

# Instant Payments – Payments without time delay

Roll-out challenges for financial institutions

Factsheet | Payments



## Current situation

Money transfers within 10 seconds at a maximum (from client to beneficiary), 365 days a year – that is Instant Payments.

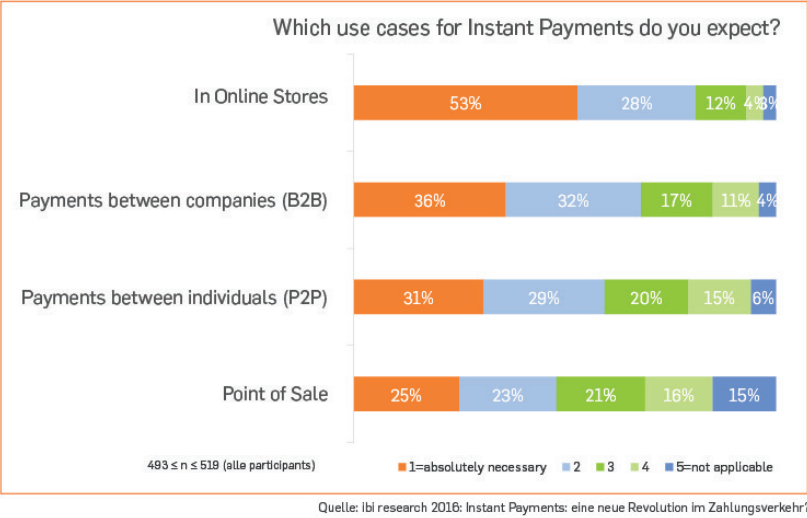
It is supposed to enable you to transfer up to € 15,000 at any time in the 34 countries that are part of the Single Euro Payments Area (SEPA). Up to now, transfers are generally credited on the following bank business day. On weekends or holidays it could take several days.

The requirements of the Euro Retail Payments Board (ERPB) for Instant Payment solutions are clearly defined: the credit to the recipient account must occur almost immediately. The interbank clearing will also be performed almost instantaneously or using guarantee models and the processing takes place with commercial bank or central bank funds.

Based on the EPC scheme SCT<sup>Inst</sup>, Instant Payments should be available everywhere in Europe not later than the end of 2018. Great Britain and Sweden (with the mobile banking solution Swish) already have functional domestic solutions.

With RT1, EBA Clearing delivered an infrastructure solution in November 2017 to implement instant SEPA transfers at the entire European level. The Euro system of the European Central Bank has already announced a date for its clearing and settlement solution TIPS – November 2018.

Impact

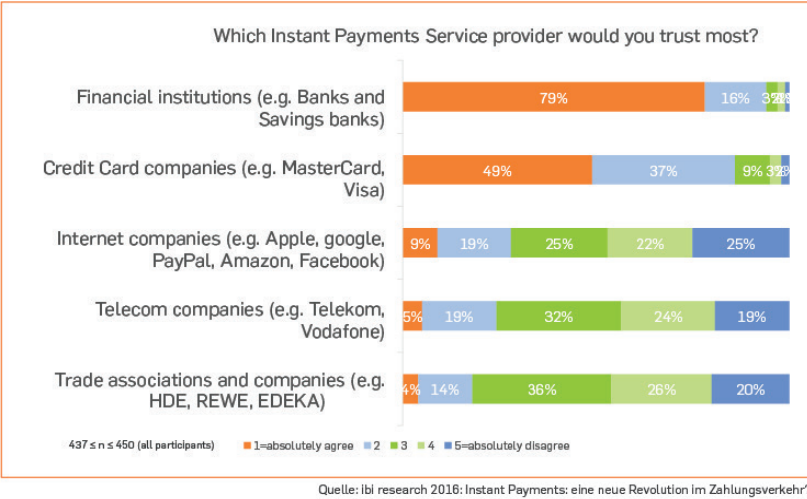


Experts agree: Instant Payments will replace various payment methods at least partly in the coming years. This is especially true for the possibilities introduced by SEPA. According to the plans of ERPB, financial institutions shall be enabled to perform rapid money transfers, direct debit card payments. In this context Instant Payments should be usable in as many areas as possible, both for customers and between businesses.

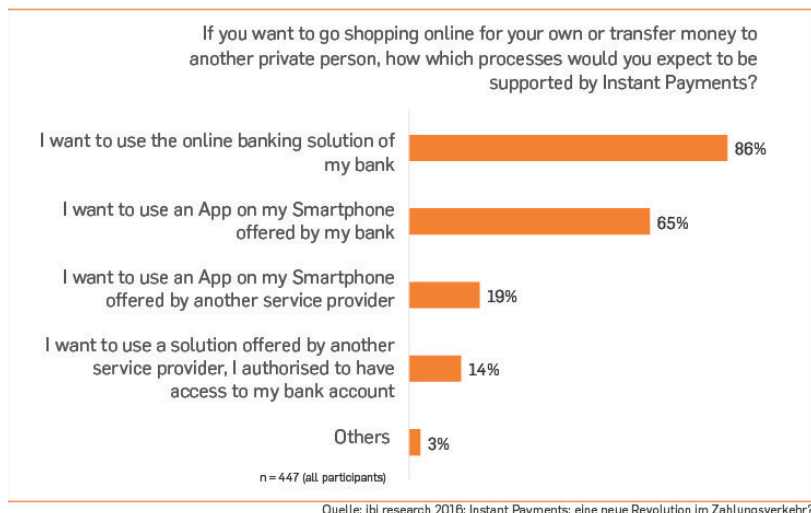
This is also the conclusion of the study „Instant Payments: a new revolution in payments?“ of ibi research, for which private persons and businesses were interviewed.

Challenges

Thus banks and saving banks do not longer face the question of whether but only when and how they should offer their customers Instant Payment products. The financial institutions are facing a variety of challenges in this context. The availability of financial institutions via different clearing systems is decisive for the implementation of Instant Payment programs and products. They must decide for their institute whether they will join one or several systems.



According to the ibi study, financial institutions still have a credit of trust towards other companies. But the financial institutions are required to find a proper (and smart) solution for Instant Payment as soon as possible. Otherwise they may loose this credit of trust towards new companies (even outside of the financial industry).



According to the respondents the implementation has to be mobile, location-independent, fast, and uncomplicated (just a few clicks).

In order to execute Instant Payment orders, it must be possible to perform credit checks of the paying party within seconds. Payments in the clearing system are only performed based on existing credit balances. For this reason, the institutes must keep a sufficient 24/7 reserve of liquidity in the clearing systems they use, even outside of

TARGET2 business hours – and that separately for each used solution (RT1, TIPS, ...).

## Our services

We will advise you independently in your decision for one or several solutions, support you in the feasibility study of the difference scenarios, and help you with the implementation.

- Consulting in the decision whether to use Instant Payment solutions RT1 and TIPS in parallel.
- Support in your projects for implementing Instant Payments (RT1 and TIPS) in terms of planning, technical concept, development, and project management.
- Help in defining the processes for funding (intraday-liquidity management) RT1 and TIPS (via TARGET2).
- Support in keeping implementation compliant with the European Payments Council (EPC standards) and the Business Rules for SCT<sup>inst</sup>.

## Why syracom?

**syracom** has more than 15 years of know-how in payments. Our wide range of contacts has given us first-hand experience with Instant Payments. Our experts are familiar with the current state of the plans of the various providers and know the particularities of the different systems. Our consultants have well-founded, practically tested methodological know-how and industry knowledge. Together with you, we will identify market opportunities and provide ideas for your pan-European business development.



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