

11th Conference on Payments and Market Infrastructures

Let's Get Digital

▶ 4th Working Group

- ▶ Instant payments and new developments
(target group: participants from payment systems operators, central banks, and banks)



Is there a use case (or business case) for the development of Instant Payments...

- ▶ ... In your country, also taking into account the opportunities for new online/real-time services
- ▶ Serbia - very big project, experience from TIPS and other countries, meetings with CMA and banks. Decision to implement. Mandatory for the banks to participate. Banks are positive about the project. Settlement in central bank money
- ▶ Macedonia - banks support KIBS Instant Payments project. Little bit different from Serbia, project is carried by a private company KIBS, there is support from the NBRM, but the banks are not legally obliged to participate. Benefits for the banks: lower cost and real-time payments, it is expected that the payments will be doubled. Rulebook based on SEPA instant credit transfer scheme

Which participants would benefit from payments 24/7

- ▶ All the clients will have privilege to pay 24x7
- ▶ Competition among the banks would be fostered

What are the challenges of developing an infrastructure for instant payments

- ▶ Role of the central bank and the Eurosystem to oversee the changes in the payment system. TIPS is as technical change - interface for instant payments which are settled in T2. Considerations for the operational risk of real-time processing, settlement risk, legal risk - participants default management and links - interoperability among the systems. Plans for the operational hours of T2 to be extended
- ▶ Maroko - in differed net settlement systems payments are guaranteed
- ▶ Participants in the Instant Payments system should be available 24/7, in stand-in mode
- ▶ Macedonia - instant payments will be guaranteed, accepted payments are verified against the guarantee fund and the covered ones are processed further. New platform for instant payments in order to process payments in 10 sec. and to face the ...
- ▶ ... Adoption of ISO 20022 is technical challenge
- ▶ Volume of payments could be very high, scaling of the system - increasing capacity. Economies of scale - Connection of the cost of the instant payments with the volume - increase in the volume of payments with just a little increase of cost

What would be essential conditions to develop a successful infrastructure...

- ▶ ... for instant payments (or pre-conditions when starting such a project)
- ▶ Critical mass of payments to develop IP system
- ▶ “We have to do it together” - community should work together! Nobody should be excluded, natural and legal entities should work together. Questionnaire for the feasibility of the system sent to the banks and other PSPs. Cooperation among the banks is important
- ▶ Serbia - obligation to participate with a statement in IP System Operational Rules. TIPS - voluntary participation. EU members - participation in the national IP systems could be mandatory
- ▶ Sufficient standardization and harmonization with the regulation
- ▶ Appropriate solutions - convenient for usage by the customers and easy to adopt
- ▶ Serbia - statement by the general manager that salaries could be executed in the IPS even in Sunday - exciting reaction from the population

What are your expectations on the time frame when an infrastructure for...

- ▶ ... Instant payments would become available in your country
- ▶ Kosovo - expectations for 2,5 years
- ▶ Jordan - 2-3 years
- ▶ Maroko - 2-3 years
- ▶ Albania - 2,5 years
- ▶ Serbia - IPS in production in October 2018
- ▶ Macedonia - spring 2019

Which new dynamics do you expect for the payment infrastructure...

- ▶ ... regarding participants, users and new parties (f.e. network service providers)
- ▶ Banks should provide some payments free of payment, or free to clients and be charged from the merchants
- ▶ It's likely that Third Party Providers (non-banks, fintechs) will use IP services
- ▶ IP systems are competition to the RTGS system, part of the RTGS payments will transfer into IPS

Do you expect that traditional batch processing...

- ▶ ... (f.e. processing salaries and pensions by batches) will ultimately also be handled instantly
- ▶ IP payments are processed individually and have to be settled in max of 20 secs, while in batch processing they are collected and processed in regular time-frames - big advantage of IPSs

Thank You !

