

Tackling the Verification of Payee challenge



LUXHUB

A qualified RVM under the EPC VOP Scheme

9:41

← New transfer ×

From account
Thomas Bauschinger
LU75 0108 1339 8289 2678

Amount
100.00 €

Beneficiary account number
LU65 1004 0000 06124 5490

Beneficiary name
Susanne Muster ✓

Reference
|

Continue

- Comply with IPR
- Adhere to the VOP Scheme
- Connect with European PSPs
- Enable secure credit transfers



FOREWORD

The Instant Payment Regulation – IPR – took the world by storm: on April 9th, 2024, the concept of Instant Payments EU-wide went from dream to reality, with the European Commission officially voting in the long-awaited regulation.

IPR introduced several additional obligations, one of them being the Verification of Payee, or VOP. It consists in verifying – prior to processing the credit transfer, either instant or not – if the beneficiary's name and account details match. This service is to be implemented by Payment Service Providers (credit institutions, payment institutions and electronic money institutions) by October 9th, 2025, and without any additional fees to end users.

For many reasons, and mainly because of the potential liability risk for the PSP as well as important fines, VOP has become a strategic project. It also comes with several challenges: connecting with potentially 3,000+ PSPs in Europe, bringing internal teams together to work on such a large scale project, etc.

The following document aims at providing you with a clear roadmap to (successfully) tackle your Verification of Payee challenges ensure your compliance in due time and especially your adherence to the VOP Scheme in order to connect to other PSPs.

Claude Meurisse,
CEO of  LUXHUB



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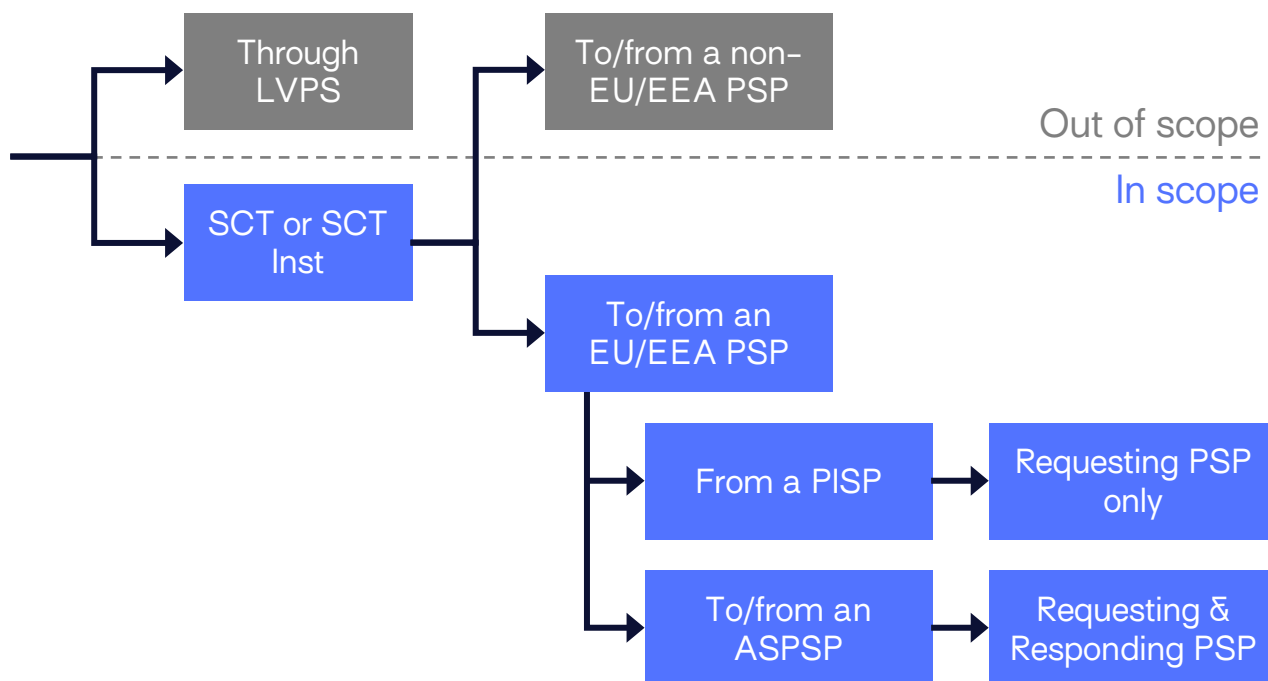
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WHAT & WHEN?

Complying with IPR and the Verification of Payee obligation has rapidly become a key project for Payment Service Providers located in the EU. By providing their customers with this beneficiary name/account details matching service, they will enable secure and verified credit transfers, while preventing fraud and diminishing potential errors.

The obligation concerns all PSPs offering credit transfers located in Member States, using Euro as currency or not (with a later deadline for the latter), to/from a payment account, regardless of direct participation in payment systems.

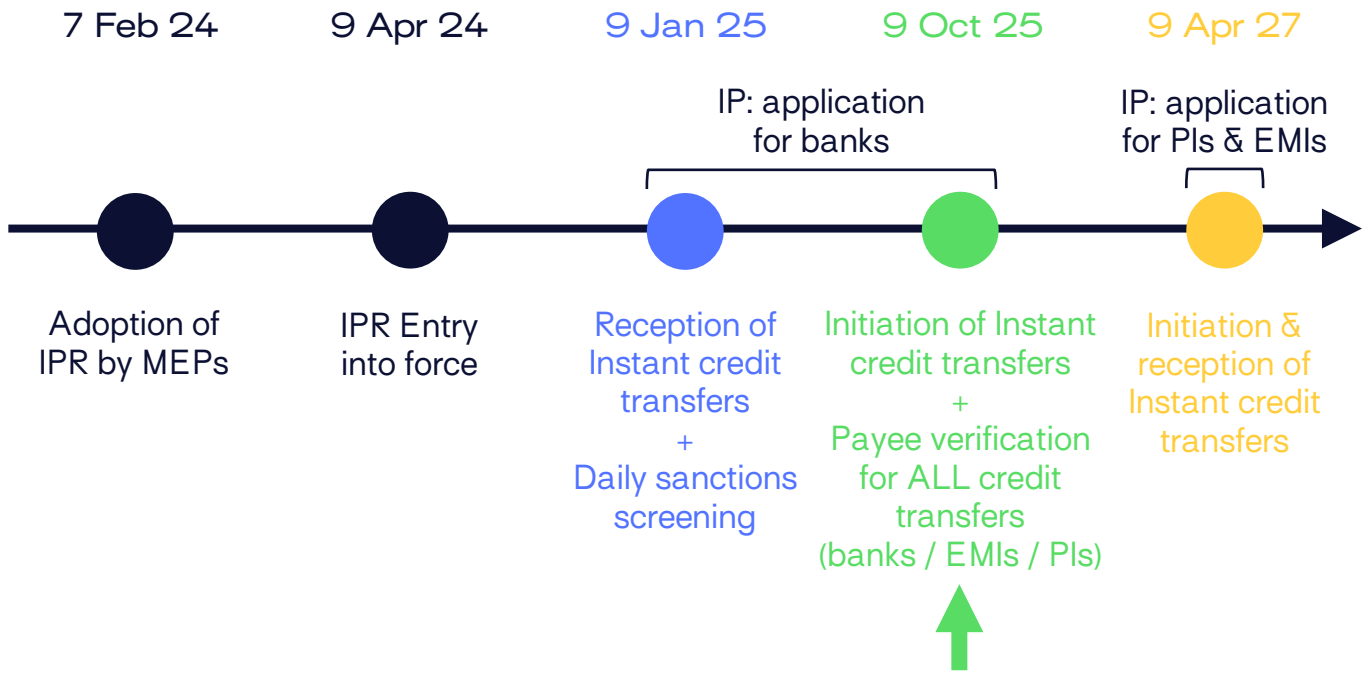
What types of credit transfers are in scope?



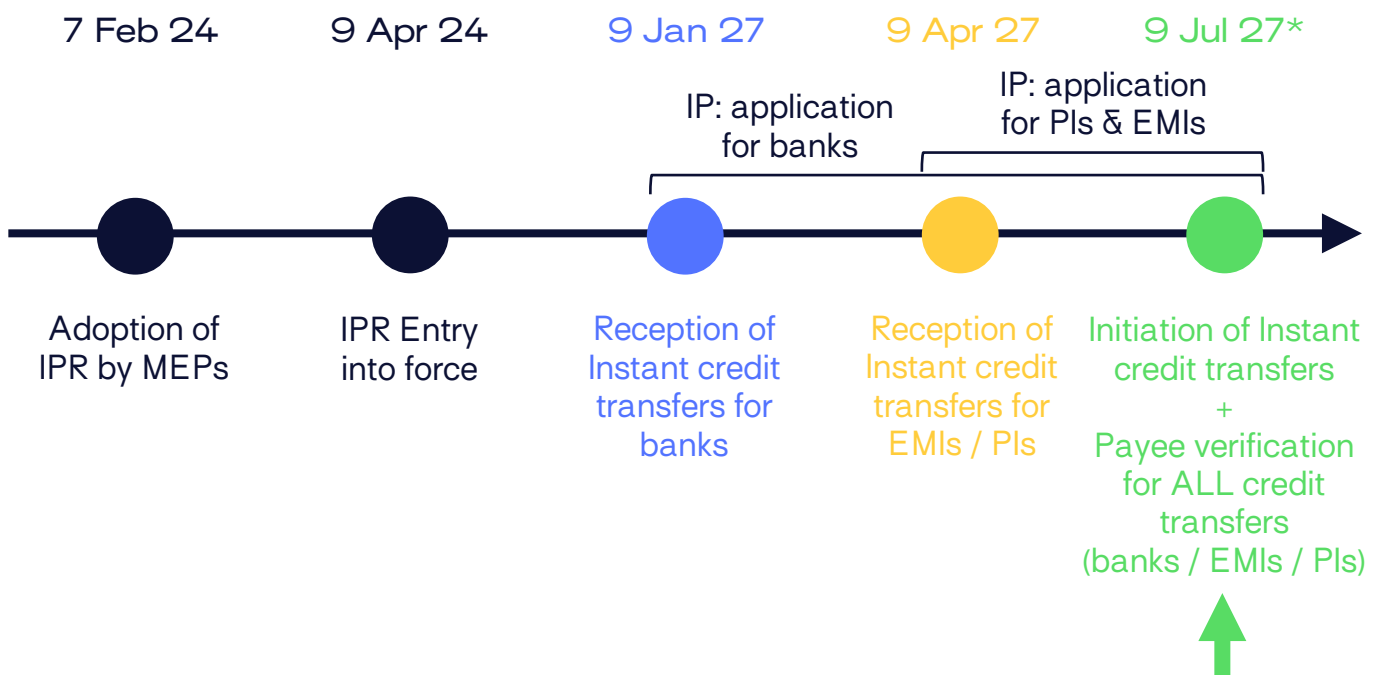
The tight initial deadline (see next page) and the necessity to connect with as many PSPs as required, while also offering a frictionless experience to consumers, represent important challenges for PSPs.

WHAT & WHEN?

Member States in the Eurozone



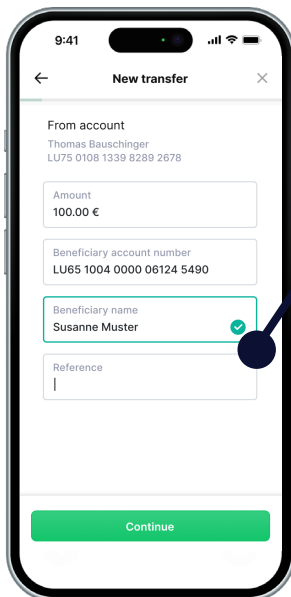
Member States that are not in the Eurozone



* PSPs incorporated in or being a subsidiary in Iceland, Liechtenstein or Norway → 9 July 2027 provided the jurisdiction concerned has adopted or will soon adopt Article 5c of the amended SEPAR. No impact on PSPs incorporated in or being a subsidiary in a SEPA country outside the EEA.

WHAT & WHEN?

Matching outcome



9:41

New transfer

From account
Thomas Bauschinger
LU75 0108 1339 8289 2678

Amount
100.00 €

Beneficiary account number
LU65 1004 0000 06124 5490

Beneficiary name
Susanne Muster ✓

Reference

Continue

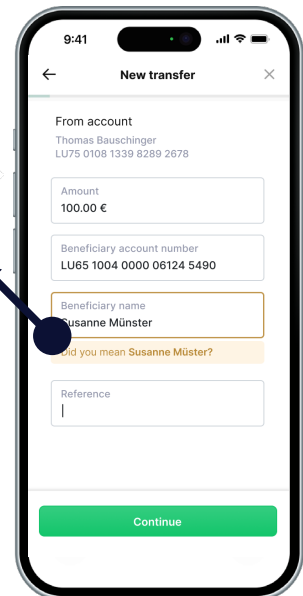


MATCH

The beneficiary's account number and name perfectly match with the Payee's PSP records. In this case, the Payer's PSP confirms that the credit transfer will be reaching the intended account.

CLOSE MATCH

For the given account, the name input by the Payer differs slightly. The correct name as recorded by the Payee's PSP is shown to the customer.



9:41

New transfer

From account
Thomas Bauschinger
LU75 0108 1339 8289 2678

Amount
100.00 €

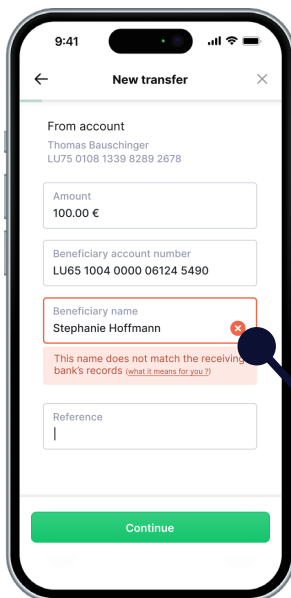
Beneficiary account number
LU65 1004 0000 06124 5490

Beneficiary name
Susanne Münster

Did you mean Susanne Muster?

Reference

Continue



9:41

New transfer

From account
Thomas Bauschinger
LU75 0108 1339 8289 2678

Amount
100.00 €

Beneficiary account number
LU65 1004 0000 06124 5490

Beneficiary name
Stephanie Hoffmann ✗

This name does not match the receiving bank's records (what it means for you?)

Reference

Continue

NO MATCH

The account identifier and the beneficiary's name do not match. If you did not make a spelling mistake in the name and/or account details of the beneficiary, processing the payment will result in the money being transferred to the wrong account.



Moreover, a fourth result exist: **VERIFICATION CHECK NOT POSSIBLE** (identification code not supported, identification code not available for the account holder, responding PSP not reachable, Additional identifier required for the account, inactive account, account not found).

THE EPC VOP SCHEME

The EPC VOP Scheme consist in a set of rules, practices, and standards to achieve interoperability for the provision and operation of verifying Payment Account Numbers and Names of the payment counterparties, between participants of the Scheme prior to initiating a Payment Account-based Payment within SEPA.

Key points of the VOP Scheme rulebook⁽¹⁾

- By default, unless they opt out for specific reasons, PSPs in scope of VOP are participants in the scheme. However, adherence is open to any PSP in a SEPA country (3 EEA + 6 non-EEA)
- Complete coverage of EDS (EPC Directory Service) content is provided: list and information about participants in the scheme, their respective technical reachability data and details of VOP service (supported identifier for e.g.)
- In addition to the main Payee details matching service, the scheme allows the provision of additional optional related services on a contractual basis.
- Only single checks are allowed, although batch requests could be exchanged between a PSU and his/her PSP.
- The maximum execution time of a VOP has been set to 5 seconds

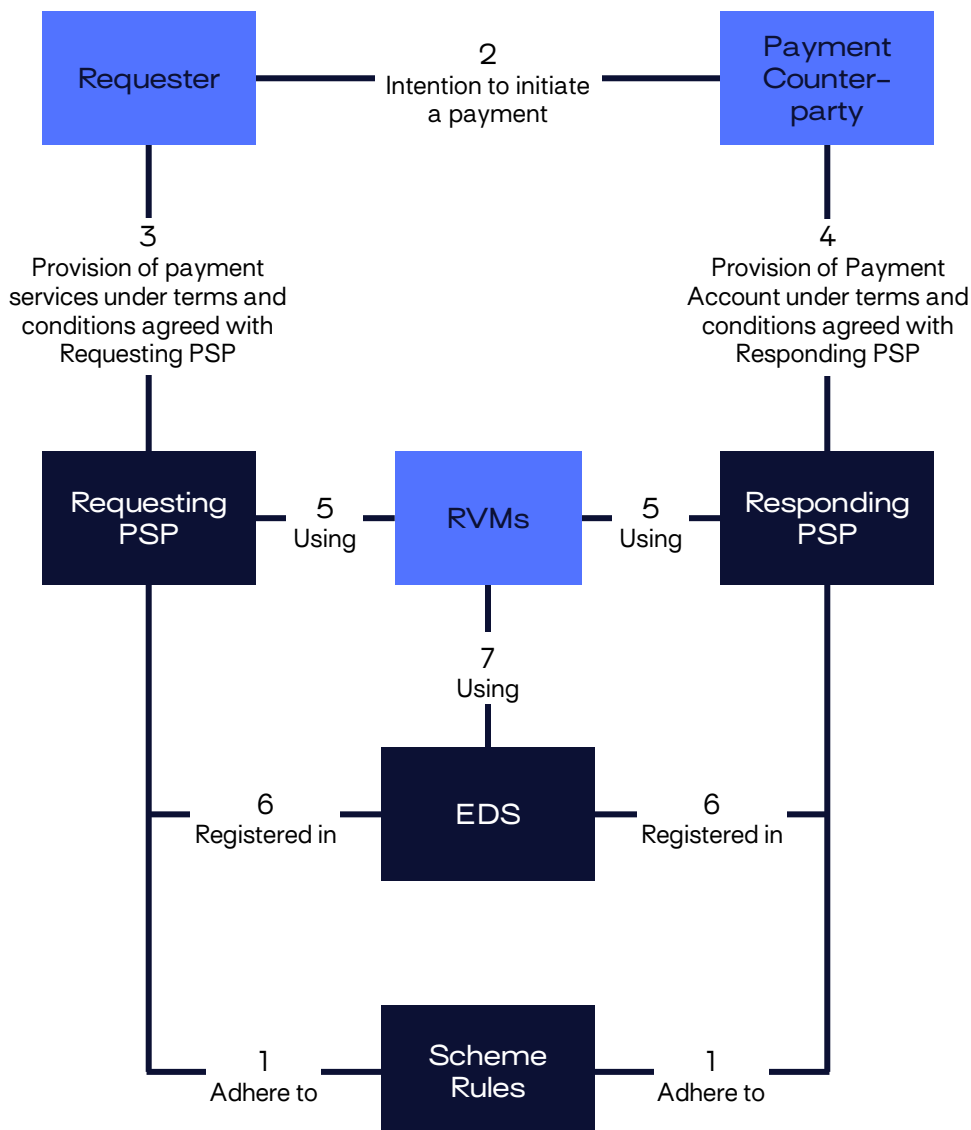


⁽¹⁾ https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2024-10/EPC218-23%20v1.0%202024%20Verification%20Of%20Payee%20Scheme%20Rulebook_0.pdf

THE EPC VOP SCHEME

The VOP Scheme also introduces the concept of **RVMs (Routing and/or Verification Mechanisms)**: Requesting PSPs may use the services of such scheme-compliant RVMs to send VOP Requests to Responding PSPs and receive related VOP Responses. Similarly, Responding PSPs may use the services of RVMs to receive VOP Requests and return related VOP Responses to the Requesting PSPs. Moreover, on the Responding side, RVMs can also assume the verification part, by implementing a matching logic.

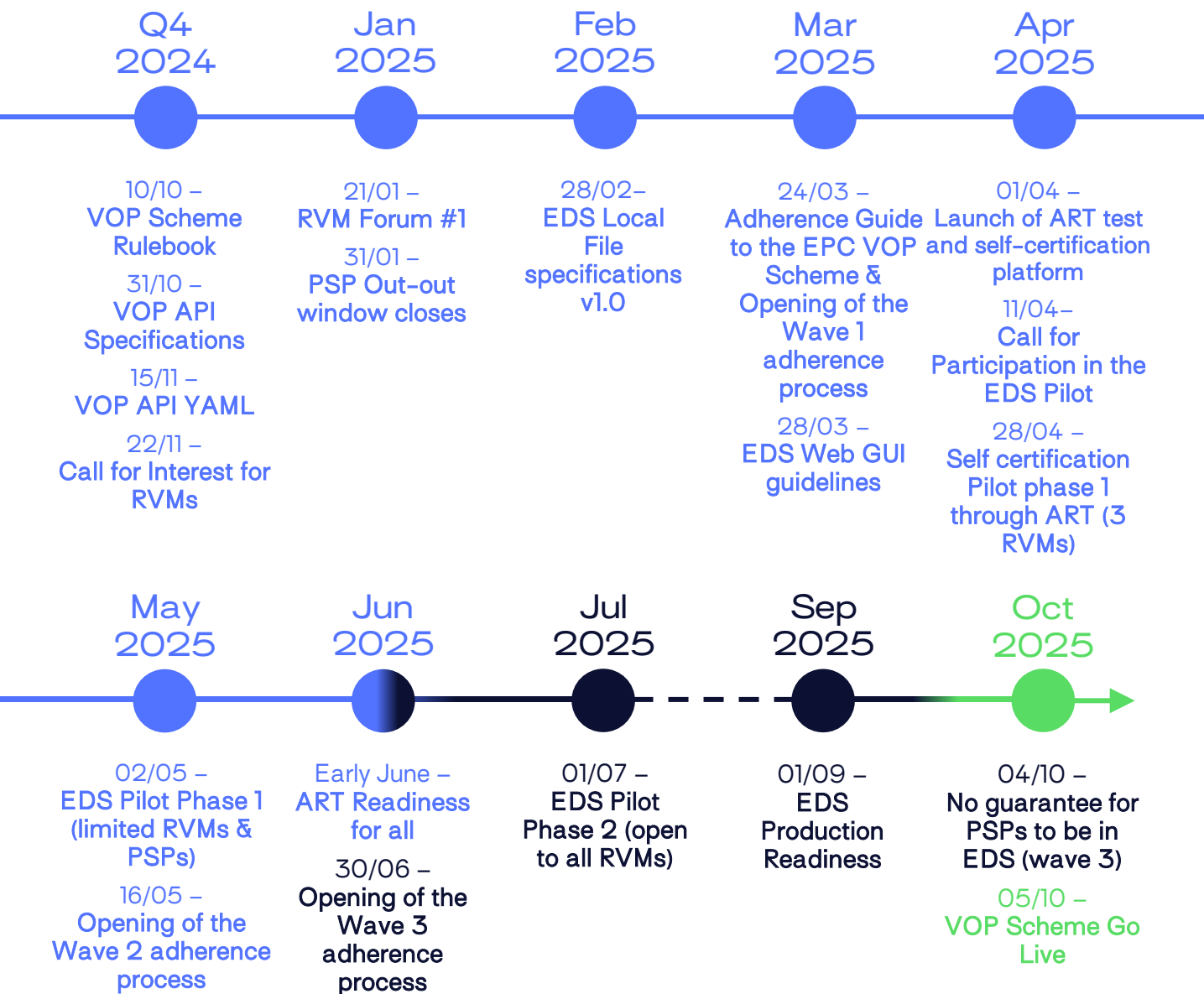
The central role of RVMs



THE EPC VOP SCHEME

Several documents related to the EPC VOP Scheme have recently been published, with more to come in the weeks and months to come, to ensure PSPs put in all the efforts to comply and meet the final VOP deadline, set to October 9th, 2025.

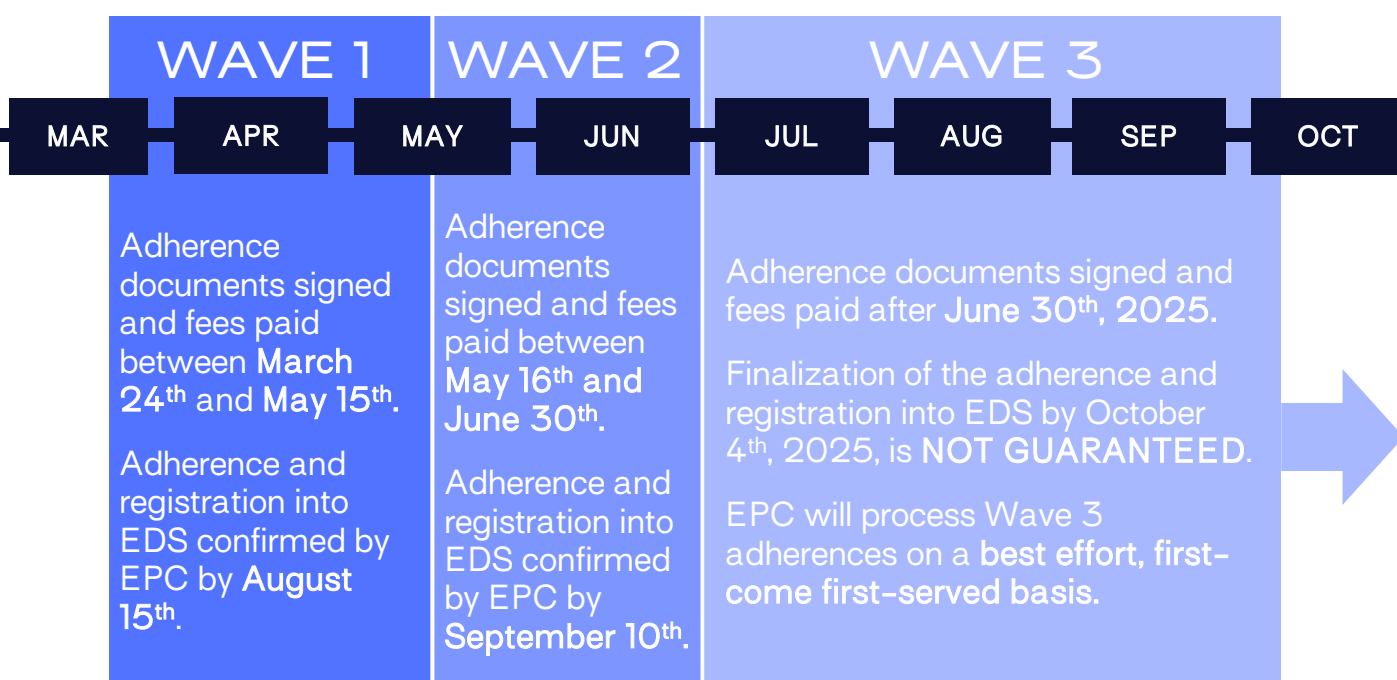
VOP Scheme timeline



THE EPC VOP SCHEME

Adherence to the VOP Scheme

The entire process is documented in the *Adherence Guide to the EPC VOP Scheme*. There are three waves of adherence – Wave 1 is already closed. See below:



An “Adherence Pack” is available for PSPs. It contains:

- the **Adherence Agreement (Annex H-1)** – This is the multilateral contract that will bind the Applicant/Participant with the EPC and each other Participant in the Scheme;
- the **Schedule to the Adherence Agreement (Annex H-2)** – Where the Applicant is asked to provide basic details in relation to its organization and its application;
- a **Legal Opinion (Annex H-3 or Annex H-4** if licensed branch of a non-SEPA country institution), needed for Applicants that are not SEPA Credit Transfer (SCT) or SEPA Instant Credit Transfer (SCT Inst) scheme participants. To be duly completed and signed by an internal/external qualified lawyer.

THE EPC VOP SCHEME

There are several ways for Applicants to complete the documents and submit them. Either **the Applicant completes its own Adherence Documents** (Annexes H-1 and H-2, plus H-3 or H-4 when relevant), or **it gives legal authority to an Agent** (NASOs or RVMs). The Agent is responsible for and required to correctly execute the Adherence Agreement (Annex H-1) and Schedule (Annex H-2) and obtain a Legal Opinion (Annex H-3 or H-4) when relevant, from either the Applicant's internal counsel or from an external counsel.

When completing the adherence documents, the applicants need to enter the email address which will be used for registration in the EDS. Two options are available: **Standard EDS Onboarding** (Option 1) or **Simplified EDS Onboarding** (Option 2).

- 1. OPTION 1** is suggested to VOP Applicants who want to retain full control over the EDS: applicants not planning to use any RVM, planning or considering to partner with two or more RVMs, planning to make use of EDS APIs, and/or willing to also act as an RVM. To select Option 1, the VOP applicant needs to enter one of its own email addresses in Annex H2. This email address will then be invited to register in Swift.com.
- 2. OPTION 2** is suggested to the applicant aiming at simplifying as much as possible its EDS onboarding, for instance when the applicant plans to use only one RVM, or when it is not willing to (directly) use EDS APIs, or to act as RVM. The applicant needs to indicate the email address of the selected RVM in Annex H2. This is the email address that the RVM provided during the RVM qualification process, and it will be linked to the participant BIC in Swift.com and the EDS.

EMIs & PIs: SPECIFIC CONSIDERATIONS

Despite their specificities, Payment Institutions and Electronic Money Institutions are also concerned by the VOP obligation, as highlighted in the DG FISMA Q&A (July 2024)⁽¹⁾ and EPC Q&A⁽²⁾.

- Various business models involving different credit transfer flows and type of payment accounts
- Some of the payment flows involve credit institutions who need to fulfil the same obligation

IPR Q&A
Q. 98

1. Transfers to accounts involving both a credit institution and an EMI/PI

- The holding PSP: the EMI/PI holding the payment account on behalf of one or multiple Payees at a credit institution
- The maintaining PSP: the credit institution maintaining that payment account

IPR Q&A
Q. 108
Q. 109
Q. 110

- The two can agree which one will provide a payee verification answer to the payer's PSP. Business arrangements and practical technical considerations should be considered (particularly in terms of presence and reachability details in the EDS)

2. Transfers to an account with sub-accounts / virtual accounts

- If the account number is not sufficient to identify the final and/or specific payment beneficiary, additional information should be collected by the Payer's PSP

IPR Q&A
Q. 107
Q. 125

⁽¹⁾ https://finance.ec.europa.eu/document/download/f597b1a5-2a7b-481d-882c-80fblc5cc3d5_en?filename=instant-payments-implementation-questions-answers_en.pdf

⁽²⁾ <https://www.europeanpaymentscouncil.eu/what-we-do/other-schemes/verification-payee/questions-answers-verification-payee-scheme>

EMIs & PIs: SPECIFIC CONSIDERATIONS

- To collect this information from the payer before providing it along other VOP relevant information about the payee, the EPC suggests to Payers' PSPs two approaches: either through a dedicated field or through the payment remittance information

EPC Q&A
I.8

3. Transfers initiated to a proxy-identified account

Use of a proxy of the Payee (e.g. phone number) instead of an IBAN

- VOP obligation applies
- Payer's PSP to collect and maintain the proxy/IBAN correspondence
- Exception of the transfer is initiated by the payee (request to pay) so the Payee details were not input by the Payer

IPR Art 5c
(1)(d)

IPR Q&A
Q. 129
Q. 130
Q. 134 (i)

IPR Q&A
Q. 134 (ii)

4. Collected e-commerce payments involving an acceptor/collecting PSP

- The actual Payee is the merchant receiving the funds
- The VOP check should be done on the merchant, not the payment facilitator
- Specific case: if a PISP provided the payee information (not the payer directly), obligation is on the PISP to ensure the Payee information is correct

IPR Q&A
Q. 134 (iv)

IPR Art 5c
(1)(c)

IPR Art 5c
(2)

EMIs & PIs: SPECIFIC CONSIDERATIONS

5. P2P transfers between e-wallet accounts

Where the account owner and the e-wallet owner are different

The Payee is the natural or legal person holding the payment account, thus the intended recipient of funds

→ VOP check on the account owner

IPR Q&A
Q. 134 (iii)

6. Transfers towards “known” Payees (whitelisted accounts)

→ VOP service required for every credit transfer (unless PSU opt-out or non presence for paper orders)

IPR Q&A
Q. 93

7. ‘me-to-me’ credit transfers

Transfer of funds between accounts the PSU owns with other PSPs

→ VOP service required for every credit transfer (even if the account ownership was pre-validated)

▪ VOP cannot be used for the pre-validation of the account ownership

IPR Q&A
Q. 133

PAYEE VERIFICATION PLATFORM

LUXHUB is registered as a **Qualified RVM** and exchanges relevant information with the EDS, the EPC'S VOP directory. The Payee Verification Platform consists in two complementary services, namely **VOP Service Provision** and **VOP Unified Access**, aiming at providing PSPs and their Payers with an efficient account details-name matching service.



VOP Service Provision – Comply with the IP Regulation as PSP of the account receiving the payment.

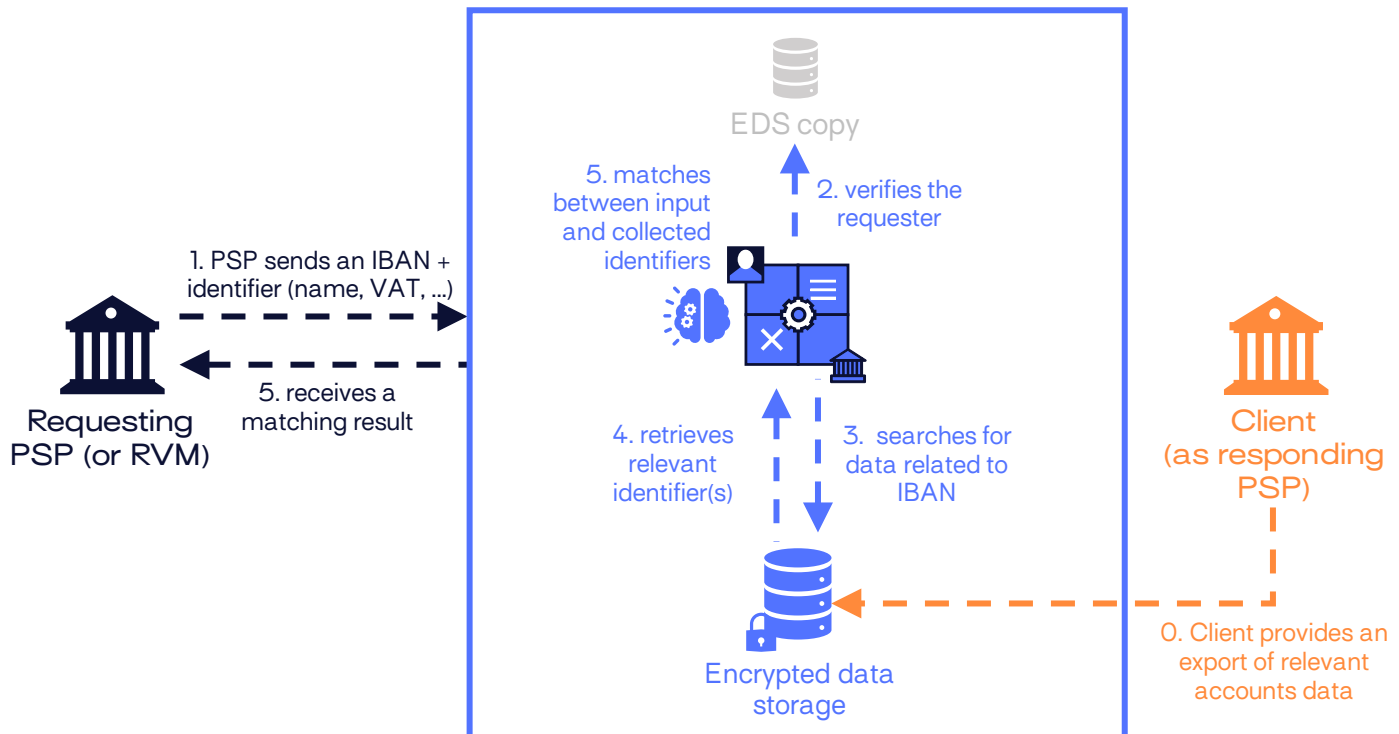
The solution enables the client to respond to incoming VOP requests, and includes:

- The ability to **send through SFTP channel regular exports of the client's accounts data**, relevant to VOP. A set of on-prem tools is provided to generate testing data and to validate the structure of the accounts data (a second alternative through the exposure of an ad-hoc API is also available);
- The **matching algorithm to process input** provided by the requesting PSP and the information provided by the client (through exported accounts data);
- **Connectivity to the EPC's directory (EDS)** to validate that incoming VOP requests come from valid participants of the scheme and to update on behalf of the client technical reachability details;
- **Exposure of an EPC compliant API** on behalf of the client (technical details of this API are managed by LUXHUB in the EDS).

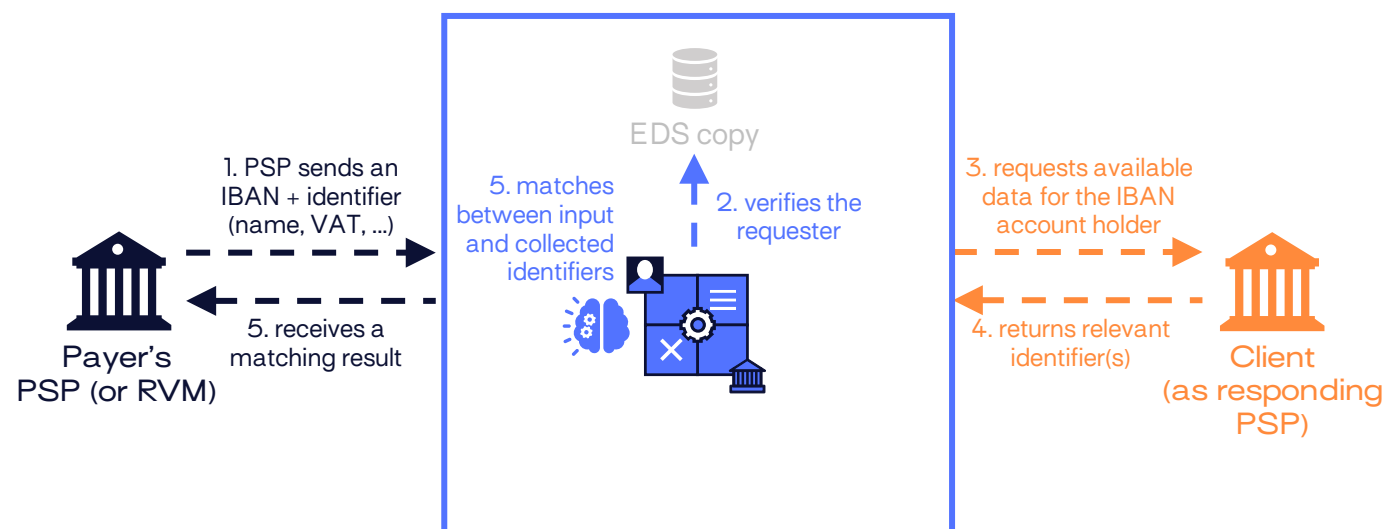
Representations of the two available models (file-based or API-based) are available next page.

PAYEE VERIFICATION PLATFORM

VOP Service Provision – alternative 1 (file-based)



VOP Service Provision – alternative 2 (API-based)



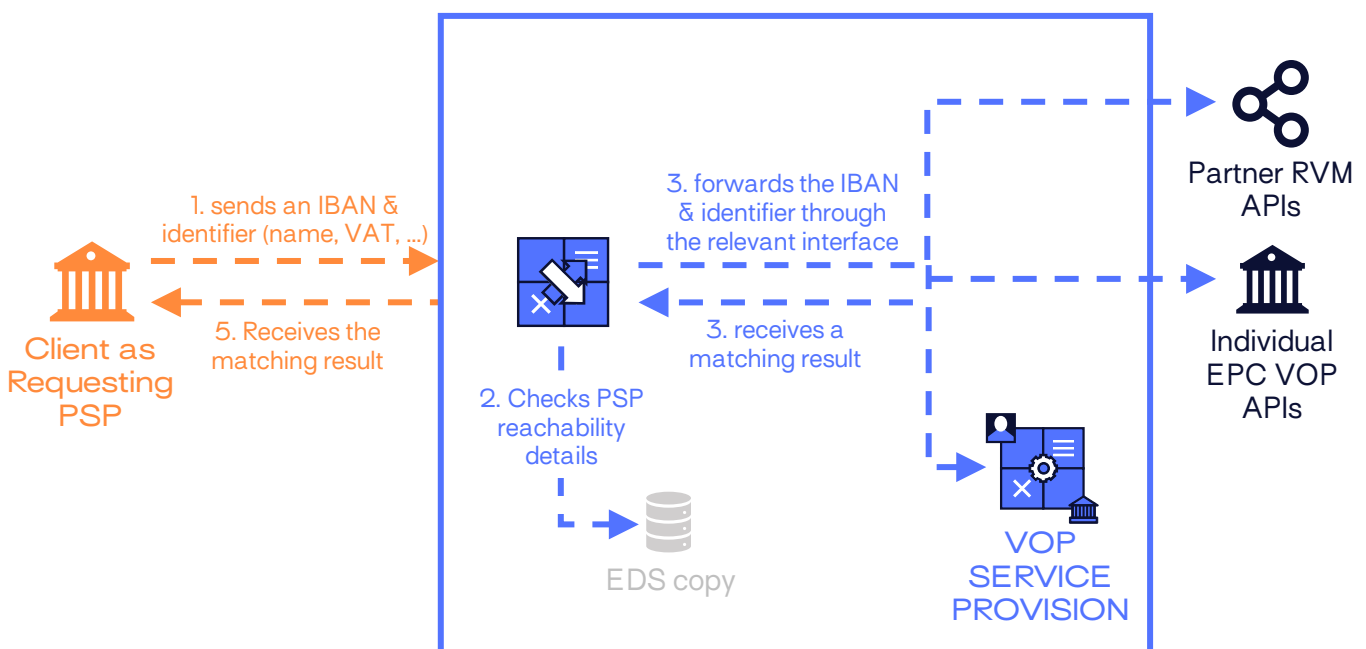
PAYEE VERIFICATION PLATFORM



VOP Unified Access – Comply with the IP regulation as PSP initiating any credit transfer.

As the second part of LUXHUB's Payee Verification Platform, VOP Unified Access enables the client to initiate outbound VOP requests towards receiving PSPs. It includes:

- A **unified REST API** through which LUXHUB receives details of Payees to be checked; this information is routed to the right technical API of the responding PSP (listed in the EDS)
- Optional access to a **dedicated portal** to enable VOP checks for manual payment initiation flows in which the client employees can query account details without the need for any technical implementation. The same portal provides, on a user-based role basis, access to aggregated usage reports and metrics (see next page).

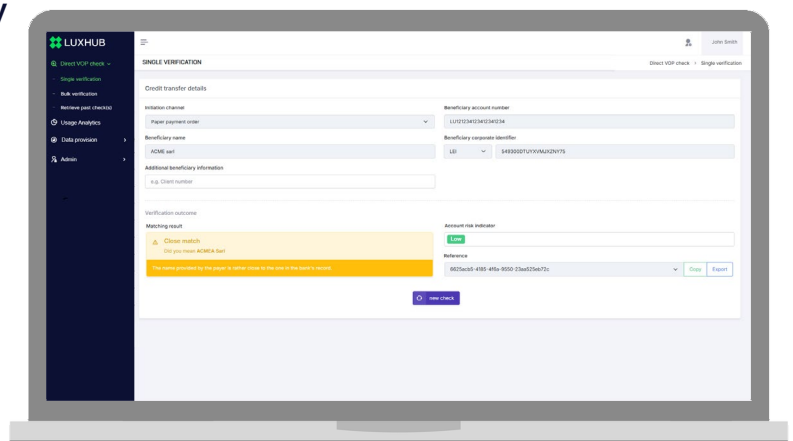


PAYEE VERIFICATION PLATFORM

The LUXHUB VOP Portal

The VOP Portal – which is called Alethia, meaning “spirit of truth”, “truthfulness” and “sincerity” in Ancient Greek in reference to the primary intention and role of VOP in fraud fighting and helping PSUs verify the recipient of the payment – developed by the LUXHUB team contains three main features, targeted to different profiles:

- **VOP query:** the ability to make direct VOP checks through GUI (Graphical User Interface – single and bulk), and the possibility to check past checks results. This feature is destined to operations and account management teams, as they sometimes have to handle “manual” payment orders.
- **VOP usage reporting:** detailed reports for past periods of time as well as aggregated KPI dashboards for incoming and outgoing VOP requests (number, average, request time, etc.), and access list to all VOP scheme participants with services’ details. Aimed at (VOP) Project Managers, and also Compliance and Operations Management teams.
- **Accounts data provision monitoring:** possibility to monitor the activity of data retrieval to respond to incoming VOP requests whether they use regular file up-dates (alternative 1) or a dedicated API (alternative 2). This feature is especially useful for IT and BI teams.



AUTHENTICATION & CONNECTIVITY

Open Banking players like LUXHUB have developed a strong connectivity expertise – as well as a deep payment knowledge, through its AISP and PISP licenses. Such players are best suited to support PSPs in their VOP challenges. Why?

Leveraging PSD2-related authentication and authorization certificates

In the context of Open Banking in the European Union, TPP authentication and authorization rely on the eIDAS regulation and notably on QWAC (Qualified Website Authentication Certificate) PSD2 certificates. In its VOP Scheme, the EPC has reused this authentication mechanism based on the said certificates, in order to minimize the impact on PSPs and other stakeholders.

Concretely, in a VOP verification flow, the Requesting PSP is expected to use a QWAC PSD2 certificate as technical means for authentication (see below). On the other hand, the Responding PSP should verify, based on the EPC Directory Service (EDS) extract, if the combination of the BIC of the Requesting PSP and the Authorization

Number retrieved from the QWAC PSD2 certificate are present. This step will be required regardless of the sender of the message, either the Requesting PSP directly, or the RVM acting on its behalf.

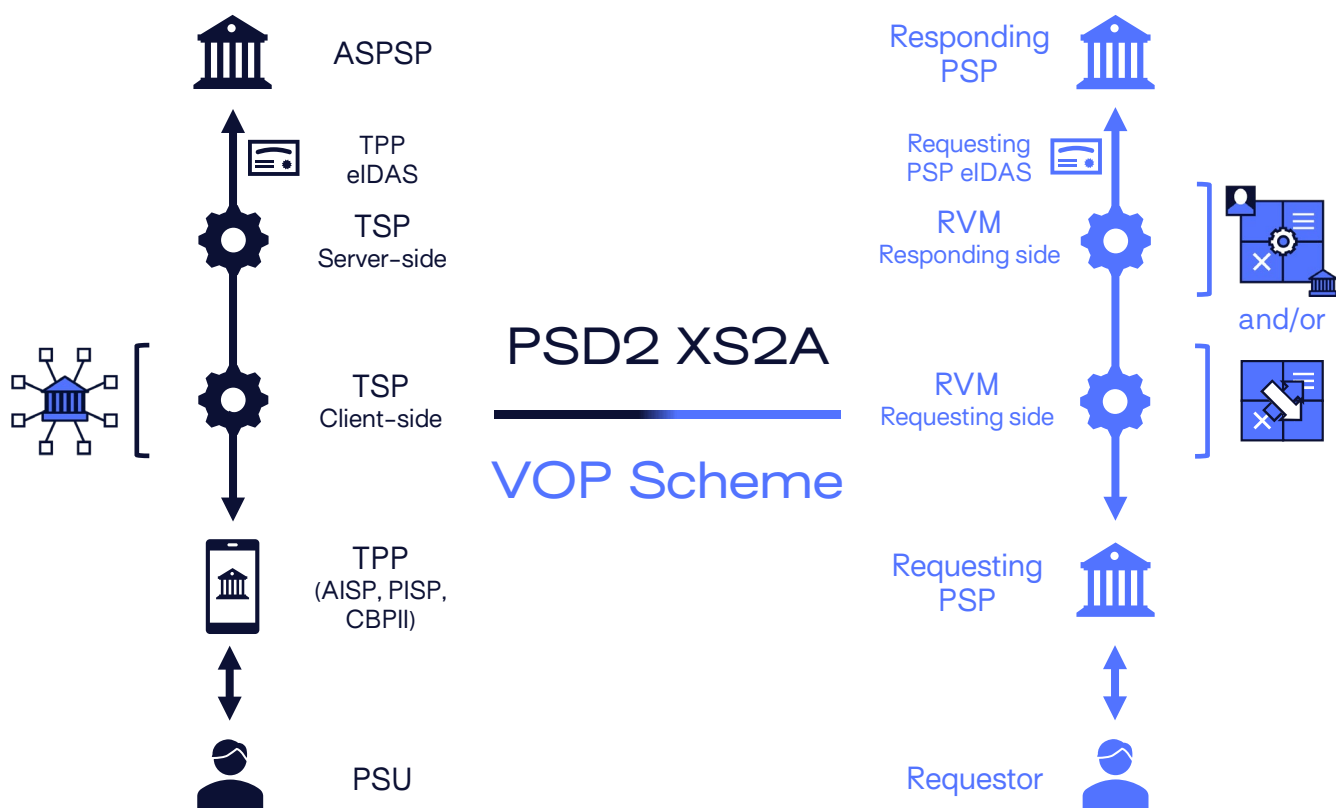
LUXHUB, as an Open Banking enabler, has developed an expertise in connectivity and authentication, notably based on QWAC PSD2 certificates. In this respect, the Payee Verification Platform provided by LUXHUB, which is listed on the EPC website as a recognized RVM, benefits from this technical and compliance expertise developed through the years, particularly when it comes to the collection, safe storage and use of the above-mentioned certificates on behalf of TPPs.

AUTHENTICATION & CONNECTIVITY

Open Banking XS2A and EPC VOP Scheme: similar flows

Moreover, as underlined by the EPC, several parallels can be drawn between the Open Banking XS2A (Access to Account) flows and the VOP Scheme. In the context of VOP API specs and of the API Security Framework (ASF), the following analogy applies by design:

- the TPP role (AISP, PISP, CBPII) matches the role of a VOP Requesting PSP (or VOP API client)
- the ASPSP role matches the role of a VOP Responding PSP (or VOP API server)
- the TSP (Technical Service Provider) role(s) matches the RVM role(s) (or VOP API proxy)



PROJECT IMPLEMENTATION

The actual timeline may vary significantly on several factors such as contractual negotiations, availability of required resources to set-up and implement both solutions, and client project complexity and specificities (e.g. number and nature of different payment initiation channels in which a VOP flow will be integrated, existence of specific account cases to be supported).

Thought from a technical perspective, the comprehensiveness of the Payee Verification Platform minimizes what needs to be technically developed from Client side and the responsiveness of LUXHUB throughout the implementation project. It therefore reduces the required timeline to less than a month (with again the assumption that required resources are available and minimal external dependencies).

The high-level project phases include:

- **Technical kick-off** (initial alignment and project start, agreement on project governance & timeline)
- **Extraction of VOP Required Data** (based on a provided template and including the set-up of on-prem data validation tools)
- **Connectivity Setup** (for Service Provision)
- **Implementation of Unified Access API** into various payment initiation flows
- **User Acceptance Testing (UAT)** which covers both requesting and responding solutions
- **Production deployment** (could begin with a “field testing” phase, where data set is limited, followed by actual live production)

WHY LUXHUB?

In this context, LUXHUB – a compliance and payments expert hailing from Luxembourg – is perfectly equipped to support Payment Service Providers in their regulatory challenges, including the Verification of Payee obligation.

The Regtech / Fintech company emerged in the wake of PSD2, providing an internationally recognized and efficient PSD2 XS2A solution. It also specializes in financial data aggregation and payment initiation.

Moreover, LUXHUB's shareholders (Spuerkeess, BGL BNP Paribas, POST Luxembourg and Banque Raiffeisen) are banks located in Europe, with solid foundations and a clear vision that is to shape the future of finance, through digital and mutualization.

- A Routing and/or Verification Mechanism listed by the EPC
- 90+ customers from 10+ different countries already trust our compliance products (PSD2 XS2A, CESOP, and more)
- ISO 27001:2002 certification highlighting our commitment to the highest standards of data protection, security, and regulatory compliance
- A unique market position being a Support PFS and AISP & PISP regulated entity
- 24/7 support and maintenance of the solutions, delivered by seasoned Regtech experts
- Three-time award winning REGTECH100 Company



GET STARTED NOW

WWW.LUXHUB.COM

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Disclaimer: this white paper depicts our understanding of the Verification of Payee obligation and is provided without any warranty whatsoever. This shall in no event replace a legal analysis to be performed on your end or together with your favourite law firm!