

# FASTER▶ payments▶

## TRACKER®

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### News & Trends

India's real-time payments volume set to outpace other countries by 2024  
– p. 10

MAY 2020

## HOW TIPS IS HELPING ECB EXPAND ITS REAL-TIME PAYMENTS REACH

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# What's Inside

The COVID-19 pandemic has shaken the United States economy, placing heavy financial burdens on millions of U.S. businesses and consumers. Recent PYMNTS research indicates that 38.4 percent of small to mid-sized businesses (SMBs) have [reduced](#) their payrolls to help mitigate this financial strain and 29.5 percent have been forced to shut down entirely, forcing millions out of work.

The impact of the ongoing pandemic is also taking a massive toll on other economies around the globe. The U.S. Congressional Research Service projects that the pandemic could [reduce](#) global trade by anywhere from 13 percent to 32 percent. This decline in economic activity has tightened cash flows for businesses and consumers alike. Many government bodies around the world are offering financial support in response, but their inability to do so in a fast and robust manner is further highlighting the need for improved access to real-time payments.

## **AROUND THE FASTER PAYMENTS WORLD**

The U.S. government is still struggling to mitigate the pandemic's impact on SMBs and consumers across the nation just a month and a half since Congress first approved a plan. Millions of consumers have not received their stimulus checks, which has [triggered](#) new calls to accelerate the planned federal real-time payments network, FedNow. FedNow is set to go live by 2023 or 2024 and will possibly compete with the Real-Time Payments (RTP) network, which is privately operated by The Clearing House (TCH).

The United States is laying the groundwork for its government-sponsored real-time payments network, yet India is on course to [become](#) the world's largest real-time payments market in terms of volume within the next four years. The number of real-time payments processed in the nation is expected to reach 52.8



billion by 2024, growth driven in part by the country's Unified Payments Interface (UPI) system.

Real-time payments adoption is poised to expand in the Asia-Pacific region as well. Hong Kong-based financial settlement network EMQ is rolling out a new regional and cross-border real-time payments solution that will help harmonize the highly fragmented regional market. EMQ's new network will leverage application programming interface (API) technology to automate same-day settlements in the local currencies of eight countries and territories: China, Singapore, India, Indonesia, Malaysia, the Philippines, Japan and the United Kingdom.

For more information about these and other headlines from around the space, read the Tracker's News and Trends section (p. 10).

### **THE ECB ON HOW TIPS IS HELPING EXPAND REAL-TIME PAYMENTS REACH**

The [European Central Bank](#) (ECB) is using its real-time payments network, TARGET Instant Payment Settlement (TIPS), as an infrastructural foundation to expand its real-time payments capacity and also bring together the region's broader payments ecosystem. Sweden's central bank, Sveriges Riksbank, is the newest financial institution (FI) to connect to TIPS, for example. This has broadened the ECB's real-time banking reach to 30 countries and more than 3,800 FIs, setting the stage for countries that transact in different currencies to join the network in the future. In this month's Feature Story (p. 6), PYMNTS caught up with the ECB to discuss the evolution of real-time payments in the region and discover how the FI is working to expand TIPS' reach for improved access to faster payment solutions.

# 5 FIVE FAST FACTS

**52.8B**

Number of real-time payment transactions expected to be processed in India by 2024

**30**

Number of countries participating in the TIPS real-time payments network

**52%**

Portion of U.S. accounts that are capable of receiving real-time payments through the RTP network

**29.3%**

Projected CAGR of the global real-time payments market between 2019 and 2025

**42.1%**

Forecasted CAGR of the U.S. real-time payments market between 2019 and 2024

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HOW TIPS IS HELPING  
**ECB EXPAND ITS  
REAL-TIME PAYMENTS  
REACH**

# Feature Story

## **SMOOTHING OUT CROSS-BORDER PAYMENTS FRICTION IN THE EU**

The [European Central Bank](#) is the European Union's foremost regulatory body. It also works to ensure that financial products and services can be distributed as smoothly and safely as possible.

Accomplishing this task poses a unique set of challenges, however, particularly when it comes to real-time payments. The 27 EU member states have their own financial systems, and many have also [implemented](#) their own domestic real-time payments rails. Making cross-border payments in the EU therefore requires interconnectivity between the regions' various real-time payments rails.

This is just one of the cross-border payments frictions that led to the TIPS system. TIPS is a real-time payments network that the ECB created to build a more streamlined, interoperable Pan-European instant payments rail – one that allows for funds to be

transferred quickly and seamlessly among all EU nations on a 24/7 year-round basis.

The ECB sees TIPS as more than just another real-time payments solution, however. The network is also a key component of its broader drive to harmonize the European financial system.

“The Eurosystem [aims to create] an integrated payments area in Europe where solutions are based on a common scheme and Pan-European market infrastructures, such as TIPS, [bring] benefits to citizens and businesses alike,” the ECB told PYMNTS in a recent interview.

Its efforts have thus far been driven by a multipronged approach that aims to address both structural and legal payment frictions.

## **THE PAST AND FUTURE OF EU REAL-TIME PAYMENTS**

TIPS is able to provide the interoperability necessary to make cross-border transactions because it



[relies](#) on the SEPA Instant Credit Transfer (SCT Inst) scheme. SCT Inst was developed in 2017 to establish operational guidelines by which all real-time payment rails in the EU are required to comply. This marked the first real-time payments regulatory framework in the region that addressed all EU countries.

The ECB created TIPS upon this framework, and it provides real-time settlement capabilities across the region.

The network's design also includes a hidden springboard for future expansion as it comes equipped with multicurrency functionality, opening the door for countries that do not use the euro to connect to the TIPS network and access its real-time payments services.

This functionality has already attracted the interest of central banks from outside the EU. Sweden's central bank, Sveriges Riksbank, recently became the first outside the eurozone to tap into the service, [striking](#) a deal with the ECB that will allow consumers to settle funds in Swedish krona. The agreement is the first of what could become a broader movement of central banks to join the network.

The ECB said it is taking active measures to expand the TIPS infrastructure beyond the eurozone.

"The ECB is supporting and actively contributing to the work on the Financial Stability Board roadmap to enhance cross-border payments, in

coordination with relevant international organizations and standard-setting bodies – notably the Bank For International Settlement Committee on Payments and Market Infrastructure," the ECB told PYMNTS.

The Committee on Payments and Market Infrastructure (CPMI) [monitors](#) central banks' ability to clear and settle funds safely, efficiently and in accordance with international and domestic regulations. It also is a forum where central banks of different nations collaborate on joint policy initiatives, carrying out the regulatory and financial framework embedded in the TIPS real-time payments infrastructure.

### **BEST-LAID PLANS**

The ECB's collaboration with the CPMI extends far beyond TIPS. The two bodies also collaborate in the area of cybersecurity, primarily via the Eurosystem Cyber Resilience Strategy.

The Eurosystem Cyber Resilience Strategy is related to the EU's real-time payments network and seeks to enforce CPMI and International Organizations Of Securities Commission (CPMI-IOSCO) guidelines over digital transactions, including real-time payments and other services.

"The objective of the strategy is to improve the cyber resilience of the euro area financial sector as a whole by enhancing the 'cyber readiness' of individual financial market infrastructures, including the ones



operated by the Eurosystem, and to foster collaboration among financial market infrastructures, their critical service suppliers and the authorities,” the ECB said.

Official guidelines and regulations can only go so far, however. Even the most sophisticated top-down efforts to stop cybercrime can fail if efforts are not coordinated, and that starts from consumers being more cautious.

“It is important that customers also take personal responsibility. Simply downloading an app and accepting all terms and conditions, without being aware of the consequences and potential fraud, is suboptimal,” the ECB said.

It calls for individual consumers to take responsibility for their part in the financial sector’s broader struggle to counter cybercrime.

This shows that payments harmonization and faster transaction speeds are only two facets of facilitating real-time cross-border transactions. It is equally imperative to collaborate to secure those transactions with efforts led by both consumers and central banks.



# Under The HOOD

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## ***What are some of the factors creating the need for cross-border real-time payment solutions?***

“We are experiencing two main drivers for change – digitalization and globalization. As a result, there is a growing demand for global and real-time payment solutions. While financial markets have become more integrated over the past decades, the complexity of the cross-border payments model still persists, bringing a number of challenges in terms of interoperability and access, compliance with standards and regulations, and ... operating hours. In this respect, enhancing cross-border retail payment arrangements would have several benefits. The private and public sector both need to take the necessary actions.”

[The European Central Bank](#)

# News & Trends ▲

## International real-time payments expansion

### SWEDEN JOINS THE ECB'S INSTANT PAYMENT PLATFORM

Countries around the globe are focusing on developing faster payments infrastructure, but each is doing so to meet its unique needs. Sweden recently moved to improve its instant payments infrastructure, becoming the latest European nation to join the ECB's instant payments platform, TIPS. The ECB [announced](#) on April 3 that it had reached an agreement with Sveriges Riksbank that allows Sweden's national instant payments service, RIX-INST, to clear payments through TIPS by May 2022. The agreement will allow all payments made in Swedish krona to be processed on the TIPS system, which uses the euro as its base currency.

The initiative is the latest development advancing the integration of European real-time payments networks. Sweden had already been among the most advanced nations in terms of instant payments: The ECB estimates that the country processes an average of 1.5 million instant payments each day.

### DEUTSCHE BANK BRINGS INSTANT PAYMENTS TO BANGKOK BRANCH

European FIs such as Deutsche Bank are working to bring real-time payments services to their customers abroad. Deutsche Bank's Bangkok customers will soon be able to make electronic payments via PromptPay, the instant payments service supported by the Thai government. The Frankfurt-based FI will [partner](#) with Thai payment service provider National ITMX to bring PromptPay to its local customers in two phases. The first phase will enable access to instant collections services to Deutsche Bank's Thailand-based clients, while the second will enable other real-time payments services. PromptPay is the third faster payments service to be rolled out in Southeast Asia and addresses a growing demand for digital payments services as FIs across the globe innovate to serve consumers following stay-at-home protocols.

Deutsche Bank's head of Southeast Asia, Burkhard Ziegenhorn, likened the pandemic to a "black swan" event, saying it had the potential to accelerate the financial sector's broader shift to digital-first banking services. Ziegenhorn expects that governmental restrictions on movement and consumer demand will

drive an increased reliance on digital solutions going forward.

### **BRAZIL TESTS ITS PLANNED INSTANT PAYMENT PLATFORM**

Great progress has been made toward real-time payments adoption in Europe and Southeast Asia, but countries in other parts of the world are just beginning to pursue their own real-time payments ambitions. The Central Bank of Brazil is testing the technology underpinning its new instant payments platform, Pix. The bank is reportedly [running](#) “simulated transfers” in which participating FIs send and receive false data to one another to observe whether transfers are successful and detect any underlying issues. The second part of the process will likely take place in June and will require all FIs planning to use the platform to perform mandatory system testing.

Pix’s launch was first announced by the Central Bank of Brazil in February and is scheduled to launch in November. The round-the-clock service would present a stark contrast with the nation’s status quo as consumers in Brazil can neither make banking transactions outside of normal business hours nor initiate real-time payments on the weekend.

### **INDIA EXPECTED TO LEAD THE WORLD IN REAL-TIME PAYMENTS ADOPTION BY 2024**

India is set to outpace the rest of the world in real-time payments adoption in just a few short years. The country’s real-time payments volume is [projected](#) to increase from \$15.3 billion in 2019 to \$52.8 billion by 2024. This expected growth in real-time payments volume is a result of the country’s four-party transaction model, which allows the country’s banks, merchants, processors and FinTechs to utilize the nation’s UPI system for transactions. The Reserve Bank of India (RBI) [regulates](#) the UPI, which enables real-time payments to be transferred directly from account to account without the help of a third-party app or platform and at no additional cost – though some FIs still charge transfer fees.

The U.S. and the Nordic countries are similarly expected to attain accelerated real-time payments adoption rates in the near future. The U.S. is projected to experience a compound annual growth rate (CAGR) of 42.1 percent over the next four years, for example, while the P27 initiative is expected to contribute to an average CAGR of 20.9 percent in the Nordic region.



## US institutions innovate real-time payments solutions

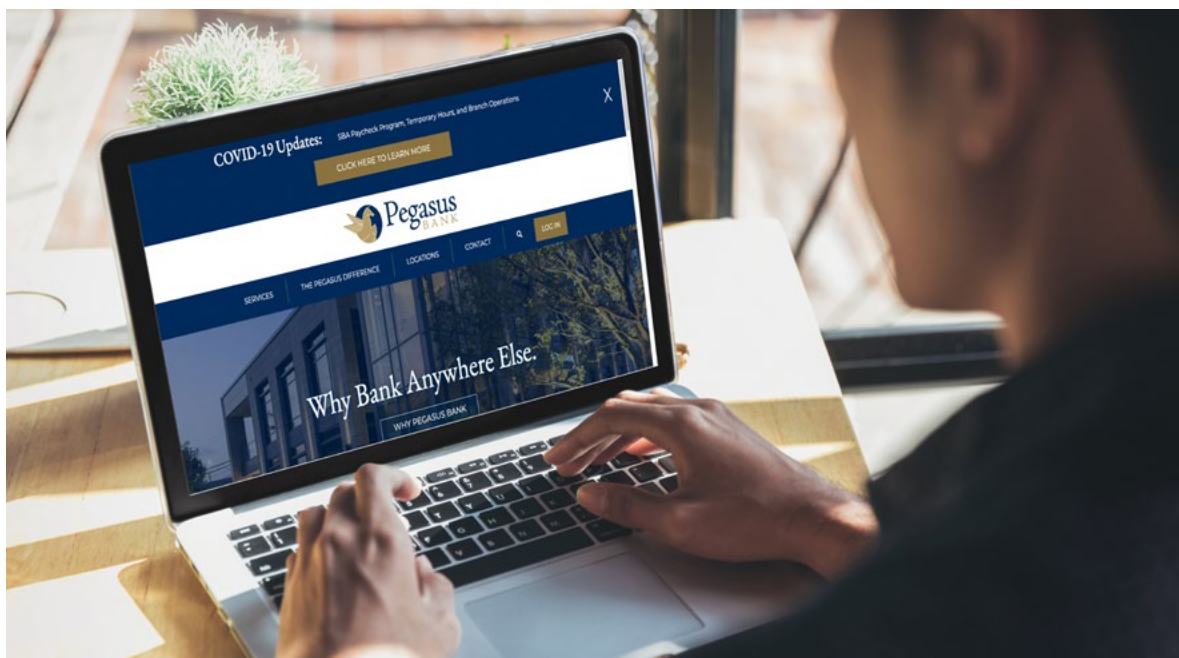
### STIMULUS PAYMENT PROBLEMS RENEW CALLS FOR FEDERAL REAL-TIME PAYMENTS

The U.S. government's recent struggle to issue stimulus disbursements quickly is pressuring lawmakers to [accelerate](#) the rollout of FedNow, the federal real-time payments network that is scheduled to go live in 2023 or 2024 and may compete against TCH's RTP network. A month and a half has passed since the U.S. Congress authorized payments, but millions of households have yet to receive their stimulus checks. Aaron Klein, policy director at The Brookings Institution's Center on Regulation and Markets, considers the problem to be less of a policy issue than a governmental

failure to modernize its disbursement capabilities. "Problem number one is a real-time payments problem created by the Federal Reserve's lack of modernization ... compounded by the Treasury Department's inability to use the private Real-Time Payments system banks created," Klein recently stated.

### PEGASUS BANK CONNECTS TO RTP VIA THIRD-PARTY PROVIDER

Real-time payments adoption in the U.S. private sector is somewhat ahead of adoption in the public sector as many FIs are working toward innovating and improving upon their own real-time payments capabilities. One such effort is being led by Dallas-based Pegasus Bank, a BancFirst Corporation subsidiary, which is partnering with banking software and technology provider Jack Henry to provide its customers with real-time payments. The partnership will allow customers of all three Pegasus Bank branch



locations to [receive](#) real-time payments from account holders at other FIs as well as real-time credit transfers sent via third-party payment apps. The new service will leverage Jack Henry's faster payments platform, which is currently used by more than 100 businesses to connect to the RTP network and Early Warning Services' Zelle.

Many FIs partner with third-party providers to avoid having to build their own infrastructures from scratch, yet Pegasus Bank is the first FI to leverage a third party to connect to TCH's RTP network. An additional 50 Jack Henry clients are scheduled to go live on the RTP network before the end of 2020.

#### **CORPORATE ONE FEDERAL CREDIT UNION BECOMES RTP-CERTIFIED**

Credit unions have been somewhat slower than banks to adopt real-time payments, but that could be changing. Corporate One Federal Credit Union has received TCH certification, and its corporate clients will now be able [receive](#) real-time payments through the RTP network. The corporate credit union's certification follows its recent partnership with Sherpa Technologies, a credit union service organization (CUSO) that provides a variety of real-time payments solutions for a credit union-specific audience.

It also comes seven months after Corporate One became the first organization of its kind to receive funding agent status on the RTP network, meaning it is able to manage its members' liquidity on a 24/7 year-round basis. Supporting this round-the-clock service is often too resource-intensive for many CUs, and real-time payments options supported by third parties could help more CUs access the network going forward. The RTP network is the largest and most influential real-time payments provider in the U.S.

and it currently enables 52 percent of U.S. bank accounts to receive real-time payments.

## FinTechs expand real-time payment capabilities in the US

### **KYCKGLOBAL PUSHES PUSH PAYMENTS BEYOND THE PERSON-TO-PERSON SPHERE**

Banks are not the only players working to bring real-time payment capabilities to their customers. FinTechs are also vying to offer businesses and consumers low-cost access to real-time payments services that they would otherwise be unable to afford. Atlanta-based FinTech KyckGlobal is one such firm, [partnering](#) with Visa Direct to bring real-time push payment capabilities to U.S. businesses.

Push payments can help reduce transaction fees' processing times by bypassing bank routing and transferring funds directly from one account to another. KyckGlobal hopes that its collaboration with Visa Direct will be particularly useful to small businesses grappling with cash flow shortages triggered by the COVID-19 pandemic. The company's cloud-based platform already supports a variety of use cases such as consumer lending, rent payments and insurance claims.

KyckGlobal believes real-time payments solutions will be important for future growth. They represent a \$10 trillion opportunity in the U.S., and much of the growth potential is in business funds disbursement.

### **CERIDIAN EXTENDS REAL-TIME PAYMENTS SERVICES TO DAYFORCE USERS**

Bloomington-based technology firm Ceridian, which provides human capital management (HCM) software solutions, is also working to ease the financial impact of the pandemic. Its solution is called Dayforce Wallet and will allow consumers to [receive](#) payments in real time by request. The solution is integrated with Dayforce Prepaid Mastercard, which calculates the amount of funds users have access to on a rolling basis. Payment sums are recalibrated continually according to the duration of their work and their rate of pay.

CEO David Ossip hopes the Dayforce Wallet will help meet manufacturing employees' needs as many are considered essential workers and therefore have no option of working from home. He said the solution will help provide them and other frontline workers faster, and easier access to funds during the pandemic.

## RTP developments from the Asia-Pacific region

### **NCS AND NETS PARTNER TO BRING INSTANT PAYMENTS TO THE ASIA- PACIFIC REGION**

Another effort to improve access to real-time payments is being led by Singapore-based communications and technology firm NCS and the Network for Electronic Transfers (NETS). The two entities are partnering to launch a new real-time payment and securities settlement platform for central banks in the Asia-Pacific region. The collaboration was [cemented](#) in March with the signing of a memorandum of

understanding. Both parties will contribute funding for the research and development of the project, which will create a suite of products designed to meet the regulatory requirements of a wide variety of nations in Southeast Asia as well as the laws of Hong Kong and China. Ricky Lim, interim group CEO at NETS, hopes the collaboration will enable a new level of cross-border payments interoperability and help facilitate faster, more streamlined payments in an otherwise highly fragmented regional ecosystem.

### **EMQ ENABLES SAME-DAY SETTLEMENTS IN EIGHT COUNTRIES**

Hong Kong-based financial settlement network EMQ is launching an enterprise settlement solution that will [allow](#) users in eight countries to receive payments the same day they are issued. The new network leverages API technology to help automate the transaction process and will issue and accept payments in the local currencies of China, Singapore, India, Indonesia, Malaysia, the Philippines, Japan and the U.K. EMQ co-founder and CEO Max Liu said the network will allow his business to tap into the growing cross-border B2B market, which is surging amidst increased international commerce and expected to reach a market value of \$218 trillion by 2022. EMQ's launch of this new real-time payment network is the latest step in its broader growth strategy, which includes recent network expansions across the Asia-Pacific region and into North America and Africa.

# About

## **ABOUT THE TRACKER**

The Faster Payments Tracker® is the go-to monthly resource for staying up to date on faster payments news. The Tracker highlights the contributions of different stakeholders, including institutions and technologies coming together to make this happen.

## **QUESTIONS? COMMENTS? BRILLIANT IDEAS?**

We hope you like the Tracker, and we welcome your feedback. Drop us a line at [feedback@pymnts.com](mailto:feedback@pymnts.com).

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