

IBAN-name check – Current developments and concepts

Webinar
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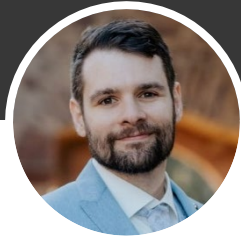


Today's panelists



Petia Niederländer

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IBAN-name check

Current developments
and concepts

What IBAN-name check solutions exist across Europe & the Eurozone?

Introduction



Point of departure

- **Instant payments** are becoming an increasingly relevant credit transfer method in the EU
- Preparations are ongoing to **further increase market adoption through regulation**, based on a proposal published by the EC in October 2022
- The proposal includes an obligation for PSPs to offer a **service that enables customers to be notified** when a **mismatch is detected** between a **payee's name** and **IBAN**
- Such **IBAN-name check services** are **already offered by PSPs** in several European countries today



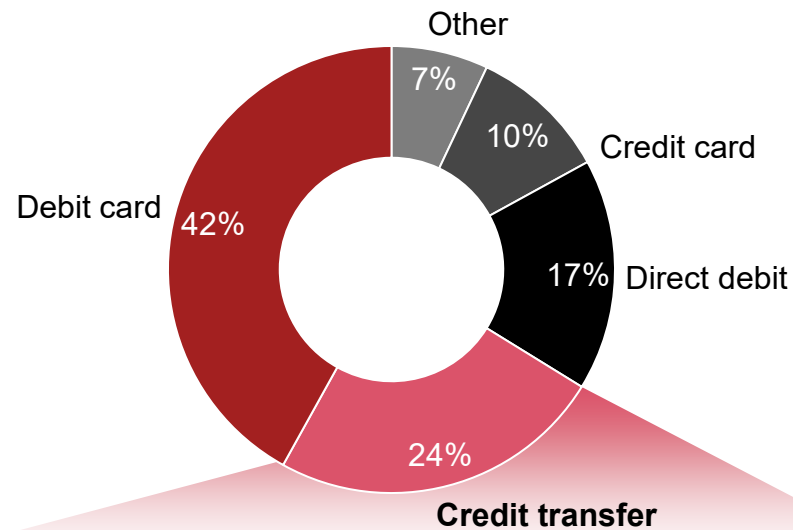
Current developments and concepts

- Our study presents the **results of a stocktaking exercise on existing IBAN-name check solutions** across Europe & the Eurozone
- The paper also strives to **cover other relevant initiatives or market developments** related to this topic
- The aim is to **contribute to the wider industry discussion**, and to **provide helpful information**
- Furthermore, **conversations were held with experts** from banks, providers of IBAN-name check services and related institutions

Instant payments are on the rise all over Europe with PSPs in 29 countries having joined the SCT Inst scheme since 2017

Rise of instant payments

Share of transaction # by cashless payment method in the EU¹⁾



- **Credit transfers** in Europe made up 24% of total transactions in 2021, but represent **94% of the transaction value**
- **29 countries** have **joined SEPA Instant Credit Transfers (SCT Inst) scheme since 2017**, with the Netherlands leading with over 90% domestic single credit transfers being **instant payments**

Focus area for instant payments

- The **growth of instant payments** will **continue in the near future** given the plans by the EC. Due to the real-time nature of instant payments, the following points need to be addressed:



Combatting fraud

- Instant payments are **vulnerable to fraud**, including **authorized push payment (APP) fraud**



Avoiding misdirected payments

- The lack of a standardized security standard leads to **unintentional misdirected payments**



Ensuring (consumer) trust

- **Deficiency of Trust** is a key problem impacting **consumer and operator confidence**

The proposed regulation by the EC aims to significantly increase the uptake of Euro instant payments in the EU

Enable and Guard

“Greater use of IPs will also stimulate the development of new payment solutions, so that IPs can be used at the Point of Interaction (PoI) to buy goods and services, in particular in cross-border transactions. This will increase competition in the sector and generate cost reductions for merchants, who can potentially pass them on to consumers.”

The European Commission, 2022

The proposed regulation by the EC intends to secure these goals through four concrete points that need to be accommodated by PSPs



If **regular credit transfers** are offered, **instant payments** need to be offered as well



IP charges for end users should **not be higher** than those applied to **regular credit transfers**



Customers need to be **checked** against **EU sanctions lists** frequently and efficiently
















A **notification service** needs to be offered in case of **discrepancies between payee's name and IBAN** (referred to as **IBAN-name check** in this paper)

IBAN-name check solutions can only address certain types of APP fraud

Combatting (some of the) fraud

Overview of potential impact of IBAN-name checks on fraud cases for credit transfers

Based on relevant fraud modi defined by the EBA Fraud Taxonomy

No impact expected	Low impact expected	Medium impact expected	High impact expected
 Extortion	 Emotional manipulation	 Safe account fraud	 Impersonation of creditor
 Pure account takeover	 Investment fraud	 Stop unauthorised transaction fraud	 Phony debt/bill collection
	 Online shopping fraud	 Advance fee fraud	 Fake institution
		 Overpayment scams	 Creditor account data manipulation

Perspective

- **Instant payments** are **attractive to fraudsters** as they enable **quick movement** and **cash-out of funds**
- An **IBAN-name check** is an effective tool for combatting certain types of APP fraud
- If **potential victims** are **pressurised** by fraudsters, they **may proceed** with the payment process despite an IBAN-name mismatch
- Statistics from the UK suggest that **impersonation** and **investment fraud** account for most fraud losses¹⁾





The IBAN-name check adds an extra layer of trust and security to the payment process

The IBAN-name check

User interface and potential results of the verification process

The image shows a mobile app interface for a payment process. At the top, it says 'Pay Someone New'. Below that, there are fields for 'You' (John Doe, 1,586.25€), 'Amount' (€ 50.00), and 'Beneficiary Name' (Jane Doe). The IBAN number is DE01 2345 6789 8765 4321 00. A green box with a checkmark indicates 'IBAN and name combination has been confirmed!'. At the bottom, there is a red button labeled 'Continue and Pay'.

Potential outcomes of the verification process

-  **No Match** between Name and payment account identifier
-  Name and payment account identifier are **close to a match** (e.g., misspelled)
-  **Match** between Name and payment account identifier
-  For technical reasons the **check can not be performed**

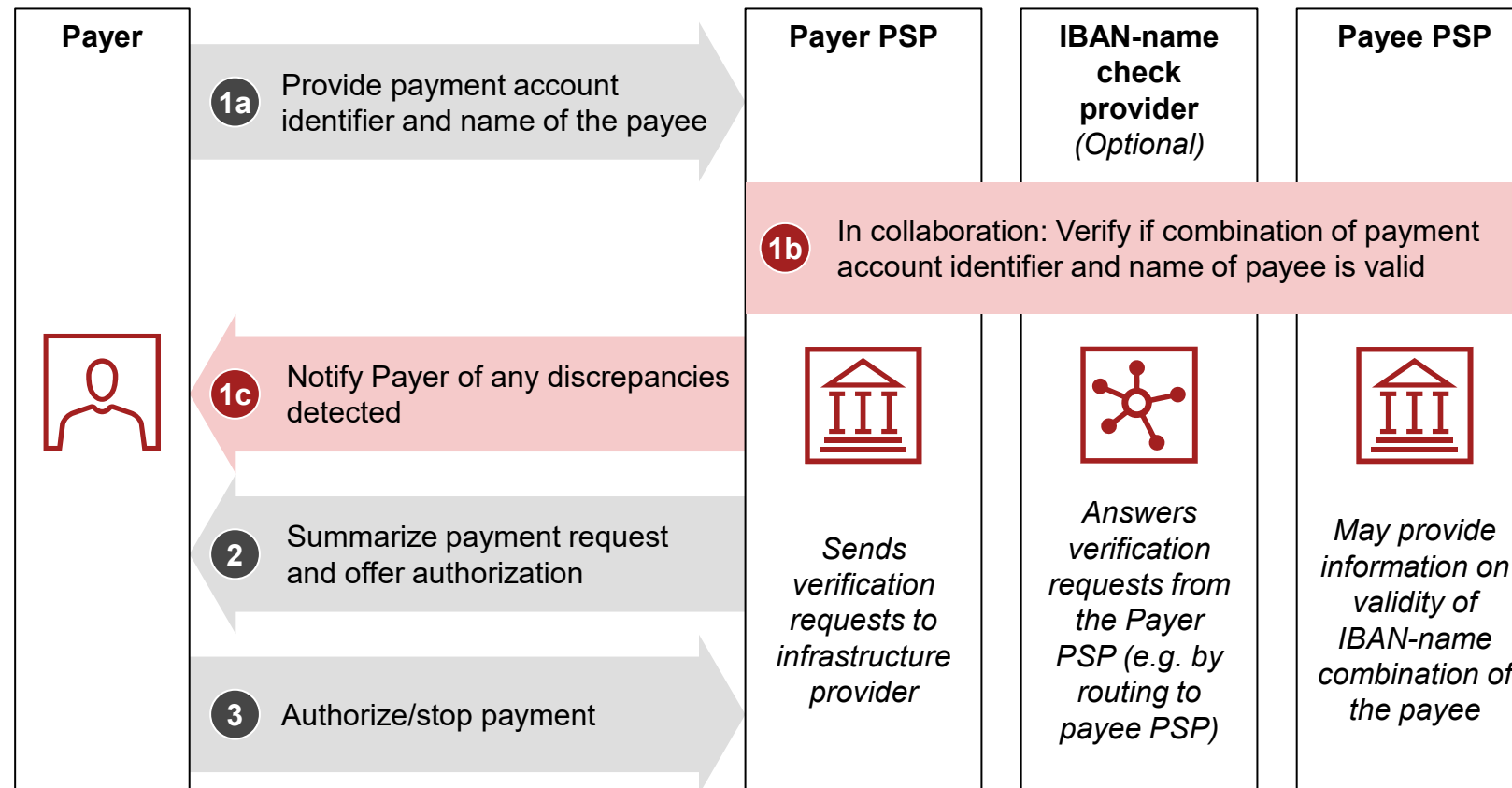
Perspective

- **IBAN-name check may enhance** payment **security** by verifying IBAN and account holder name
- It seamlessly **integrates** with **PSP's** customer service and **does not affect instant payment** execution time
- Payers typically receive **real-time feedback**: "match" (verified), "close match" (minor deviation), or "no match" (unconfirmed)
- Interviews with banks suggest that the **additional time necessary** to perform the IBAN-name check **does not affect instant payment experience**

The concept is currently applied over four parties - payer, PSP of the payer, PSP of the payee and IBAN-name check provider

The IBAN-name check process

IBAN name check process from the customers perspective

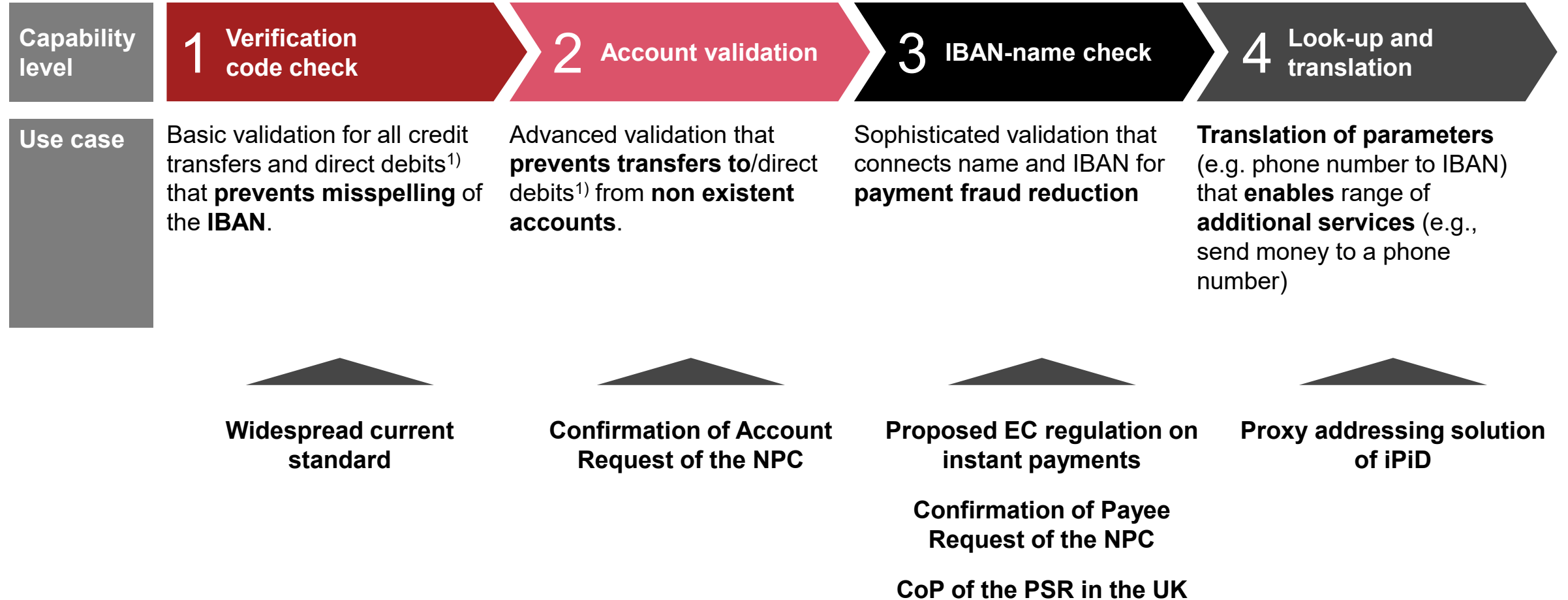


Perspective

- In Europe, the **IBAN-name check process** involves **four parties** (payer, payer's PSP, payee/beneficiary's PSP, and an IBAN-name check provider) and consists of **three major steps**
 - **Step 1** involves checking the IBAN against the beneficiary's name
 - In **Step 2**, the payer's PSP provides a summary of the payment request to the payer
 - In **Step 3**, the payer decides whether to authorize the payment based on the received information

Currently, there are different functionality levels of verification capabilities in the market

Potential development of further fraud prevention services



Industry voices mention trust increase with IBAN-name checks, yet opinions of fraud reduction impact rather mixed

Trust benefit and real impact

Today, commercial clients can consume the API through our gateway against a fee. They use it to run the IBAN-name check before submitting their SEPA credit transfer batches to the bank.”

Sandra Peute, ABN AMRO

“The share of rejected payments is more than 10 times higher in instant payments compared to standard SCT payments.”

Ulrich Loof, DZ Bank AG

“We expended a lot of effort integrating an IBAN-check solution for corporates that is not integrated into the payment flow. When such a solution also touches the e-Banking platform and the user front-end during a payment, it will become even more complex.”

An Italian bank

“Fraudsters are adapting really fast, so limiting the possibility for this type of fraud usually means new or other types of fraud will increase. From the past, we learned that a drop in fraud by introducing new measures is only temporary. Fraudsters find new ways and it is questionable if the total volume of fraud actually reduces by playing whack-a-mole. To really fight fraud, much more collection, even across industries, is needed.”

Edwin Sanders, Rabobank

The regulator should not rigidly regulate individual tools by law, but rather provide the regulatory framework and leave it up to the institutions to decide how to implement it [fraud prevention in general]. In any case, an IBAN-name check does not prevent social engineering, which accounts for around 90% of fraud cases in payment transactions.”

A German Banking Group

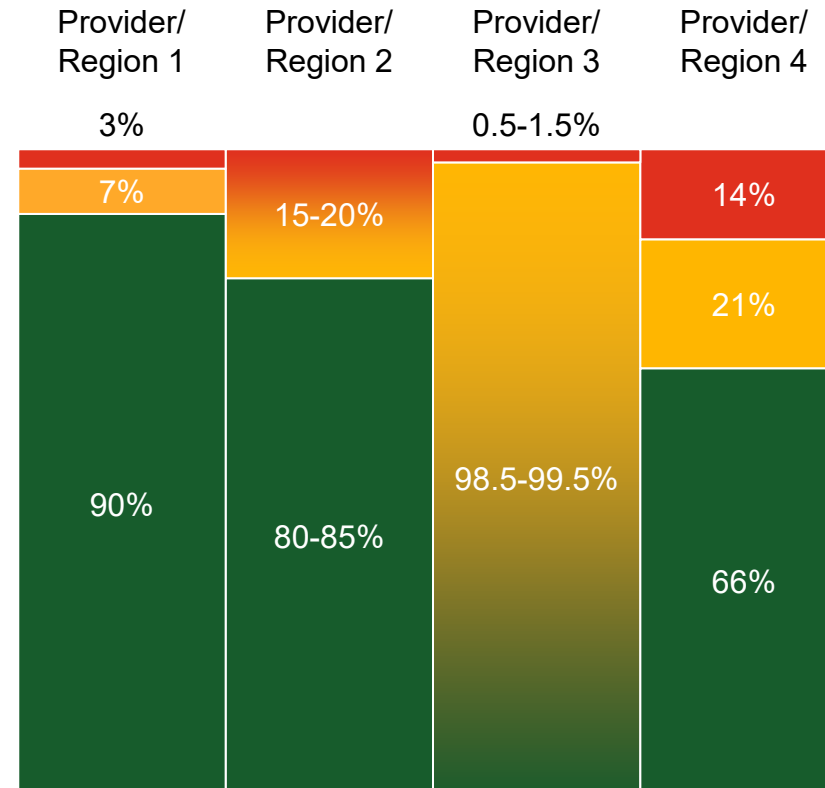
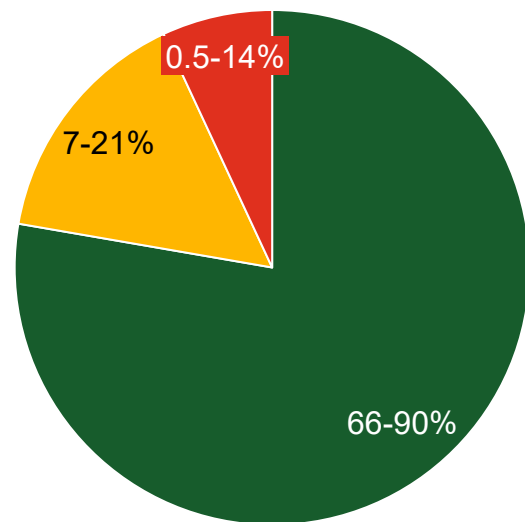
“The IBAN-name check helps customers and the bank, but is less useful for preventing fraud.”

An Austrian banking group

The share of “no match” cases amount to several percentage points and vary between different providers and regions

Deep-dive: Successful IBAN-name checks

Share of results for successful IBAN name checks in selected European regions based on estimates from different providers



■ “Match”
 ■ “Close match”
 ■ “No match”

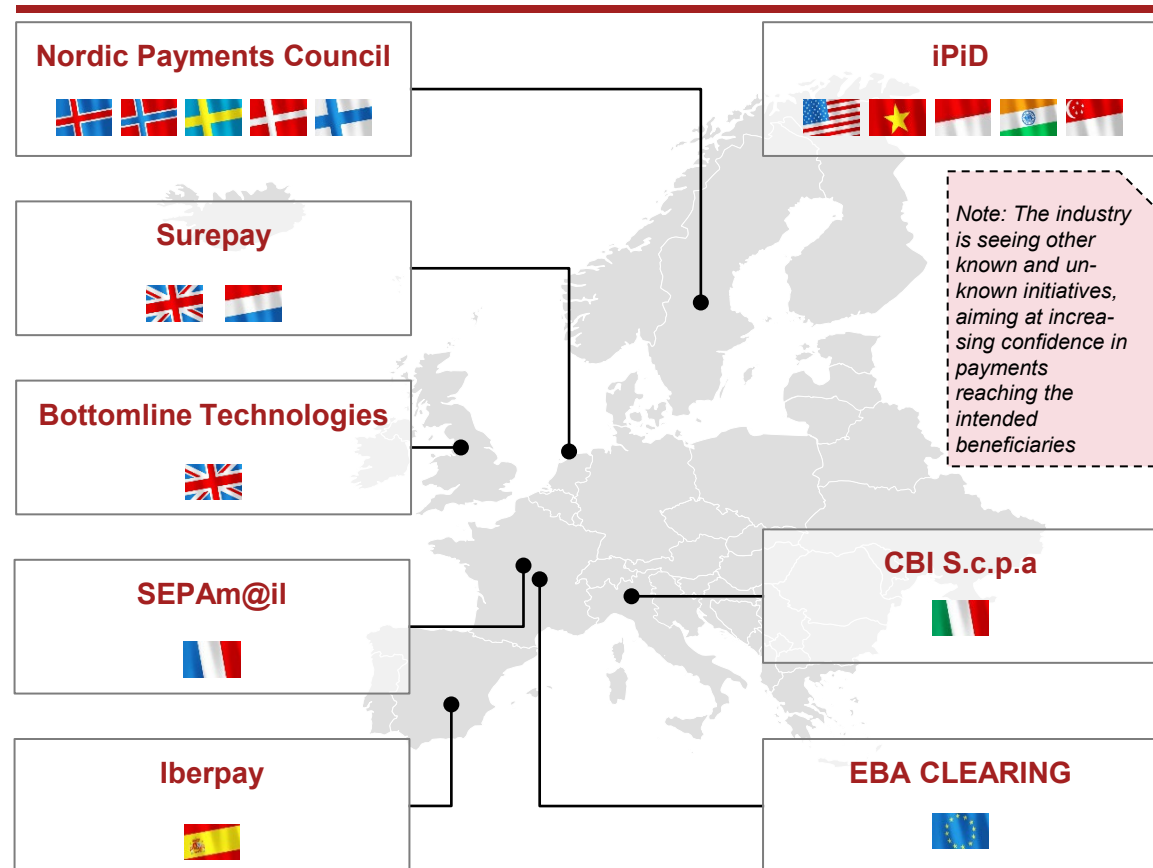
Perspective

- Varying percentages of “**no match**” cases reported by providers, influenced by **factors like scope, data quality, and differing definitions of “close match”**
- **Online payments** make up a relevant part of IBAN-name checks, impacting match rates
- **Data quality and field complexity** affect the occurrence of “**close matches**” and “**no matches**”
- Some corporates use **additional validation methods**, reducing “no match” cases







The current solutions differ in various attributes, such as geographical scope, type of identity check or the target clients

Experiences from current solutions and initiatives

Overview of current solutions and initiatives



Attributes

	Geographical scope
	Type of IBAN-name check concept
	Type of identity check
	Transaction types in scope
	Target clients
	Data architecture

General takeaways

Generally, providers operate on a national basis with some trying to join forces across borders through interconnectivity or interoperability approaches respectively
Generally, two kinds of concepts offered: (i) providers that offer solutions for operational implementation, and (ii) initiatives that implement schemes/rulebooks
IBAN-name check verifies account existence and matches it with a person's identity using name or national identity # – using probability or deterministic algorithms
Solutions prioritize single credit transfers, with some providers offering specialized services for retail direct debits; limited support for bulk payments
Various target groups served, incl. retail or corporate customers
Most providers use API interfaces to enable seamless integration, with decentralized or centralized solutions for real-time response or database lookup

Certain legal and regulatory questions need to be considered and discussed in the IBAN-name check context

Considerations around rules and regulations

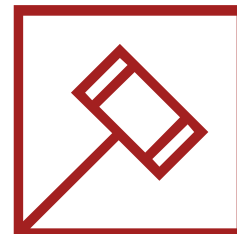
1 Applicable data protection rules

- IBAN and name **fulfill the criteria of “personal data”** as defined by the GDPR, which means they **need to be well protected**
- **Balance** needed **between data protection rules** and potential development of **value-added services**
- **Uncertainty** regarding **PSPs' obligation to allow opt-outs** for certain payees



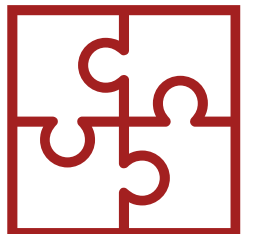
2 Questions concerning liability

- Even though **IBAN-name checks may prevent fraud or misdirected payments**, they **can still occur** – **three major categories**: false positive/negative cases or cases of operational issues
- IBAN-name checks could **potentially influence liability question** for the occurrence of any losses in these cases
- **Effective application** requires addressing these concerns **across Europe**



3 European concept

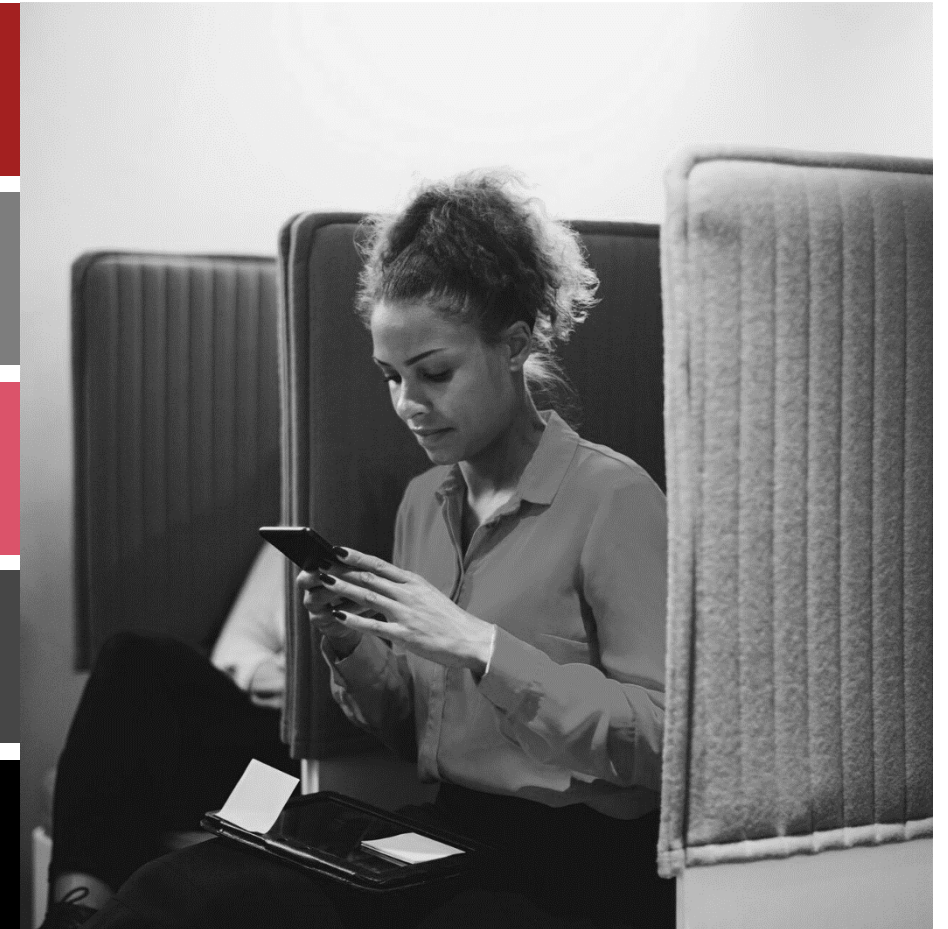
- **Standardization and interoperability** helpful for pan-European IBAN-name check
- **Providers willing to adapt** for pan-European interoperability
- **Flexibility needed for additional services and improved quality**



For the interviewees, the IBAN-name check has potential to build trust, rather than offering a silver bullet to combat fraud

Moving towards a pan-European approach

- 1 Some PSPs and providers have already observed **increasing consumer trust** among users of an IBAN-name check
- 2 The IBAN-name check service should be **limited to single instant payments** and hence **bulk payments should be excluded**, according to some interviewees
- 3 Some PSPs suggest **focusing** the service on **retail customers**. They argue that corporates already have other checks in place to reduce rejected or erroneous data
- 4 A possible solution could benefit from more **clarity on the definitions of the results** of the service. How are “match”, “no match” and “close match” defined?
- 5 According to the interviewees, **rules and standards** might be worth considering in order to achieve a **pan-European solution**



Thank you
