

# Instant Payments proposal

## A perspective from EU corporate treasurers

We are facing a rapidly evolving European payments markets, with businesses becoming ever more reliant on new digital solutions. A well-functioning payments market is an essential component of commercial transactions for corporates and should ensure that businesses can conduct transactions in an efficient, secure, and cost-efficient manner.

The EACT welcomes the European Commission's proposal on Instant Payments which aims to make instant credit transfers the standard practice across the European Union. We believe that EU corporate treasurers stand to benefit from the increased uptake of instant payments, paving the way for a more digitally interconnected B2B and B2C market. Similarly, we acknowledge that the current payments ecosystem has underlying issues linked to operational inefficiencies, limited access, and lack of transparency, all of which undermine the ability for corporates to fully benefit from such payments systems.

To ensure that this initiative can unlock its full potential and improve the way corporates conduct their business operations, it is important that regulators further consider certain aspects of the proposal, namely on customer due diligence processes as well as the respective technological solutions to be implemented.

### **EU Corporates' perspective on IBAN-name checking**

The Commission's proposal to mandate a checking process that the payee's IBAN matches the payee's name for instant credit transfers is a very important step forward (Article 5c of the Instant payments proposal).

It is a recognition that more is needed to tackle increasing cases of fraud. Fraud in payments is a major issue for EU businesses and is regularly identified by our members as a top concern.

However, the proposed approach, while effective for consumers using their PSPs applications for initiating payments, lacks several elements to ensure its total effectiveness for Corporates and business users employing Treasury Management Systems (TMS) or Enterprise Resource Planning (ERP) for initiating their bulk payments.

An identification system based on matching a payee's name with the name associated to the IBAN account has many shortfalls in terms of certainty and hence security – if only the name is used, we anticipate many false positives which the payer will need to investigate before doing the payment. This could impede businesses users from resorting to instant credit transfers

The proposed solution also does not consider technological alternatives already implemented in the market. We believe that the introduction of complementary due diligence measures is crucial to ensure instant credit transfers are executed in a fast and secure manner, without overburdening businesses with additional compliance costs or administrative workflows.

In cases where the instant credit transfer is between two legal entities, a unique entity identifier could be used as a complementary tool for the correct identification of legal entities, such as the global Legal Entity Identifier (LEI), a national tax identification number or local registration numbers.

Since many corporates already use their LEI for other reporting, an option to check the IBAN against an entity's legal identifier (LEI) has the potential to make use of a reliable, easy for digital age and tested global solutions. This could take the form of an optional field for corporates to add further means of identification.

Beyond those improvements to the Instant Payments proposal, as EU businesses, we also urge EU authorities to extend this concept of "IBAN checking" in future regulatory changes to other payments regulations – as we need to enhance our framework to tackle fraud in payments.

### **On sanctions screening and onboarding KYC processes**

The Commission proposal also introduces a daily sanctions screening mechanism to identify sanctioned entities and individuals. From a corporate perspective, we support the Commission's approach to ensure that the instant payment transactions fully comply with the EU sanctions regime at any time and upon short notice.

In this context as well, we consider that the LEI could be explored as a complementary tool for the efficient identification of sanctioned entities and their respective subsidiaries. As European businesses, we are keen to promote efficient tools to ensure compliance with sanctions. The global nature of the identifier LEI could prove particularly useful for the identification of sanctioned entities headquartered in third countries.

In addition, our corporate members believe that the implementation of a screening mechanism could be facilitated by more consistency in the corporate onboarding screening processes with financial institutions. A harmonised approach to onboarding would ensure corporates can comply in an efficient manner with existing regulations without jeopardizing potential safeguards of such due diligence process.

### **About the European Association of Corporate Treasurers (EACT)**

*Representing the European economy, the EACT brings together 14 000 corporate treasury professionals active in 22 countries and working for around 6 500 individual non-financial companies. Corporate treasurers are the finance professionals of the real economy.*

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