# Verification of Payee

**by the Banco de Portugal**

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# ACQUIRED EXPERIENCE BY THE BANCO DE PORTUGAL

**Since May 2024**, the **Banco de Portugal (BdP)** offers to **payment service providers (PSP) participants** in the national **Interbank Clearing System (SICOI) two functionalities that allow to confirm the payee/payer:**

### Single Confirmation of Payee (COPS)

Allows to **confirm the payee of a credit transfer or instant credit transfer** by **providing the name of the first holder of the payment account** corresponding to the specified IBAN.

### Bulk Confirmation of Payee/Payer (COPB)

Allows to **confirm the ownership of one (or more) payment account(s) by validating the pairs** tax identification number (TIN)/IBAN or legal person identification number (LPIN)/IBAN, **for bulk credit transfers or instant credit transfers and direct debits.**

These functionalities are **available in all PSP interfaces** to **enhance user's security** when executing payment transactions. The provision of Confirmation of Payee/Payer functionalities is **regulated by Instruction of the Banco de Portugal No 8/2018 – the SICOI Regulation** and was **validated with the Portuguese Data Protection Authority**.

# SINCE MAY 2024, 120 MILLION PAYEES WERE CONFIRMED BY THE CURRENT CONFIRMATION OF PAYEE FUNCTIONALITIES

Since the launch, on **20 May 2024**, the confirmation of payee functionalities have ensured **high availability and performance**, 24 hours a day, 7 days a week, 365 days a year, **with no disruptions** and **extremely low response times**.

**117M**

**Payees confirmed through COPS**
Average time
per request
**400 ms**

**3,2M**

**Payees confirmed through COPB**
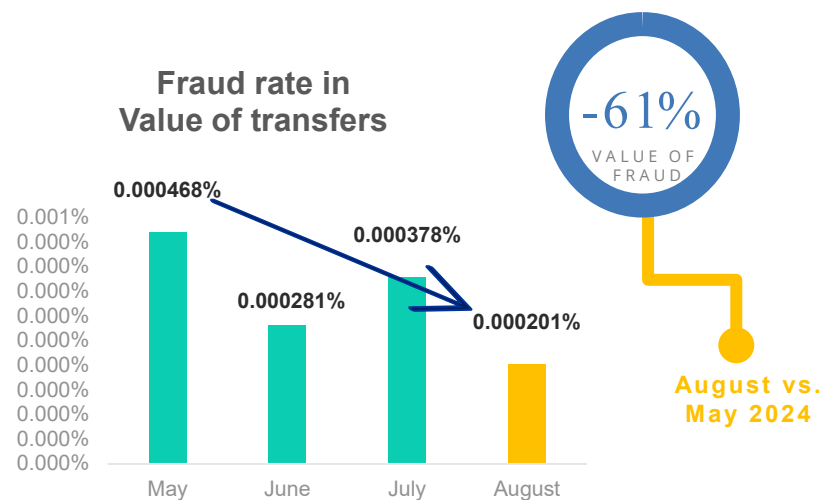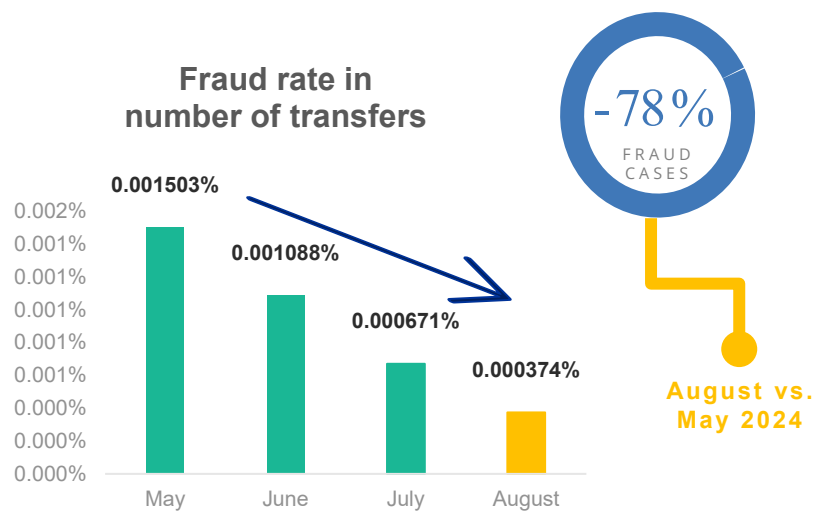Average time
per request
**650 ms**

* Data from 20 May 2024 until 19 March 2025.

# THE CONFIRMATION OF PAYEE SERVICE DECREASED THE VALUE OF FRAUD BY MANIPULATION OF THE PAYER BY MORE THAN 60%

Since the launch of the service, there has been a **significant reduction in the fraud rate** for credit transfers and instant transfers, in terms of **number and value of transactions**, due to **manipulation of the payer**.

## Fraud rate in number of transfers

- May: 0.001503%
- June: 0.001088%
- July: 0.000671%
- August: 0.000374%

**-78%**
FRAUD CASES

**August vs. May 2024**

## Fraud rate in Value of transfers

- May: 0.000468%
- June: 0.000281%
- July: 0.000378%
- August: 0.000201%

**-61%**
VALUE OF FRAUD

**August vs. May 2024**

# VERIFICATION OF PAYEE by the Banco de Portugal

## When?

- From **5 October 2025**

## Why?

**Verification of payee for the European market**

- **Regulation (EU) 2024/886** (Instant Payments Regulation – IPR), regarding instant credit transfers in euro, requires **all European PSP** to provide their customers with a **mechanism that ensures the verification of the payee** in the initiation of credit transfers, either traditional or instant.

- The provision by the **Banco de Portugal** of the **verification of payee service** to **the European market**, by **leveraging on the existing infrastructure** and **acquired experience**, is a **natural evolution** of the current confirmation of payee service**.**

- The **Banco de Portugal, in collaboration with the European Central Bank**, will provide the verification of payee service to **interested TIPS participants**.

# VERIFICATION OF PAYEE by the Banco de Portugal

## The service

- The verification of payee by Banco de Portugal is **compliant** with the **IPR requirements** and with the **EPC VOP scheme**.

- Banco de Portugal will act as a **Routing and/or Verification Mechanism (RVM)** for the payer's PSP and the payee's PSP, ensuring the connection of those PSP with the remaining EPC VOP scheme participants.

- Banco de Portugal will perform the **verification procedures** on behalf of the payee's PSP based on a **proprietary verification algorithm**.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Legal Framework

### Who?

- **All PSPs authorized under the Payment Services Directive 2 (PSD2), required to comply with the IPR**, can access the Verification of Payee service provided by Banco de Portugal.

### How?

- The adherence to the Verification of Payee service implies the acceptance of the Terms and Conditions defined in the **SICOI Regulation**. This Regulation will evolve to include the terms and conditions of the Verification of Payee service provided by the Banco de Portugal.

- The acceptance of the **Terms and Conditions** of the Verification of Payee service is formalized by signing an **adherence form**.

### What?

- The Terms and Conditions of the Verification of Payee service include its **object and scope**; the **eligibility** for participation; the **conditions of participation**; the **communication of information** among all parties; and the **liability** of the parties within the scope of the service.

# VERIFICATION OF PAYEE by the Banco de Portugal

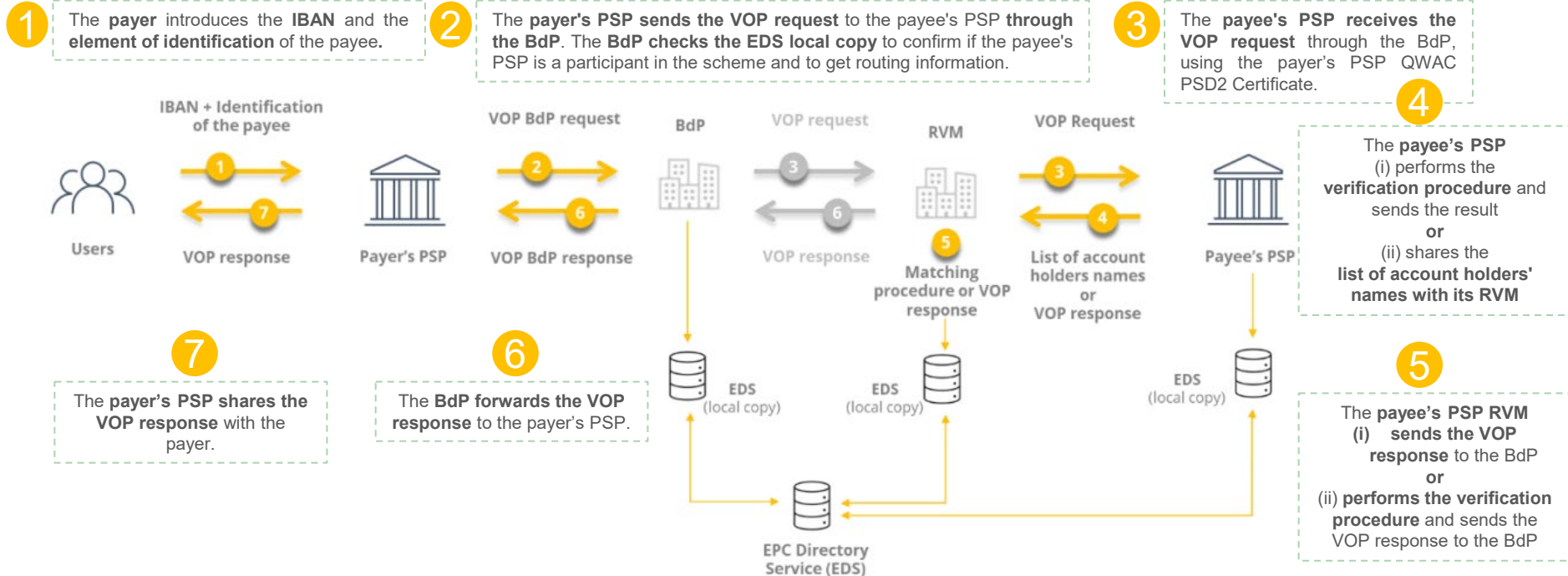## Pricing

- **A fixed monthly fee** will be charged:

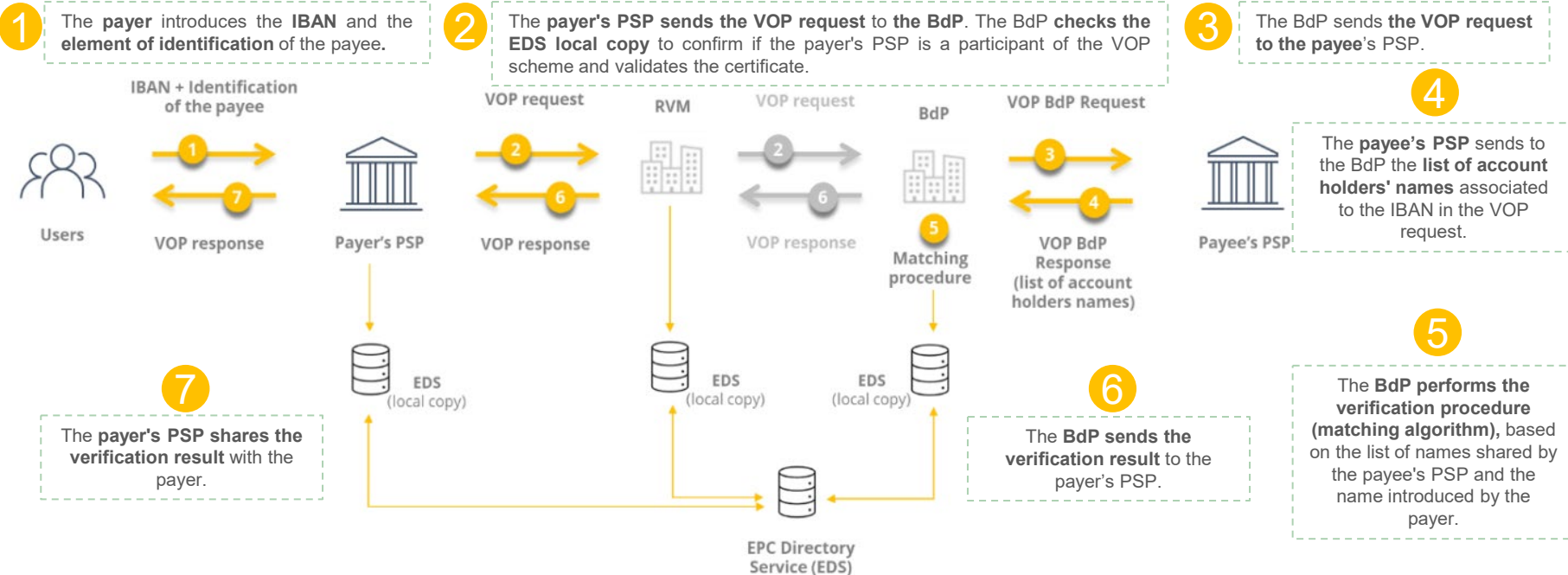|  | Monthly fee |
|---|---|
| Adherents that are only payer´s PSP | 150 € |
| Adherents that are both payer´s and payee´s PSP | 200 € |

- **No fee per request** will be applied.

# VERIFICATION OF PAYEE by the Banco de Portugal

## BdP as RVM of the payer´s PSP

**1** The **payer** introduces the **IBAN** and the **element of identification** of the payee.

**2** The **payer's PSP sends the VOP request** to the payee's PSP **through the BdP**. The **BdP checks the EDS local copy** to confirm if the payee's PSP is a participant in the scheme and to get routing information.

**3** The **payee's PSP receives the VOP request** through the BdP, using the payer's PSP QWAC PSD2 Certificate.

**4** The **payee's PSP** (i) performs the **verification procedure** and sends the result **or** (ii) shares the **list of account holders' names with its RVM**

**5** The payee's PSP RVM (i) **sends the VOP response** to the BdP **or** (ii) **performs the verification procedure** and sends the VOP response to the BdP

**6** The **BdP forwards the VOP response** to the payer's PSP.

**7** The **payer's PSP shares the VOP response** with the payer.

IBAN + Identification of the payee
Users — Payer's PSP
VOP response

VOP BdP request — BdP — VOP request — RVM — VOP Request — Payee's PSP
VOP BdP response
VOP response
Matching procedure or VOP response
List of account holders names or VOP response

EDS (local copy) — EDS (local copy) — EDS (local copy)

EPC Directory Service (EDS)

# VERIFICATION OF PAYEE by the Banco de Portugal

## BdP as RVM of the payee´s PSP

**1** The **payer** introduces the **IBAN** and the **element of identification** of the payee**.**

**2** The **payer's PSP sends the VOP request** to **the BdP**. The BdP **checks the EDS local copy** to confirm if the payer's PSP is a participant of the VOP scheme and validates the certificate.

**3** The BdP sends **the VOP request to the payee**'s PSP.

**4** The **payee's PSP** sends to the BdP the **list of account holders' names** associated to the IBAN in the VOP request.



IBAN + Identification of the payee

VOP request

RVM

VOP request

BdP

VOP BdP Request

Users

VOP response

Payer's PSP

VOP response

VOP response

Matching procedure

VOP BdP Response (list of account holders names)

Payee's PSP

EDS (local copy)

EDS (local copy)

EDS (local copy)

EPC Directory Service (EDS)

**7** The **payer's PSP shares the verification result** with the payer.

**6** The **BdP sends the verification result** to the payer's PSP.

**5** The **BdP performs the verification procedure (matching algorithm),** based on the list of names shared by the payee's PSP and the name introduced by the payer.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### Communication between BdP and the PSP that uses BdP as RVM

- Communications will be based on **application programming interfaces (API)** and aligned with the EPC VOP scheme requisites.

### PSP VOP API Implementation

- One **Account Holders endpoint** that receives an IBAN and returns the list of the account holders full names

- One **Health Check endpoint** to monitor the availability of the PSP API

### BdP VOP API Implementation

- One **Payee Verifications endpoint** that receives an IBAN and a name and returns the result of the match

- One **Health Check endpoint** to monitor the availability of the BdP API

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### Authentication and Authorization to access BDP's and PSP's API

- Implementation of an **OAuth2 authentication flow with Grant Type JWT Profile/Bearer using an access token generated by BdP's ADFS**.

- To get the access token from BdP's ADFS the requester must send a **signed JWT with a certificate**.

- The PSP must request a **new access token** whenever the current one expires.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### Authentication flow: Payer's PSP invokes BdP VOP API

- **The payer's PSP using BdP as RVM** must obtain an **access token** to invoke the BdP's API through an **OAuth2 authentication** flow with Grant Type JWT Profile/Bearer.
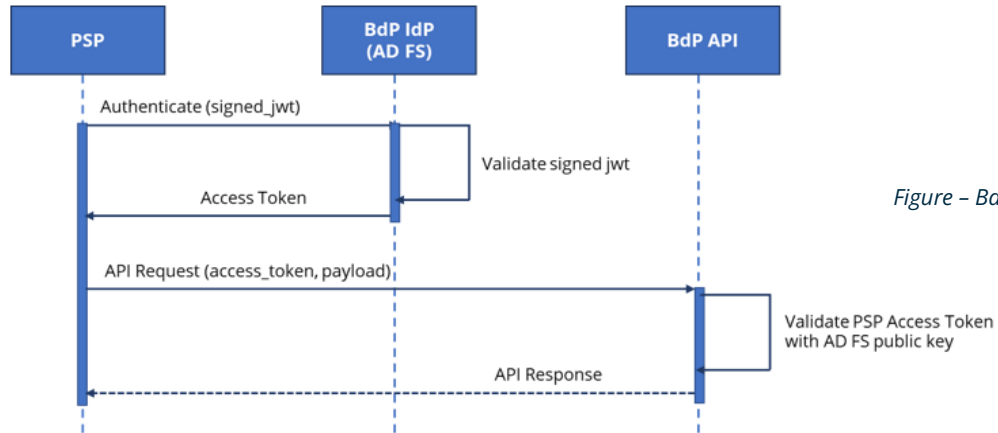


*Figure – BdP API Authentication flow*

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### Authentication flow: BdP invokes the Payee's PSP VOP API

- **The payee's PSP using BdP as RVM** API must validate the access token sent by BdP applications in the authorization attribute header.
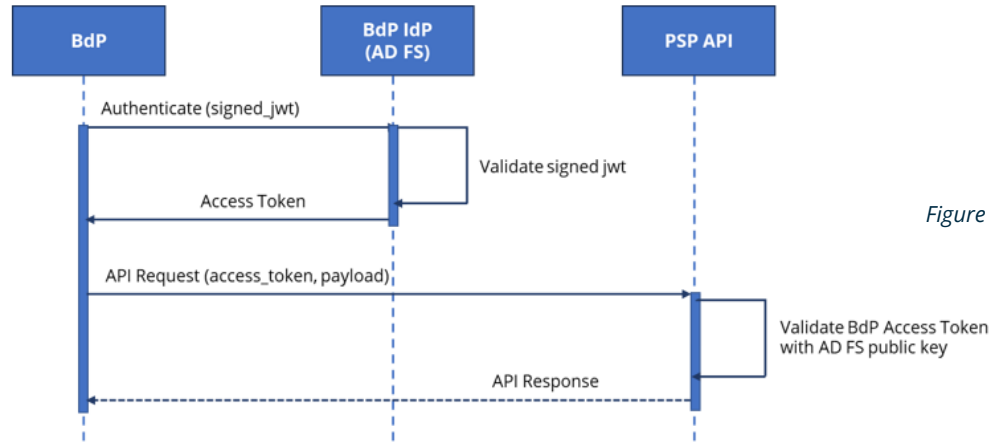


*Figure – PSP API Authentication flow*

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### Authentication flow - Certificates

- Certificates are used by PSP to authenticate/sign the tokens.

- In the production environment, the PSP must choose one of the following **certificate issuing scenarios**:

  A. **Certificate issued by BdP**. The PSP sends a Certificate Signing Request (CSR) to BdP and BdP's internal certification authority creates the certificate.

  B. **Certificate issued by a public CA**. The Certificate is purchased from a public CA by the PSP. In this case, the renewal of the certificate is the responsibility of the PSP.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

### QWAC PSD2 Certificate for communication with a PSP that doesn't use BdP as RVM

- When acting as RVM, **BdP will store the QWAC PSD2 Certificate of the payer's PSP.** BdP will connect to the payee's VOP endpoint using this QWAC PSD2 certificate.

- To ensure the maximum security for all the parties involved, BdP will store the PSP's QWAC PSD2 Certificates in a **Hardware Security Module (HSM) on BdP premisses**.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Technical set-up

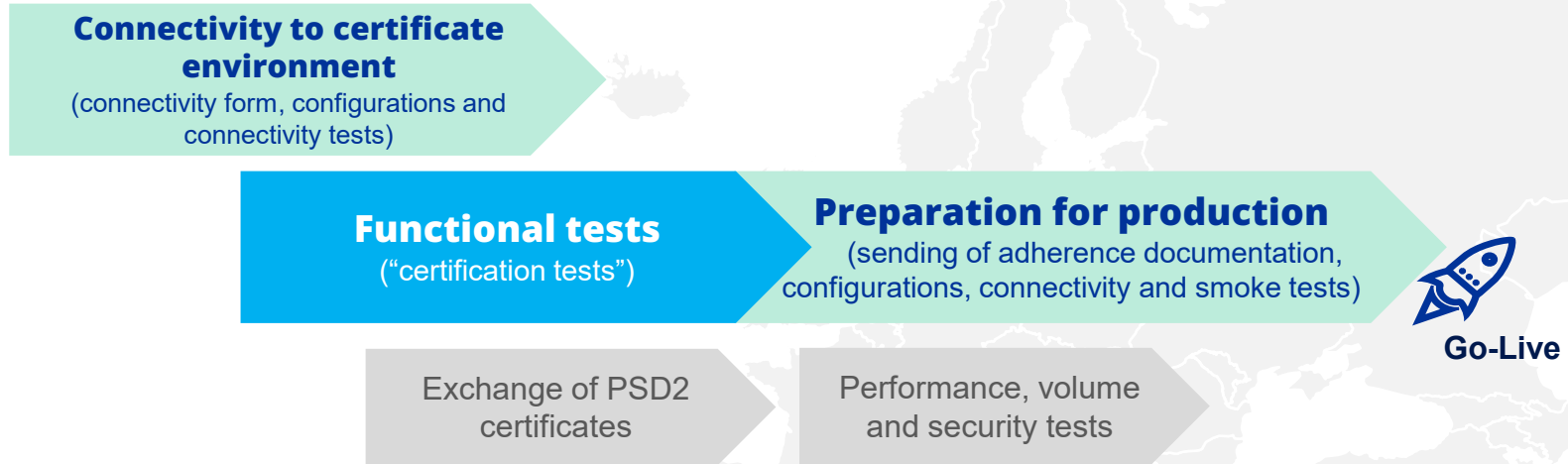### QWAC PSD2 Certificate for communication with a PSP that doesn't use BdP as RVM

| Issuance of payer's PSP QWAC PSD2 Certificate |
|---|

Steps for the **creation** of the PSP's QWAC PSD2 Certificate**:**

1. The BdP will create a **Certificate Signing Request (CSR)** from the HSM and send it to the payer's PSP;

2. The payer's PSP will **contact a certification authority** and **share the CSR** provided by the BdP, requesting the issuance of the QWAC PSD2 Certificate;

3. After receiving the certificate, the PSP will **send the .crt** file to BdP;

4. The BdP will **install and configure** the .crt file in BdP's HSM.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Onboarding

**Connectivity to certificate environment**
(connectivity form, configurations and connectivity tests)

**Functional tests**
("certification tests")

**Preparation for production**
(sending of adherence documentation, configurations, connectivity and smoke tests)

Go-Live

Exchange of PSD2 certificates

Performance, volume and security tests

# VERIFICATION OF PAYEE by the Banco de Portugal

## PSP's project timeline

| | 2025 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |

**PSP onboarding in certificate environment [13/2 to 19/9]:**
- Deliver the connectivity form to BdP [until 30/04]
- Configurations and connectivity tests [13/2 to 17/6]
- Functional tests [2/6 to 5/9]
- Performance and volume tests [8/9 to 19/9]
- Security tests to the APIs of PSP [8/9 to 19/9]

**PSP onboarding in production environment [18/6 to 19/9]:**
- Adherence documentation (adherence form, signatures and contacts) [18/6 to 11/9]
- Configurations and connectivity tests [18/6 to 11/9]
- Smoke tests [8/9 to 19/9]

**Issue and deliver PSD2 QWAC Certificates [1/7 to 29/8]:**
- BdP creates CSR from HSM [1/7 to 14/7]
- PSP request the issuance of PSD2 certificates and deliver to BdP [15/7 to 29/8]

◆ **Go-Live**
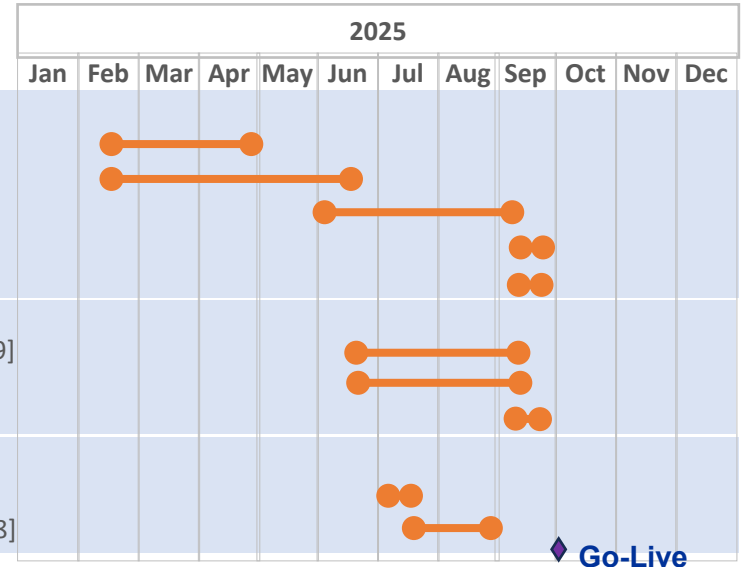
The timeline proposed **reflects the previous experience of BdP** in the implementation of similar projects and ensures successful implementation. Adjustments might be feasible.

# VERIFICATION OF PAYEE by the Banco de Portugal

## PSP's main deadlines

**Deadline for new participants:**
**30th April 2025**

| Activity | Deadline |
|---|---|
| Deliver the connectivity form to BdP | 30/04/2025 |
| Connectivity tests in certificate environment | 17/06/2025 |
| Deliver QWAC PSD2 certificate to BdP | 29/08/2025 |
| Functional tests in certificate environment | 05/09/2025 |
| Deliver the adherence documentation | 11/09/2025 |
| Connectivity tests in production environment | 11/09/2025 |
| Smoke tests in production environment | 19/09/2025 |

For those PSP that deliver the connectivity form to BdP after 30th April, implementation will be ensured on a **best effort basis**.

# VERIFICATION OF PAYEE by the Banco de Portugal

## Support by the service desk 24/7

- **Technical support available 24/7**, via phone and email.

- **Business support** :

  - **Monday – Friday** [06:30 – 21:00]: standard support, via phone and email;

  - **Remaining time:** support for abnormal situations, via phone.

## Contacts

- Email: vop@bportugal.pt

- Phone:

  - Technical support: 00351 213 130 505

  - Business support: 00351 213 130 240

# Thank you

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**Verification of Payee**
Banco de Portugal