Instant Payments

Market update

Isabelle OLIVIER

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**Instant, Immediate or Real-time Retail payments**

*Key features*

- **24 x 7**: payments can be sent and received all times of the day, every day of the year
- **Instantaneous**: good funds must be available on the beneficiary’s account in, typically, less than a minute
- **Irrevocability**: once payments are processed, they can’t be recalled
- **Certainty**: payments sent to a beneficiary bank are individually explicitly confirmed (to both payer and payee) or rejected
Instant payments context

LVPS timing differences - RT RPS / cards / closed systems

Time after transaction when Merchant / Payee is credited on bank account

C: Closed Systems
- Payer pre-funds
- Transfers within these systems are real-time

Debit Cards / On-line Systems
- Real-time confirmation of payment initiation (i.e. real-time perception for the payer)

Bank-to-Bank Instant Payment Systems
- True Real-Time

B: Credit Cards
- Real-time confirmation of payment initiation (i.e. real-time perception for the payer)

D: Bank-to-Bank Instant Payment Systems
- True Real-Time

Time before transaction when payer is debited from bank account

Instant Payments Update

Time after transaction when payer is debited from bank account
Instant Payment Adoption globally

Note: IC represents Afreximbank’s Pan-African Payment & Settlement Performance project which is expected to cover all African countries (Afreximbank’s HQ being in Egypt).
**Instant payments context**

Candidates for Real Time Payment adoption (from banks’ perspective)… *on top of cash*

<table>
<thead>
<tr>
<th>Payer</th>
<th>Payee</th>
<th>Type</th>
<th>Share*</th>
<th>Value of RT Confirming</th>
<th>Value of RT Availability</th>
<th>RT Candidate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>Consumer</td>
<td>Person to Person</td>
<td>4%</td>
<td></td>
<td></td>
<td>Primary candidate</td>
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<tr>
<td>Consumer</td>
<td>Business</td>
<td>Point of Sale (Physical)</td>
<td>51%</td>
<td></td>
<td></td>
<td>Secondary candidate</td>
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<tr>
<td>Business</td>
<td>Consumer</td>
<td>Bill Payment**</td>
<td>18%</td>
<td></td>
<td></td>
<td>Primary candidate</td>
</tr>
<tr>
<td>Business</td>
<td>Consumer</td>
<td>High Value</td>
<td>18%</td>
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<td></td>
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</tr>
<tr>
<td>Business</td>
<td>Consumer</td>
<td>E-Commerce</td>
<td>7%</td>
<td></td>
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<td>Primary candidate</td>
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<tr>
<td>Business</td>
<td>Consumer</td>
<td>Mobile Commerce</td>
<td>7%</td>
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<td></td>
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<tr>
<td>Business</td>
<td>Consumer</td>
<td>Bulk Payment</td>
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<tr>
<td>Business</td>
<td>Consumer</td>
<td>Invoice Payment</td>
<td>20%</td>
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<tr>
<td>Business</td>
<td>Consumer</td>
<td>High Value Order</td>
<td></td>
<td></td>
<td></td>
<td>Secondary candidate</td>
</tr>
</tbody>
</table>

*share of total non-cash payments worldwide
**including direct debits

Source: BCG
Instant Payments Platform Design options

Different instant payments messaging models, common requirements

**Distributed**

- Australia New Payments Platform

**Centralised**

- Centralized – Gross settlement
- Centralized – Deferred Settlement

**Key Requirements**

- Low latency
- 24x7x365
- Secure & Resilient

Eurozone, Sweden, UK, Denmark, Singapore
Drivers of the adoption of instant retail payments / Success factors

- **Involvement of authorities**
  - Gov. as driving forces (Mexico and UK)
  - Change in regulation (UK)
    - Increased banks participation
    - Improved service (speed, fees)

- **Market structure**
  - Cooperation and joint efforts are key
  - E.g., Sweden and Denmark

- **Speed**
  - Added value in terms of speed differs
  - Complementary services are key

- **Fees**
  - Fees will impact level of adoption
  - PL: high fees, low adoption
  - UK: No consumer fees

Source: “Are instant retail payments becoming the new normal? A comparative study”, Lola Hernandez
Instant Payments End-to-End Chain

In an overall context where Open Banking and APIs are introducing fundamental changes.

Participant Institution (Payer bank)

Participant Institution (Payee bank)

Interbank scope

Overlay Services

Instant Payments scope
AU NPP successfully went live on 13 February
Update on Australia’s “New Payment Platform”

- Over 10M payments worth over AUD 6.6B have already been sent with Osko.

- Splitting costs, from restaurant bills to presents are key moments for using Osko.

- SWIFT network operating stable and meeting SLA’s.

- Over 2 million people have a PayID to receive Osko payments.

- Typical payment is AUD 120.
Concept: gpi enables real-time cross-border payments, linking instant domestic systems

Illustrative example

1. Real-time cross-border payment, via gpi between 2 banks when no domestic instant payment system yet (e.g. US -> CA)
2. Real-time cross-border payment, via gpi into domestic instant payment system (e.g. SG -> AU NPP)
3. Real-time end-to-end payment, from one domestic instant payment system to another via gpi (e.g. SG FAST -> AU NPP)
Instant Payments in the EU zone

- SCT Inst scheme
- Other schemes

Different liquidity models, different ambitions
Variations on domestic levels

TIPS
RT1
EBA CLEARING

UK Vocalink
DK NETS
NO Bits
SE BiR/Swish
LV EKS IP
LT CBoL
HU Giro
IT NEXI
TR RPS
PL KIR
FR STET
BE STET
NL Equens
ES Iberpay
PT SIBS

Instant Payments update
SWIFT’s Instant Payments Platform High Level Benefits

While meeting EU Instant Payments requirements

Support the various messaging needs for instant payments and be future proof for T2/T2S/TIPS consolidation (incl. ESMIG) and beyond (interface strategy)

Enable re-use

SWIFT customers will be able to re-use of SWIFT assets as much as possible

Multi-CSM Connectivity

Participants will be able to connect to multiple services (CSM, value-added services) through a single connection

Future proof

Support future footprint evolution, infrastructure changes, Industry initiatives and Regulation into account
SWIFTNet Instant, the single window for instant payments

*Alliance Gateway Instant can support different type of flows*
Conclusions

More and more Instant Payment services
- Competitive pressure
- Innovation, modernisation, usage of new technologies
- Cash war, financial inclusion

Success dependant on:
- Easy to use value added services (overlay services)
- Available across the banking community (reach)
- Secure
- Cheap (Business case ?)