



# ***Benefits of SCT Inst for Public Administrations***

Instant payments allow citizens, businesses and governments to make electronic transfers in real time, with funds immediately available for use by the recipient.

How could you and the public at large benefit if more payments were made instantly and electronically?

**Keep reading to find out.**

## Instant payments in Europe:

The **Single Euro Payments Area (SEPA) Instant Credit Transfer (SCT Inst)** scheme was launched in 2017 **to provide a single set of rules, practices and standards and increase harmonisation of instant payments in Europe**. SCT Inst is a pan-European instant payment scheme that allows domestic and cross-border payments to be made to and received from participating banks anywhere in the SEPA. It provides tangible benefits for public administrations.

The launch of the scheme, the provision of instant payment clearing services by a number of European automated clearing houses and the TARGET Instant Payment Settlement (TIPS) service all helped pave the way for the rollout of instant payments in euro. On the operational side, the ECB took steps to ensure that instant payments now have pan-European reach via TIPS.

In September 2021 the ECB published an overview of the general **benefits of instant payments.**



More information at [ecb.europa.eu](https://www.ecb.europa.eu)

# Potential benefits for public administrations in switching to instant payments

## Save cost, resources and time

- Employees save time on manual processes such as reconciliations.
- SCT Inst<sup>1</sup> is irrevocable, unlike a SEPA Direct Debit (SDD)<sup>2</sup>. With an SDD, payers have the right to an unconditional refund in the first eight weeks without having to provide any justification, and refunds are backdated to the date of the refunded payment (Article 7)<sup>3</sup>. These incidents are time-consuming for employees; no such refund provision is in place for SCT Inst payments.
- Instant payments may be cheaper than other payment instruments. Compared to traditional card-based payments, incoming plain vanilla instant payments may be less costly for beneficiaries because they have a simpler and more transparent cost structure. Payment service providers (PSPs) may charge fees for making instant payments; this is determined by the individual PSP.



<sup>1</sup> See more about the [SEPA Instant Credit Transfer Scheme Rulebook](#), European Payments Council, May 2022.

<sup>2</sup> A direct debit is a national or cross border payment service for debiting a payer's payment account where a payment transaction is initiated by the payee on the basis of the payer's consent (see [SEPA Regulation](#)).

<sup>3</sup> Article 7, subsection 2 states "Mandates as referred to in paragraph 1 shall allow for unconditional refunds and refunds backdated to the date of the refunded payment where such refunds have been provided for within the framework of the existing mandate." In addition, a collection will be refunded upon request in the event of an unauthorised collection (i.e. no valid mandate) for up to 13 months.

## Make and receive payments faster



- Access to funds is immediate, reducing liquidity needs; payments can be made instantly on execution day, eliminating the need for prefunding.
- Instant payments enable the introduction of new features to simplify the payment process, especially if combined with Request to Pay (RTP – see explainer). In 2021, a stock-take of the members of the European Forum for Innovation in Payments (EFIP) found that RTP is seen by Member States as a major driver of instant payments for public administrations (82%), businesses (68%) and consumers (63.6%)

## Contribute to a more efficient economy

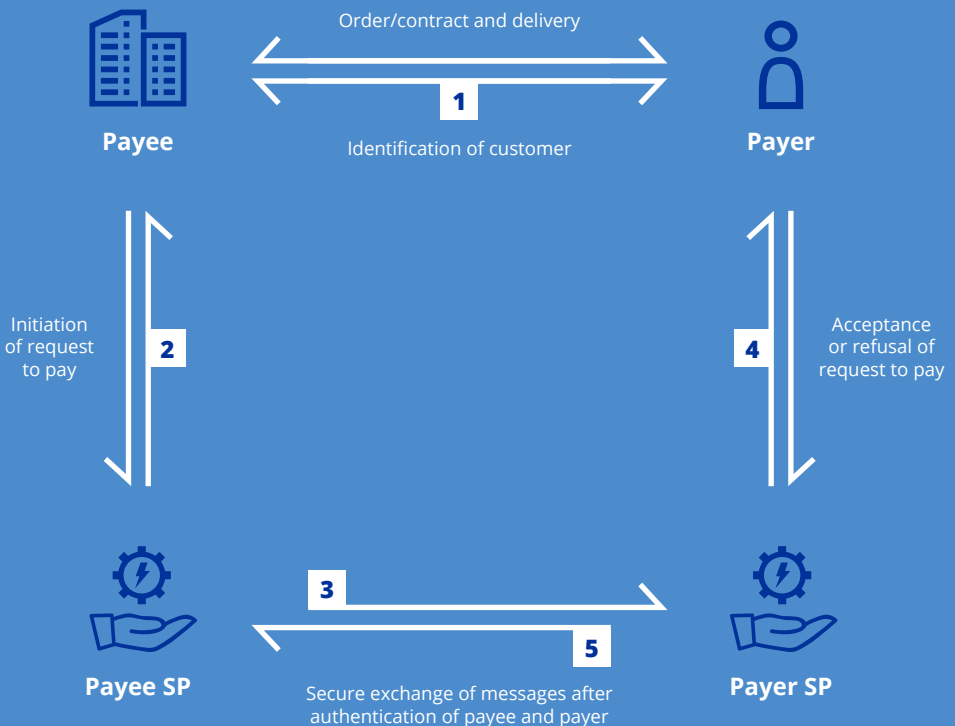
- Public administrations can contribute to a more efficient economy; as payments are settled instantly, payees can spend or invest the money received immediately.
- Instant payments make it easier for citizens to pay and reduce administrative burdens, improving the image of an administration or government. They can easily be included in mobile payment solutions, allowing citizens and business to join the increasing shift to digitalisation.
- Providing a facility for citizens and businesses to send and receive instant payments to public administrations fits with the European Commission's digital public services strategy and eGovernment agenda as Member States continue to modernise and improve public administration processes to make them more user-friendly, citizen-oriented and interoperable.



# Request to Pay (RTP) — Explainer:

Request to Pay (RTP) is a messaging functionality which would allow public administrations **to send messages requesting a specific payment from the payer**. RTP can help with avoiding late payments in transactions such as tax payments and improving the liquidity, with features like:

- **standardised, automated processes and limited manual reconciliations.**
- **prefilling transaction details including IBAN and payment reference.**
- **structured billing information and receipts.**



## What kind of payments could be instant:

### Payments to public administrations:

- Tax payments by businesses/citizens
- Payment of fines or charges
- Payment for a service (e.g. municipal waste, hospital fees)

### Payments from public administrations:

- Social welfare allowances
- Public servants' salaries
- Payment of urgent subsidies (for instance following a natural disaster)
- Reimbursement of taxes
- Reimbursement of medical expenses (social security services)

## SCT Inst - facts and figures

- ✓ 24/7/365 availability and immediate receipt of funds
- ✓ The full amount is credited to the beneficiary; and the shared fees are mandatory
- ✓ Similarities with the SCT scheme, facilitating implementation of SCT Inst by PSPs and customers
- ✓ Follows ISO 20022 XML standard messaging
- ✓ €100,000 transaction limit (unless previously agreed otherwise between participants)
- ✓ Facilitates immediate reconciliation; remittance information and end-to-end ID included by the payer are forwarded to the beneficiary. If combined with RTP this provides increased efficiency gains and opportunities for automation

## Next steps – what do public administrations need to do to get instant payments?

- Engage with their payment service provider(s) to request access to instant payments and enjoy the potential benefits
- Discuss the options offered by using Request to Pay in conjunction with instant payments

The full deployment of instant payments is one of the major goals of the Eurosystem's retail payments strategy

“To stay at the technological frontier and satisfy consumers' demand for immediacy while preserving our sovereignty, Europe must promote digital innovation and efficiency in a way that corresponds to our societal preferences and objectives. We should roll out instant payments and make them the new normal.”

**Fabio Panetta**

Member of the Executive Board of the ECB