



European Banks Need to Act Now on Instant Payments and Intraday Liquidity

February 2025

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Executive Summary

European banks are undergoing a fundamental transformation in payments and liquidity management driven by two major factors: the new EU Instant Payments Regulation, effective in 2025, which is expected to drive faster adoption of instant payments, and the new European Central Bank (ECB) requirements for intraday liquidity management published at year-end 2024.

Even though instant payment volumes are currently still low, banks already face intraday liquidity risk and must manage it effectively. For many banks, there is opportunity to improve their current steering approach and reduce costs for the intraday liquidity buffer, which can amount to roughly 2-5% of the overall balance sheet.

By October 2025, the EU Instant Payments Regulation (2024/886) will require that all European banks offer instant payments at a cost no higher than traditional credit transfers, with no added fees, and without bank-imposed transaction limits. We believe this will significantly increase the volume and value of instant payments, requiring 24/7/365 liquidity availability in payment systems. These changes coincide with the ECB's November 2024 publication of "Sound Practices for Managing Intraday Liquidity Risk," which introduces stricter supervisory expectations based on seven principles.

These new demands will significantly increase intraday liquidity needs and require real-time treasury management. Banks that fail to adapt will face higher liquidity costs, compliance risks, and operational inefficiencies. To remain competitive, financial institutions must upgrade their payment platforms, improve liquidity steering, and transition to real-time liquidity management.

Introduction: The New Era of Intraday Liquidity

Intraday liquidity risk and real-time settlement of payments are not new concepts for banks.

Intraday liquidity—the funds available for a bank to meet its payment obligations throughout the day—is crucial for financial stability and operational efficiency and ensures smooth and compliant payment processing, clearing, and settlement without causing disruptions to financial markets. Without effective intraday liquidity management, banks risk higher liquidity buffer costs, unexpected shortfalls, payment delays, settlement disruptions, and reputational damage. Despite discussions in recent years, a major shift toward real-time treasury management has yet to occur in bank operating models. We expect that this will change now.

Regulatory expectations for intraday liquidity are increasing. The UK, Switzerland, and Canada, among other countries, have already introduced relevant regulations on intraday liquidity management. In the EU, the ECB published its “Sound Practices for Managing Intraday Liquidity Risk” guidance in November 2024, further increasing the expectations on banks.

In parallel, the payment landscape is evolving. In Europe, the introduction of the SEPA (Single Euro Payments Area) Instant Credit Transfer (SCT Inst) scheme and two instant payment systems—RT1, launched by EBA Clearing in 2017, and TARGET Instant Payment Settlement (TIPS), launched by the ECB in 2018—marked significant milestones in the payments landscape. Consequently, many commercial banks across Europe have built capabilities to send and receive instant payments.

Despite their potential, instant payments still lag behind traditional payment methods in transaction volumes. ECB data shows that, in the first half of 2024, SCT Inst accounted for only 15% of the total number and only 4% of the total value of all credit transfer transactions in Euro-area retail payment systems.¹ Several factors contribute to this slow adoption: Many SEPA banks still lack the capability to send and receive instant payments, per-transaction costs are higher than batch-processed credit transfers, and there is a €100,000 transaction limit. These obstacles are now addressed by the EU Instant Payments Regulation and the updated SCT Inst rulebook published by the European Payments Council (EPC). Furthermore, the European Payment Initiative’s instant payment solution, Wero, and the increasing use of request-to-pay are also driving growth in instant payments. Hence, we expect instant payment transaction volumes to grow significantly in the next two to three years across Europe, mirroring the success of instant payment systems in other regions like PIX in Brazil or UPI in India.

The increasing regulatory expectations and the regulatory enforcement of instant payments have raised the bar for banks. Banks must now take decisive action to adapt their liquidity steering. This whitepaper outlines the key challenges of this task and gives banks a practical roadmap to transition towards real-time treasury management.

1. See ECB, “Payments statistics: first half of 2024”, January 2025.

The Challenge: Adapting to Instant Payments and New ECB Expectations

Instant payments and their heightened regulatory requirements are reshaping how banks manage intraday liquidity. As transactions move to a real-time, 24/7/365 framework, financial institutions must adapt their liquidity steering to ensure compliance and operational efficiency.

Despite the current low adoption of instant payments, large payment providers already face substantial intraday liquidity risks. The main driver is the asynchronous intraday timing of outgoing and incoming payments. While the total values of outgoing and incoming payments usually (roughly) balance throughout the day, a temporary overhang in outgoing payments may lead to intraday exposures, often in the morning hours. For this reason, banks need to monitor and steer intraday liquidity risk.

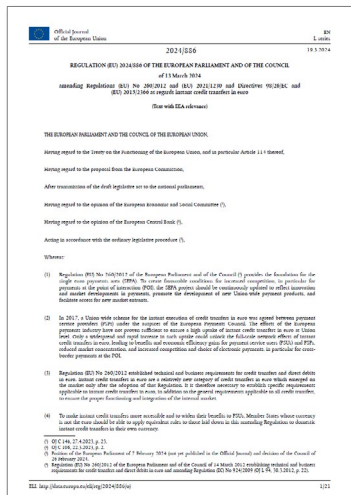
A key tactic for managing intraday liquidity is actively optimizing payment routing and execution. This includes strategies like delaying outgoing non-instant payments and synchronizing incoming and outgoing payment flows, for example, in bilateral clearing and settlement arrangements between banks. This can reduce intraday buffer sizes and related costs. Banks that can improve their current steering processes should take action as soon as possible, as this will provide a better starting point for the expected increase in instant payments.

The steering approach for intraday liquidity needs to adapt to the rise in instant payments. With a declining share of non-instant payments and the need to process instant payments within ten seconds, banks cannot actively control payment timing as before. The speed of instant payment execution limits the ability of banks to provide additional liquidity before the transaction is executed. Hence, banks need to sufficiently prefund the instant payment systems to secure the execution of instant payments at all times. This can be challenging for banks, especially during unexpected large outgoing payments or when access to additional liquidity is restricted (such as during closing hours of other payment systems like TARGET). The upcoming transition period, characterized by both instant payments and non-instant payments having a substantial share of transactions, will likely introduce new patterns in intraday liquidity risk profiles and a potential increase in risk metric volatility. Banks should prepare for both the eventual dominance of instant payments in the long term and the complexities of the transition period over the next years.

Managing intraday liquidity is becoming more demanding for banks due to rising buffer requirements, regulatory expectations (including those from the EU Instant Payments Regulation and the ECB's "Sound Practices for Managing Intraday Liquidity Risk" guidelines), and inefficiencies in traditional treasury models. Instant payments increase liquidity volatility, requiring larger buffers and driving up funding costs, and therefore demand a fundamental shift in banks' handling of liquidity buffers, cash flow forecasting, and treasury operations. Many financial institutions still operate with siloed treasury and payments operations, making real-time cash flow monitoring and buffer optimization difficult. The slow adoption of real-time treasury models further limits banks' ability to dynamically manage liquidity. Failure to act now could lead to operational inefficiencies, regulatory penalties and increasing intraday liquidity buffers. This could lead to a severe impact on the banks' payments business model.

The EU Instant Payments Regulation mandates that by October 2025, banks in the Euro area must offer instant payments (both receiving and sending), processed within ten seconds. This is a significant shift from traditional SEPA transfers, which are processed in multiple batches throughout the day and settled in cycles up to the end of the next business day. Because instant payments must be available 24/7/365, banks will need to maintain sufficient liquidity at all times. The regulation also prohibits charging higher fees for instant payments than standard SEPA transfers, promoting wider adoption, and the European Payment Council (EPC) removes the €100,000 transaction limit in October 2025 which will further accelerate the shift to instant payments, potentially increasing transaction values, payment asymmetry (between incoming and outgoing payments), and liquidity demands for banks. Enhanced fraud detection measures, including real-time verification of payee information, and new additional reporting requirements for financial institutions are also mandated by this regulation. These regulatory changes align with the ECB's broader objectives to enhance financial stability and efficiency in payment systems across Europe. See Exhibit 1 for an overview of the key requirements from a liquidity perspective.

Exhibit 1 - EU Instant Payments Regulation Establishes Instant Payments as New Standard Next to Traditional SEPA Credit Transfers

EU IP Regulation 2024/886	Key characteristics of SEPA instant payments (IP) ¹	For comparison: SEPA credit transfers
	<div>Until 2024</div> <div>From 2025</div>	
	<div>Funds available immediately for receiver</div> <div>Funds available immediately for receiver</div>	Funds available for receiver only with a delay
	<div>Execution of transfers 24/7/365</div> <div>Execution of transfers 24/7/365</div>	Execution only during bank's business hours in batches at specified cut-off times
	<div>Execution in 20 seconds (aim for max. 10 seconds)</div> <div>Execution in 10 seconds (aim for max. 5 seconds)</div>	Execution until the end of next business day (T+1)
	<div>Each bank decides on offering IP (opt-in)</div> <div>Banks must offer sending and receiving of IP²</div>	All banks participate
	<div>Transaction limit: € 100,000 per transaction</div> <div>No transaction limit (only technical upper limit)</div>	Only technical upper limit of € 1 billion per transaction
	<div>Often higher fees (no legal requirement)</div> <div>Fee for IP cannot be higher than for SEPA transfer</div>	Often lower fees (no legal requirement)
	<div>Unchanged</div> <div>Tightened</div> <div>New</div>	

Sources: EU Instant Payments Regulation (2024/886), EPC SCT Inst Rulebook 2025, BCG analysis.

¹The EU IP Regulation introduces additional requirements for IP such as: sanctions screening, verification of payee, reporting requirements.



²Banks must offer receiving IP from January 2025 and sending IP from October 2025.

The ECB's new framework for managing intraday liquidity raises supervisory expectations for banks. It introduces seven key principles that banks must adhere to (also see Exhibit 2):

- **Risk Management Framework.** Clear definition and integration of intraday liquidity risk.
- **Governance.** Strengthened oversight and reporting structures.
- **Forecasting.** Enhanced ability to project intraday liquidity needs.
- **Monitoring.** Real-time tracking of payment flows.
- **Managing Outflows.** Prioritization and throttling of payments to minimize risk.
- **Sources of Liquidity.** Identification of funding sources under normal and stressed conditions.
- **Stress Testing.** Scenario-based liquidity planning with separate intraday liquidity buffers.

Banks must review their existing frameworks and steering approaches to ensure compliance. Aligning with the principles in ECB's "Sound Practices for Managing Intraday Liquidity Risk" is essential, as these guidelines will form part of banking supervision. There is no implementation deadline for the ECB guidelines; hence, banks should expect to be challenged by the supervisory teams based on these rules sooner rather than later.

Exhibit 2 - ECB's Seven Principles for Intraday Liquidity Raise the Bar for Banks

Principle 	ECB's expectation by principle 
1 Risk Management Framework	The intraday liquidity risk management framework is based on a clear definition of intraday liquidity risk and reflects all material intraday liquidity drivers in an adequate way. The framework is consistent with the institution's intraday liquidity policy and risk appetite framework and is backed by sufficient resources and IT systems across all lines of defence.
2 Governance	A prudent and clearly defined internal governance and managerial reporting is established around intraday liquidity risk, regularly involving all three lines of defence .
3 Forecasting	The institution's capabilities to project intraday liquidity needs are based on an adequate understanding of forthcoming payments , their priorities and the associated intraday timing .
4 Monitoring	The institution monitors payment flows in material currencies on a real-time basis . It has alerts and tools to promptly identify the sources of unexpected intraday needs , and to monitor the adequacy of liquid resources .
5 Managing Outflows	The institution has a clear understanding of the priority of different types of payments . It is able to actively manage outflows to ensure that all time-specific payments are made on time and that other payments are duly prioritised within the available liquidity.
6 Sources of Liquidity	Institutions clearly identify – for each currency in BAU and stressed conditions – which sources of intraday liquidity are suitable to meet intraday liquidity needs . They comprise at least a minimum level of cash or pre-pledged assets at central banks and, where relevant, at other relevant institutions.
7 Stress Testing	The institution runs comprehensive and conservative stress tests . It holds separate, well-calibrated and adequate buffers in each material currency for intraday liquidity needs in BAU and stressed conditions.

Sources: ECB (Sound Practices for Managing Intraday Liquidity Risk, November 2024), BCG analysis.

European Banks Need to Act Now

To stay competitive and compliant, banks must take immediate action. They need to fully implement the EU Instant Payments Regulation, which means upgrading their payment processing systems and processes (or at a minimum, introducing additional rules like the confirmation of payee). Banks should also conduct a comprehensive regulatory readiness assessment, identifying gaps in their current payment infrastructure and treasury operations to comply with the heightened ECB expectations in intraday liquidity. If not addressed already, this should also include measures to enhance the steering of non-instant payments.

A key challenge for banks is shifting from traditional batch-based liquidity management to real-time treasury functions. The rise of instant payments necessitates a shift to dynamic intraday liquidity steering, requiring enhanced monitoring, forecasting, and stress testing capabilities. Banks must adopt – potentially AI-driven – liquidity analytics, real-time dashboards, and automated payment throttling mechanisms to avoid liquidity bottlenecks and optimize intraday liquidity buffer size.

Integrating treasury and payment operations is another crucial step requiring a change in the operating model. Today, many institutions manage payments and liquidity in silos, leading to inefficiencies and higher liquidity costs. A holistic, cross-functional approach that unifies treasury, risk management, and payment processing will enable better decision-making and enhance liquidity resilience.

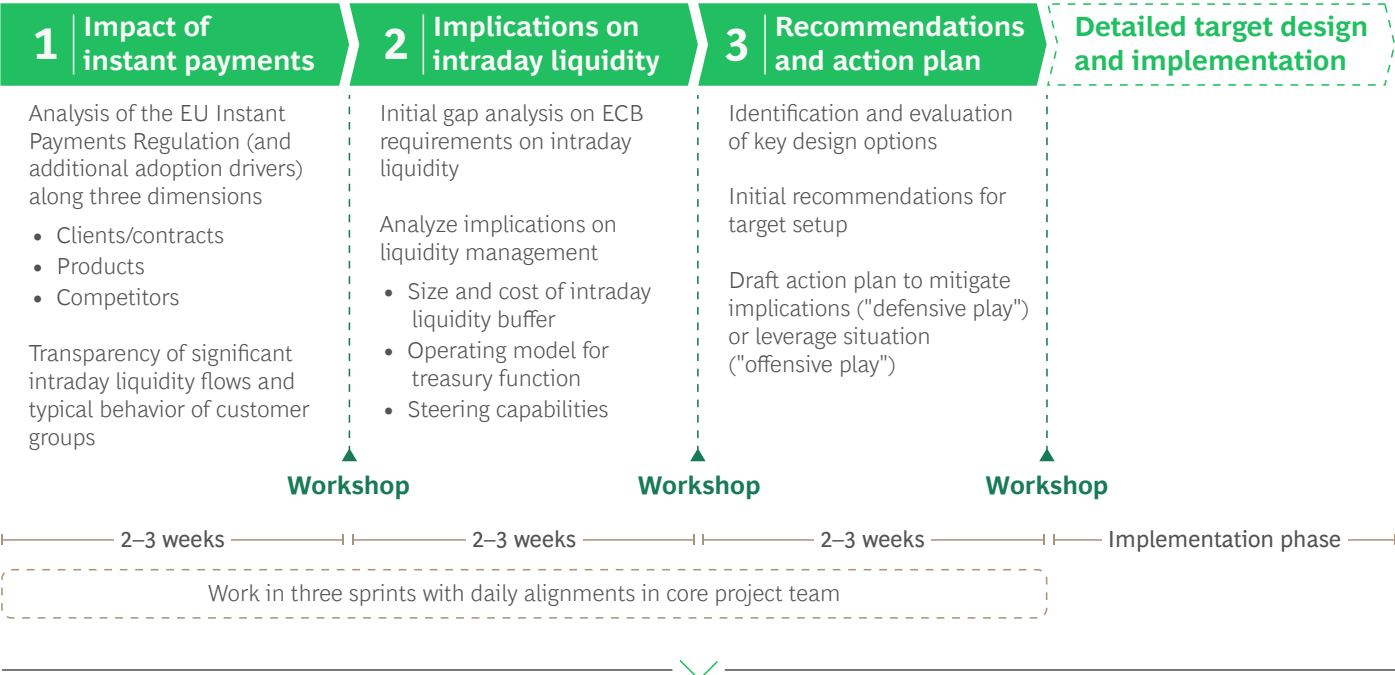
Banks also need to estimate the impact of the wider adoption of instant payments and ECB requirements on their intraday buffers. We expect that these changes will lead to increasing intraday liquidity buffers and higher costs, requiring banks to identify and implement measures to mitigate these effects. This also includes addressing payment processing, as many banks are already exposed to substantial intraday liquidity risks.

Banks must take a structured approach to implementing these changes. They should start with a holistic review of their current setup and already scheduled activities. Based on this, banks should define action plans and build a comprehensive roadmap for target design and implementation. [See Exhibit 3](#) for a potential project approach based on BCG's project experience.

These changes will likely require additional investments in IT infrastructure. Additionally, banks will need cross-functional alignment along all three lines of defense, involving not only Treasury/ALM, but also business lines, payment operations, IT, risk, and audit. Given the short timeline and the expected rise in instant payments, this amplifies the pressure on banks to act.

Exhibit 3 - BCG Project Approach: We Propose a Three-Sprint Analysis

Illustrative



BCG can provide an integrated team with strong expertise in all relevant domains: Treasury, Payments, and Corporate Banking

BCG has already applied this approach with multiple banks for a quick impact assessment and development of an action plan to close gaps

Source: BCG analysis.

Call to Action

The transition to instant payments and real-time liquidity management is not just a regulatory obligation—it is a strategic necessity. The coming years will fundamentally reshape how banks manage intraday liquidity risk and will require institutions to modernize their treasury operations, optimize intraday liquidity management, and ensure seamless compliance with evolving regulations. Banks need to adhere to both the EU Instant Payments Regulation and the ECB’s intraday liquidity expectations. Banks that delay modernization risk increased costs, liquidity shortfalls, and regulatory penalties.

The time to act is now. Institutions must prioritize treasury transformation, optimize liquidity buffers, and embrace real-time payments as the new standard in European banking. Banks that act now will secure a competitive edge, while those that delay risk falling behind in an increasingly real-time financial ecosystem. Furthermore, the modernization of payment platforms and enhancement of intraday liquidity steering capabilities create opportunities beyond compliance and efficiency, including scaling payment businesses by offering payment processing to lagging banks.

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