Position paper

Transparency Register Number: 0767788931-41

Instant payments: Liquidity risks and mitigation measures to protect financial stability

- **Risk of rapid liquidity outflows due to instant payments**
- **Protective measures against liquidity shortages: ‘cool-down button’ for individual institutions and ‘circuit breaker’ for system-wide crises**
- **Call for legal certainty**

16.12.2025

Instant payments enable the transfer of funds within seconds, allowing liquidity to drain at an unusually high rate within a very short time. Potential causes include:

- unusually high (regular) withdrawals

but also:

- fraud, cyberattacks, or sabotage,
- external shocks triggering bank runs and
- technical failures.

Impact: Liquidity shortages

Such events can pose serious threats to individual institutions or the European financial system as a whole. In extreme cases, an institution may face an acute liquidity crisis within a very short time. If these effects occur systemically—such as in TIPS (Target Instant Payment Settlement)—the entire European financial system could be affected.

Depending on the scale, two types of liquidity shortages can be distinguished:

- Isolated: a single institution or small group is affected.
- Systemic: the European financial system as a whole is at risk.

In the first case, the systemic relevance of the institution must be assessed. For non-systemically important institutions, the impact most likely can be contained locally. For systemically important institutions, it must be determined whether the damage can be locally limited.

Mitigation Measures: Suspending Instant Payments

Suspending outgoing real-time payments can buy time to implement appropriate countermeasures. The extent of the suspension depends on the ability to contain the damage:

Association of German
Public Banks, VÖB, e.V.
Lennéstraße 11, 10785 Berlin, Germany
www.voeb.de

President: Thomas Groß
Vice President: Erk Westermann-Lammers
Executive Managing Director and
Executive Board Member:
Iris Bethge-Krauß

- Institutional Suspension (**Cool-Down Button**): If only a single institution or small group is affected and the impact can be localized, suspending instant payments at the institutional level may be appropriate.
- Systemic Suspension (**Circuit Breaker**): In cases of systemic liquidity outflows with unpredictable scale, a Europe-wide suspension of instant payments may be necessary.

Demand for legal certainty

a) Cool-Down Button

- Neither the liquidity contingency plans under MaRisk (BTR 3.1) nor the ECB's "Sound practices for managing intraday liquidity risk" (November 2024) explicitly permit or require the suspension of instant payments at the institutional level. The measures provided for therein are designed to help institutions meet payment obligations on time and in full during liquidity shortages. Also, the BRRD is not suitable as a legal basis for stopping instant payments (exception: moratorium). Hence, it would be welcome to explicitly include the suspension of instant payments as a possible measure (not an obligation).
- To enhance legal certainty, thresholds for unusually high liquidity outflows should be defined, obliging institutions to activate the Cool-Down Button.

b) Circuit Breaker

- The ECB should have a Circuit Breaker mechanism at hand to halt all instant payments in the event of exceptionally high liquidity outflows.
- This requires round-the-clock monitoring systems in central clearing and settlement infrastructures to track liquidity flows.
- We therefore welcome the ECB's current activities in the context of addressing the suspension of instant payments in the event of extraordinary incidents threatening financial stability.