

Are instant retail payments becoming the new normal? A comparative study

AMI-Pay, 6 February 2018

*Disclaimer: This paper should not be reported as representing the views of the European Central Bank (ECB).
The views expressed are those of the authors and do not necessarily reflect those of the ECB.*

Overview

- 1 Introduction
- 2 Case studies: IRPS in Europe and around the world
- 3 Drivers of the adoption of instant retail payments
- 4 Forward-looking: will IRPS become the new norm in the euro area?
- 5 Scenarios
- 6 Conclusions & policy implications

50 years ago: instant access to funds 24x7



Actor Reg Varney becomes the first person to use an ATM at Enfield in 1967

Introduction: IRPS in operation around the world

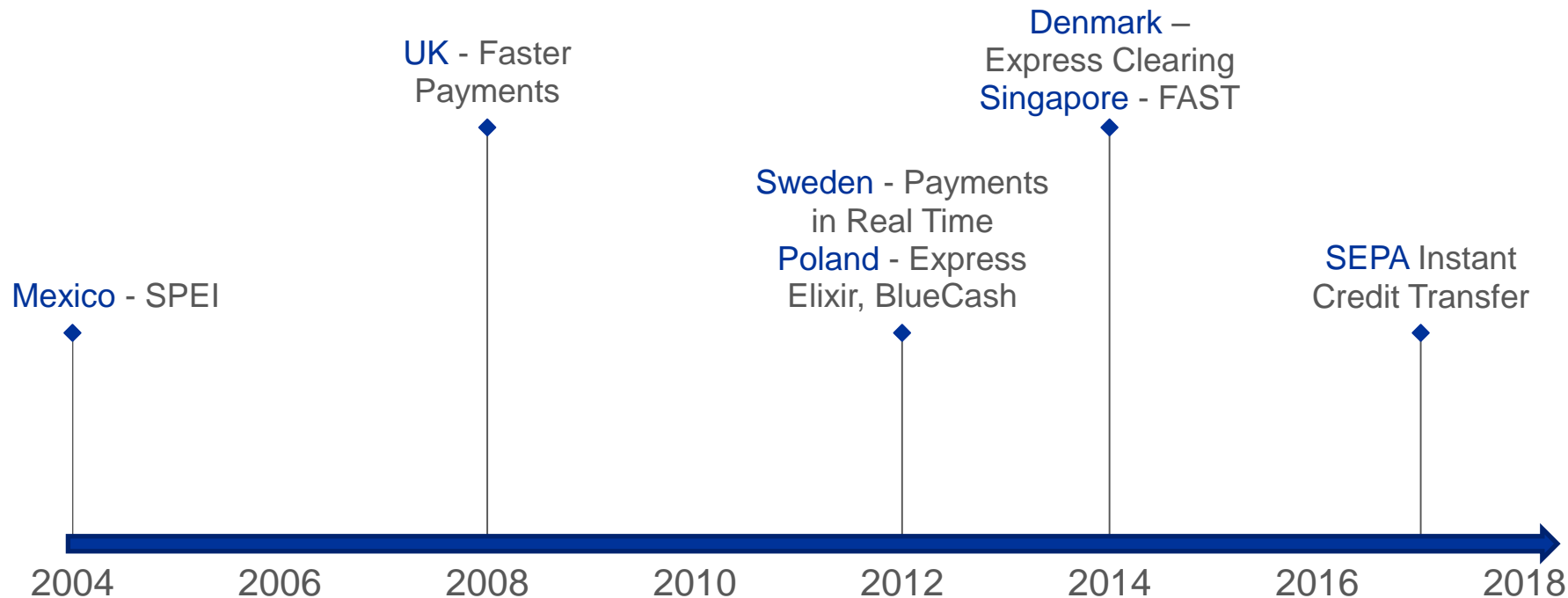


Main objective: To identify structural drivers and blockers to the implementation of instant retail payments using country cases where IRPS have already been operational for several years.

Country selection criteria

- IRPS in the European Union -> available data (as of 2015)
- IRPS in operation in other parts of the world -> sufficient info available on:
 - Instant payments
 - Other instruments (cards, credit transfers, direct debits, cheques, etc).

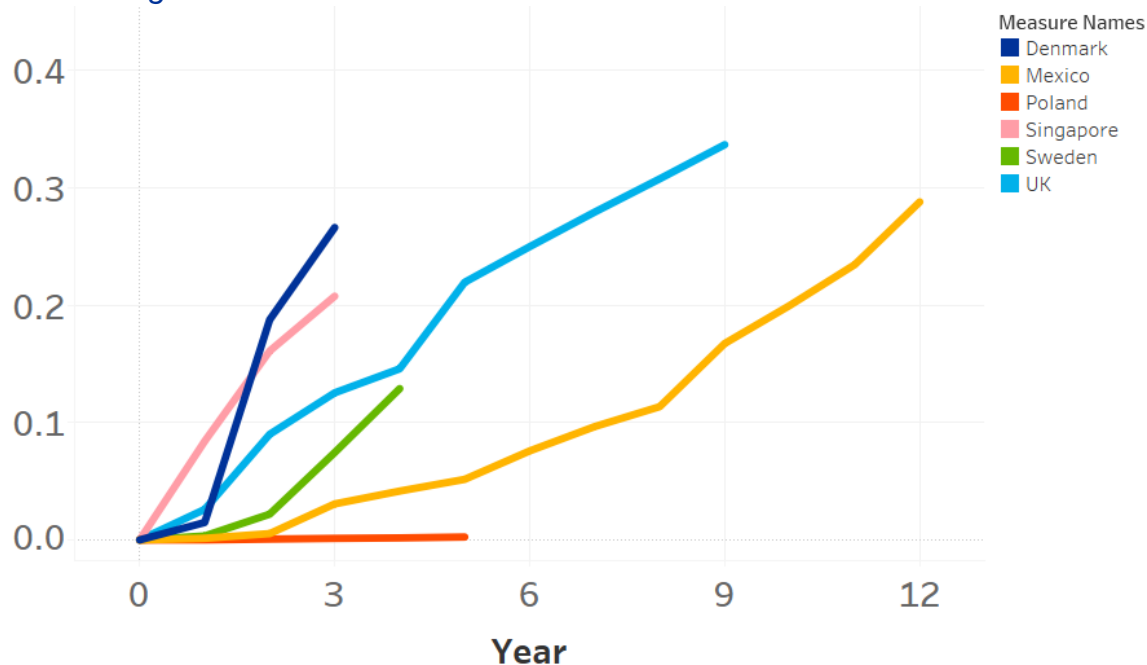
Country cases – timeline



The uptake of instant may be rapid or gradual

Evolution of instant payments

Percentage of the total number of credit transfers

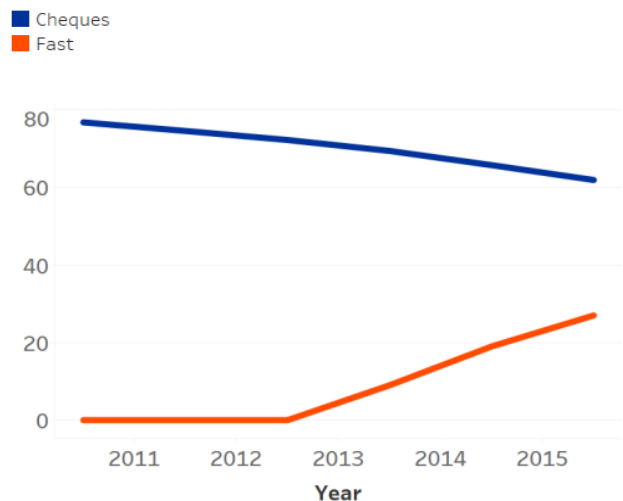


Sources: ECB, CPMI, Banco de México, Faster Payments, UK Cards Association, PaymentsUK, Bankgirot, Monetary Authority of Singapore, Danmarks Nationalbank

Instant volumes come from traditional credit transfers, but also...

Cheques vs FAST payments in Singapore

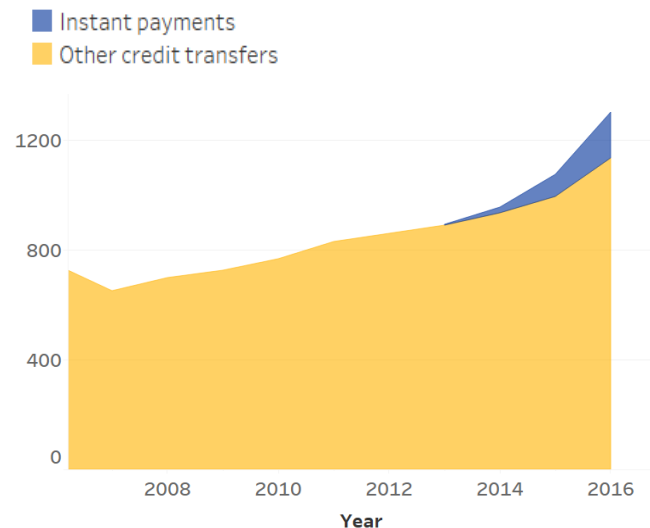
Number of transactions (in million)



Sources: CPMI, Monetary Authority of Singapore

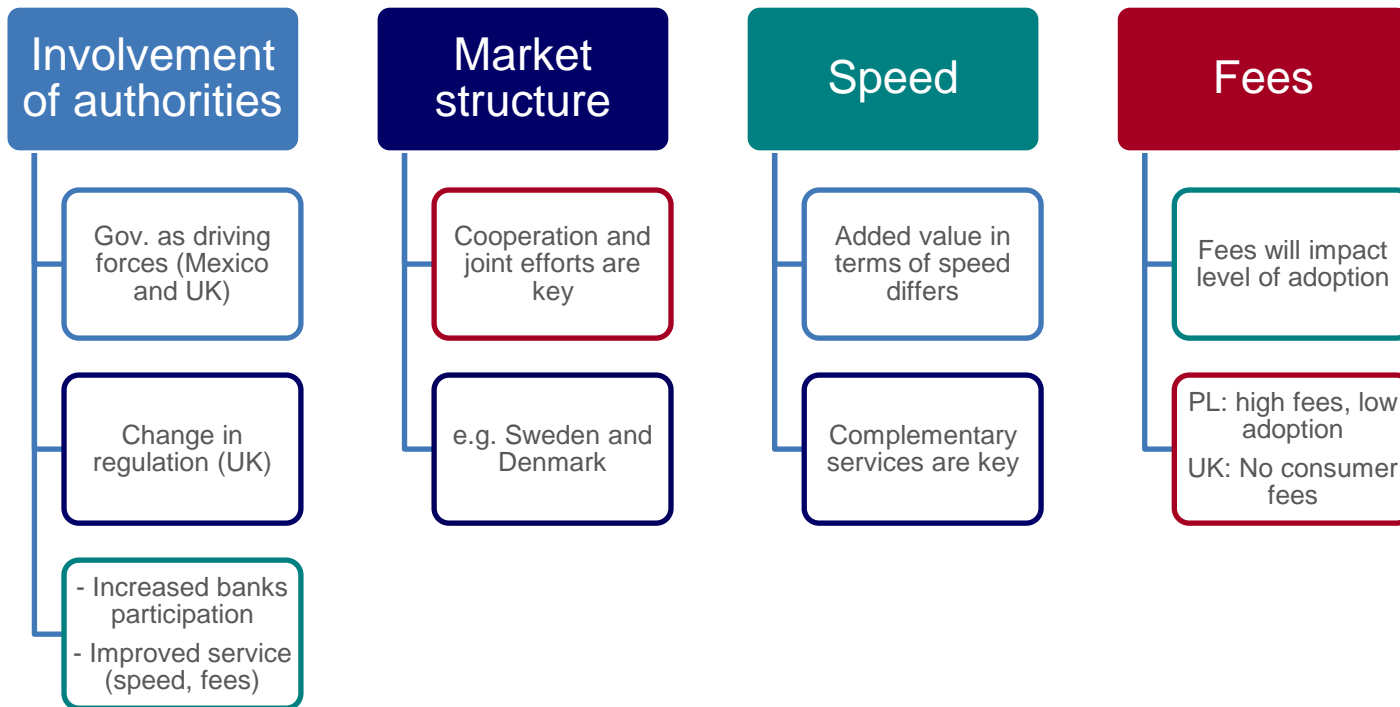
Other credit transfers vs instant payments in Sweden

Number of transactions (in millions)

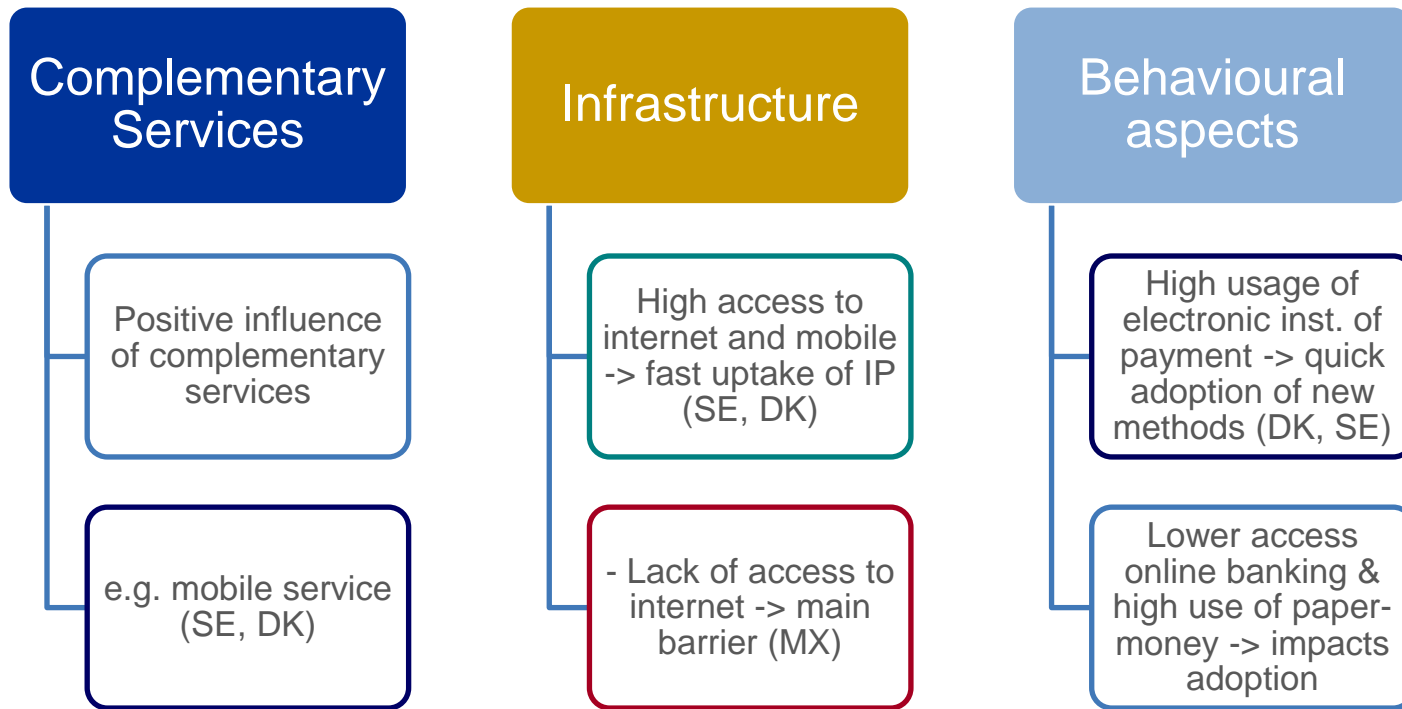


Sources: ECB and Bankgirot

Drivers...



Drivers...

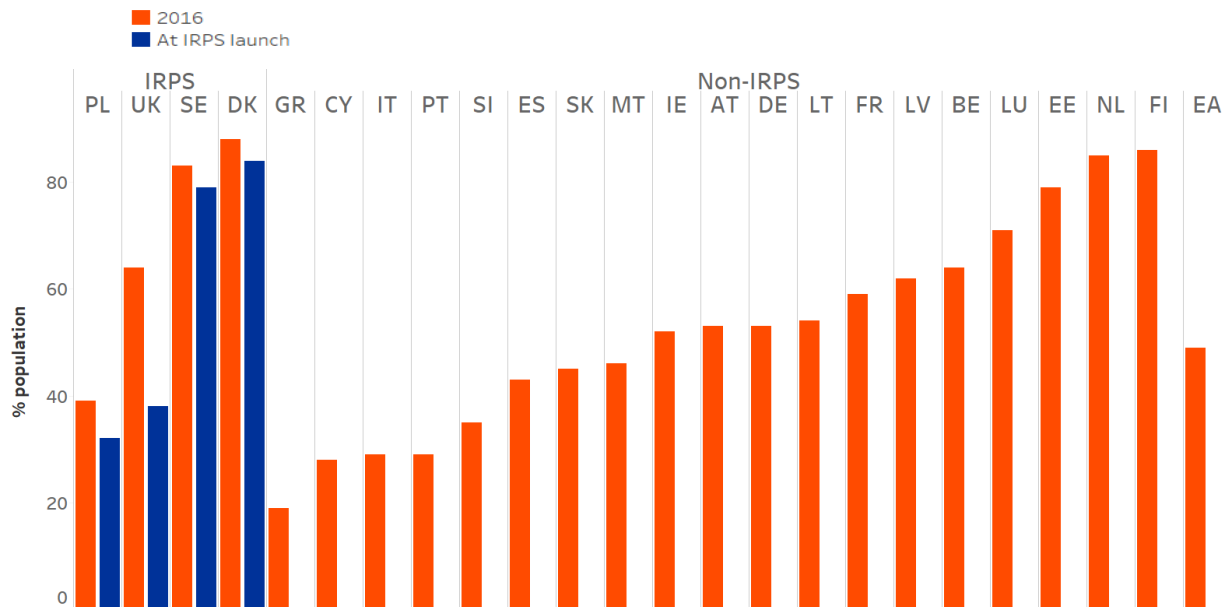


Forward-looking: will IP become the new normal in the euro area?

- Cooperation btw PSPs to develop common scheme for IRP
 - SCT Inst
- High usage of internet and online banking
- Payment infrastructure is well developed
 - High card ownership (93%)
 - Card acceptance (72%)
- High preference for non-cash (43% non-cash, 32% cash, 25% either)
- High financial inclusion
- Complementary services: e.g. provision of POS services for Instant payments:
 - Bizum in ES plans to provide instant payments using NFC

Forward-looking: will IP become the new norm?

Use of online banking

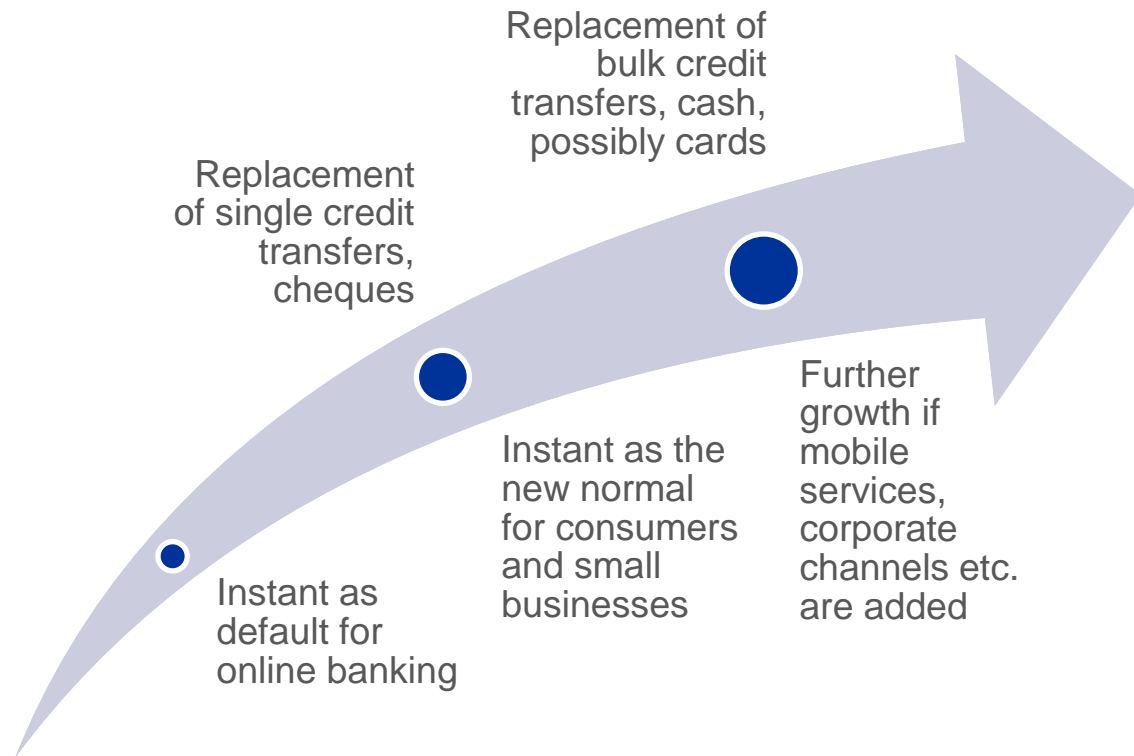


Source: Eurostat

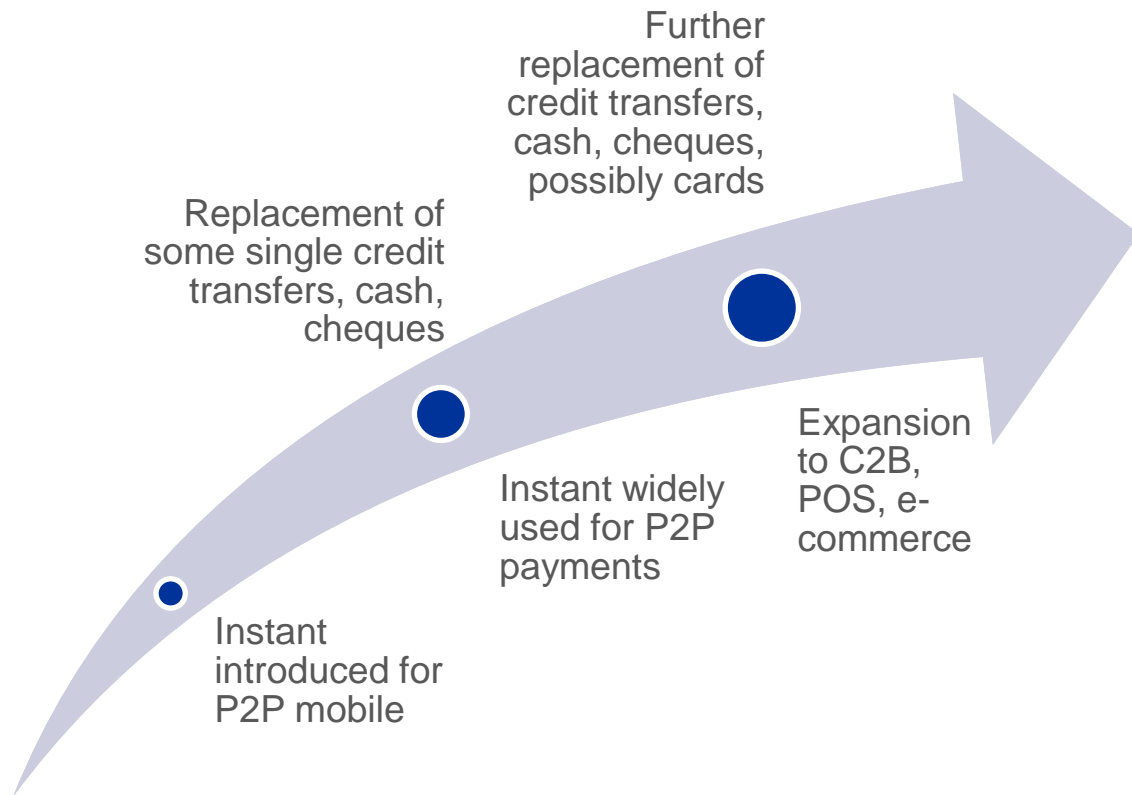
Country differences

- Concentration in the banking sector
- High cash usage at the POS (~79%) Payment infrastructure differs per market sector (POS)
- Low use of internet and online banking

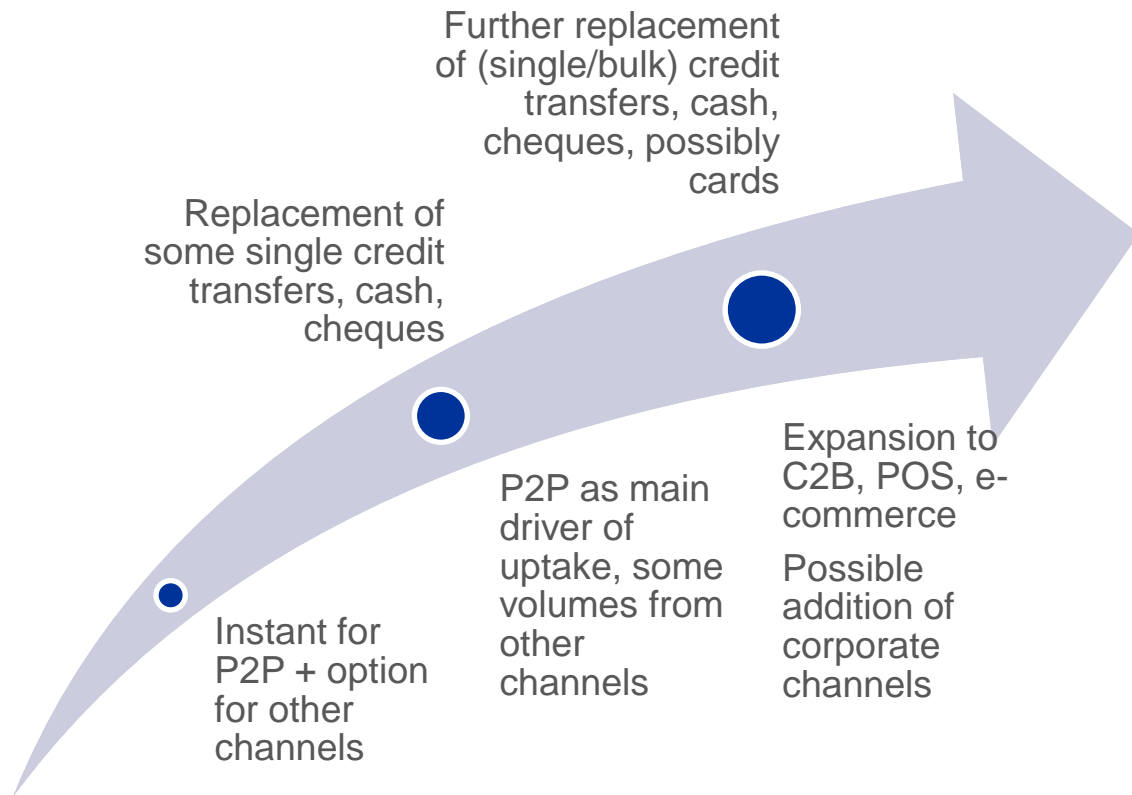
Scenario 1: online banking = instant



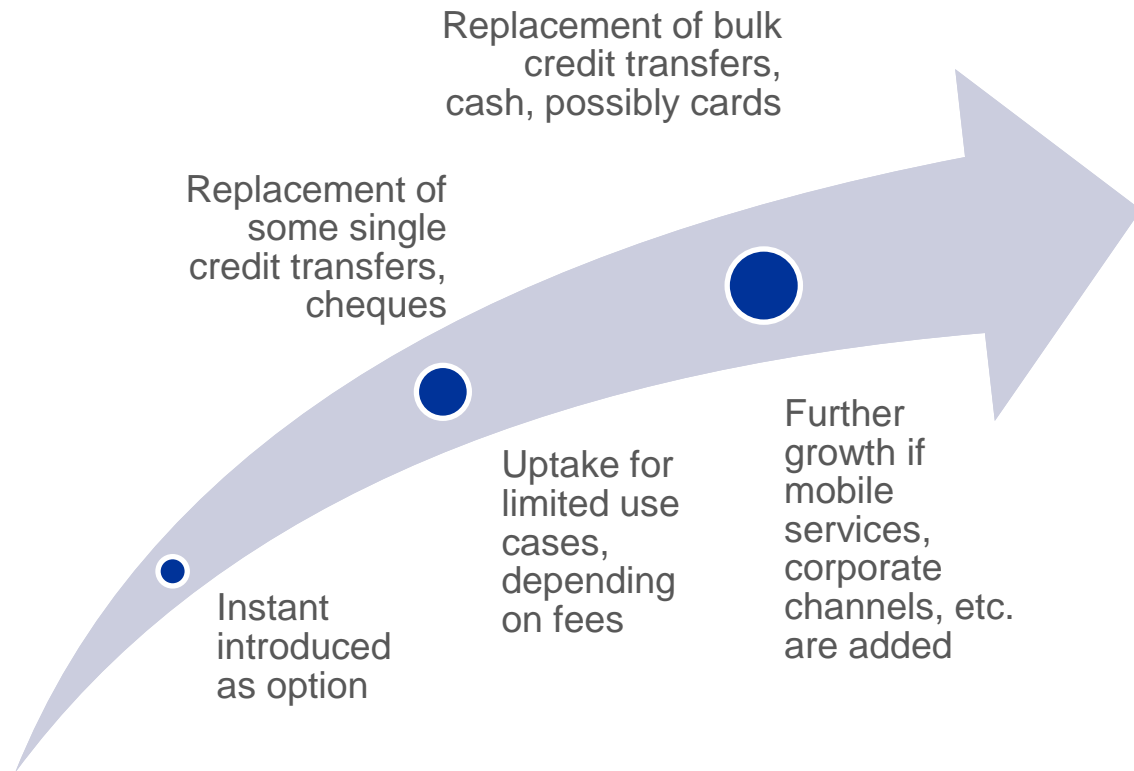
Scenario 2: instant = mobile



Scenario 3: mobile = instant / instant = mobile+



Scenario 4: instant = (premium) option



Which scenario for the euro area?

Euro area level: instant as an option

Scenario 1
countries:

instant as default
for online banking

Scenario 3
countries:

focus on P2P
mobile

Scenario 4
countries:

start with instant
as an option

Note: scenario 2 does not seem likely

- Some strong supportive factors for the success of instant retail payments in the euro area
- Extent to which it will become the new normal and the speed of transformation will differ between countries
- For the success of instant retail payments:
 - Support of authorities and governance structures should be provided
 - Complementary services should be available
 - Market stakeholders should work together to ensure the reach of the service
- Increase in competition in retail payments, in the context of the PSD2, may lower end-users' costs and improve services