

# **Instant Payments**

**An International Update  
and a Romanian approach**



**Bucharest, October 26<sup>th</sup>, 2016**

## IP Project in Romania, by RBA and TRANSFOND (scheme and infrastructure)



RBA and TRANSFOND are currently waiting for banks to send their letters of intent (LoI) regarding their plans to adhere to SCT Inst for RON and to the subsequent Instant Payments Infrastructure, to be developed by TRANSFOND



The target time frame for go-live (before LoI) – the second half of 2018



A first round of consultations with Romanian banks and RBA (experts level, May – June 2016) showed understanding of the following arguments:

- IP as the next worldwide retail payments standard and intent of the banks to adjust to the IP requirements
- If banks do not adjust, fierce competition under PSD2 terms is to be expected from non-bank PSP's



Other details regarding the project to follow by end 2016 – beginning 2017

## European View



- November 27<sup>th</sup>, 2015: SEPA Credit Transfer Instant payments project launch by Task Force Instant Payments at EPC level.
- April 12<sup>th</sup> – July 10<sup>th</sup> 2016: public consultation on SCT Inst scheme
- November 2016: SCT Inst Rulebook and the proposed detailed business and technical rules scheduled to be published
- November 2017: Implementation of SCT Inst scheme.



- ISO 20022 Real Time Payments Group (RTPG) is working towards the development of XML ISO 20022 messages for instant payments.



- November 2015: finalizing and sending the ECB "Instant Payments Interoperability Guidelines"
- Defining the interoperability guidelines for SCT Inst.



- Creation of an ACH Task Force on Instant Payments (EACHA, EBA Clearing, BCE, central banks)
- Defining the Eurosystem's services to accommodate SCT Inst.

## Aggregated facts from 4 live IP infrastructures in EU



- 45% to 100 % of the banking services customers currently covered;



- Proxy database (mobile number-to-IBAN conversion) – the most frequently used and the most successful overlay service, which immediately allowed annual growth rates of up to 20%, mostly P2P and P2M;



- Bluetooth terminal to merchants, extended mobile app functions, electronic receipts, share bill functionality, POS instant payment in all major retailers, Internet retailers on-boarded, loyalty programs, urgent welfare benefits payments (in cases of natural disasters), etc..



- Volumes may vary from several millions to tens of millions per year, depending on the size and degree of economic development of each economy, but growth is steady at high rates

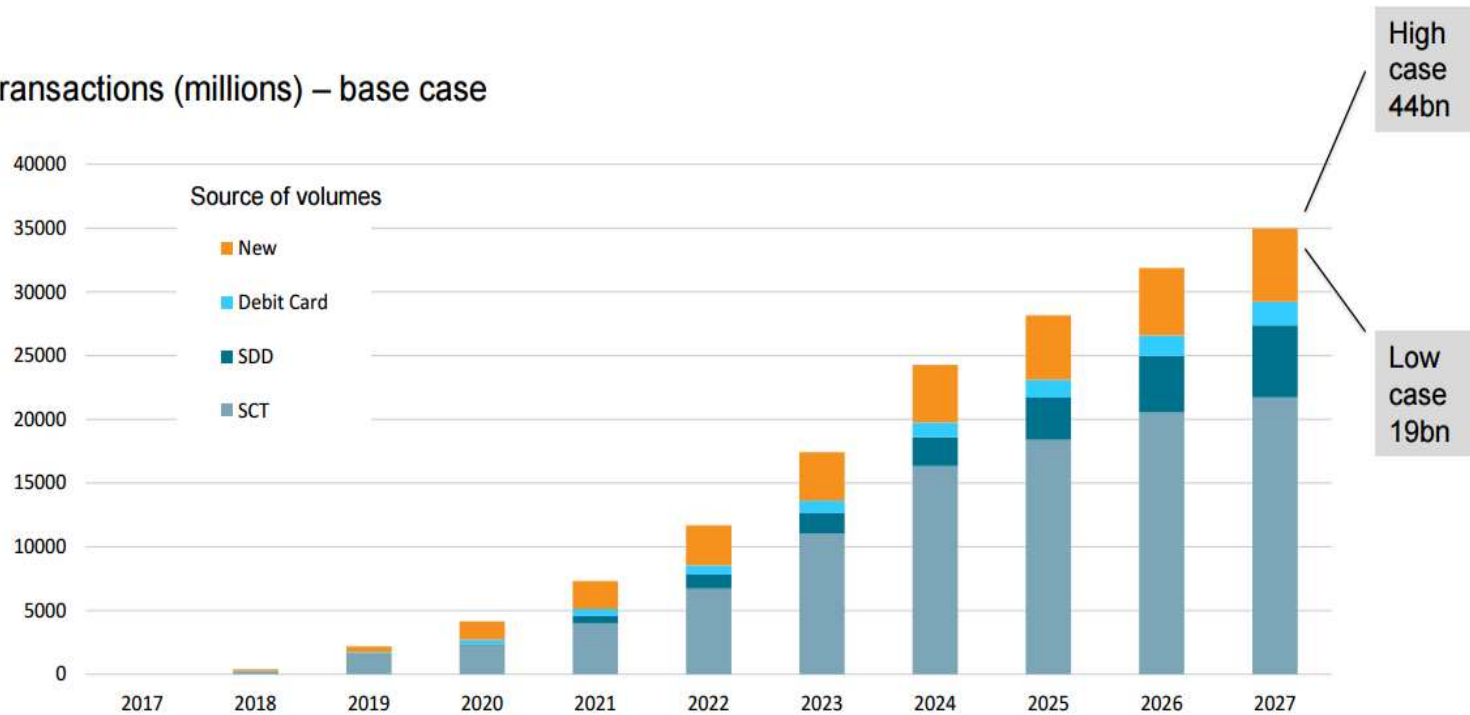


- There are no signs of cannibalization of traditional electronic payments (cards, credit transfers), up to now the resulting IP transactions are new comers in the family of electronic payments, derived from cash and checks.

Public

## Instant Payments will dominate the Euro payments landscape

Transactions (millions) – base case



Source: Vocalink analysis , based on ECB, NCB and commercial sources

[www.vocalink.com](http://www.vocalink.com)



## IP Conquering the World (1)

Real-time payments have become a reality

Many markets show live systems or progress, however no Euro systems live yet



## IP Conquering the World (2)

### THE QUESTION OF A BUSINESS CASE

The business case (i.e., for both banks and central infrastructures, *editor's note*) is therefore a mixture of art and science.

**In essence there is no business case (as this is a severe disruption of previous models, *editor's note*), so a long-term strategic view is required and this adds weight when evaluating the investment needed.**

**As the financial industry adopts immediate payment schemes globally regardless of the domestic variations providers of payment services cannot afford to be excluded.**

**The challenge is not the cost of investment to join a scheme but how you convert it to a tangible, financial payback by offering ease of access to compete on service and product in the digital community.**

**Digital technologies, regulatory drivers, customer expectations and new competition all conspire to make this a positive opportunity and a time for banks to embrace the opportunities of immediate payment services and solutions.**

## IP Conquering the World (3)

### ***Market Adoption Factors<sup>1</sup>:***

- High Quality/High Impact Overlay Services (i.e., mobile numbers – IBAN proxy database; instant payments facility in all mobile banking apps, etc. )
- Investment in Peripheral Infrastructures (banks, retailers)
- Value Added Services
- Market Education
- Coordinated Efforts Together with Authorities to Promote Instant Payments

<sup>1</sup> *"Capgemini - World Payments Report 2016" and TRANSFOND analyses*



[instant@transfond.ro](mailto:instant@transfond.ro)

