

# Faster Payments

## Tracker™

Reflecting On The UK's Decade

## Of Faster Payments — And Fraud



The whole payment journey has changed rapidly... The almost-instant mechanism has allowed people to own that payment journey.



John Hutton, director of payments  
for Nationwide Building Society



How the U.K.'s **Faster Payments** scheme has changed its financial landscape over the past decade



ISO 2022 to be applied to U.K. payment systems, says **Bank of England**

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# WHAT'S INSIDE

## POLITICAL CONTENTIONS CAN MAKE THE WORLD FEEL DEEPLY DIVIDED, BUT FINANCE AND BANKING PLAYERS ARE WORKING TO MAKE IT MORE INTERCONNECTED THAN EVER.

Whether it's mobile money providers teaming up to help remittances flow quickly across borders, or financial services firms striving to help companies' global payments move more rapidly, those in the space are increasingly looking to bring commerce to a more international place. Hopes are high across the cross-border scene, too, as organizations work to expand real-time payment services and connections. In fact, 77 percent of [surveyed](#) global merchants anticipate they will come to replace payment cards.

In the July Faster Payments Tracker™, PYMNTS examines the latest efforts to speed payments between countries and expand faster payments networks.

### Around the faster payments world

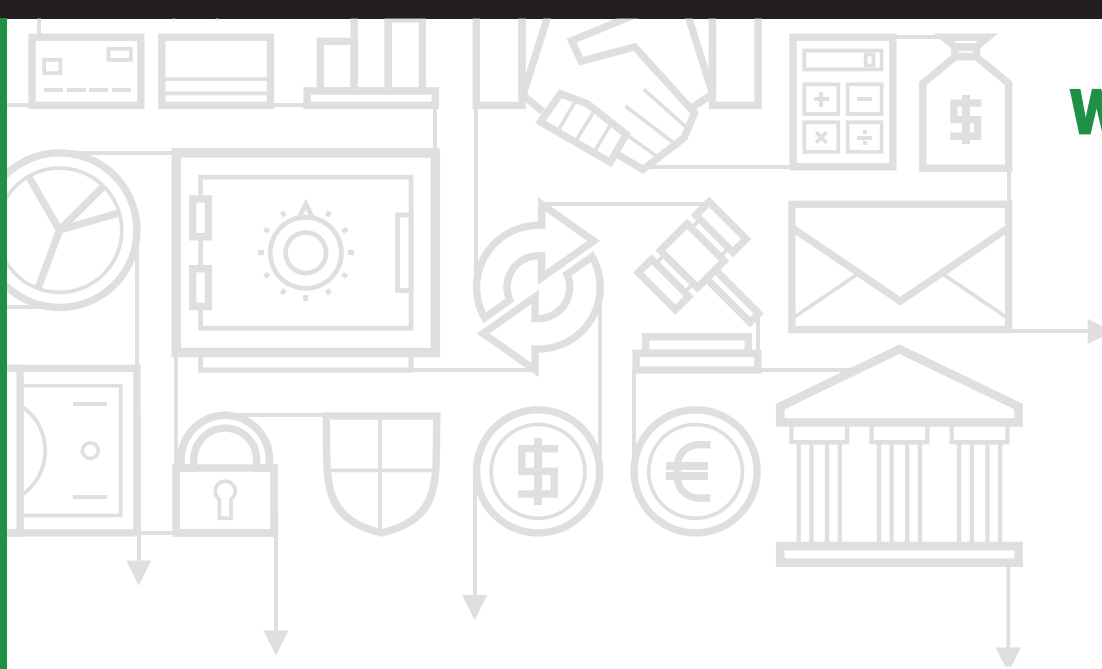
The Bank of England is working to help pave the way for easier international payments, recently [announcing](#) its payment systems will implement the ISO 20022 international standard for electronic data interchange messages sent between financial institutions (FIs). The standard will apply to its CHAPS, Faster Payments and Bacs Payment Systems, and will smooth the way for more convenient cross-border transactions. Experts even predict that 75 percent of worldwide high-volume payments will be based on ISO 20022 messaging by 2023.



Meanwhile, global payments logistics provider EFIS is working to help its clients connect to instant payments in Europe, something managing director Armin Gerhardt noted is particularly important to its globally operating clients. The company recently [teamed](#) up with payments messaging firm SWIFT to provide clients access to the Eurosystem's TARGET Instant Payment Settlement (TIPS) network and EBA CLEARING's RT1 instant transfer network.

It's not just companies that need to speed cross-border transfers, though. Zimbabwean individuals living in Botswana are eager to get remittances to their families back home, and a new [collaboration](#) between mobile wallet providers Orange Money and

# What's Inside



EcoCash enables real-time payments across borders and mobile wallets to make that happen.

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

## A game-changing decade for UK faster payments

The U.K.'s Faster Payments scheme has processed more than 9.1 billion payments since its 2008 launch, and is currently used to annually deliver over 1.4 billion payments valued at more than £1 trillion. The system has done more than simply enable quicker payments exchange, according to John Hutton, director of payments for [Nationwide Building Society](#). After all, with the Faster Payments service in place, U.K. consumers can also exercise greater control over their financial lives.

For the July Faster Payments Tracker™ feature story (p. 6), Hutton spoke to PYMNTS about how the Faster Payments system has impacted the U.K.'s financial services landscape in the last 10 years — and the areas he feels still need to be addressed.





# FIVE FAST FACTS

## What's Inside

52%

Portion of U.K. corporate  
finance professionals who  
have used the Faster Payments  
scheme for B2B payments

\$25 BILLION

Value of P2P payments processed on the  
Zelle network in Q1 2018

77%

Share of surveyed global merchants that  
believe real-time payments will ultimately  
replace payment cards

60%

Increase in the number of banks that  
expect real-time payments to drive  
revenue growth

5.7 BILLION

Total number of  
ACH debit and credit  
transactions made  
in Q1 2018

## Reflecting On The UK's Decade Of Faster Payments — And Fraud

**M**ilestones like a 10-year anniversary often serve as times to reflect on past accomplishments. For those working closely on the U.K.'s Faster Payments system, that period of contemplation and consideration has arrived.

Faster Payments has been busy over the past decade, [processing](#) more than 9.1 billion payments since first going live. It is used to transmit over 1.4 billion payments valued at more than £1 trillion (\$1.32 trillion USD) each year, according to the system's [website](#).

Despite its name, Faster Payments has done more than give U.K. citizens and financial services firms speedier payment processing. It has also provided consumers the ability to exercise greater control over their financial lives, according to John Hutton, director of payments for the [Nationwide Building Society](#) mutual FI, which currently serves roughly 15 million members.

PYMNTS recently caught up with Hutton to learn more about how the Faster Payments system is empowering consumers — and the opportunities he sees to improve it.

### Strengthening consumers' financial footing

Faster Payments' availability has been a game changer for U.K. consumers and financial services firms, Hutton said, noting they were previously forced to endure a somewhat cumbersome payment delivery process prior to the system's launch. This typically involved visiting a bank branch, filling out paperwork, then using a payment service like the CHAPS, Bacs or SWIFT to facilitate the transfer — a process which typically took two to three business days to complete.

Faster Payments enables transactions to move in real time, allowing FIs like Nationwide to provide faster payment capabilities and services — like quicker bill payments, more efficient transfers and standing payments support — to members.

"The whole payment journey has changed rapidly," Hutton said. "The almost-instant mechanism has allowed people to own that payment journey."

The additional speed has provided U.K. customers with more than a fast-acting financial service, though. It also gives them greater control over their financial lives, enabling them to quickly make important payments using direct debit. This allows them to pay a last-minute bill on time, for example, or cover an outstanding balance in stages instead of all at once.

"[Faster Payments] gives them ownership and freedom when they want to pay their bills," Hutton said.

### A financial gift for gig workers

Faster Payments is beginning to evolve now that it is more than a decade old, and developers are looking to add new features and capabilities to the technology.

The network is currently working to introduce a "request to pay" — previously known as "request for pay-

ment" — functionality designed to cater to different types of players, including freelancers and gig workers. Based on their assignments, these workers often experience varying payment frequencies and month-to-month amounts.

The function is not yet live, Hutton said, but it could offer consumers even more financial empowerment when it does debut.

"An Uber driver [or freelancer] in the gig economy might get paid a different amount each week, but might not be able to afford to wait until the end of the month to pay a bill," he noted.

Request to pay will allow these workers to request all or part of their salary early, enabling them to make timely payments and remain on steady financial footing.

"It can really help them to manage their finances," Hutton explained.

### Fighting fraud faster

The system has already begun to evolve, but Hutton believes more change is needed. Faster Payments has created new opportunities for banks to innovate

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financial products, but there could be a downside to payments moving so quickly, he said.

Specifically, fraudsters and other bad actors have learned they can use the service to more speedily orchestrate scams. Fraud [spiked](#) by 132 percent in the year after the system debuted, as the accelerated settlement timeline enabled fraudsters to rapidly make off with money.

System exploitation to perpetuate fraud raises the importance of additional service safeguards, and it can be particularly important to protect elderly consumers, Hutton pointed out.

“Because of the speed, there’s the question of [whether] we want to slow down payments in order to make sure the most vulnerable in our society have an extra layer of security,” he said.

One potential solution under consideration is the “confirmation of payee” protocol, which aims to ensure the recipient of funds is who he claims to be.

“[A fraudster] might have my name, but [might have] changed the account details,” Hutton explained. “So, you think you’re paying me, but they’ve changed my bank account [data].”

Mechanisms like confirmation of payee are needed to ensure that funds are sent to the correct parties — and to protect consumers from creative fraudsters.

“These are steps we’re trying to implement to make sure that customers don’t fall for some of these scams that we’re seeing,” he added.

While Faster Payments enabled U.K. consumers to quickly deliver payments, there are still gaps that must be addressed. As the system celebrates its 10-year anniversary, Hutton wants to see the next few years focus on developing a strong liability model to protect consumers.

## UNDER THE HOOD



*John Hutton, director of payments for [Nationwide Building Society](#), discusses his hopes and fears for the future of the U.K.’s Faster Payments system.*

“My hope is that we develop the right liability model, because payment traffic is increasing as we offer new services that are likely to increase [it] further — such as ‘request to pay’ or direct debits for single-release payments over the course of a month. That’s going to be a capacity issue. We need to make sure that, across the U.K., we have the level of capacity to deal with those kind of services.

My fear would be that we don’t have the right liability model for customers who will continue to be scammed because Faster Payments works at such a speed, [especially] if they don’t listen to the guidance we give them, deal with these payment mechanisms and take care when we do it. That’s paramount to the success of any kind of payment service, that they make the payment themselves and they decide it themselves. We can only do so much with the information they have, and we don’t want them thinking we are going to pay them back every time they make a mistake. My [main] fear is the lack of accountability on how customers process payments.”

After all, it’s not enough for payments to be delivered quickly. If they are not secured, the speed of payments can easily become a disadvantage.



# News & Trends

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## PARTNERING PROVIDERS

### Visa invests in YellowPepper

Payments giant Visa is looking to increase Latin Americans' access to mobile payments, recently [announcing](#) an investment in tokenized payment solution provider YellowPepper. The move aims to support growing opportunities for tokenized payments, increased access to Visa application program interfaces (APIs) and expanded usage of push payments via Visa Direct. In a statement, Eduardo Coello, Visa's regional president for Latin America and the Caribbean, said the investment would enable the company to "accelerate innovation" and expand its offerings to a "broader set of partners and clients across the region."

The investment follows Visa and YellowPepper's initially established, multi-year partnership in 2017. It is the first of its kind in the region, reinforcing shared efforts to increase mobile payments usage, and is part of Visa's strategy to develop its ecosystem and support a broader range of new partners. The company previously invested in Chain, Klarna, Marqeta, solarisBank, Square and Stripe, among others.

### BNY enables RTP requests for payments

BNY Mellon originated the first payment on The Clearing House (TCH)'s Real Time Payment (RTP) network in November 2017, and is now marking another first with the service. It is the first bank to enable Request for Payment messages to be sent on RTP, according to an [announcement](#), a capability being offered to its corporate and FI clients. They can

now send real-time requests to be paid, including electronic invoices, payment due dates and other details. The payment will happen immediately and irrevocably if the recipient approves the request.

### Bank of the West joins Zelle

San Francisco, California-based Bank of the West has [announced](#) it is joining Early Warning's Zelle Network, meaning its customers can open its app and send person-to-person (P2P) payments via Zelle. They can enter a recipient's email address or mobile phone number to initiate the transaction, and funds are typically moved within minutes.

In a press release, Ryan Bailey, executive vice president and head of Bank of the West's retail banking group, said the move would provide companies with a faster and more convenient method to transfer funds. The partnership also aims to answer increasing customer demand for faster and instant payments services, he added.

### Orange Money, EcoCash partner on x-border transfers

Two mobile wallet providers have [partnered](#) to make it easier for Zimbabweans to send money across borders — and across mobile wallets. Under the collaboration, those living in Botswana are now able to use their Orange Money mobile wallets to send real-time payments to recipients in Zimbabwe and have them appear in recipients' EcoCash mobile wallets. The service is reportedly one directional, however, with EcoCash mobile wallet users [unable](#)

to send funds to Orange Money mobile wallets. It is being powered by B2B cross-border mobile payments network TransferTo and serves a sizable market, with approximately \$1 billion sent in remittances last year by members of Zimbabwe's diaspora.

## EUROPEAN ENDEAVORS

### Mastercard brings Send to the UK

Payment processor Mastercard is also working to simplify international payment transfers, but seems to be focusing its attention on the U.K. It recently [announced](#) it would roll out its real-time collaboration with payment services firm Vocalink, a move to connect to the Faster Payments network. This would allow U.K. consumers and businesses to send and receive real-time payments via Mastercard Send, including the ability to make P2P and business-to-consumer (B2C) disbursements, among others.

In a press release, Mastercard said it tapped U.K.-based digital FI Starling Bank to enable settlement, managing and processing of the funds being transferred before they are deposited into individual accounts. Julian Sawyer, chief operating officer of Starling Bank, said the partnership would open new capabilities for U.K. consumers and businesses, and Mark Barnett, Mastercard's U.K. divisional president, claimed it would help the company offer faster and more convenient transfers.

### ISO 20022 to be applied to UK payment systems

In other news, ISO 20022, the international standard for electronic data interchange messages sent between FIs, is coming to the U.K.'s payment systems. The Bank of England recently [announced](#) that the CHAPS, Faster Payments and Bacs Payment Systems would implement the standard to address payments processing inefficiencies, enable more convenient cross-border payments and make those processed via these networks more secure. It also aims to enable consumers and companies to obtain more data when completing transactions.



The decision was made in collaboration with the Payment System Regulator and the New Payments System Operator (NPSO), the regulating body assigned to design and implement new architecture for U.K. payments. The standards are not expected to take full effect until 2021 at the earliest, but experts predict more than 75 percent of worldwide high-volume payments will be based on ISO 20022 messaging by 2023.

### SWIFT's European expansion

Payments messaging firm SWIFT is hoping to boost its presence in European faster payments. The company has [announced](#) it would expand its partnership with global payments logistics service provider EFIS to better facilitate connection to the region's faster payments networks. With the new partnership in place, EFIS will use SWIFT to connect its customers to two instant payment networks — the Eurosystem's TARGET Instant Payment Settlement (TIPS) and pan-European payment infrastructure services firm EBA CLEARING's RT1 — and provide the service to its banking customers under its "Banks for TIPS" offering. Pilot testing will begin later this year.

SWIFT is facilitating the connection via its SWIFTNet Instant offering, and TIPS will launch in November 2018. Reports last month said SWIFT would also be looking to [launch](#) real-time payment capabilities across the Asia Pacific region, with particular focus on Australia, China, Singapore and Thailand. Its goal is to develop a real-time, cross-border payment service for the area powered by its gpi technology.

## CBA finishes SEPA testing

Norwegian software vendor Commercial Banking Applications (CBA) recently [announced](#) it had successfully completed its test of instant payments processing via EBA CLEARING. As such, the company's IBAS SIP – SEPA Instant Payment Solution can now be used to process real-time payments for banks connecting to EBA CLEARING's Instant Payment System.

CBA's solution is currently being used by several Nordic Banks and Singapore's OCBC Bank. In a press release announcing the tests' completion, Rolf Hauge, the company's founder and CEO, noted it is designed to process instant and real-time payments alongside traditional payment types, thereby offering more flexibility.

## BLOCKCHAIN BULLETINS

### MUFG plans for blockchain processing by 2020

Japan's largest bank, Mitsubishi UFJ Financial Group (MUFG), recently [stated](#) plans to use blockchain for transaction processing by 2020. The solution in question, created in collaboration with U.S. technology company Akamai, is currently in development and being built on the latter's cloud service. Only verified computers will be able to join the network on which payments get ordered and confirmed.

The blockchain offering can currently confirm a batch of 1 million transactions per second with latencies of less than two seconds, according to the pair. This would be a significant acceleration over bitcoin, which has a blockchain processing rate of seven transactions per second and latencies of more than 10 minutes.

### Kuwait Finance House turns to Ripple for remittances

While MUFG develops its own blockchain, the Kuwait Finance House (KFH) is sticking with a more established solution. It has [implemented](#) payment protocol Ripple's system for international remittance payments, reportedly making it the first FI in Kuwait to do so.

The bank will offer rapid cross-border money transfer and payment tracking with Ripple's platform, and the move also adds the bank to a worldwide network of more than 100 FIs. Whether KFH will use Ripple's xCurrent, which allows settlements in fiat currency, or xRapid, which uses XRP for liquidity, has not yet been announced.

### Wirecard takes blockchain-powered approach to B2B payments

Meanwhile, payment processing firm Wirecard is hoping to use blockchain technology to boost its B2B payments market presence. According to a recent [announcement](#), the company is planning to



expand its B2B services and use distributed ledger technology to connect merchants with producers. Blockchain will also be used to facilitate the creation and transmission of smart contracts to reduce the risk of fraud, an advancement as today's supply chains often rely on analog data carriers, fax and paper.

Wirecard AG CEO Markus Braun said the supply chain solution is currently a prototype, but the company sees "great potential in the digitization process worldwide." It also [partnered](#) with B2B networking platform Mercateo earlier this year to strengthen its B2B operations.

## Banking industry tops \$1.7 billion in blockchain spending

Blockchain has recently seen significant investment. According to recent [research](#) from consultancy firm Greenwich Associates Market Structure and Tech-

nology, FIs spent roughly \$1.7 billion on the development and debut of blockchain products in 2017. Spending increased by 67 percent in the past year, too, with roughly 10 percent of banks and financial services firms investing more than \$10 million in the technology.

The number of employees working on blockchain initiatives also doubled in the past year, and extra allocated resources may be a sign of the complexity involved in working with distributed ledger technology. In fact, more than half of the executives interviewed in the study said developing and implementing blockchain was "harder than they expected," according to Richard Johnson, vice president of Greenwich Associates.





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