



Fast Payments, strong partnerships

The future of the Instant Payment Regulation with KPMG and SAS

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Specialized article



On April 9th 2024, the Instant Payment Regulation¹ (IPR) 2024/886 came into force, which will significantly change European payment transactions: The IPR makes SEPA real-time credit transfers (instant payments) mandatory for payment service providers (PSPs²). Payment service providers under the IPR are: Credit institutions, e-money institutions, post office giro institutions, payment institutions, the European Central Bank, National Central banks as well as member states and local authorities. This marks the beginning of a new era for the eurozone, in which money transfers are processed within seconds - 24 hours a day, 7 days a week, 365 days a year. This is a significant step for businesses, consumers and payment service providers.

Although SEPA real-time transfers have been possible since 2017 and are offered by many institutions, their use has so far been limited: According to the European Payments Council (EPC), real-time transfers ("instant payments") had accounted for around 19 percent of the total value of SEPA credit transfers in Q2 2024. The EU has therefore published Regulation 2024/886 to establish instant payments as the new standard.

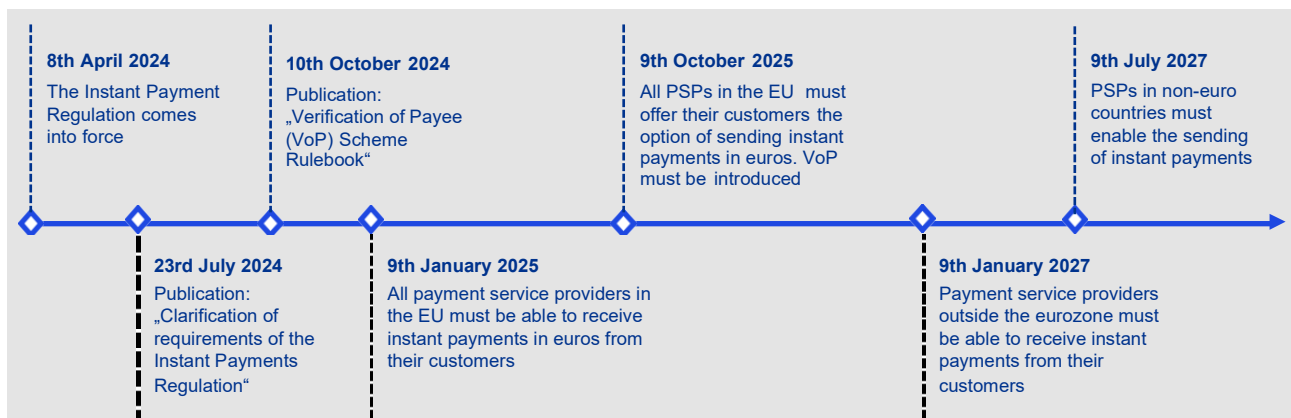
But what exactly is behind the Instant Payment Regulation? How will it be implemented by payment service providers and what challenges does the IPR pose for them? The answers lie in a series of deadlines and requirements that payment service providers in the financial sector must meet by 2027.

Challenges for payment service providers in instant payments

The main objective of the regulation is to oblige all payment service providers that offer SEPA payments to their customers to receive real-time credit transfers by January 9th 2025 and to send them by October 9th 2025. This is primarily intended to improve the efficiency, availability and speed of payments and establish real-time transfers as the standard in the financial services industry.

The following figure illustrates the most important deadlines and highlights the technical and organizational challenges arising from the implementation of the regulation.

Fig. 1: The step-by-step implementation of SEPA Instant Payments



Source: KPMG in Germany, 2024

Non-compliance with the requirements of the Instant Payment Regulation can have far-reaching consequences for payment service providers, affecting legal as well as economic and reputational aspects. Firstly, there are legal consequences: Payment service providers can be subject to substantial fines if they violate the regulations. In addition, supervisory

authorities may take regulatory measures to ensure compliance, which would entail additional audits or requirements. In the event of non-compliance, there is also a risk that payment service providers could be held liable for losses incurred by their customers or partners.

Note: ¹ [Regulation \(EU\) 2024/886](#)

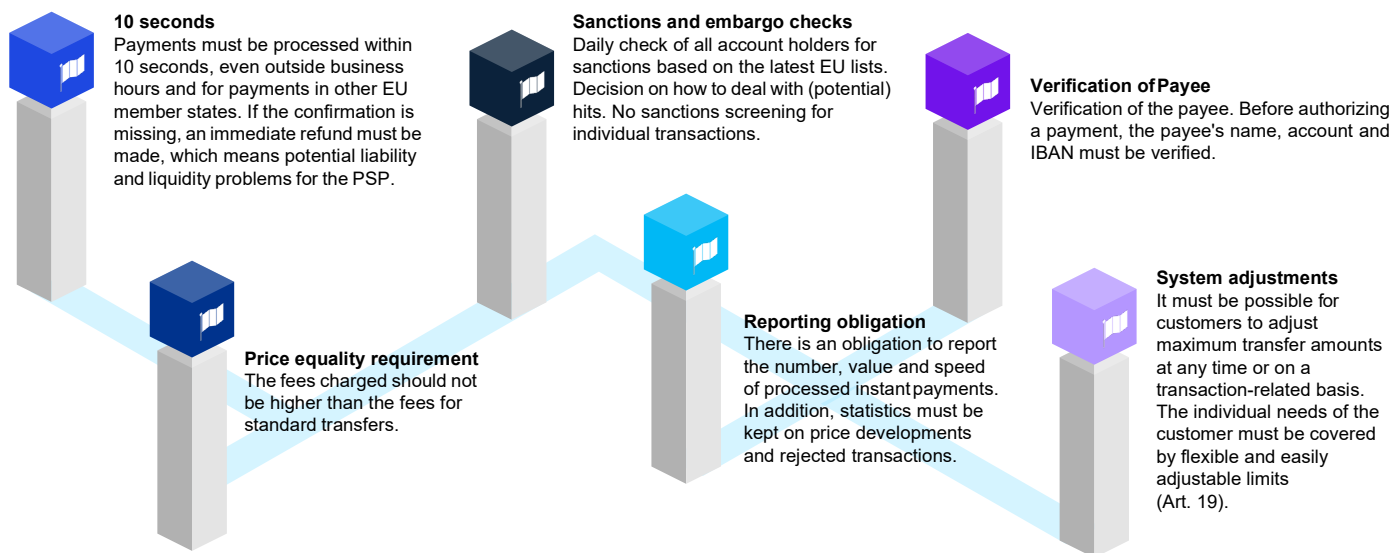
² Payment Service Provider

In economic terms, the consequences can also be serious. Customers could opt for other providers that comply with the requirements, which would lead to a noticeable drop in fees and customer satisfaction. In addition, the need to catch up on or adapt compliance measures could result in additional operating costs. Business relationships with other financial institutions and financial service providers could also be jeopardized by a lack of compliance. Another critical aspect is the potential reputational damage. Non-compliance would significantly damage customer confidence in the payment service provider and result in negative media coverage. High-profile breaches can damage the image of the payment service provider and lead to dissatisfied customers leaving negative reviews. Technological challenges should also not be neglected. Existing systems may need to be updated, expanded or redeveloped in order to meet the requirements of the regulation. In addition, a lack of compliance can entail security risks and create security gaps that facilitate cyber attacks. Finally, competitive disadvantages can also arise.

Payment service providers that are not compliant run the risk of losing out to competitors or falling behind those providers that comply with the regulations. This uncertainty about regulatory requirements can also create barriers to innovation and limit the growth potential of companies. In view of these various consequences, it is crucial for payment service providers to strictly adhere to the requirements of the Instant Payment Regulation.

In order to avoid the consequences of non-compliance outlined above, payment service providers' compliance departments must implement the new requirements for name verification and sanctions screening. In addition, daily monitoring must be ensured and the new data to be reported must be collected, prepared and properly reported in compliance with the regulatory specifications and requirements. At weekends and on public holidays in particular, the systems must meet precisely these requirements by the IPR and continuous operation must be ensured. The following diagram provides an overview of the changes brought about by the IPR. The following chapters go into more detail on the compliance-specific implementation obligations.

Fig. 2: Instant payments - a look at the changes for payment service providers



Source: KPMG in Germany, 2024



Sanction screening in transition: challenges and solutions for Instant Payments

Instant payments offer great potential to speed up and modernize payment transactions. However, the EU regulation on instant payments also makes it clear that efficiency and speed must not come at the expense of compliance with EU sanctions law.

In order to fulfill the obligation to the customer, to process and post instant payments within ten seconds, the IP Regulation provides for a customer-based check instead of a check of each individual transaction against EU financial sanctions lists. This means that the check is carried out in advance of the transaction, so that the transaction is already approved with regards to sanctions at the time of initiation.

As a result, the payment service provider is obliged to check its customer master data records against the valid EU financial sanctions lists on a regular basis, i.e. at specified intervals and on an ad hoc basis. This is intended to prevent persons or organizations that are subject to direct or indirect targeted financial

restrictive measures (e.g. freezing of assets) are provided with economic resources.

For payment service providers, this means that customer data must be checked for EU financial sanctions violations at least once a day, which requires continuous monitoring 365 days a year. Secondly, every time the valid EU financial sanctions lists are updated or changed, all relevant customer data must be checked immediately to ensure that the requirements of the EU regulation are met and payments to sanctioned persons are prevented.

If a hit is identified in the payment service provider's own customer base as part of the sanctions list check, the payment service provider must check this immediately. As long as the hit is not clearly classified as a "false positive", the instant payment function is suspended for the customer concerned.

Verification of Payee (VoP) - everything that counts now

Another key innovation of the Instant Payments Regulation (EU) 2024/886 is the verification of the payee (VoP), which is intended to increase protection against payment fraud and errors. Among other things, this measure aims to strengthen consumer confidence in instant payments and ensure that the recipient of a payment is correctly verified before the transfer is authorized.

According to the IPV, PSPs are obliged to carry out a payee verification for every SEPA credit transfer. This payee verification includes matching the IBAN and the name of the payee. This means that payment service providers must check that the IBAN and the payee's name match before the payment is authorized by the customer. This requirement applies regardless of which payment initiation channel the payer uses and therefore extends to mobile banking apps, online banking and other forms of transfer. This is intended to prevent payment detour fraud and reduce authorized push payment fraud (APP fraud).

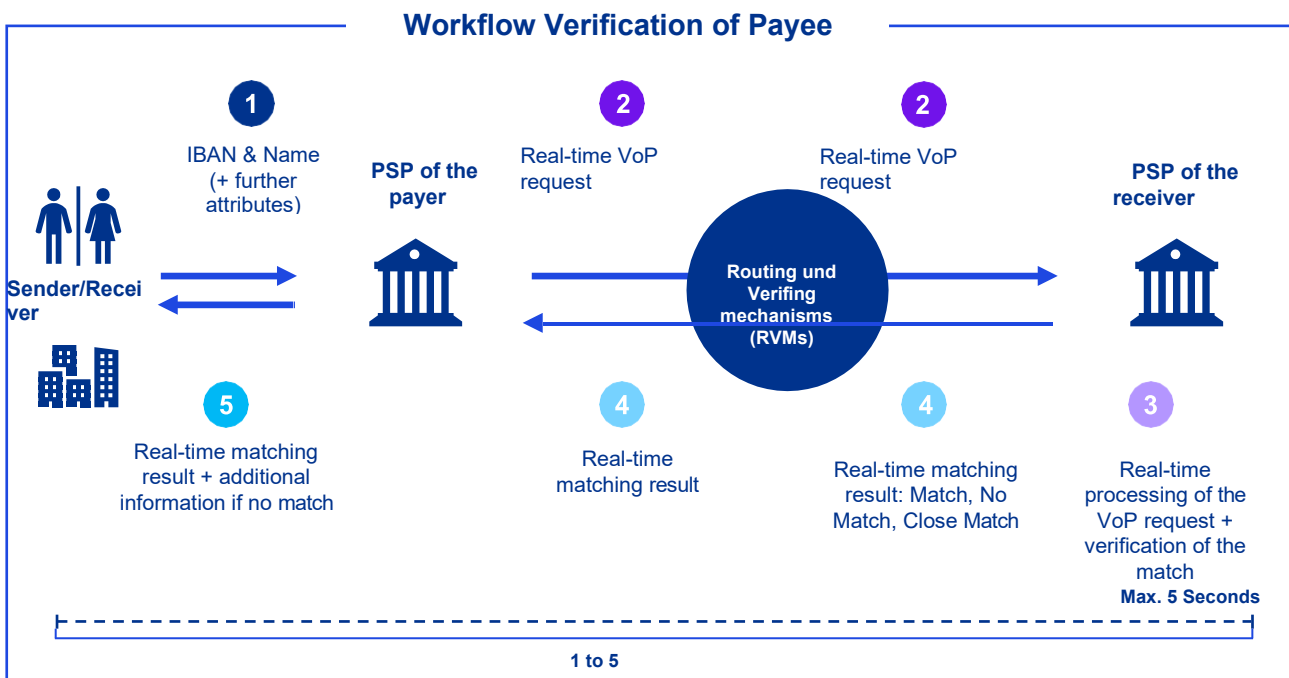
The Instant Payment Regulation also imposes strict requirements for the verification of the payee: VoP must be verified in real time.

The entire process - from entering the IBAN and the name of the recipient to the response as to whether there is a "match", "close match" or "no match" - must not take longer than five seconds and takes place upstream of the actual transaction.

The regulation also requires the VoP solution to be closely linked to existing fraud prevention mechanisms. The aim is to detect discrepancies and suspicious activities at an early stage and stop suspicious transactions before authorization. This requires that such checks are also carried out in real time and are seamlessly integrated into the payment flow. The regulation thus raises the standards for security and efficiency to a new level.

For payment service providers, this means a twofold challenge: on the one hand, they must adapt their technical systems to real-time capability and, on the other, they must ensure that security checks continue to meet qualitative and regulatory requirements at the same time. This requires precise coordination between verification, fraud detection and authorization processes. Those who fail to keep pace here risk not only regulatory consequences, but also lose customer trust - a risk that no one can take in the dynamic world of instant payments.

Fig. 3: Process flow of the Verification of Payee (VoP)



Source: KPMG in Germany, 2024

The new reporting obligations at a glance

The new IPR also results in additional reporting requirements for obliged entities. In accordance with Article 15 (3), they are obliged to report annually, for the first time on April 9th 2025

1. the amount of their charges for payment accounts and for national and cross-border credit transfers and real-time credit transfers, and
2. to report the proportion of payment transactions refused, also differentiated into national and cross-border payment transactions, to the national banking supervisory authority.

This results in additional reporting, particularly for payment service providers that are not banks. The reporting requirements primarily serve to assess the practicability of the regulations adopted and to promote instant payments in the EU. The Commission must submit a corresponding report to the European Parliament and the Council by October 9, 2028 at the latest, accompanied by a legislative proposal if necessary.

With regard to the specific reporting content of the new reporting requirement in accordance with Article 15(3), however, certain uncertainties arise for obliged entities. On one hand, the question arises as to whether an average price for the period in question will have to be reported with regard to the amount of fees to be reported in accordance with no. 1 or which reference date should be used as a basis.

Secondly, there is a need for clarification regarding the terms used, in particular the "refused payment execution" in No. 2.

The associated EBA Q&A document indicates that this presumably refers to a payment instruction as an instant payment that relates to a customer account that has been classified as suspicious in the daily review of its own customer base in accordance with Article 5d(1).

However, in order to obtain final certainty on the specific reporting requirements, such as reporting content, reporting templates and technical details, the regulatory technical standards to be published under Article 15(5), which usually specify these issues, must be awaited.

In addition, payment service providers that are not also banks will have to secure their funds better in future: either by depositing collateral with a bank or by taking out an insurance policy.

Strong together: KPMG and SAS - your partners for the implementation of the Instant Payment Regulation

Especially when regulatory changes arise, financial service providers are often dependent on the expertise and know-how of external consultants such as KPMG with regard to the implementation of technical solutions and technological implementation with solutions from external technology providers such as SAS. The partnership between KPMG and SAS offers precisely this combination of technical expertise, technological implementation support and technological solutions.

Fig. 4: Facts about KPMG and SAS

Facts about 	Facts about 
With a global network of experts in 143 countries, KPMG can help companies meet international regulatory requirements and integrate best practices from different markets.	More than 92 countries worldwide have banking customers who rely on SAS solutions to optimize their financial services.
KPMG Financial Services, Regulatory & Compliance offers services in the areas of regulatory reporting, compliance, anti-financial crime, RegTech, ESG, sanctions and WpHG compliance, among others.	90% of the top 100 global banks rely on SAS tools to improve their business processes.
ALM Intelligence is rated by KPMG as a Vanguard Leader in the areas of operational processes and regulatory compliance consulting.	There are more than 3,500 customers worldwide in the financial services sector who use SAS.
KPMG was named "Global Partner of the Year" at the 2019 SAS Forum.	SAS is the leading provider in the overall assessment of the Chartis RiskTech Quadrant for Payment Risk Solutions in 2023.

Source: KPMG in Germany, 2024

KPMG as a know-how and implementation expert



KPMG provides support with architecture and process analysis, solution design, provider selection and implementation of solutions for daily and event-related customer portfolio analysis.



KPMG supports the design and planning of the implementation as well as the implementation of the solutions into an existing infrastructure. In addition, we offer hand-in-hand implementation based on cooperation with leading RegTech providers such as SAS in order to successfully implement a market-leading, future-proof solution.



KPMG supports the design of the reporting processes and ensures that they are implemented effectively and remain future-proof by continuously analyzing upcoming and current compliance requirements.

SAS as a technology partner



SAS provides advanced solutions that enable financial institutions to meet the requirements of the Instant Payments Regulation in real time. A single, end-to-end fraud solution monitors payments in real time to detect and prevent fraud through the use of advanced analytics across entities, products and channels. This fraud solution can be customized to meet individual business requirements. Third-party data can be consumed and consolidated from a variety of disparate sources with complete supporting details using SAS solutions.



SAS helps financial institutions optimize their reporting processes and comply with the new IPV reporting requirements. With the ability to consolidate diverse data sources into a single view, financial institutions gain the perspective needed to understand patterns and detect anomalies. The cloud-based SAS solution can streamline the organization's infrastructure and simplify data management and security.



SAS technologies such as artificial intelligence (AI), analytics and automation can be seamlessly integrated into the existing IT infrastructures of financial institutions. Machine learning techniques are used as a form of artificial intelligence. This continuously "learns" from existing and new information to analyze out-of-pattern behaviors and predict suspicious activity without being overly suspicious of normal variations in customer behavior.

KPMG and SAS



The collaboration between KPMG and SAS provides comprehensive end-to-end solutions covering all aspects of compliance strategy and technology integration. From initial consulting and strategy development by KPMG to the implementation of advanced technologies by SAS and KPMG, a seamless transition is enabled that best prepares financial institutions for the new regulatory requirements.



The combination of KPMG's regulatory consulting and implementation expertise and SAS' advanced technology solutions creates a comprehensive solution that ensures both regulatory compliance and the efficiency and security of payment processes. This synergy makes it possible to develop customized solutions that meet the specific needs and challenges of financial institutions.



The alliance partnership between KPMG and SAS provides financial institutions with an integrated solution for risk management and regulatory compliance. KPMG's expertise in identifying and assessing risk is complemented by SAS's powerful analytics and automation tools to enable proactive monitoring and management of risk. This leads to improved transparency and control over operational processes and strengthens confidence in the security and reliability of the payment services offered.



Conclusion and outlook - keeping an eye on the future of payment transactions

The introduction of the Instant Payments Regulation (IPR) 2024/886 marks a significant step for European payment transactions by making SEPA real-time credit transfers mandatory. However, the implementation of the regulation also brings with it numerous challenges, particularly in the areas of compliance, operations and technological adjustments. And all this combined with an ambitious timetable.

Together, KPMG and SAS offer comprehensive solutions to help financial institutions comply with the new regulatory requirements. KPMG brings its expertise in regulatory consulting and change management, while SAS provides advanced technologies for fraud management and compliance solutions. This partnership makes it possible to offer end-to-end solutions ranging from compliance strategy and technology integration through to risk management.

The regulation requires financial institutions to make significant adjustments to their systems and processes in order to meet the requirements of real-time money transfers.

to meet the requirements. This includes the introduction of robust infrastructures that are available around the clock, as well as the continuous monitoring and maintenance of systems. In addition, compliance departments must meet new requirements for name verification and sanctions screening.

This includes the need for a robust infrastructure, the exact requirements of which will be determined by implementation regulations based on the IPR. It also remains to be seen how compliance systems will adapt in the future, particularly with regard to daily checks such as the comparison with sanctions lists.

The collaboration between KPMG and SAS offers financial institutions the necessary support to master these challenges and implement the new standards. By combining KPMG's regulatory advice and implementation expertise with SAS' technology solutions, financial institutions can work towards meeting the new requirements while improving the efficiency and security of their payment processes.



We would like to inform you that we will be publishing a series of in-depth articles on the Instant Payment Regulation on the following topics:

1. Sanctions
2. Reporting
3. Fraud and Verification of Payee (VoP)

Contacts

KPMG AG **Wirtschaftsprüfungsgesellschaft**

Volker Smielick
Director,
Financial Services
T +49 151 5538 2357
vsmielick@kpmg.com

Danic Seiwert
Senior Manager,
Financial Services
T +49 151 4625 9053
dseiwert@kpmg.com

KPMG in Greece

Valia Varzaka
Director,
Forensic-Anti Financial Crime Advisory,
T +30 6945384746
vvarzaka@kpmg.gr

Christina Chliaoutaki
Manager,
Forensic/Anti-Financial Crime Advisory,
T +30 6946878546
cchliaoutaki@kpmg.gr

SAS

Katarina Garai
Fraud & FinCrime Partnerships
& Strategic Initiatives Lead, Western,
Central and
Southern Europe
T +43 664 106 2543
katarina.garai@sas.com

Anna Lykourina
Head of Fraud & Security Intelligence
Customer advisory,
South-East Europe
T +30 6947 377 960
anna.lykourina@sas.com

www.kpmg.gr
www.kpmg.com/socialmedia



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