

Faster Payments

Tracker™

How Faster Payments

Could Rev Up UK Retail



It enables us to think about a payment more broadly rather than, 'Is it Bacs, is it CHAPS, is it Faster Payments [or] is it check?'



Marion King, director of payments for NatWest



RBS on Faster Payments for everyday consumer purchases



U.S. Federal Reserve considers ISO 20022

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The latest headlines from around the faster payments space

WHAT'S INSIDE

THE U.K.'S FASTER PAYMENTS SCHEME HAS BEEN LIVE FOR A DECADE, BUT THE U.S. IS STILL WORKING TO CATCH UP AND ADD NEW PARTICIPANTS TO ITS OWN FASTER PAYMENTS SYSTEM — AND NOT WITHOUT SOME GROWING PAINS.

American banks are still deciding on the best approach to offering such services. A recent [survey](#) of 20 of its top 60 banks found no single, unified vision for how to handle real-time payments for corporate clients. Financial institutions (FIs) gave varying answers on everything from how much they would charge to how they would assign responsibilities when managing the solutions within their operations.

Still, efforts are underway to make adoption as frictionless as possible. FIS, a financial services company that previously partnered with payment system infrastructure firm The Clearing House (TCH), [announced](#) a new tool to make it easier for FIs to join TCH's Real-Time Payments (RTP) scheme. The solution aims to streamline the certification process and automate the simulation testing required before banks take the service live.

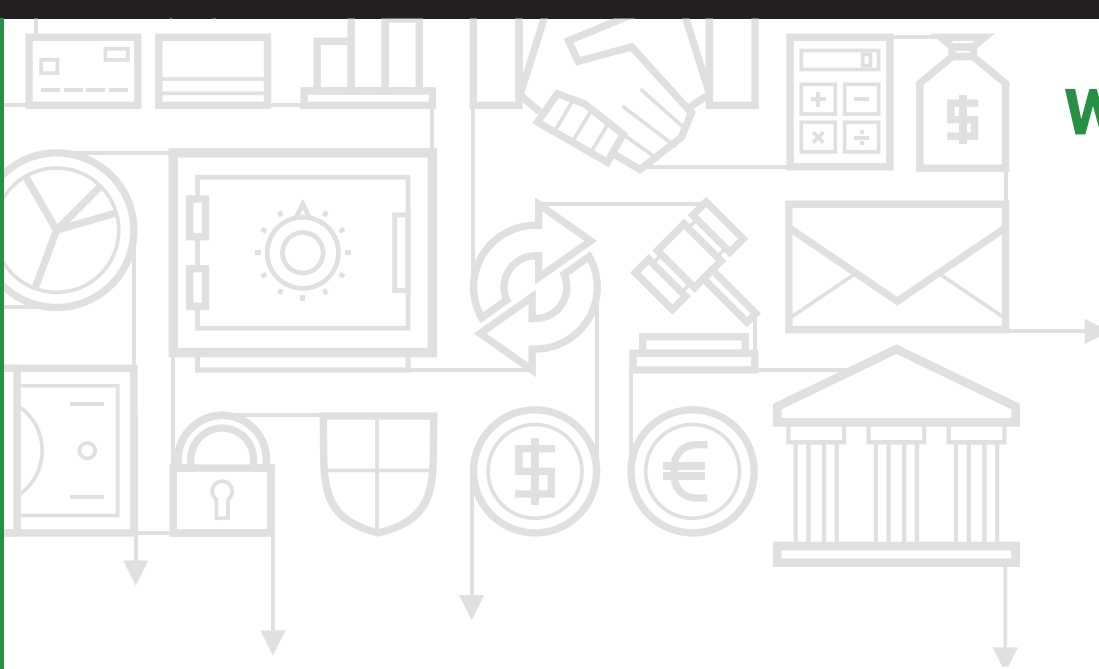
Eyes aren't just on domestic use and participation in the U.S. faster payments space, though. The U.S. Federal Reserve is [weighing](#) a proposal to replace the proprietary messaging format currently used by



its real-time gross settlement system with the ISO 20022 messaging standard. If enacted, it would mean using a standard already in place with many other payments systems, enabling easier interaction and more efficient cross-border and domestic payments.

Speeding around the faster payments world

FIs in Europe are also looking to expand faster payments services' availability. Pan-European payment infrastructure services provider EBA CLEARING recently [announced](#) that six new participants had



joined its RT1 instant payment system. The move furthers the scheme's reach to an additional 400 addressable payment service providers (PSPs) and, in particular, extends its services in the German savings bank sector.

Speedier payments are making their way to central Africa, as well. Regional electronic money transfer platform GIMAC has [forged](#) a strategic partnership with B2B mobile wallet transactions company TerraPay to support instant transfer remittances across the borders of Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and Republic of Congo. The funds will be transferred into mobile wallets and bank accounts.

Meanwhile, in Asia, an expansion of the Monetary Authority of Singapore (MAS)'s PayNow digital real-time payments service aims to help phase out use of cash and paper checks. Originally launched for peer-to-peer (P2P) transactions, the system is now [expanding](#) to support corporate payments, too.

For more on these stories and other faster payments headlines, check out the Tracker's News and Trends section (p. 9).

Looking forward with Faster Payments

Younger offerings aren't the only ones expanding to support additional uses, as even long-established faster payments services like the U.K.'s Faster Payments Scheme are entering new sectors. Faster Payments was originally intended to support inter-bank transactions, but FIs have since rolled out or begun trialing services that leverage the rail in new, unexpected ways.

In this month's feature story (p. 6), Marion King, director of payments for NatWest, discusses the significance of the U.K.'s Faster Payments system and her hopes and concerns for its development and future applications. That includes the rail's introduction into facilitating everyday retail purchases, and broader plans to consolidate it with other domestic U.K. payment schemes.



FIVE FAST FACTS

What's Inside

21%

Share of corporate respondents who plan to use real-time payments, compared to 13 percent who cite SWIFT gpi

10,000

Average number of instant payments made in Europe per day

35%

Portion of surveyed U.S. banks that are unsure how much to charge for real-time B2B payments

65%

Portion of surveyed global merchants that are interested in accepting real-time payments

77%

Share of surveyed global merchants that expect immediate payments to gradually replace payment card use



How Faster Payments Could Rev Up UK Retail

The world was a very different place when the U.K.'s Faster Payments Scheme launched in 2008. It was the country's first new payment system in two decades, and just **one-third** of U.K. consumers had used online banking at the time. Comparatively, two-thirds have today.

The number of scheme participants rose from 13 to 21 within the last decade, system oversight has been passed to the New Payments Systems Operator (NPSO) and merchants have increasingly expressed demand for ways to be paid faster — thus creating new use cases for the payments rail.

PYMNTS recently caught up with Marion King, director of payments for **NatWest**, about what Faster Payments has meant for the bank and how its use may develop in the future.

Faster consumer expectations

Customers have come to trust the Faster Payment system's reliability over the years, thereby enabling banks to introduce more products and services that leverage it, King explained.

NatWest offers many solutions that use the rail, including a service that sends money to connected accounts via mobile banking. It is also currently piloting another service using the rail, allowing eCommerce and in-store customers to click a button and pay via instant bank fund transfer rather than entering card or account details.

"Now 10 years old, [the scheme] has given us a platform and suite of customers who are very comfortable using Faster Payments because of its track record," King said.

The payment rail grants customers the benefit of seeing transactions appear on their accounts right away. Merchants, meanwhile, get quicker cashflow, empowering them to do more with their businesses through speedier — and cheaper — alternatives to card acceptance.

This is important to merchants on both ends of the size spectrum, she added. Card fees take a notable bite out of coffee shops' already-slim operating margins, for example, as they rely on revenue from small daily purchases to survive. The fee percentage also takes a significant dollar sum from luxury car sellers and high-end retailers, some of which find the amounts so friction-filled that they are more reluctant to accept card payments.

The customer dispute challenge

But, the Faster Payments scheme is running into new challenges as it is increasingly leveraged for consumers' daily purchasing, King said. The real-time payment rail was designed for interbank payments, after all. Clearer protocols must be established now

that it's being used for everyday payments, particularly surrounding what will happen should a customer deem a received service or product unacceptable and want compensation or a payment reversal.

“NOW 10 YEARS OLD, [THE SCHEME] HAS GIVEN US A PLATFORM AND SUITE OF CUSTOMERS WHO ARE VERY COMFORTABLE USING FASTER PAYMENTS BECAUSE OF ITS TRACK RECORD.”

That's a problem card networks have solved, partly by charging interchange and acquiring fees — which creates a pool of revenue that can be used for customer protection — and partly because of the three-day window before payments clear. Services using Faster Payments tend to have fewer fees — an effort to make them more competitive against cards — and the payment moves instantly. According to King, this issue will need to be addressed to enable

continued expansion of retail-focused Faster Payments use cases.

Unifying systems

The U.K.'s Faster Payments and other domestic payment schemes were recently brought under the oversight of the NPSO. King was involved in the strategy forum that proposed this plan, and said that drawing



the schemes together will help create a more holistic, standardized approach for the country's payments. This would also facilitate applying common messaging standards, best practices, updates and improvements across different payment types.

"It enables us to think about a payment more broadly rather than, 'Is it Bacs, is it CHAPS, is it Faster Payments [or] is it check?'" she said.

These discussions aren't just happening on the domestic front, either. The next step to more seamless, connected instant payments is achieving interoperability between various countries' real-time payment schemes. King expects that will require getting banks around the globe onto a standard messaging system, and noted that Europe's Single Euro Payments Area (SEPA) Instant Credit Transfer (SCT Inst) reflects an early step in the interoperability effort.

She also anticipates that the Faster Payments Scheme will be accessed from an increasing array of digital channels. This could mean that when a customer instructs Amazon's voice assistant, Alexa, to buy him a train ticket, she could do so using the Faster Payments rail.

Predictions aside, one thing is clear: Customers and merchants alike have a taste for faster transactions. Financial operators are working to provide solutions and find new ways to connect as consumers and businesses increasingly turn to instant payment schemes in everyday retail transactions, extending speedy payment rails further than ever in the process.



UNDER THE HOOD



What are your expectations following the consolidation of Faster Payments and other domestic payment schemes under the New Payment System Operator?

"I've been heavily involved in this as part of the payments strategy forum that positioned and proposed this idea. What we'll see is a speed of developing payments infrastructure and an efficiency that we've not seen previously. What we tended to do in the past is have different payment schemes for different payment types. From a customer perspective, you don't really care. You just know whether you want to make a regular payment, make an international payment or whether you want to make an online or a point-of-sale payment.

Schemes are irrelevant to the customer. Therefore, by bringing them together, we can create a more seamless approach by assuring we have common standards of messaging. We can make sure best practices happen across our suite of payment services rather than it happening scheme by scheme by scheme, so different management tools and various things we're doing with one scheme will apply across [all] the schemes. We'll see consistency and efficiency.

It's a lot easier when you're looking at it with one team in one company. It also means that where we roll out changes to products and services — and drive new initiatives — that a center of excellence will develop under the NPSO that will apply across all the payment types. Historically, each has had to build its own capability in product design, product management, stakeholder engagement, contractual obligations ... and all of those things. To be more competitive, we really need a high-level center of excellence that can manage that, control that and drive that forward, and it doesn't make sense to do that on a much smaller basis in several places."

***Marion King, director of payments
for NatWest***

News & Trends

DATA AND VISIBILITY

US Federal Reserve considers ISO 20022

The U.S. Federal Reserve is looking to more efficiently get its message across, with its Board of Governors recently [inviting](#) public comment on a proposal to adopt the ISO 20022 messaging standard for its Fedwire Funds Service. The standard would replace the proprietary messaging service currently used by the Fed's real-time gross settlement system.

Adopting ISO 20022 would provide richer data, according to a press release, which could help FIs meet requirements to screen payments for sanctions and anti-money laundering (AML) purposes. It would also align the Fedwire Funds Service with other systems currently using ISO 20022, paving the way for more efficient domestic and cross-border transactions between the U.S. and other messaging or payments systems.

If adopted, ISO 20022 would be fully phased in by 2023.

Citi to provide payments info transparency

Citi Bank has [announced](#) its new Citi Payment Insights service to provide corporate clients with real-time information on payments, including status, processing timeline, the amount credited to the recipient and any charges deducted from correspondent banks. It also gives business clients the ability

to action payments on demand via the CitiDirect BE electronic banking platform.

Citi Payment Insights gives corporate clients information about transactions throughout their lifecycle, both within Citi's network and across the correspondent banking ecosystem. An integration with financial services firm SWIFT's global payments initiative (gpi) enables the visibility, and the digital-based solution aims to replace banks' often lengthy, paper-filled processes to answer clients' payment inquiries.

GLITCHES AND FRAUD

Faster Payments glitches

Just because payments move faster does not always ensure they move smoothly, and the U.K.'s Faster Payments system recently hit a roadblock due to a system [glitch](#). The result led to a stall in real-time transactions initiated between 1 p.m. and 5:30 p.m. British Summer Time (BST) on Sunday, Jul. 8, with the usually speedy transactions becoming backlogged and reportedly taking hours to clear. The NPSO, which recently took over control of the Faster Payments Scheme, said the issue occurred in the system's central infrastructure but was fixed later that day.

Another [hiccup](#), reportedly connected to Faster Payments' Jul. 8 glitch, occurred on Jul. 20, preventing Lloyds and Halifax Banks' customers from transferring money at all.

NICE Actimize addresses P2P fraud

In addition to glitches, fraud can also gum up the works. An updated solution from financial crime, risk and compliance solutions provider NICE Actimize aims to help tackle fraud within the P2P payments environment, according to a recent [press release](#). The firm already offers a Fraud Essentials cloud-based fraud detection, analysis and management solution, and has announced expansions to its capabilities that can also address P2P payments fraud. The additional skills required developing new models and algorithms to identify common P2P fraud and assess risk within the sector.

CORPORATE CLIENTS

Letting corporations PayNow

While NICE Actimize extends a solution into P2P, PayNow is expanding into the corporate space. The Monetary Authority of Singapore (MAS) first launched its PayNow solution last year, aiming to serve consumers with a digital alternative to checks and cash for P2P exchanges. The service now totals more than 1.4 million registered users, and the Singaporean government has announced [plans](#) to expand it to businesses.

Corporate customers of participating banks — Citibank, DBS Bank, HSBC, Maybank, Standard Chartered and United Overseas Bank — will be able to use PayNow to make real-time payments through a new mobile app starting on Aug. 13. Ong Ye Kung, a MAS member and Singapore's education minister, has said the country anticipates completely phasing



out check use and significantly reducing ATM withdrawals by 2025.

"The aim is not to force a cashless society, but to enable everyone to enjoy the convenience and efficiency of ePayments — simple, swift, safe and seamless," Ong said. "When the level of convenience and confidence crosses a critical tipping point, adoption will rise across our population within a short time and become pervasive."

Unified vision missing on US real-time corporate payments

U.S. FIs seem less certain on how to handle real-time payment services for businesses, with a new [survey](#) from research firm Aite Group showing little agreement on the topic. Aite surveyed 20 of the top 60 U.S. banks between January and March 2018, and feedback garnered disparate answers on topics

such as how much to charge corporate clients for real-time payments, whether they could set same-day transaction deadlines, the supports they would offer and how they plan to assign operational responsibilities to divisions within their organizations.

Ten percent of FIs intend to charge the same for real-time B2B payments as for wire transfers, for example, while 15 percent said they would match their fees to what they charge for ACH payments. Others reported they would set their prices somewhere between the two, while a full 35 percent didn't know what they would charge.

SETTLEMENTS AND DISBURSEMENTS

Paysafe, Ingo Money, Company.com partner on settlements

While corporates grapple with uncertainty over real-time payment charges, small and medium-sized businesses (SMBs) face uncertainties about their cashflows. This is a perpetual headache for these firms, as they must typically wait days for checks to clear and card transactions to settle — all while still paying out expenses like payroll.

That's a problem instant money firm Ingo Money, SMB operational solutions provider Company.com and payment services company Paysafe have teamed up to tackle. The trio recently [announced](#) a partnership to help U.S.-based SMBs, with Paysafe integrating into Ingo to leverage its push payments technology for same-day settlement to its SMB base. Company.com will facilitate payments, provide consulting and perform other assistance in developing the service. Beta testing is slated for this month, and the offering's launch is expected later this year.

Mastercard, Florida Capital Bank eye disbursements

Consumers are also eager to speed payment processes, particularly to its SMB disbursements. To help ease this pain, Florida Capital Bank and Mastercard are partnering to provide "near real-time" fund disbursements to debit cards, according to a [press release](#). The former is integrating with Mastercard Send and making the capability available via its FLCB InstantMoney product, enabling push payments to be sent via debit networks to all branded U.S. debit cards within minutes.

"This product will provide a huge benefit to any company that performs a large volume of disbursements for [its] customers who require faster payments," Bob Higel, Florida Capital Bank's senior vice president of electronic payments and risk management, said in a statement.

CROSS-BORDER TRANSFERS

SWIFT gpi nets new participation

Nordic financial services group SEB recently [announced](#) it has gone live with SWIFT's gpi, a move



that will enable speedy cross-border payments, real-time end-to-end payments tracking, details such as each bank a payment passes through and fees charged. The company plans to support more than 40 currencies on the platform, according to head of transaction services Paula Da Silva.

In its own news, SWIFT recently [announced](#), following its board's endorsement of the decision, that all 10,000 banks on its global network will adopt the gpi service for cross-border payments and offer it by the end of 2020.

GIMAC, TerraPay partner on cross-border remittances

Organizations in Africa are also focused on facilitating faster cross-border payments. Central Africa's regional electronic money transfer platform GIMAC recently entered into a strategic partnership [agreement](#) with B2B mobile wallet transactions company TerraPay. The pair aims to facilitate instant cross-border remittance transfers to mobile wallets and bank accounts in the Central African Economic and Monetary Community (CEMAC) region, which encompasses Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and Republic of Congo.

"The main economic and social objective of our partnership is to help the migrants of the CEMAC area have access to a low-cost, secure and instant payment medium," said Ambar Sur, TerraPay founder and CEO.

FEEDBACK

We hope you enjoyed this Tracker and we welcome your feedback. Please feel free to contact us at fasterpayments@pymnts.com.

EXPANDED ADOPTION

RT1 announces new participants

EBA CLEARING is expanding the reach of its faster payment services, [announcing](#) six new members had joined its RT1 pan-Europe instant payment system as of Jul. 10. The additions bring the total number of participants up to 28, extend the system to 1,000 addressable PSPs — up from 600 — and increase RT1's reach in Germany, in particular. Both Landesbank Baden-Württemberg and Landesbank Hessen-Thüringen joined, as did Banca Popolare di Sondrio, Crédit Agricole Cariparma S.p.A., Fineco-Bank Spa and Hanseatic Bank GmbH & Co KG.

TCH aims for easier RTP adoption

Meanwhile, TCH may also be gaining more members. Financial services firm FIS recently [announced](#) a new tool to make it easier for banks to implement TCH's RTP rail. FIs and banks are required to undergo simulation testing before making their real-time payments platforms live to their customers, and FIS' solution enables them to automate that process and pre-certify their applications for more efficient certification. TCH anticipates RTP ubiquity by 2020.



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