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THE EU INSTANT PAYMENTS REGULATION AND PAYMENT PACKAGES – INTERPRETATION AND BEST PRACTICES

Abstract

This article analyzes the specificity of the regulation regarding the provision of instant credit transfer packages under the Instant Payment Regulation (IPR). This service exhibits a number of differences compared to "ordinary" credit transfers and individual instant payments. While it is not possible to define specific hours for accepting instant payment orders (i.e., establish a cut-off time), it is potentially feasible to "extend" the execution time of instant payments for payment packages beyond ten seconds. This is particularly relevant for large payment packages that necessitate sequential conversion into individual instant payments. The ten-second time limit, in such cases, effectively applies post-unpacking, meaning after the payment package has been broken down into individual transactions. Implementing such a framework requires corresponding adjustments to contracts or regulations with clients. In line with the principle of technological neutrality, the IPR refrains from restricting the technical or functional methods employed for executing instant payment

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packages. Technological neutrality, in this context, means the IPR doesn't favor any specific technology, allowing flexibility in implementation. Strong authentication of a transfer batch should occur after the Verification of Payee (VoP) service has been performed, using a code specific to the total amount of the batch and the designated payees. When offering payment packages to non-consumers, the provider must offer both opt-out and re-opt-in options for the VoP service. Concurrently, aligning with the European Banking Authority's (EBA) stance, the VoP service can be offered either integrated with or separate from the payment service. In the latter scenario, VoP fees may be applicable, but regulations beyond the IPR, notably in personal data protection, may govern such fees. Given the notable distinctions between instant payments, especially payment packages, and the "general" provisions of PSD2 governing the execution of transfer orders, it is crucial to appropriately formulate the rights and obligations of involved parties in payment service providers' contracts and regulations concerning instant payments. This article highlights specific areas that payment service providers should prioritize when implementing the IPR.

Key words: Instant Payment Regulation, Verification of Payee, instant payments, PSD2, IPR, SCA-RTS

JEL Classification: K23

1. Introduction

As of January 9, 2025, payment service providers (PSPs) located in the EU Member States within the Eurozone are mandated to accept incoming instant payments in Euro, as stipulated by the Instant Payments Regulation. The same category of providers will be obliged to offer outgoing instant payments from October 9, 2025. Despite the limited time remaining for implementation, certain aspects of the IPR continue to raise interpretational challenges. This article aims to analyze one such aspect: the offering of instant payment packages in EUR. It seeks to establish recommendations and best practices for PSPs obligated to implement the IPR.

This article aims to provide clarity and guidance for PSPs navigating the complexities of IPR implementation, focusing specifically on instant payment packages.

According to the IPR, instant credit transfers must be available 24/7. These transfers should be executed within 10 seconds, and PSPs are required to offer/provide a Verification of Payee (VoP) service before sending them. Non-consumer entities should have the option to opt-out of the VoP service. Furthermore, if instant payment packages are offered, this service should also be accessible via the “PSD2 interface” to enable Third Party Providers (TPPs) to provide Payment Initiation Services (PIS). Consequently, a dedicated interface made available to TPPs should incorporate this technical capability. Offering instant payment packages involves certain differences compared to offering individual instant payments, which will be outlined in this article.

The article adopts a practical rather than theoretical approach. Additionally, due to the novelty of the IPR, the availability of sources specifically addressing this issue was initially limited. However, as the IPR’s implementation date approaches, more publications and discussions are emerging. This article incorporates recent findings and analysis to provide an up-to-date perspective.

To ensure clarity for a broader audience, this article will provide explanations of key technical and legal terms, such as “technological neutrality” and “sequential unpacking,” as they are introduced. Furthermore, the analysis will critically assess the practicality and potential challenges associated with the IPR’s requirements, including the 10-second rule and the implementation timelines for PSPs.

1.1. Glossary

AMLD – Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing
EBA – European Banking Authority
GDPR – General Data Protection Regulation (2016/679)
IPR – Instant Payments Regulation (2024/886)
PSD2 – Second Payment Services Directive (2015/2366)
PSP – Payment Services Provider
PSU – Payment Services User
SCA – Strong Customer Authentication
SCA-RTS – Delegated Regulation (EU) 2018/389 with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication
TPP – Third Party Provider
VoP – Verification of Payee

2. Literature Review

The adoption of the Instant Payments Regulation marks a significant turning point in the modernization of payment services within the European Union. The IPR imposes new real-time operational requirements on Payment Service Providers, especially concerning continuous 24/7 availability, mandating that all payment accounts they maintain are reachable at any moment – 24/7/365, as per Art. 2 (1a) of the IPR. The implementation of the IPR requires a substantial investment from PSPs across the EU [Van Praag 2024].

Van Praag (2024) mentions the need for a more resilient EU payment infrastructure due to the impact of geopolitical factors, such as sanctions, which have highlighted the EU's dependence on non-EU payment systems like VISA and MasterCard. This suggests that diversifying cross-border alternatives aims to reduce reliance on companies outside the EU.

By mandating 24/7 instant credit transfers across Member States, the EU aims to foster strategic autonomy in the payments domain and stimulate competitive innovation within its financial ecosystem. [Radanović 2025] emphasizes that instant payment systems promote competition among payment service providers and serve as an infrastructure lever for the development of new financial or payment services.

The implementation and development of instant payment systems represent a complex interplay of technological advancements, regulatory initiatives, and market dynamics. Success depends on resolving key challenges, such as ensuring interoperability between different payment systems. As highlighted by Radanović, the integration of national systems, such as NBS IPS, with pan-European initiatives like SEPA and TIPS, requires careful consideration of technical standards, regulatory frameworks, and market incentives to foster seamless and secure cross-border payments.

Radanović analyzes the prospects of cross-border linking of instant payment systems, aiming to enhance the speed, security, and affordability of cross-border payments. In line with the G20's October 2020 plan to facilitate cross-border payments, the paper identifies issues such as high costs and low transparency as barriers. It emphasizes the need for systems to adopt the ISO20022 messaging standard for ensuring compatibility. The paper also describes the NBS IPS system used in Serbia since 2018, which has achieved near-total availability and is compatible with the ECB's

TIPS system. Various models for linking payment systems are discussed, including the international Nexus project, which involves multilateral linking among countries in Asia and is slated to start in 2026. Additionally, it covers instant payments in Europe under the SEPA framework and forthcoming regulatory changes. The conclusion emphasizes the necessity of Serbia's integration into SEPA for successful cross-border transactions

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The implementation of the IPR and the evolution of instant payment systems represent a complex interplay of technological advancements, regulatory initiatives, and market dynamics. While the IPR sets the stage for faster and more efficient transactions across the EU, its success hinges on addressing key challenges such as ensuring interoperability between different payment systems, managing fraud risks, and promoting financial inclusion. As highlighted by Radanović, the integration of national systems like the NBS IPS with pan-European initiatives such as SEPA and TIPS requires careful consideration of technical standards, regulatory frameworks, and market incentives to foster seamless and secure cross-border payments [Radanović 2025].

The article by [Zatti, Barresi 2025] analyzes the regulations concerning the digital euro, emphasizing the role of payment service providers (PSPs) in offering services related to the digital euro and the need to balance security, privacy, and competition. These aspects are also crucial in the context of instant payment systems, where the efficiency and availability of services depend on the involvement of PSPs and ensuring transaction security. Zatti and Barresi suggest that the role of PSPs in distributing the digital euro is a key aspect of the proposed regulations. While PSP involvement may encourage innovation and competition, it is important to ensure a level playing field and maintain the security of the payment system.

National-level implementation varies significantly. Malovaná et al. explores the Czech market, highlighting that leveraging CERTIS allowed the Czech Republic to establish 24/7 real-time transfers in Czech koruna, placing Czechia among Europe's early adopters of faster, more efficient payment mechanisms [Malovaná et al., 2025].

Further research is needed to fully understand the potential risks, costs and benefits for the introduction of IPR. This article aims to contribute to the ongoing discussion by providing a detailed analysis of the instant payment packages.

2.1. Practicality and Realism of the IPR:

While the IPR sets ambitious goals, several practical concerns remain. Is the 10-second rule always achievable, especially for large payment packages requiring sequential unpacking? Will smaller PSPs have the resources to adapt their systems in time for the deadlines? These questions warrant further investigation and discussion. The IPR mandates that payment service providers ensure instant credit transfers are available 24/7 across the EU, which requires significant infrastructure upgrades, operational adjustments, and regulatory compliance. Some specific requirements may be difficult for legacy systems to handle. These include ensuring verification of the payee, daily checks against EU sanctions lists, and adherence to the 10-second payment execution timeframe, with potential penalties for non-compliance.

The staggered approach to implementation, with stricter deadlines for Eurozone member states and later deadlines for non-Eurozone members (2027), acknowledges the varying levels of preparedness among PSPs. However, the need for interoperability among PSPs to facilitate seamless payment exchanges adds another layer of complexity.

Overall, while the regulation creates a legal framework for instant euro payments, many technical, operational, and contractual implications remain under development. The literature suggests PSPs will need to adopt a risk-based and user-centric approach when implementing IPR requirements, particularly around batch payment functionalities, dynamic linking, and standalone VoP services. The regulation also emphasizes the importance of data protection and security, requiring robust security measures to safeguard customer data and prevent fraud and cyberattacks, adding to the operational burden for PSPs. PSPs' compliance with the new verification obligation is crucial in terms of potential liability for non-execution, defective, or late execution of payment transactions.

3. The concept of "payment package"

The IPR does not contain a legal definition of "payment package." However, it stipulates that PSPs shall offer their PSUs the possibility of submitting multiple payment orders as a package if they offer such a possibility for other credit transfers. Furthermore, PSPs shall not impose limits on the number of payment orders that can be submitted in a package of instant credit transfers that are lower than the limits they impose for packages of other credit transfers [Instant Payment Regulation Act: Art. 5a (7)].

If a user can create more than one transfer order, send these transfers with a single action, and simultaneously confirm the authorization of these transfers, this constitutes a "payment package." Conversely, if the user authorizes each transfer separately, it is considered a series of individual transfer orders.

4. 24/7 availability of instant payments

According to the IPR, instant payments in euro should be available 24 hours a day, 7 days a week. Therefore, it is not possible to establish a so-called cut-off time. A cut-off time is the time by which a payment order must be submitted to the provider to be considered received on that or the next business day. The Second Payment Services Directive (PSD2) includes a general rule stating that (i) a business day is a day on which a given provider is open for business as required for the execution of a payment transaction [Second Payment Services Directive: Art. 4 (37)]; (ii) if the time of receipt is not on a business day for the payer's payment service provider, the payment order shall be deemed to have been received on the following business day; (iii) the payment service provider may establish a cut-off time near the end of a business day beyond which any payment order received shall be deemed to have been received on the following business day [Second Payment Services Directive: Art. 78 (2)]. This rule does not apply to instant payments; cut-off times cannot be applied. This restriction (no possibility of agreeing to a cut-off) applies to both individual instant payments and payment packages. Payment service providers intending to implement instant payments in euro should analyze their contracts and regulations to adapt them to IPR requirements. For example, where the supplier has general cut-off rules for “ordinary” credit transfers, these rules should be modified and adapted for instant credit transfers.

This requirement presents a significant operational challenge for PSPs, particularly smaller institutions, as it necessitates a continuous, round-the-clock payment processing infrastructure.

5. The moment at which the payment order is received and the time of execution of the payment order

A payment order is deemed to have been received when the payer’s provider receives all the necessary elements to execute the payment transaction, and when such payment order is authorized and authenticated by the user. A 10-second deadline for executing the instant payment begins from the moment the payment order is received.

With respect to payment packages, it may be possible to “delay” the moment when the payment order is considered received, thereby “extending” the permissible time for executing the payment order. This can be achieved, firstly, by accounting for the time preceding the user’s authorization of the payment order, during which the VoP service is also performed (this also applies to individual instant payments). The transfer is executed only after the VoP service has been completed (if the non-consumer client has not opted out). After providing the VoP service, the client authenticates the transactions, and these transactions are “unbundled” and executed.

Postponing the moment of accepting a payment order is also possible when converting a large package of payments into individual payments. The conversion should commence immediately after the payer submits the package to their PSP and must be completed as soon as possible. According to the IPR, if a payment system informs a PSP about its capacity constraints, the PSP may adjust its conversion process to enable sequential unpacking of very large bulk payment orders for smooth processing. Sequential unpacking refers to the process where a Payment Service Provider (PSP), facing capacity limitations, converts a large bulk payment order into individual payments one after another, rather than all at once, to ensure smoother processing. Such capacity constraints must be communicated to the payer's PSP in advance [Instant Payment Regulation: Recital 13].

Immediately upon unpacking, the payee's PSP should transmit each individual instant credit transfer transaction to the payee's PSP. The IPR does not specify which technology should be used for "transmission" (in accordance with the principle of technological neutrality). Technological neutrality means that the IPR does not mandate or favor any specific technology for implementing instant payments. This allows PSPs the flexibility to use different technologies and solutions as long as they meet the requirements of the regulation, promoting innovation and competition. It indicates that the transmission should occur without prejudice to possible solutions provided by retail payment systems, which allow converting multiple payment orders for instant credit transfers as packages into individual instant credit transfer transactions. Therefore, the "conversion" may occur both within the supplier's system and after entering the payment order into the payment system.

The IPR does not specify how such a conversion should be technically performed, allowing it to be done both in the supplier's system and in the payment system to which the payment order, including the payment package, is entered.

As a good practice, the contract with the client or the regulations should describe how the supplier will proceed upon receiving a transfer package, particularly regarding the method of converting a batch of transfers into individual instant credit transfer transactions and the moment at which a payment order is deemed received.

6. Strong customer authentication for payment packages

The Instant Payment Regulation does not introduce separate rules for using strong authentication for transfer batches. Strong Customer Authentication (SCA) for payment packages should be applied in the same manner as existing solutions.

Regulation 2018/389, regarding regulatory technical standards for strong customer authentication (SCA-RTS), stipulates that for payment transactions where the payer has consented to execute a batch of remote electronic payment transactions to one or several payees, the authentication code must be specific to the total amount of the batch and the specified payees [SCA-RTS: Art. 5 (3) d]. The SCA-RTS does not specify how information about the total amount of transactions in the package and about specific recipients should be presented to the user. Any solution that presents the required transaction parameters (total amount and specific recipients) to the user and allows the customer to associate the authentication code with these parameters should be considered acceptable. Furthermore, any modification, addition, or deletion of any IBAN (or similar unique identifier) should invalidate the authentication code [European Banking Authority 2024].

This implies that PSPs need to ensure their authentication processes are robust and adaptable to different payment scenarios, while also adhering to the SCA-RTS requirements.

7. Verification of Payee service in relation to payment packages

Execution of a payment order in the form of a transfer package also requires the provider to specifically implement and regulate the Verification of Payee (VoP) service. When assessing the differences in the VoP service compared to individual credit transfers, one can consider the method of technical implementation. The second significant difference is the possibility of an opt-out for non-consumer customers who send instant payment packages. “Non-consumer” refers to entities acting for trade, business, or professional purposes in payment service contracts, including microenterprises, sole traders, and companies. Non-consumers using the instant payment packages service should have the option to opt-out from the VoP service and to re-opt-in.

The VoP service must be provided “immediately” after the payer provides the relevant information about the payee and before the payer is offered the possibility of authorizing a credit transfer [European Banking Authority 2024]. Regarding subsequent activities performed when ordering payment packages, the European Banking Authority (EBA) has indicated two possibilities:

(i) where the VoP response is sent back to the payer immediately after the payer provides information about the payee by submitting the file with multiple payment orders. After receiving the VoP response, the payer authorizes the payment orders included in the file they receive back after providing the VoP service. According to the EBA, in this scenario, a "specific opt-out" would not be needed, as the payer would authorize the payment orders included in the file based on the received VoP feedback when sending the file for unpacking and processing by the payer's PSP.

(ii) in the second scenario, the payer and their PSP can contractually agree that the payer's PSP will automatically proceed with the execution of payment orders for which "no match" or "almost match" messages are not generated.

The EBA confirms that in all cases, the 10-second rule applies only after determining the time of receipt for each individual payment transaction after it has been unpacked. The VoP service must occur before authorizing the package of payment orders, and unpacking occurs after the package of multiple payment orders is authorized and placed with the payer's PSP.

The possibility of offering a VoP service that is not related to a payment service is controversial. Questions posed to the EBA reveal that PSPs are considering offering corporate customers a VoP in advance of payments to check their static data, which would then be used when opting out for a batch of transfers. The EBA indicates that offering VoP separately from the payment service is permissible, but in such cases, additional regulations, particularly the GDPR, may apply. However, enabling VoP appears permissible under the IPR, provided it serves the subsequent performance of the payment service. The EBA states that it is up to the payer to decide how quickly they act based on the VoP feedback received from their PSP. The EBA explicitly allows providing VoP services that serve purposes other than payment, but in such cases, the PSP should conclude a separate agreement with the user, to which the provisions of the GDPR will particularly apply. Furthermore, the principle of free VoP services may not apply to such services. The possibility and principles of providing the VoP service "separately" from payment services could be subject to deeper explanation by supervisory authorities, and the legal and operational risks warrant further exploration.

Providing a VoP service will require the provider to adapt its IT systems, contracts, and regulations. The fundamental obligation is to ensure opt-out and re-opt-in options for non-consumers regarding the VoP service provided in connection with executing instant payment packages. The base solution for non-consumers should include an active VoP service, allowing the user to opt-out. The IPR does not prevent shaping the relationship with a non-consumer to allow them to permanently disable the VoP service for payment packages, provided they can enable this service at any time before initiating a payment order.

8. Conclusion

The IPR introduces several new solutions to payment services law and payment systems. Many technical issues can be generally resolved through technical specifications of payment systems or offered as a "standard" by technical service providers, particularly those related to VoP. Providers required to comply with the IPR will need to adapt their systems to enable transfers 24/7, updating existing contracts and regulations by adjusting cut-off dates. Suppliers offering such solutions will also be obliged to technically implement the option of initiating a "payment package." The payment package is converted into individual instant payments within the supplier's systems, and the supplier should determine the technical method of "conversion. Sequential unpacking is possible for large payment packages, and the 10-second execution timeframe begins from the moment of conversion. Suppliers should specify the possible duration of "conversion" in their contracts or regulations and define when a payment order for an instant credit transfer is considered received. The IPR does not alter the rules applicable to SCA for transfer batches; suppliers must still generate an authentication code specific to the total amount and designated payees. Implementing instant payment packages requires special attention to the VoP service, ensuring that non-consumer users can opt-out and re-opt-in. Additionally, the VoP service can be offered separately from payment services, although provisions other than the IPR, particularly regarding data protection and legal bases for processing personal data, may apply. The implementation of the IPR will necessitate extensive changes to existing contracts and regulations, especially concerning the conversion of payment packages into individual credit transfers and the resulting delays in execution. This includes regulating the right to opt-out for non-consumers initiating payment packages and establishing other rules, such as limits and fees.

PSPs, especially small ones, may struggle to adapt their systems in time. It's also questionable whether providers are fully prepared, and the implications of separate VoP offerings need deeper scrutiny, particularly regarding the allocation of liability and data security.

In conclusion, PSPs must carefully consider the practical implications of these requirements, and further research is needed to assess the broader impact on the payment ecosystem. A thorough cost-benefit analysis, considering the risks associated with implementation and the potential for innovation, is crucial for a successful transition to the IPR framework.

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