

Blog Post

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# Instant payments decouple the payments landscape

Infrastructure becomes a commodity while commercial governance emerges as the decisive competitive factor

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**a:squared**

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*Instant payments are becoming mandatory infrastructure. The real transformation is structural: the separation of payment infrastructure from commercial governance is now fully visible. What card schemes historically bundled, i.e. the rail and the rulebook, was carried along implicitly. With the finality of real-time payments, this underlying order can no longer remain hidden. Buyer protection, liability frameworks, and dispute resolution must now be explicitly designed. This gives Europe room to shape its own commercial governance. The solution lies in orchestrated consolidation across three layers. Those who coordinate infrastructure governance, regulation, and commercial governance will shape Europe's payments landscape.*

## **Introduction**

Europe's payments landscape is undergoing a structural transformation. The EU regulation on SEPA Instant Payments mandates round-the-clock availability, near-real-time execution, and price parity. Yet the debate remains largely focused on speed, rollout timelines, and technical implementation details, as if this were primarily a matter of technological modernization.

This perspective misses the essence of the change. Instant payments are becoming mandatory infrastructure. The decisive shift is the structural decoupling of infrastructure from governance. Historically, payment systems, particularly cards and wallet platforms, bundled payment execution, buyer protection, dispute resolution, and liability rules into a single integrated model. These protective mechanisms were implicit, standardized, and embedded in the system itself. Instant payments break this model apart: they are final by default and context-blind at the infrastructure level. Commercial governance remains possible but is no longer automatically included.

Governance structures above the infrastructure layer are already emerging, though in fragmented form. The European Payments Council's rulebooks define infrastructure governance; the European Payments Initiative has launched Wero as the first market-driven commercial governance scheme; initiatives such as "Pay by Bank" from the German Retail Federation are formulating merchant-side governance models built on instant payments. Regulatory frameworks establish binding minimum requirements. These various approaches currently coexist without coordination, and adoption rates vary widely.

This article analyzes the structural consequences of this decoupling and the challenges of the current transition phase. It demonstrates that instant payments separate schemes from infrastructure without eliminating them. Competition shifts toward rule-making. Instant payments make commercial governance explicitly designable for the first time. At its core, this transformation is a matter of market order and policy design.

## **Instant payments are a commodity**

The EU regulation on SEPA Instant Payments sets clear requirements: payment service providers must make instant payments available around the clock, execute them in near real-time, and offer them at prices no higher than standard SEPA transfers. This regulation is often interpreted as product innovation. That reading, however, misunderstands the nature of the change.

## **Regulation creates basic infrastructure, not governance**

The regulation addresses an infrastructure problem, not a market problem. It mandates that a specific technical capability becomes standard infrastructure: the near-instantaneous execution of payments. Much like telecommunications networks or electricity supply, it defines minimum requirements for foundational infrastructure.

This distinction is fundamental: product innovation emerges from market dynamics. Infrastructure regulation creates a shared foundation (a commodity) that enables competition at higher layers. Execution speed becomes a universal baseline. The product layer is left to the market.

Instant payments offer no automatic buyer protection, no dispute resolution, no liability rules, and no fraud prevention at the infrastructure level. These functions existed historically in bundled payment systems but are not part of the instant payment infrastructure. The infrastructure is context-blind. It does not know whether a payment is intended for goods delivery, a service, or a refund. It does not know whether buyer protection is desired, whether dispute resolution will be needed, or whether special liability rules apply. It executes what is instructed: quickly and finally. Finality shifts responsibility—it does not reduce it.

This development is structurally comparable to other infrastructure transformations: broadband internet and cloud infrastructure became commodities. In each case, differentiation shifted to the applications and services built on top.

## **Differentiation shifts upward**

The current debate focuses primarily on speed and rollout. Banks discuss implementation timelines, technical architectures, and costs. Payment service providers position instant payments as a product feature. Yet speed is the necessary condition, not the sufficient one, for sustainable payment systems. Speed has long ceased to be a competitive advantage.

Differentiation lies at other levels: What protective mechanisms are offered? What liability rules apply? How are disputes resolved? These questions address commercial governance. Protection, liability, and rules must be addressed above the rail.

## **Decoupling creates new challenges**

The decoupling of infrastructure from commercial governance creates new challenges for established business models. Understanding these consequences requires examining historical payment systems and why instant payments demand different structures.

### **Bundled models become optional**

Card schemes and wallet platforms have historically combined payment execution, buyer protection, dispute resolution, and liability rules into a single bundled model. A card payment was always a complete package: the transfer of funds from buyer to merchant, standardized buyer protection rules for fraud or non-delivery, integrated processes for chargebacks and disputes, and defined liability rules for fraud or technical failures.

These components were implicit and standardized. A merchant accepting card payments automatically accepted the scheme's buyer protection rules. A cardholder automatically received protection. These rules did not need to be renegotiated for each transaction—they were part of the system.

Instant payments break this model apart. They are final by default and context-blind. The infrastructure offers no automatic reversal mechanisms and recognizes no business logic. These characteristics are deliberate structural consequences. Commercial governance belongs in higher layers.

Buyer protection and dispute resolution remain possible. However, they become explicit governance decisions above the rail. Decoupling reveals what historically appeared to be solved implicitly.

## Same transaction, different regulatory framework

What card systems implicitly provide must (still) be explicitly created for instant payments

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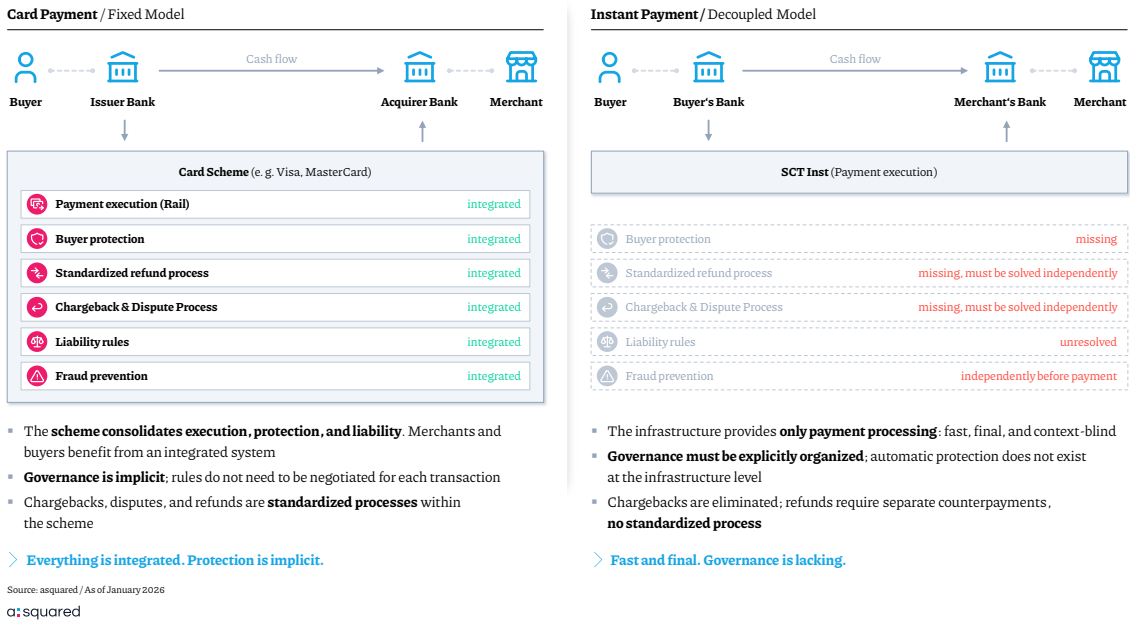


Figure 1: Comparison of governance coverage for card payments and instant payments

## Merchants bear explicit risks

For merchants, decoupling represents a fundamental change to their operational reality. In bundled systems, payments were an integrated part of business processes with clear risk profiles, standardized procedures, and predictable costs. Instant payments fundamentally alter this equation:

**Payments become an explicit risk component.** In card schemes, for example, fraud and chargeback risks were clearly defined: for certain types of fraud, the scheme bore liability; for others, the merchant did. With instant payments, merchants must bear and manage these risks themselves. There is no longer automatic protection from an overarching system.

**Fraud and chargeback risks change fundamentally.** With instant payments, reversing fraudulent transactions is no longer possible. Fraud prevention must occur before payment execution, afterward, the payment is final. This requires new technologies, new processes, and new expertise. Chargebacks no longer exist in the same form. Finality shifts risk entirely to the merchant.

**Payments become an explicit process component.** With instant payments, merchants must develop their own refund processes. Disputes must be resolved outside the infrastructure. These processes must be integrated into existing business operations without standardized, ready-made solutions.

**Refunds and disputes require new mechanisms.** With instant payments, a refund becomes a new payment in the opposite direction. Merchants must ensure they have the necessary payment data, that customers receive refunds, and that refunds are documented. Disputes must be resolved outside the payment infrastructure, requiring new processes and potentially new institutions.

**Costs, fees, and payment orchestration become more complex.** With instant payments, merchants must account for various cost factors: infrastructure costs for payment execution, governance costs for protection and liability, fraud prevention costs for risk management, and process costs for refunds and disputes. These costs must be identified individually and managed explicitly. Payment orchestration—the coordination of different payment methods and processes—becomes more complex when each method has different governance models, risk profiles, and process requirements.

These changes create a clear need for commercial governance. Merchants require standardized solutions for risk management, process design, cost optimization, and dispute resolution. Individualized, merchant-specific solutions do not scale. A merchant cannot develop separate processes for every payment method, find unique solutions for every fraud case, or implement distinct mechanisms for every dispute. The market will therefore inevitably demand standardized governance structures that address these challenges.

## **Fragmentation threatens scalability**

When every merchant defines their own refund rules and every payment service provider develops their own liability models, fragmentation emerges. Users must understand which rules apply for each transaction. Merchants must implement different processes for each payment method. This fragmentation undermines trust and scalability.

The explicit nature of commercial governance creates transaction costs—both financial and cognitive. In a decoupled world, rules must be explicitly defined, communicated, and enforced.

Finality creates new challenges for fraud prevention. Prevention must take effect before payment execution, as there is no corrective afterward. This requires context-specific solutions that, without standardization, lead to fragmentation.

Liability rules can become fragmented: different payment service providers offer different liability models, different merchants have different arrangements. This fragmentation creates uncertainty and reduces trust.

## The market demands consolidation

Market dynamics push toward standardization. Fragmented solutions do not scale. The market demands solutions that standardize protection, liability, and rules—similar to how card schemes historically standardized these functions.

However, this standardization looks different from historical systems: rather than controlling the infrastructure, it operates above it and defines rules for using the rail. Ongoing initiatives already demonstrate this approach.

The challenge is that instant payments break apart bundled models while new governance structures emerge only in fragmented form. Infrastructure governance (EPC), commercial governance (e.g., EPI), and regulatory frameworks coexist without coordination. Merchants face the challenge of choosing between different governance models without knowing which will prevail.

Fragmented governance solutions carry higher transaction costs, less trust, and worse scalability. Instant payments make the balance between fragmentation and standardization, between differentiation and coordination, explicit. This challenge is already present.

## Orchestrated governance as the solution

With the decoupling of payment infrastructure from order, fragmentation emerges. Different actors respond to the new situation, developing partial rulebooks and point solutions. Governance emerges, but disconnected. What is missing is coordination.

The decisive question, therefore, is not whether governance will develop but how it will be consolidated. Commercial governance is a distinct design effort that must be conceived independently of payment infrastructure. At the same time, it remains dependent on functioning infrastructure and clear regulatory guardrails. The solution lies in deliberate orchestration of these elements.

To provide orientation, it helps to distinguish between **governance types** and **orchestration layers**. Infrastructure governance and commercial governance describe what kind of order is being shaped. The following layers describe where and by whom this order becomes effective.

### Three layers create order

The consolidation of governance can be meaningfully structured along three clearly distinguishable layers.

- **Layer 1: Payment Infrastructure and Interoperability** - This layer encompasses the technical execution of payments: clearing, settlement, data formats, and interoperability rules.

Infrastructure governance operates here. It ensures that payments function reliably, in standardized form, and across borders. This layer defines *how* payments are technically processed.

- **Layer 2: Regulatory Framework** - At this layer, legislators set binding minimum requirements. These include provisions on consumer protection, fraud prevention, verification mechanisms, and liability principles. The regulatory framework creates legal certainty and sets guardrails for market participants without itself defining complete commercial rulebooks. It influences both infrastructure and market logic.
- **Layer 3: Market and Scheme Governance** - At this layer, commercial governance takes concrete form. Market-driven schemes define rules for buyer protection, liability allocation, refund and dispute processes. Here, differentiation, competition, and concrete usage models for merchants and customers emerge. This layer translates technical finality and regulatory requirements into economically viable payment models.

Only the interplay of all three layers enables scalable, interoperable, and trustworthy payment models. No layer replaces another. Payment infrastructure without market governance remains incomplete; market governance without infrastructure is ineffective. Orchestrated consolidation is therefore the central design challenge for payments after instant payments.

These layers are already in place and developing in parallel:

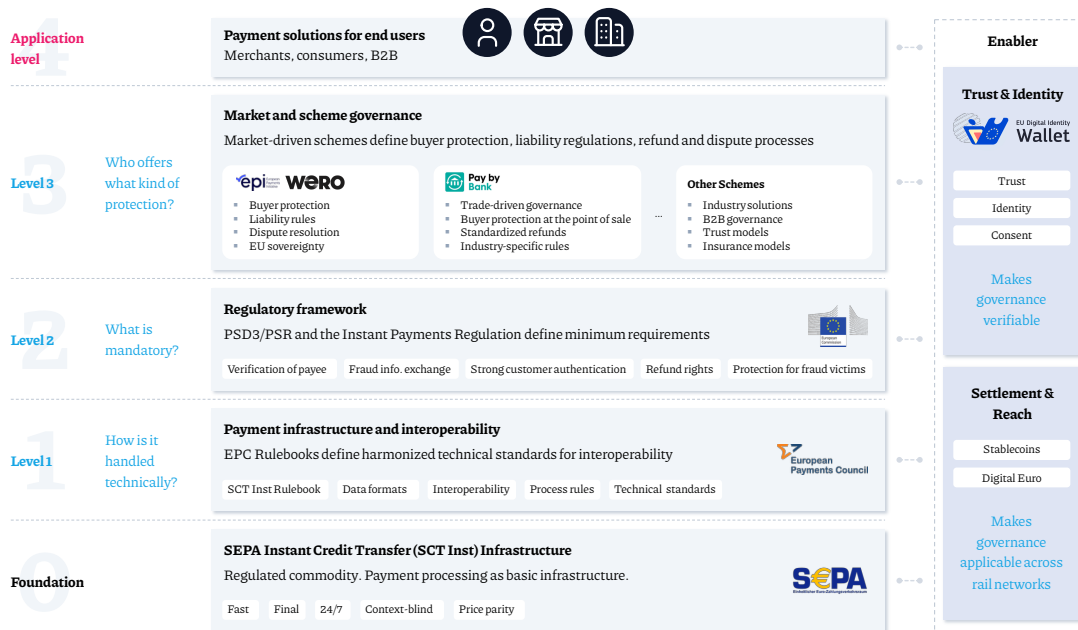
- **Layer 1 is already being implemented:** The European Payments Council (EPC) defines harmonized technical standards for payment infrastructure and interoperability through its SEPA Instant Credit Transfer Rulebooks. These rulebooks create the technical foundation for Europe-wide SCT Inst payments and exclusively govern their execution.
- **Layer 3 is emerging in parallel:** The European Payments Initiative (EPI) with Wero demonstrates how market-driven schemes build commercial governance above payment infrastructure. EPI uses the SEPA Instant infrastructure and defines its own rules for buyer protection, liability, and dispute resolution. Additionally, the German Retail Federation's "Pay by Bank" initiative shows how merchants are beginning to formulate their own governance models based on instant payments. The focus is not on technical processes but on questions of liability, reversal, transparency, and cost control. Pay by Bank makes visible that commercial governance does not follow from infrastructure but must be consciously designed.
- **Layer 2 is being consolidated:** Regulatory frameworks (PSD3/PSR, Instant Payments Regulation) create the minimum requirements that hold Layers 1 and 3 together.

These three layers must be orchestrated. Technical standards create interoperability, regulatory requirements set minimum standards, and market-driven schemes enable differentiation. Competition shifts from infrastructure to rule-making at Layer 3, while Layers 1 and 2 ensure the common foundation.

# Instant payments require their own set of rules

Organization of protection, liability, and trust above the infrastructure

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Source: asquared / As of January 2026

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Figure 2: Solution approach: Governance architecture above the instant payment infrastructure with three coordinated levels

## Enablers make consolidation achievable

Consolidation is enabled by parallel developments that operate horizontally across all three layers. These enablers serve different functions within the governance model. Trust & Identity Enablers clarify identity, role, and consent before the transaction. They create the prerequisites for verifiable commercial governance ex ante. Settlement & Reach Enablers extend the applicability of the governance model beyond traditional SEPA contexts. They make commercial governance relevant across different settlement layers and confirm its necessity regardless of the rail.

**PSD3 and PSR strengthen Layer 2:** The Third Payment Services Directive and the Payment Services Regulation have been politically agreed (trilogue agreement) and will create concrete governance mechanisms: expanded reimbursement rights for fraud victims, provisions for fraud information sharing, and enhanced customer authentication. In parallel, the Instant Payments Regulation establishes Verification of Payee (VoP) as a mandatory mechanism for verifying payment recipients. These regulatory frameworks define minimum requirements at Layer 2 and create the foundation for schemes at Layer 3.

**EUDI Wallets enable scalable governance:** The European Digital Identity Wallets will become operational from November 2026 and must be accepted by certain regulated entities from November 2027. They serve as trust, role, and consent anchors—not as payment wallets. They enable Strong

Customer Authentication, legally binding digital signatures, and robust consent management. This makes commercial governance more efficiently applicable across all three layers. They answer the question “Who?” while Layers 2 and 3 clarify “What?”, “Why?”, and “Under what conditions?”

**Stablecoins expand the settlement space:** Stablecoins establish globally available settlement layers that operate outside traditional SEPA structures. In the European context, the MiCA Regulation creates a regulatory framework for their issuance and supervision. Stablecoins are gaining importance particularly in platform and cross-border contexts where existing clearing infrastructures reach their limits. For the governance model, they are not competitors but stress tests. They enable fast, final settlement without any implicit protective structure. Buyer protection, liability, and dispute resolution must be explicitly defined above this rail as well. Stablecoins intensify the governance question.

**The digital euro stabilizes the settlement framework:** The digital euro creates a publicly legitimized settlement layer with sovereign anchoring. It offers a reference for trust and finality within the European regulatory order and complements existing SEPA infrastructure as an additional settlement option. The digital euro likewise addresses only the settlement layer. The digital euro stabilizes money. Commercial governance remains a distinct design task above the rail.

**The public sector as a reference for ex-ante governance:** Public procedures are designed to clarify responsibilities, legitimacy, and jurisdiction before the transaction. Identities, roles, and authorizations are verified ex ante and embedded in processes. The once-only principle under Germany’s Online Access Act demonstrates how trust and jurisdiction can be structurally secured. This logic becomes relevant for instant payments because final payments permit no subsequent correction through implicit protective mechanisms. Commercial governance must therefore, like in the public sector, become effective before execution.

These enablers and reference models together create the prerequisites for orchestrated governance across three layers—regardless of the settlement layer. Trust & Identity Enablers make governance verifiable; Settlement & Reach Enablers make it applicable across rails.

## Each actor has concrete tasks

Consolidation requires coordinated action from various actors. Each group has specific tasks for orchestrating the three layers:

### Payment Service Providers and Banks

- **Prioritization:** Preparation for regulatory minimum requirements as the foundation. Parallel implementation of EPC rulebook updates.

- **Scheme selection:** Strategic decision on which schemes to support at Layer 3. EPI/Wero for European sovereignty, pay-by-bank approaches from retail for merchant-centric governance models, established card schemes for global reach. The choice must fit the customer base and relevant use cases.
- **Interoperability:** Technical preparation for multi-scheme support. Payment orchestration must support different governance models in parallel and handle them consistently.

#### Merchants

- **Commercial governance assessment:** Clarification of internal requirements: What level of protection is necessary for which products/services? E-commerce with physical goods has different requirements than digital services or B2B payments.
- **Scheme integration:** Gradual integration of different commercial governance models. Start with regulatory minimum requirements, then expand with schemes that fit the customer base.
- **Process redesign:** Refund and dispute processes must be adapted to the final nature of instant payments. Fraud prevention must occur before payment execution.

#### Regulators and Standardization Bodies

- **Focus on Layer 2:** Regulatory requirements should define clear minimum standards while leaving room for innovation at Layer 3. EPC's Scheme Management demonstrates how harmonization works without overregulation.
- **Interoperability standards:** Definition of mandatory interfaces between different schemes. A buyer using EPI/Wero must be able to pay at a merchant using a different scheme.
- **Transparency requirements:** Obligation to clearly communicate applicable governance rules within the payment flow.

#### Payment Schemes

- **Differentiation at Layer 3:** Clear positioning on which commercial governance model a scheme offers. EPI/Wero focuses on European sovereignty, established card schemes offer globally scaled governance models, pay-by-bank approaches from retail address merchant-centric governance requirements based on instant payments.
- **Interoperability:** Commitment to standardized interfaces and transparent liability and escalation rules for cross-scheme transactions.
- **Buyer protection:** Concrete definition of how buyer protection works on final infrastructure. Traditional chargebacks are not available with final payments. This requires new mechanisms such as escrow models, staged finality, or insurance-based protection concepts.

Consolidation requires all actors to understand their role and act in coordination.

## Conclusion

European regulation on instant payments creates a new reality: SCT Inst becomes mandatory infrastructure, establishing a fast, final payment option alongside existing systems. The real transformation, however, lies not in speed but in the visibility of order. With the finality of real-time payments, the separation between payment infrastructure and commercial governance becomes fully apparent.

This development opens strategic possibilities. Historical payment systems like cards and wallets bundled infrastructure and commercial governance into proprietary models. SCT Inst provides a European, regulated infrastructure on which commercial governance can be consciously designed. Protective mechanisms, liability models, and rulebooks no longer emerge implicitly, they become an explicit design task.

European actors are already using this space, though in fragmented form. The European Payments Council's rulebooks define infrastructure governance; the European Payments Initiative is establishing Wero as the first market-driven commercial governance; initiatives such as "Pay by Bank" from the German Retail Federation are advancing merchant-side governance models based on instant payments. Regulatory frameworks set binding minimum requirements; EUDI Wallets enable trust and consent management. In parallel, stablecoins and the digital euro extend the settlement space beyond traditional SEPA contexts without replacing commercial governance.

The opportunity lies in orchestrated development across three layers: payment infrastructure and interoperability create the common foundation, regulatory minimum requirements set the framework, and market-driven commercial governance enables differentiation in European payments.

**Instant payments make transactions fast. Orchestrated commercial governance determines the economic and societal value this infrastructure unlocks.**

Implementation requires coordinated action from all actors. What matters is not which rail Europe uses for payments, but by what rules. Infrastructure provides the foundation. Commercial governance determines its value.

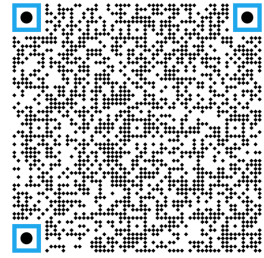
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**Dr. Andreas Windisch** is Managing Director at asquared. As a certified computer scientist and with a doctorate in engineering, he acted in leading positions in automotive, technology and consulting firms and disposes of many years of experience in the field of IT transformation management - especially in the banking and financial services sector.



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