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Executive Interview with Giorgio Andreoli, Director General, European Payments Council: “A truly native European instant payments infrastructure is now becoming a reality for the future”



Image: Giorgio Andreoli,
Director General of the EPC

Flagship Advisory Partners' Executive Interview Series provides readers with exclusive insights from thought leaders in the payments and fintech industry.

This edition spotlights the European Payment Council (EPC) which is responsible for developing and managing payment schemes that facilitate a harmonized European payments landscape. Flagship Advisory Partners met with Giorgio Andreoli, Director General of the EPC, to learn about the EPC, the SCT Inst instant payment scheme and the new instant payment regulation. The views expressed by Mr. Andreoli in this article are personal and do not necessarily reflect the EPC positions.

How would you assess the performance and success of the SCT Inst scheme since its launch in 2017?

The SCT Inst scheme has seen remarkable market adoption, especially considering that participation has been voluntary until 2025. The numbers speak for themselves:

- 35 out of 41 SEPA countries have at least one PSP supporting the scheme.
- SCT Inst Scheme penetration among PSPs stands at 79% across SEPA and 90% within the Euro area.
- By the end of 2024, 21% of total SEPA credit transfers at the SEPA level were instant; by Q1 2025, we had already reached 26.4%.

With the new instant payment regulation [regulation EU 2024/886] coming into effect starting 9 January 2025, instant credit transfers will become the norm.

How did banks approach the adoption of SCT Inst? Was there concern about cannibalizing traditional SEPA transactions?

Anyone who has been in the payments industry long enough knows that every new payment method raises concerns about cannibalizing existing solutions. However, in practice, this rarely happens. Instead, new payment methods typically enable additional use cases, expanding the overall volume of electronic payments rather than replacing existing ones.

From my perspective, when comparing traditional payment methods like cash and checks to electronic payments, there may be some level of cannibalization, as physical payments are being partially dematerialized in favor of digital alternatives, such as SCT Inst. However, when comparing SCT Inst with other electronic payment methods, including cards, the cannibalization is more limited.

Although the EPC did not make any forecasts, based on the experience of countries that introduced instant payments earlier than SEPA, I would personally expect that in 5 years' time, the total volume of credit transfers in Euros will be roughly 80% instant and 20% non-instant. Traditional SCT payments, though, will likely remain a relevant choice in areas such as G2B/B2G, B2B, and B2E payments, as well as for High-Value Payments (HVP).

SCT Inst has modernized the back-end payment rails, but front-end innovation is still essential. What front-end innovations have you observed in the market?

I often say that the EPC built the rails, but the market needs to build the trains that run on top of them. We're seeing significant innovation in this area, with many exciting developments emerging. One notable example is the development of A2A instant retail payments, both in-store and online.

In several countries, particularly in northern and western Europe, A2A instant payment transactions combined with mobile wallets have proven to be very effective. For this use case, there are some key advantages:

1. Instant A2A payments are seamlessly integrated with the current account services offered by PSPs, securing real-time update of consumer and business accounts and the option to natively use banks' financial services, e.g., overdraft facilities or customer financing.
2. Instant payouts for merchants with native and real-time reconciliation.
3. Native integration with banks and PSPs' front-ends, as well as the possibility for PSP consortia to launch *ad hoc* mobile wallets (e.g., Swish in Sweden, and Bizum in Spain)

Another essential aspect of SCT Inst is its irrevocability, which is both an interesting and new feature (making instant payments similar, e.g., to cash) but also presents new challenges for consumers and merchants, marking a significant difference vs. card payments. This feature could also breathe new life into payee-initiated payment methods, such as request-to-pay, and will also trigger a ripple effect in open banking applications, especially under the SEPA Payment Account Access (SPAA) scheme.

Do you think open banking has lived up to its potential and the hype? What needs to happen to make those expectations a reality?

The growth of open finance didn't fulfill market expectations, clearly. There are a few reasons for this, the most prominent being the obligation for banks to offer the service for free, as required by PSD2, which hindered the development of a healthy ecosystem. With "healthy," I intend a business ecosystem where value and risk are fairly distributed across the value chain, and where both supply and demand sides may invest to innovate and improve services with the reasonable expectation of a return. In its current form, the supply side is asked to invest in meeting regulatory compliance, but isn't incentivized to offer a competitive service. This is one of the goals of the upcoming SEPA Payment Account Access (SPAA) initiative: to ensure a fair distribution of value and risk across the entire value chain.

I believe we are now aligning the correct elements: a scheme, a fair value chain, and universal instant payments. What remains is to place all these building blocks correctly and allow some years for healthy growth.

What is your view on instant payments in the context of B2B transactions?

Instant payments in B2B are already a reality but there are still reasons why they are not widely adopted. One barrier was the credit limit of €100,000, which often posed challenges for businesses. With this limit now removed by the new instant payment regulation, I expect B2B instant payments to see significant growth.

The EPC is also promoting a new scheme called One-leg Out Instant Credit Transfer (OCT Inst), designed for international instant credit transfers with transactions also in currencies other than the Euro. We believe B2B payments will be one of the primary use cases for this scheme, while remittances could be an additional use case of interest, in the future. While it differs from SCT Inst, it can be seen as an extension that leverages the existing SCT Inst infrastructure and rails as much as possible.

This area is particularly interesting, as it is under significant political and regulatory pressure due to the G20 objectives and the updated FATF recommendations. At the same time, there is also growing interest from PSPs. If executed successfully, the OCT Inst scheme has the potential to address several of the G20's goals and could be the next revolution in B2B payments.

When we look at other instant payment schemes like India's UPI and Brazil's PIX, we see they have leapfrogged SCT Inst to achieve massive success overnight. What needs to happen for SCT Inst to reach similar success?

UPI and PIX have a significant advantage because they were developed and deployed under one central bank and within a single jurisdiction. The situation in Europe is far more complex, with 41 countries needing to align within a single scheme. Each of these countries has its own legislative systems (significantly aligned within the EEA), customer and business priorities, and legacy services and infrastructures, all of which influence adoption and implementation. As an example, in Europe, we have more than 30 Automated Clearing Houses (ACHs) active in Clearing and Settlement for the EPC payment schemes. In contrast, other large jurisdictions have only one or a few, and all this leads to a high fragmentation and deployment complexity.

Another key difference is that SCT Inst only specifies the business, functional, and technical rules of payment rails, while the definition of services is left to the competitive space – in agreement with relevant EU competition law provisions. However, for a fully functional A2A retail payment system, more is needed beyond those rails to thrive and serve customers. PIX and UPI have gone beyond just the infrastructure; they also defined – at least partly – service brand, marketing and communication, pricing, acceptance model, customer experience, and customer service. By covering all these aspects, they are more than just a payment rail – they defined a complete payment solution and ecosystem. Furthermore, the way users' and payments' data are handled in PIX and UPI made it possible to rapidly develop use cases attractive for both consumers and merchants, but the same approach can't be replicated "as is" in Europe, due to data privacy concerns.

The key takeaway from UPI and PIX experiences is clear, in my opinion: Instant Payments has the potential to empower highly innovative and competitive payments products and

customer experiences, creating more choice for consumers, merchants, and enterprises - once all the pieces are aligned and in the right position.

Taking the UK as an example, Faster Payments (FPS) has been around for a long time, but hasn't achieved the same success as PIX or UPI. What needs to happen at the country level to make schemes like FPS and SCT Inst more successful?

I remember the launch of FPS very vividly; it was the pioneer of instant payments for many years, launching nine years before SCT Inst. However, being a pioneer has both advantages and disadvantages. One challenge is that FPS was built on older technical standards. If I recall correctly, it operates on ISO 8583, whereas SCT Inst was able to leapfrog to the more modern ISO 20022. This creates a disadvantage today for FPS, as SWIFT is also migrating to ISO 20022, making integration easier for SCT Inst but more challenging for FPS.

What are some of the short-term implications of the instant payment regulation?

There are many implications, enough to fill another two or more interviews so that I will limit myself to the most important ones. The most significant aspect is that any PSP in the euro area that supports credit transfers must now also support instant credit transfers.

As mentioned earlier, 90% of PSPs and banks in the Eurozone already support SCT Inst. Within the remaining 10%, we understand PSPs may fall under different categories:

- PSPs that are not obligated by the amended SEPA regulation because they do not offer payment accounts in accordance with PSD2.
- Institutions with low credit transfer volumes, such as wealth management firms, where payments are not a core business offering to customers. In many of these cases, we see this type of PSPs withdrawing from SCT altogether, so as not to be obliged to offer also SCT Inst.
- PSPs that still lack real-time ledger systems, make the support of instant payment technically challenging. This is often the case for institutions in smaller countries or rural areas. This group may constitute a "long tail" of laggards, which may be expected to catch up within about a year.

Of course, all PSPs that are eligible and fail to comply with the amended SEPA regulation, risk facing regulatory sanctions.

How will the modernization of European payment rails through SCT Inst impact retail payments?

Today, we see many initiatives in Europe related to A2A payments, with some achieving encouraging growth in retail payments. A native European payment infrastructure supporting A2A retail payments is becoming a concrete possibility for the future, enhancing resilience and sovereignty of European payments, and bringing more choice to consumers, merchants, and enterprises. That is reassuring for the EPC and for me as a European citizen.

Please do not hesitate to contact Anupam Majumdar at Anupam@FlagshipAP.com with comments or questions.