PAYMENTS ON THE FAST LANE
Helping banks unlock value from real-time payments
CONTENTS

- Encashing real-time payments
- Tracking the real-time journey
- Fuelling real-time payments
- Adopting real-time payments
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Real-time payments are becoming the new normal across industries and banking is no exception.

Digital has disrupted the payments market, and banks in the European Union are staring at a reduction of up to 43 percent on revenues from retail payments due to the changing dynamics in the industry.¹

Can banks reinvent themselves to match the new pace of doing business? Yes, if they follow the trail. More in the pages that follow.
ENCASHING REAL-TIME PAYMENTS

Real-time payments solutions (also referred to as faster payments and instant payments) have been successfully introduced in several countries across the globe. However, there’s a need to analyse and understand their impact in terms of implementation, and supporting systems such as anti-money laundering (AML) and fraud detection applications, and IT systems. Impact on operational costs as well as on other existing payment systems within the bank also need to be considered. Another factor is that real-time payments are governed by the regulator or central bank of a country, making it mandatory for banks to participate in the payment scheme. Banks generally have an option to either join in directly or be indirect participants in the implementation, depending on their size and country-specific regulatory requirements. Most regulators also do not allow banks to recover transaction costs from customers because they want to promote the new payments systems. The service is either offered to customers free of charge or the transaction fees are capped. As a result, banks are left with little or no avenues to recover the costs incurred for the implementation, promotion and maintenance of the new payments systems.

This white paper outlines the various factors banks need to consider while implementing a real-time payments system and the ripple effect it has on its core strategy, revenue structure and operations.

We also look at strategies banks can adapt to derive business value from the implementation, instead of only focusing on return on investment (RoI). We analyse use cases of implementations across the globe to study the impact on customer experience. Finally, we look at how banks’ digital strategies can evolve by embedding real-time payments, helping them unlock value.
Real-time payments systems enable customer payments in a matter of seconds, from initiation to confirmation (see Figure 1). These systems are now ingrained into the payments landscape in countries that have introduced them.

More than 40 countries have implemented real-time payments. Some countries, including Korea, Brazil and Mexico, adopted them as recently as a decade ago, while others such as Japan and Switzerland have been using them for more than 30 years (see Figures 2 and 3).

Figure 1: Real-time payments process

- Customer initiation-to-confirmation speed: <1s (point of sale) - 5s
- Account-to-account speed: <2s
- Central infrastructure speed: <0.1s

Figure 2: Real-time payments landscape (as of November 2018)
Real-time payments are gaining traction among retail banking customers, especially during non-business hours. With real-time payments, banks can transfer funds from the payer to the payee instantly through changes in their clearing and settlement processes, and acceptance of a certain amount of settlement risk. For instance, Faster Payments Service (FPS) in the United Kingdom (UK) debit and credit the payer and the payee’s accounts respectively. The participating banks then settle their accounts with the Bank of England through the Net Deferred Settlement Scheme. The settlement risk is safeguarded to an extent through the reserves requirement. Banks also typically place a per transaction limit and a daily cap on the faster payment transactions to mitigate the risk.

Key functions impacted by real-time payments include the speed of transactions, the associated downstream impact, balance between clearing and settlement mechanisms, and the settlement risk versus the cost of transaction consideration.

Source: Accenture internal research

Figure 3: Real-time payments systems under development or in planning (as of November 2018)

Real-time payments are gaining traction among retail banking customers, especially during non-business hours.
Both real-time gross settlement (RTGS) systems and real-time payments systems transfer funds within seconds for both the payer and the payee. For banks, faster payments are settled typically up to six times a day (six times a day in China, twice a day in Singapore and thrice a day in the UK). However, RTGS payments are settled instantly (see Figure 4).3,4

Figure 4: Comparative study of payments

<table>
<thead>
<tr>
<th>Processing mode</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single transaction</td>
<td>File</td>
<td>Single transaction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Availability of funds</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Real time</td>
<td>1–3 days</td>
<td>Within seconds</td>
</tr>
<tr>
<td></td>
<td>(Real time)</td>
<td>(SEPA credit transfer maximum 24 hours)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating hours</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Settlement day</td>
<td>Settlement day</td>
<td>Settlement day</td>
</tr>
<tr>
<td></td>
<td>(Central bank operating hours/days)</td>
<td>(Central bank operating hours/days)</td>
<td>24/7/365</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Messaging model</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Four Corner Models* including central system</td>
<td>Centralised approach such as automated clearing house (ACH) or decentralised approach such as bilateral exchange</td>
<td>Mostly centralised model although New Payments Platform (NPP) in Australia uses a decentralised model</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Settlement</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RTGS</td>
<td>Deferred net settlement or pre-funding</td>
<td>Pre-funding or deferred net settlement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit and credit processing</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit and credit sides of the transaction are synchronous</td>
<td>Debit and credit sides of the transaction are asynchronous</td>
<td>Debit and credit sides of a transaction are synchronous, confirmation to both payer and payee immediately after payment completion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Message format</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Society for Worldwide Interbank Financial Telecommunication (SWIFT) FIN</td>
<td>SWIFT FIN/ ISO 20022</td>
<td>ISO 20022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment systems</th>
<th>High-value payments (Real time)</th>
<th>Retail payments (Batch)</th>
<th>Retail payments (Real time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High-value payments systems</td>
<td>ACH</td>
<td>Central real-time payments systems</td>
</tr>
<tr>
<td></td>
<td>Pure RTGS systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hybrid systems</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*In the traditional Four Corner Model of payment processing, the originator and the beneficiary represent the upper corners (consumers, corporate and banks) whereas their account holding institutions (financial institutions) build the lower two corners.
With the advent of high-speed connectivity and mobility, real-time payments systems are redefining the way retail payments are settled and acknowledged, in line with other customer journeys and experiences (shopping, cab/hotel bookings, social media, etc.). Figures 5a, 5b and 5c highlight the real-time payments landscape in various geographies. While RTGS is available only during a fixed time, real-time payments are available 24x7, including on bank holidays.

Figure 5a: Real-time payments systems implementation status across Asia Pacific$^{3,4}$

<table>
<thead>
<tr>
<th>Country</th>
<th>Implement</th>
<th>Year</th>
<th>Payee speed</th>
<th>Settlement model</th>
<th>Virtual addressing</th>
<th>Number of settlements per day</th>
<th>Message format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>NPP</td>
<td>2017</td>
<td>Within a minute</td>
<td>Real time</td>
<td>E-mail address, mobile number, AADHAR number</td>
<td>Nil (Real time)</td>
<td>ISO 20022</td>
</tr>
<tr>
<td>India</td>
<td>IMPS</td>
<td>2010</td>
<td>0-30 seconds</td>
<td>Deferred net</td>
<td>Mobile number, AADHAR number</td>
<td>4</td>
<td>ISO 8583</td>
</tr>
<tr>
<td>Korea</td>
<td>EBS</td>
<td>2001</td>
<td>1-2 seconds</td>
<td>Deferred net</td>
<td>Only through bank account number</td>
<td>1</td>
<td>Proprietary</td>
</tr>
<tr>
<td>China</td>
<td>IBPS</td>
<td>2010</td>
<td>0-20 seconds</td>
<td>Deferred net</td>
<td>Only through bank account number</td>
<td>6</td>
<td>Proprietary</td>
</tr>
<tr>
<td>Turkey</td>
<td>BKM Express</td>
<td>2013</td>
<td>0-30 seconds</td>
<td>Deferred net</td>
<td>Only through bank account number</td>
<td>1</td>
<td>Proprietary</td>
</tr>
<tr>
<td>Singapore</td>
<td>FAST</td>
<td>2014</td>
<td>About 15 secs</td>
<td>Deferred net</td>
<td>Mobile number, national registration identification number and unique entity number</td>
<td>2</td>
<td>ISO 20022</td>
</tr>
<tr>
<td>Japan</td>
<td>Zengin</td>
<td>1973</td>
<td>Real time</td>
<td>Deferred net</td>
<td>Data not available</td>
<td>1</td>
<td>ISO 20022</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>FPS</td>
<td>2018</td>
<td>Data not available</td>
<td>Real time</td>
<td>Mobile number and e-mail address</td>
<td>Nil (Real time)</td>
<td>ISO 20022</td>
</tr>
</tbody>
</table>

*NPP: New Payments Platform; IMPS: Immediate Payment Service; EBS: Electronic Banking System; BKM Express: Bankalararasi Kart Merkezi; FAST: Fast And Secure Transfers; FPS: Faster Payment System; ABN: Australian Business Number
Figure 5b: Real-time payments systems implementation status across Europe\textsuperscript{3,4}

<table>
<thead>
<tr>
<th></th>
<th>United Kingdom</th>
<th>Sweden</th>
<th>Italy</th>
<th>Switzerland</th>
<th>SEPA</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation</strong></td>
<td>FPS</td>
<td>BiR/SWISH</td>
<td>Jiffy</td>
<td>SIC</td>
<td>SCT Inst</td>
<td>Nets RT</td>
</tr>
<tr>
<td><strong>Year</strong></td>
<td>2008</td>
<td>2012</td>
<td>2014</td>
<td>1987</td>
<td>2017</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Payee speed</strong></td>
<td>0-120 seconds</td>
<td>1-2 seconds</td>
<td>2-3 seconds</td>
<td>Real time</td>
<td>10 seconds</td>
<td>1-10 seconds</td>
</tr>
<tr>
<td><strong>Settlement model</strong></td>
<td>Deferred net</td>
<td>Deferred net</td>
<td>Deferred net</td>
<td>Real time</td>
<td>Deferred net real time (with TIPS launch in Nov 2018)</td>
<td>Deferred net</td>
</tr>
<tr>
<td><strong>Virtual addressing</strong></td>
<td>Mobile number</td>
<td>Mobile number</td>
<td>Mobile number</td>
<td>Mobile number</td>
<td>Data not available</td>
<td>Data not available</td>
</tr>
<tr>
<td><strong>Number of settlements per day</strong></td>
<td>3</td>
<td>Multiple</td>
<td>5*</td>
<td>Nil (Real time)</td>
<td>Data not available</td>
<td>6</td>
</tr>
<tr>
<td><strong>Message format</strong></td>
<td>ISO 8583</td>
<td>ISO 20022 and SWIFT Fin</td>
<td>Data not available</td>
<td>ISO 20022 (since 2016)</td>
<td>ISO 20022</td>
<td>ISO 20022</td>
</tr>
</tbody>
</table>

FPS: Faster Payment System; BiR: Betalningar i Realtid; SIC: Swiss Interbank Clearing System; SCT Inst: SEPA Instant Credit Transfer; TIPS: TARGET Instant Payments Settlement

* Jiffy, the Italian system, is based on SCT and thus payments can be cleared and settled in any SEPA complaint clearing and settlement mechanism (CSM). The actual number of settlement batches depends on the design of each CSM. The number refers to the Italian CSMs and the European CSM STEP2.
### Figure 5c: Real-time payments systems implementation status across the Americas and Africa³,⁴

<table>
<thead>
<tr>
<th></th>
<th>Mexico</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation</strong></td>
<td>SPEI</td>
<td>SITRAF</td>
<td>RTC</td>
<td>TEF</td>
</tr>
<tr>
<td><strong>Year</strong></td>
<td>2004</td>
<td>2002</td>
<td>2006</td>
<td>2008</td>
</tr>
<tr>
<td><strong>Payee speed</strong></td>
<td>0-60 seconds</td>
<td>&lt; 1 minute</td>
<td>0-60 seconds</td>
<td>&lt; 15 seconds</td>
</tr>
<tr>
<td><strong>Settlement model</strong></td>
<td>Real time</td>
<td>Continuous net settlement</td>
<td>Deferred net</td>
<td>Deferred net</td>
</tr>
<tr>
<td><strong>Virtual addressing</strong></td>
<td>Data not available</td>
<td>Not available</td>
<td>Data not available</td>
<td>Data not available</td>
</tr>
<tr>
<td><strong>Number of settlements per day</strong></td>
<td>Real time#</td>
<td>Not available</td>
<td>3 – normal business hours</td>
<td>2</td>
</tr>
<tr>
<td><strong>Message format</strong></td>
<td>Proprietary</td>
<td>Extended mark-up language (XML)-based messaging system but will be moving to ISO 20022 in the near future</td>
<td>ISO 8583</td>
<td>ISO 8583</td>
</tr>
</tbody>
</table>

SPEI: Sistema de pagos electrónicos interbancarios; SITRAF: Sistema de Transferência de Fundos (Funds Transfer System); RTC: Real Time Clearing Payments; TEF: Transferencias en Línea

* Four times on week days, twice on Saturdays and once on Sundays and public holidays

# Several batches (every three seconds or whenever more than 300 payments are queued, whichever occurs first)
As shown in Figures 5a, 5b and 5c, each country has its unique framework for real-time payments and implementation. While there is no standard global framework, many have used the ISO 20022 standard for their messaging formats which is increasingly gaining acceptance globally. Apart from the messaging formats, the overall frameworks are designed by regulators in each country, based on specific goals. Each country has its own goals and opportunities for faster payments, and these depend on the consumer patterns prevalent in the country.

For example, in the emerging markets, there are more mobiles than bank accounts. Hence, the regulator’s goal would be to drive real-time payments with a broader target towards financial inclusion. In some countries like Poland, where credit cards are less prevalent, real-time payments are targeted at driving e-commerce.

Broadly, the factors nudging banks towards real-time payments implementation are the underlying customer need for immediacy, ease and convenience. The rise of independent FinTechs and the recent surge in blockchain technology companies have also fuelled the move.
FUELLING REAL-TIME PAYMENTS

Despite the high initial costs, real-time payments systems have become the norm due to the following reasons:

1. Customer expectations for immediate fund transfers
2. Merchant expectations for real-time settlement and funds availability
3. Better customer experience
4. Competition from early adopter payment service providers and banks
5. Competition from FinTechs
6. Market competition (if banks do not offer real-time payments, customers might move to others that do, creating losses not just in payments but other banking functions as well)

For banks, the writing is on the wall. Instead of focusing only on costs and benefits of real-time payments, they need to consider how this solution can add value to their overall business.
PROJECT UBIN: REAL-TIME IN ACTION

Accenture partnered with the Monetary Authority of Singapore (MAS) and the Association of Banks in Singapore (ABS) for a collaborative project with 11 financial institutions and four technology partners.

AIM

The aim was to explore the use of distributed ledger technology (DLT) for specific RTGS functionalities. Mainly, the project focuses on the feasibility of decentralising Liquidity Saving Mechanisms (LSM), while maintaining the privacy of banking transactions.

WHAT WE DID

Leveraging the capabilities of the Accenture Liquid Studio and its Liquid Delivery Methodology with Microsoft Azure as the cloud platform, three prototypes were developed on three different DLT platforms: Corda, Hyperledger Fabric and Quorum.

The prototypes successfully demonstrate that:

• Essential functions of an RTGS system such as fund transfer, queueing mechanism and gridlock resolution can be achieved through different techniques and solution designs.

• Decentralising the key functions of an RTGS system may not only mitigate the inherent risks of a centralised system, such as single point of failure but may also affirm the promised benefits of DLT, for example, cryptographic security and immutability.

Given that privacy is paramount in an interbank payment system, this project validates that all workstreams may ensure the privacy of RTGS transactions with their distinct methods. Specifically, Corda with its Unspent Transaction Output (UTXO) model and confidential identities, Hyperledger Fabric leveraging its Channels design, and Quorum using Constellation and zero-knowledge proofs (ZKP).
Accenture helped these banks understand the implications of implementing RTGS systems and devise a digital strategy.

**Ubini Phase 2 successfully demonstrates the use of DLT to decentralise RTGS without compromising privacy. It concluded that all three workstream designs have successfully demonstrated the feasibility of removing a central infrastructure operator in a DLT-based RTGS system. The project demonstrated Accenture’s global and local capabilities in DLT and the global financial market innovations.**

For the first time, proven Liquidity Saving Mechanism (LSM) was used on Distributed Ledger Technology (DLT) while preserving transactional privacy.
ADOPTING REAL-TIME PAYMENTS

Adopting real-time payments is not just about implementing a new technology. Banks must also consider the impact they have on other internal functions. Some key factors to consider are:

- Revenue loss in floating income
- Impact on revenue and other payments systems
- Strict service-level agreements
- Impact on AML, fraud detection checks
- Cost (implementation, transaction and operational) impact
Impact on other payments systems within the bank

There have been various studies on the impact of real-time payments on the existing payments systems in banks. Research suggests that cash payments are least impacted as they are still the preferred mode of payment in developing economies.\(^5\)

RTGS and batch payments are also hardly impacted as they are primarily used for high-value transactions and one-to-many payment instructions.

Revenue loss due to a reduction in floating income

Traditionally, payment settlements happen overnight, resulting in banks getting flushed with settlement funds earning floating income from overnight investments. In real-time payments, settlement cycles are completed during the day, removing the floating revenue stream. As a result, the cost and revenue models of real-time payments are significantly impacted.

Strict service-level agreements (SLAs)

Banks need to rethink and realign their SLAs for real-time payments. The impact of running 24x7 systems and the non-functional requirements would need to be assessed. Banks need to increase transactions-per-second processing to deal with large, low-volume transactions and ramp up operational teams to handle and resolve support-related issues 24x7.

Real-time fraud detection and AML checks

For real-time payments, banks must reconsider their security measures and enhance their infrastructure to enable online fraud detection systems and AML checkpoints during transactions. To be successful, this would not only mean revamping the systems, but also implementing robust solutions for real-time AML checks.
It is also important to understand the various costs involved in implementing real-time payments systems. The costs can be classified into the following categories:

<table>
<thead>
<tr>
<th>Implementation costs</th>
<th>Transaction costs</th>
<th>Operational costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development costs</td>
<td>Transaction fee</td>
<td>Costs for training</td>
</tr>
<tr>
<td>Customisation costs</td>
<td>Commissions to be paid to sponsor banks (in case of indirect participants)</td>
<td>Operational costs for maintenance of the team to manage settlement and reconciliations</td>
</tr>
<tr>
<td>Connectivity costs to connect the core banking system with the real-time payment solution</td>
<td>Fee to be paid to network operators such as mobile networks</td>
<td>Annual maintenance costs</td>
</tr>
<tr>
<td>Connectivity costs to connect with the service provider/regulator/central bank</td>
<td></td>
<td>Marketing, promotions and advertising costs</td>
</tr>
<tr>
<td>Connectivity costs to connect with gateways/merchants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost for setting up POS and maintenance, etc. (mobile apps or NFC-enabled communications)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed costs such as the fee for installation of switches, etc</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
For example, the costs for the UK Faster Payment Service implementation touched approximately £0.7–20 million per bank, with the Financial Conduct Authority (FCA) pegging the entire cost of implementation at approximately £200 million, centrally.6

The FCA had estimated that the maintenance costs would run up to £150–230 million over a seven-year period among 12 banks that started and owned the project. The costs could fall as more banks join the network.

These costs could drain the banks’ funds with very little scope for revenues unless customers are charged a transaction fee. An Accenture study shows that cost per transaction can be brought down if the number of transactions is significantly high (see Figure 6).

Figure 6: Direct membership costs to volumes for FPS UK
UNLOCKING VALUE, REAL-TIME

Implementing real-time payments systems provide a big opportunity for banks to derive business value, instead of ROI alone. Although there are little or no avenues to recover costs, aligning their long-term digital strategy to real-time payments systems can help banks unlock value and gain a competitive advantage. Real-time payments can be used in various use cases in the banks’ digital strategy to provide customers and merchants with easy, convenient and real-time solutions to existing problems for transactions and settlements. What drives value to the various use cases is summed up by how they are instant, invisible and free. Read our next section to know more about the strategies for real-time payments, and how they are having far-reaching implications across geographies than initially understood.
STRATEGIES FOR REAL-TIME PAYMENTS

- What are the key learnings from other regions?
- How can we incorporate those learnings in our strategy?
- How can we adopt a payment system for the bank’s customers and merchants?
- Which customer propositions can drive value and help with cost recovery?
- What are the basic requirements for implementation?
- Do they fit into the bank’s digital strategy?
- Does the real-time payment use case bring sufficient business value to customers and merchants?
- Compare the value proposition with market solutions.
- Shortlist partners and vendors with innovative solutions based on market trends.
- Assess the value creation against costs.
- Prioritise the product backlog and strategise phase-wise implementation.
- Define the implementation plan, phases and rollout strategy.
- Is the plan scalable and open to changes?
- Are the controls for risk and mitigation in place and are they working?
- What are the key learnings from other regions?
- How can we incorporate those learnings in our strategy?
IMPLICATIONS OF REAL-TIME PAYMENTS

1. USAGE OF MOBILE
   Widespread use of mobile banking and NFC-enabled channels

2. REPAYMENTS IN REAL TIME
   Instant loan and credit card repayments

3. EXTENSION TO CORPORATE PAYMENTS
   Shorter trade life cycle due to real-time payments settlement

4. INTERNATIONAL REMITTANCES
   Making international remittances easier

5. OPPORTUNITIES WITH OPEN BANKING
   Banking accounts, retail products and payment offerings will become commodities in the open banking world

6. REAL-TIME SETTLEMENTS
   Settlement and liquidity risks will no longer be a deterrent for both central and other banks

7. OVERLAY SERVICES
   Using data and customer spending patterns to build overlay services

8. OTHER NEW USE CASES
   Opportunities for new services such as person-to-business (P2B), business-to-business (B2B) and business-to-person (B2P) real-time payments
USAGE OF MOBILE

Real-time payments in most regions have used mobile banking as the front-end for initiating customer payments. Mobiles have also been used to provide merchants with real-time updates on transactions, acting as a point of sale (POS). The advent of smartphones and high-speed Internet connectivity has enabled the payments industry to make real-time payments readily available to customers. New payments platform (NPP) in Australia, PayM in the UK and Paytm in India have successfully employed mobile numbers to identify account numbers and sort codes. The strategy has enabled widespread use of mobile banking and NFC-enabled channels for real-time payments.

REPAYMENTS IN REAL TIME

Both customers and banks are reaping the benefits of real-time payments in terms of loan and credit card repayments. In Poland, faster payments are widely used to make instant loan repayments and bill payments, which are settled in real time. Third-party beneficiary payment transfers and standing instructions are widely used in the UK to make instant payments for third-party and regular payments. With restrictions on the daily limits gradually being relaxed, high-value transactions like loan disbursements and investments can also be transferred instantaneously.

EXTENSION TO CORPORATE PAYMENTS

Real-time payments solutions can also be naturally progressed targeting small and medium enterprises and corporate customers. Instant payments allow better management of liquidity positions and help shorten the receivables life cycle as they offer automated invoicing as an added value service. Corporates can also get better visibility on cash positions, resulting in improved risk management. Singapore, Switzerland and Turkey offer both business-to-business (B2B) and person-to-business (P2B) real-time payments services. That means, payments can be settled in real time between businesses or between businesses and customers, resulting in a shorter trade life cycle.
INTERNATIONAL REMITTANCES

A natural extension in the real-time payments value chain is international remittances. SCT Inst, a real-time credit payments service in Europe, is already implementing this service in the 34 Single Euro Payments Area (SEPA) zone countries. Ripple, a technology partner, is offering international remittances through a decentralised payments network. The ISO 20022 standard, which is being adopted in most real-time payments systems, can assist in international remittances.

OPPORTUNITIES WITH OPEN BANKING

Instant payments will allow a payment service provider (PSP) to execute real-time payments services seamlessly, irrespective of whether the payer and the payee accounts are held with the service provider. Banking accounts, retail products and payment offerings will become commodities in the open banking world. Banks will have to ensure they meet unique customer expectations to differentiate themselves. They can achieve this by simplifying the customer journey and offering personalised products and services, delivered invisibly, through simple and personalised delivery mechanisms.
OVERLAY SERVICES

The enabler for enhanced customer experience lies in data and customer spending patterns. It is imperative to capitalise on this data and build overlay services leveraging a faster payments infrastructure. The NPP in Australia offers value-added payments services for technology companies and banks alike, making use of the basic NPP infrastructure. UPI, an overlay service using immediate payment service (IMPS) infrastructure in India, enables payments services through application programming interfaces (APIs). These services allow payment apps like Paytm and Google Pay to offer mobile payments using mobile numbers and other virtual addresses.

Through various transaction fees like the switching fee, PSP fee and the interchange fee, the pricing model ensures that the remitter banks, beneficiary banks and service providers recover their costs on the investments made. For both P2P and merchant transactions, the user is not currently charged, but that may change in the future. Payments data is becoming available in overlay services just as account data in the open banking initiatives in the UK and Payment Services Directive 2 (PSD2) initiatives in Europe, fostering competition and innovation.

With newer regulations on open banking, PSD2, eKYC and account switching services, etc. across geographies, there are a host of new opportunities for technology start-ups, retailers and challenger banks to acquire customers from the incumbents who are struggling with their legacy systems and ever-growing regulatory scrutiny and compliances. With minimal barriers to entry, incumbent banks that fail to get a hold of customer-centric initiatives are likely to lose their competitive advantage. In Singapore, real-time payments system such as FAST have debit transfer capabilities. Once a direct debit mandate has been set up between a retailer and a customer, the customer does not need to initiate payment at the POS. Once the retailer receives the funds through FAST, they can safely release the goods.9
OTHER NEW USE CASES

Apart from P2P payments, the Internet Banking Payment System (IBPS) in China and real-time clearing (RTC) service in South Africa are trying person-to-business (P2B), business-to-business (B2B) and business-to-person (B2P) real-time payments. IBPS in China and Future Ready ACH (FR-ACH) in Saudi Arabia are offering fast direct debits. BKM Express in Turkey has designed a faster payments scheme based on the use of virtual wallets with the debit or credit cards issued by participating PSPs as the underlying source. The NPA in the UK is considering a push-based request to pay service. With the possibility of real-time settlement of payments, the distinction between retail, business and corporate payments will diminish. Traditionally, corporate payments are settled through RTGS due to high-value payments, irrespective of the fee involved in the transactions. The driving factor to retain the corporate payment fee would be new services offered through value-added offerings.10
Accenture Payments helps banks and payments providers transform their payments systems and operations to grow and win in the digital ecosystem. We offer services that support the entire payments value chain and can help drive business outcomes.

Here’s how we can help:

• Develop strategy, provide business and technology consulting (including deploying open APIs, cloud services, and real-time, distributed ledger technology and working with FinTechs).

• Develop new mobile and digital services, maintain payments as a revenue generator, reduce costs, improve productivity, and help meet new regulatory requirements.

• Simplify and integrate payments systems and operations with proven delivery execution.

To learn more, visit www.accenture.com/payments.
Real-time payments systems have been successfully implemented across different countries and regions. However, banks ought to devise an implementation plan that is aligned with their long-term digital strategy. Rather than focusing purely on the RoI for real-time payments implementation, banks can treat it as an opportunity to spark innovation for their products and services. Deriving business value from this initiative will depend on rapidly changing market trends as well as on how agile and relevant banks remain.
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ABOUT ACCENTURE PAYMENTS

Accenture Payments helps banks, payments providers and other players transform their payments systems and operations to grow and win in the digital economy. We offer the unmatched capabilities, scale and experience of Accenture to address the end-to-end needs of payments stakeholders—from the boardroom and C-suite to the back office. Our specific services support every phase of the payments value chain and can help improve provider costs and value outcomes. Our more than 4,800 payments advisors and payments systems integration specialists bring together strategy, business function consulting, digital technology (including deploying open APIs, cloud services, real-time, distributed ledger technology and working with FinTechs), develop new mobile and digital services, maintain payments as a revenue-generator, reduce costs and improve productivity, meet new regulatory requirements, and simplify and integrate payments systems and operations and proven delivery execution know-how to help keep our clients on the leading edge of payments. More than 50 clients worldwide have engaged Accenture Payment Services to help them turn their payment operations into high-performing businesses. To learn more, visit www.accenture.com/payments.

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