

Instant payment

What the heck is that ?!



NORBR

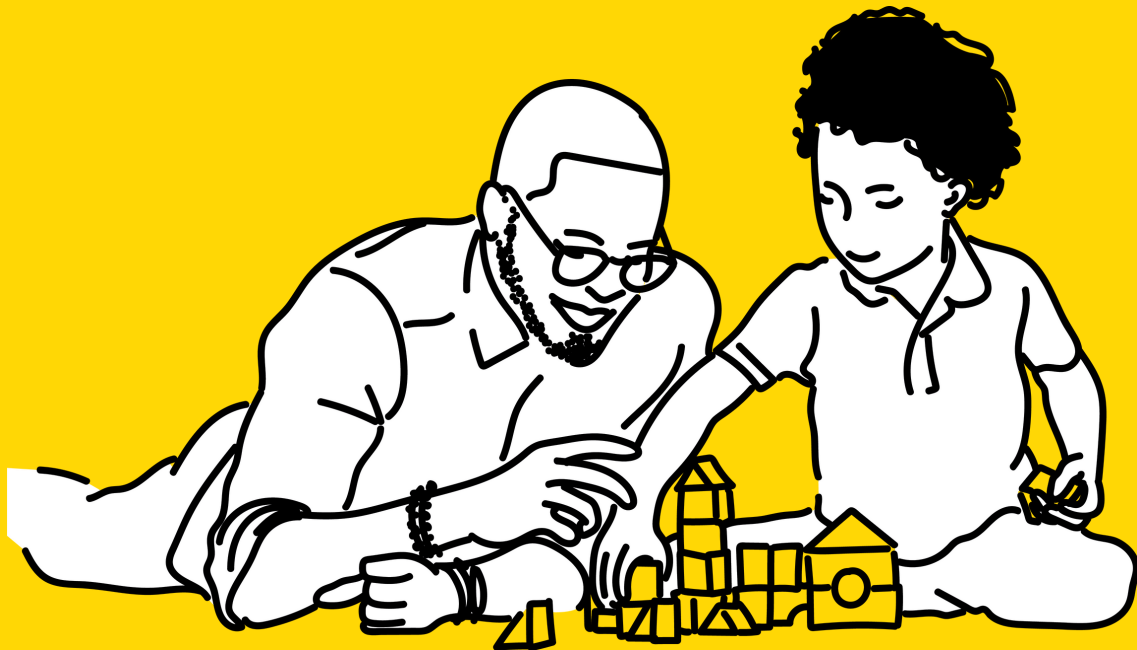
#PayDecoding

**explained
to kids!**

...

Tonight, like every first Friday of the month, it was our girlie movie night!

... and for my brother it was bedtime stories with Elio, our sitter.



It's 10pm, and we go home without making noise.

I start to take off my shoelaces, when...



*"Oh dear!
I don't have any more change
for Elio!"*

Mum then asks Elio for his phone number... clicks on an app on her smartphone... lifts her head and says,



"It's okay, I've made you a transfer!"

Immediately, both phones vibrate!

Mum gets a notification that someone has taken 20€ from her.

Elio gets a notification that he has received €20.

*"Thanks!
See you in a month"*



He leaves and closes the door.



"...?!!"

... A bit dazed, I realise that I haven't even taken off my second shoe, and that Elio has already left his money in his pocket... or rather in the bank!

Mum winks at me and says,



*"Instant payment is magic!
Without it, we'd have to go back
to the ATM to get change."*



*"And now,
off to bed, big girl!"*

... AND DETAILED FOR

SPECIALISTS

Preface

Payment initiation should not be confused with **instant payment (IP)**.

Payment initiation uses open-banking APIs to create a payment user experience.

Whereas instant payment is the "**rail**" that enables the payment.

In Europe, for example, payment initiation can use SCT inst (IP) or on SEPA (payment within 24 hours).

Payment initiation does not necessarily imply instant payment and vice versa.

Today we can send instant messages, but making an electronic payment can take 24 hours.

An electronic payment order submitted over the weekend may not even be initiated until the next working day...

Instant payment (IP) allows you to make payments with your mobile phone **as quickly and easily as with cash.**



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In Europe, for example, it is possible to receive and send instant transfers of up to €100K, **24 / 7 / 365**, in a target time of **10 seconds** with funds directly available to the recipient.

One of the features of IP is that it is independent of the historical interbank clearing and settlement mechanisms, which means that it is an **immediate account-to-account transfer**.

For consumers of banks that sign up, they can make a payment directly from their bank account **without having a card issued**.

This means that we will see more and more **'pay from your bank account'** options alongside the conventional payment card options.

Some use cases :

- You sell your **car to a private individual**: with the IP in your pocket, all you have to do is hand over the keys!
- The IP allows you to **share the bill** with your colleagues **at the restaurant**: you go out, the accounts are done!
- You want to **lend money to a friend**: the immediate availability of funds allows him or her to go immediately to the ATM to get the money back.
- At the second-hand shop, that old armchair catches your eye: **a photo of the QR code** placed in front of it, and the merchant immediately notices the funds in his account. The chair is yours!
- **Your flight delayed?** You inform your insurance company, which issues a IP. The funds are immediately available to buy another ticket or pay for a night's accommodation.



Instant payments **eliminate the risk of not getting paid**, as it is easy to synchronise the sending of the purchased good or the provision of the ordered service with the payment.

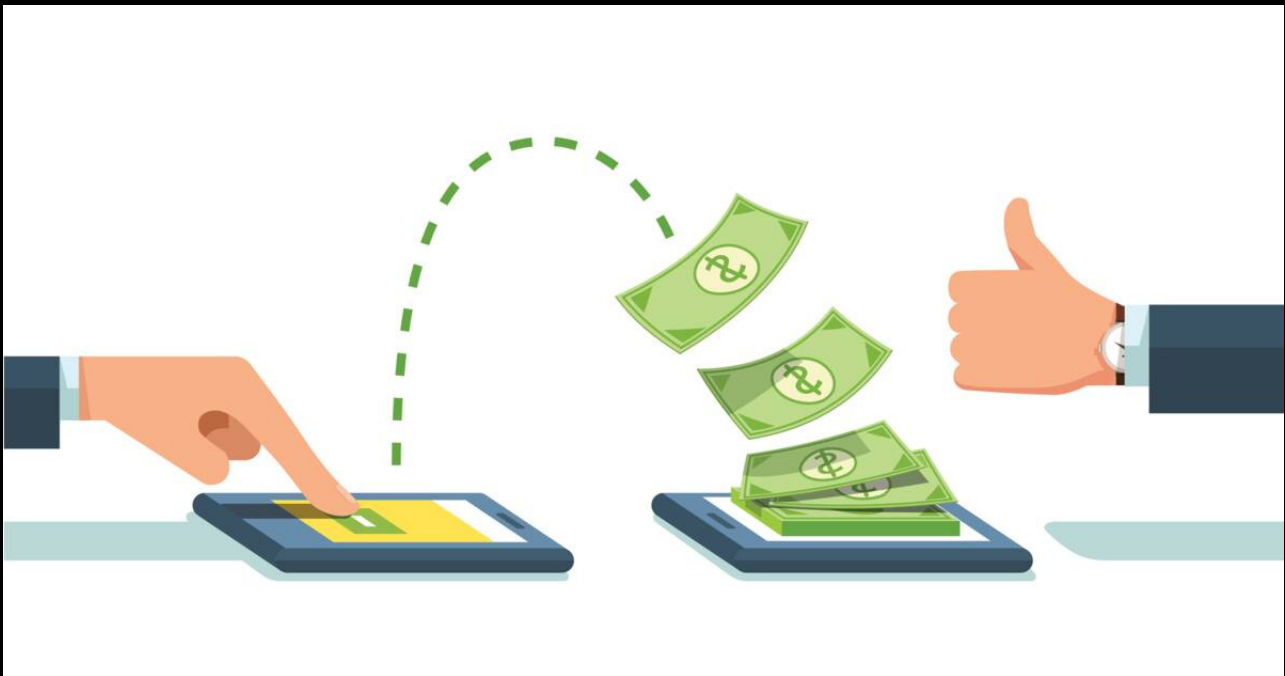


image via Shutterstock

Thus, since 2018, **Leboncoin** (a P2P French shopping platform equivalent of US craigslist) **acts, thanks to IP, as a trusted third party** between buyers and sellers: the platform immediately receives the funds, and as soon as the buyer validates the transaction, the platform immediately releases the funds to the seller.

IP is also of interest in business:

- IP improves cash flow, facilitates the management of funds, **reduces payment delays** and speeds up the payment of invoices.
- Some are turning to IP **to pay salaries**: IP is booming in the entertainment industry as it allows for payment of service providers on the day of their performance.



Worldwide, instant payment is growing rapidly.

Currently, 60 markets have a real-time payment infrastructure.

Canada, Peru, New Zealand and Indonesia will join the movement this year.

This means that almost three quarters of the world's population (about 72%) have, or will soon have, access to instant payments.

In 2022, their global transaction value will reach \$4.8tn.

**In 2026, it'll hit \$27.7tn*.
That's a growth rate of 470%.**

Launched in 2015, India's Unified Payment Interface (UPI) is now **the most popular way for Indian users to transfer money** between themselves and to businesses.

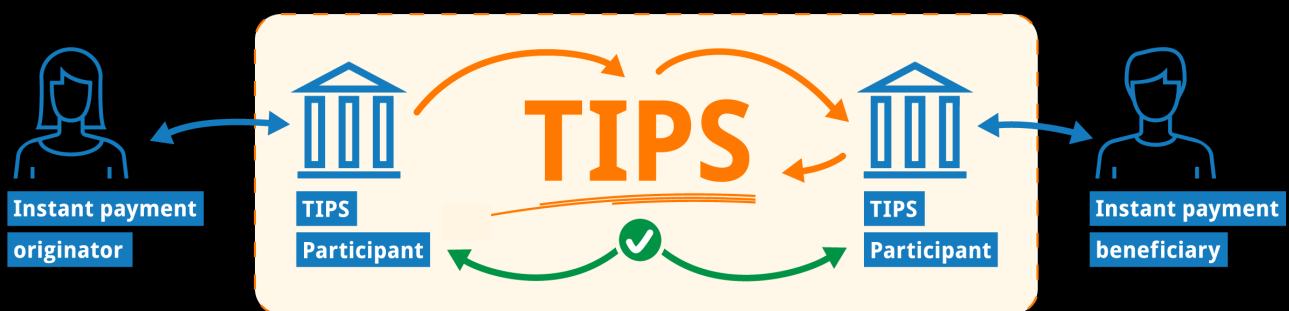
To make their payment, customers can choose from:

- **Telephone numbers,**
- **bank account numbers**
- **or email** (e.g. user@bank).

Customers can use the application of any bank or non-bank to initiate a UPI payment, regardless of which institution holds their account.



Launched in 2017, **SCT Inst*** is the first pan-European payment system designed for P2P, B2C and B2B payments. **It covers 34 countries and is irrevocable.**



In 2018, the **TIPS** (TARGET Instant Payment Settlement) infrastructure, based on SCT Inst, ensures that any bank account holder in Europe can be contacted 24 / 7 / 365.

*SEPA - Single Euro Payments Area - Credit Transfer Inst

And cross-border initiatives are on the rise!

Nearly 250 million people around the world send more than **\$500 billion in cross-border funds each year, according to a 2021 Citi report.**

But these cross-border payments are characterised by **high costs (on average 6.5%), **low speed**, **limited access** and **insufficient transparency**.**

In Southeast Asia, for example, Thailand, Singapore and Malaysia are piloting cross-border initiatives, as are Taiwan, India, Australia and Hong Kong.

As systems around the world move towards standardisation and interoperability to promote trade, **real-time cross-border payments could become as common as domestic payments.**

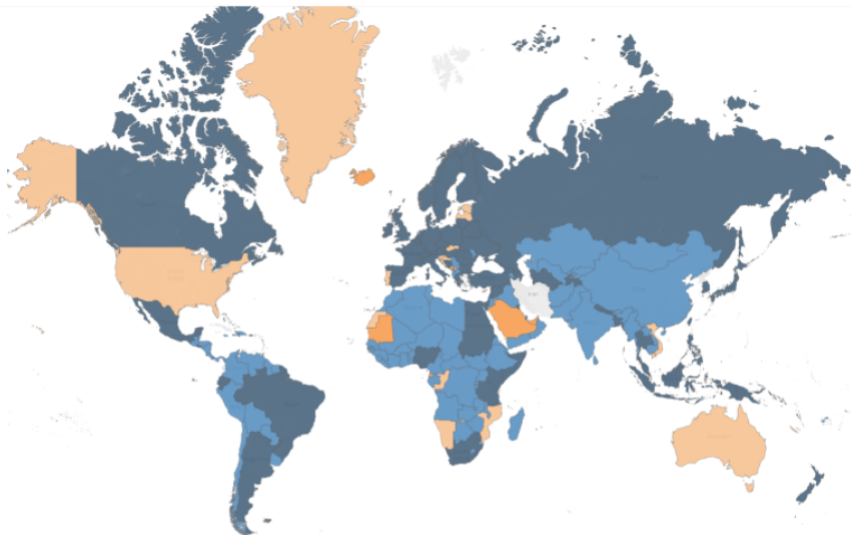
How typical transfer speeds vary by destination globally
Most common transfer speeds sending from different global regions

Most common transfer speeds

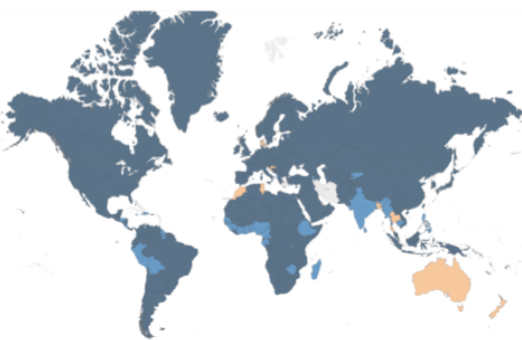
- In minutes
- Within 24 hours
- 1-3 days
- 4-7 days

FXC Intelligence customers can access the full data

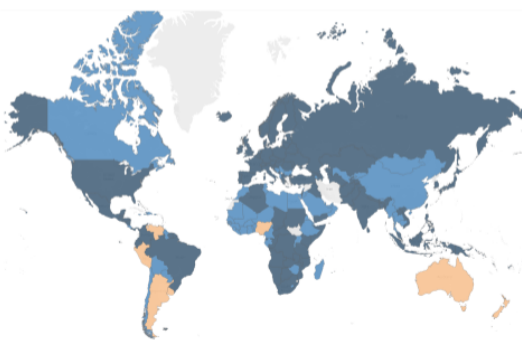
Sending from North America



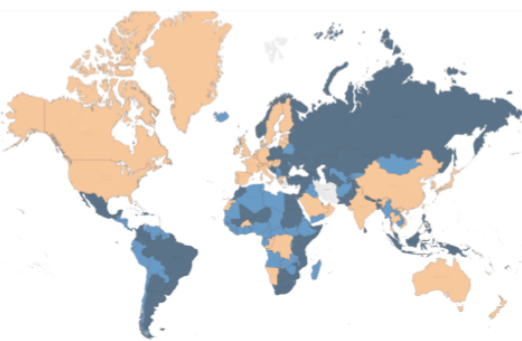
Sending from Europe and CIS



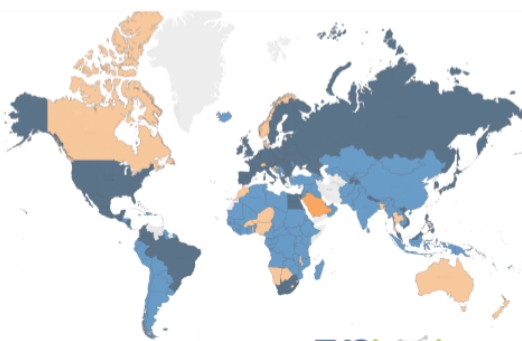
Sending from Latin and Central America



Sending from Asia Pacific



Sending from Middle East, Africa and South Asia



SOME FINTECHS USING INSTANT PAYMENT:

 SALTEDGE

 bizum

 volt

 fintecture

 DEAL

 Lydia

venmo

Osko 
BY BPAY

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PAYMENT

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