also broader AML and KYC processes, fostering stronger systems and increasing trust with both customers and regulators.

PROCESSES

Enhanced **integration between sanction screening and AML** processes

DATA

Improved **PSU data quality**

Zoom: Verification of Payee

The Verification of Payee (VoP) will become mandatory for all SEPA credit transfers (SCT, including IP), for all European PSPs, with the aim of reducing fraud and avoiding misdirected payments. VoP works by matching the name provided by the payer when initiating a transaction, with the name registered on the recipient's (or responding) PSP account. If a discrepancy is detected, the system notifies the payer, who can decide whether to proceed with the payment or not.

KEY REQUIREMENTS

- **Mandatory VoP checks** for every transaction before payment authorization, with limited exceptions
- Integration across **all channels** with **no extra fees,** with limited exceptions
- **24/7/365 availability** and process must be completed within 5 seconds
- **Multiple account verification** must be handled separately
- Maintaining an **up-to-date EPC Directory Service**

What is the impact?

Operational and cost implications

While the implementation of VoP helps prevent costly incorrect payments and reduces fraud through additional verification checks, these improvements come at the expense of increased operational complexity. Financial institutions must allocate resources for compliance management, system upgrades and staff training to handle VoP processes effectively.

Customer experience and dispute resolution

VoP has the potential to enhance trust in payment services but can also lead to customer complaints due to false "No Match" results or mismatches in trading names. As a result, the workload for the frontline team increases. Efficient communication towards customers, especially corporate ones, is essential to maintain their experience as positive.

Scalability and integration demands

To handle peak transaction volumes, particularly for bulk and batch payment requests, VoP systems must be highly scalable. Additionally, financial institutions need to ensure seamless integration across all payment channels and bulk file processing systems. Adopting standardized API specifications and collaborating with third-party VoP service providers are critical for maintaining operational efficiency and compliance.

New Instant Payments Regulation | Zoom into Verification of Payee

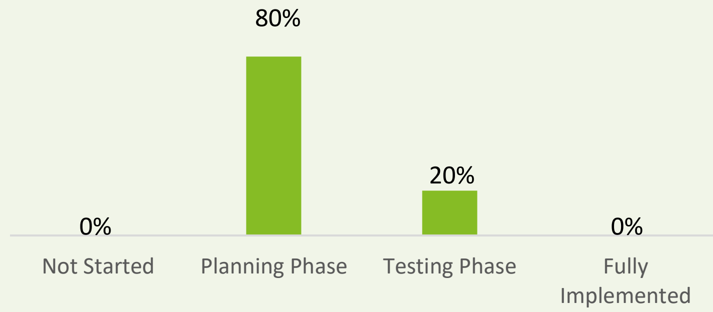
Key challenges in implementing verification of payee

The mandatory implementation of VoP introduces a new set of challenges for financial institutions, adding complexity to the payment process. While VoP aims to enhance security and reduce fraud, it also brings operational, technical and compliance hurdles. Banks must address the following obstacles in order to ensure compliance, maintain customer trust and enhance the overall efficiency of instant payments:

- **Data inaccuracy** due to the use of nicknames, abbreviations and language variations
- Risk of **customer confusion** due to a large number of error messages
- Rise in **implementation costs**
- Increase in **corporate burden;** corporates may need to revise their signature processes
- Sharing client names with VoP providers **raises GDPR and privacy concerns**
- Spike in **initial fraud,** such as phishing, as systems adjust
- Harm in **PSP's reputation** due to false mismatches

Current status of Belgian banks in the implementation of VoP

In Belgium, the banking sector has positioned SurePay as the recommended VoP solution, in cooperation with the CEC. As of today, Belgian banks are still in the early stages of implementing VoP checks, as shown in the figure in the right. 80% of them are in the planning phase, where they are likely developing strategies, allocating resources and setting timelines for the implementation of the VoP checks. Meanwhile, only 20% of the banks have progressed to the testing phase. No banks have finalized the implementation yet.



Stage where banks are at implementing VoP checks

Opportunities & recommendations

Despite the challenges, the implementation of VoP also presents significant opportunities for financial institutions:

DIGITAL EFFICIENCY

Shift toward **digital efficiency** by streamlining operations

BETTER DATA MANAGEMENT

Improved customer data management with an up-to-date and accurate customer database

OPERATIONAL ENHANCEMENT

Reduction of misdirected payments and **security enhancements**

To maximize these benefits, banks should prioritize **clear and consistent communication** towards both individual and corporate clients, ensuring a smooth transition and successful implementation of VoP. Additionally, defining **clear opt-in and opt-out options for corporates** and establishing **standard feedback mechanisms** will be crucial to promptly address any issues that may arise, ultimately fostering trust and seamless adoption.

A look ahead

Shaping your instant payment strategy - key questions and steps to drive a successful implementation

1 Define your ambitions – What is your level of ambition and how do you see Instant Payments in your organization?

2 Evaluate your current position – What are your strengths and weaknesses (Capabilities, Operations, Technology)?

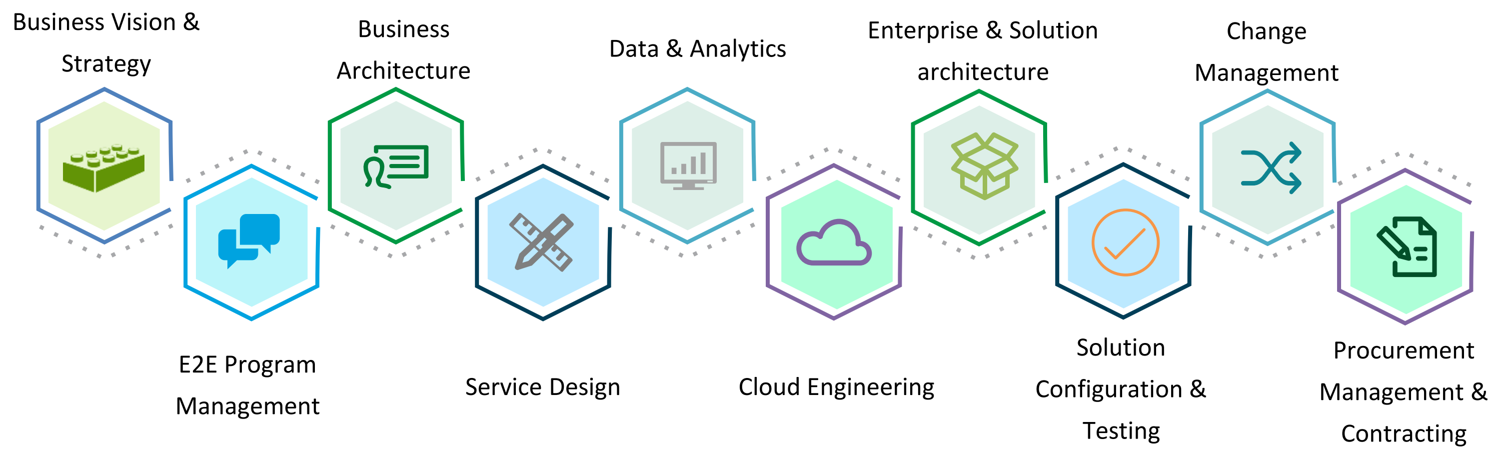
3 Identify gaps and risks – What are you missing and what risks must you manage to ensure a smooth transition? What standards do you want to set or follow? How do you communicate to your customers? What education will be necessary?

4 Develop a roadmap – **What are your key milestones, and how will you get there? What partnerships are needed to achieve your objectives?**

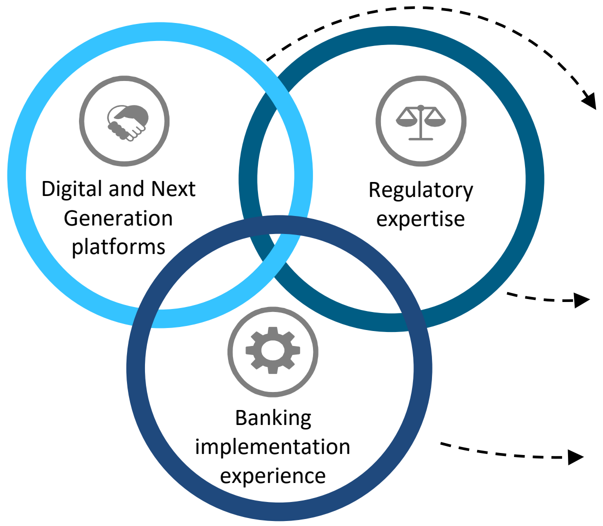
5 Monitor progress – How will you track and measure success, and how will you adapt your strategy over time?

Deloitte. can provide E2E support

At Deloitte, we help to imagine, deliver and run the future of our clients. In addition to support in addressing the previously raised considerations, Deloitte can offer a wide range of skills that are required when embarking on a payments transformation journey.



What makes us different?



Deloitte has delivered digital (payment) strategy projects, building new digital banks from scratch based on next generation platform architectures and ensuring enhanced customer journeys based on service design approach.

Deloitte has deep regulatory compliance experience and understanding across different geographies. Our relationships with regulators will assist you in navigating the possible implications of payment and banking transformations.

We bring a global team that is experienced with core banking implementations and payments, as well as the capabilities and experience for all parts of the delivery lifecycle

Partner spotlight SBS

"With eight years of experience deploying Instant Payment solutions for banks, SBS sees these new regulations as an opportunity for financial institutions to critically assess their payment infrastructure. Modern instant payment solutions, powered by cutting-edge technologies, can reduce infrastructure costs that are traditionally designed for peak annual volumes. As Instant Payment transactions become more unpredictable, adopting cloud-based and microservices architectures allows banks to enhance resilience, optimize performance, and improve real-time processing capabilities"

Contacts

Don’t hesitate to reach out to learn more about how the Instant Payment Regulation could transform the way you operate your business!

Deloitte.

Nicolas Georlette
Consulting Partner
ngeorlette@deloitte.com
Deloitte Belgium

Olivier Rausch
Consulting Director
orausch@deloitte.com
Deloitte Belgium

Elien De Baeck
Risk Advisory Director
edebaeck@deloitte.com
Deloitte Belgium

SBS

Guy Behets
Sales Director Benelux
guy.behets@sbs-software.com
SBS

Deloitte.

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