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

AMI-Pay, 6 February 2018

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# Overview

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50 years ago: instant access to funds 24x7

Actor Reg Varney becomes the first person to use an ATM at Enfield in 1967
31 countries have adopted IRPS
- 7 are forthcoming in 2017-2019
-> Characteristics vary to a large extent
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).
Introduction: IRPS in operation around the world

Country cases – timeline

- **Mexico** - SPEI
- **UK** - Faster Payments
- **Sweden** - Payments in Real Time
- **Poland** - Express Elixir, BlueCash
- **Denmark** - Express Clearing
- **Singapore** - FAST
- **SEPA** Instant Credit Transfer
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
Case studies

Instant volumes come from traditional credit transfers, but also…

Cheques vs FAST payments in Singapore

<table>
<thead>
<tr>
<th>Year</th>
<th>Cheques</th>
<th>FAST</th>
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<tbody>
<tr>
<td>2011</td>
<td>80</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>10</td>
<td>0</td>
</tr>
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</table>

Sources: CPMI, Monetary Authority of Singapore

Other credit transfers vs instant payments in Sweden

<table>
<thead>
<tr>
<th>Year</th>
<th>Instant payments</th>
<th>Other credit transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0</td>
<td>800</td>
</tr>
<tr>
<td>2009</td>
<td>50</td>
<td>750</td>
</tr>
<tr>
<td>2010</td>
<td>100</td>
<td>700</td>
</tr>
<tr>
<td>2011</td>
<td>150</td>
<td>650</td>
</tr>
<tr>
<td>2012</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>2013</td>
<td>250</td>
<td>550</td>
</tr>
<tr>
<td>2014</td>
<td>300</td>
<td>500</td>
</tr>
<tr>
<td>2015</td>
<td>350</td>
<td>450</td>
</tr>
<tr>
<td>2016</td>
<td>400</td>
<td>400</td>
</tr>
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Sources: ECB and Bankgirot
Drivers of the adoption of instant retail payments

**Drivers...**

**Involvement of authorities**
- Gov. as driving forces (Mexico and UK)
- Change in regulation (UK)
  - Increased banks participation
  - Improved service (speed, fees)

**Market structure**
- Cooperation and joint efforts are key
- e.g. Sweden and Denmark

**Speed**
- Added value in terms of speed differs
- Complementary services are key

**Fees**
- Fees will impact level of adoption
- PL: high fees, low adoption
- UK: No consumer fees
Drivers of the adoption of instant retail payments

**Drivers...**

**Complementary Services**
- Positive influence of complementary services
  - e.g. mobile service (SE, DK)

**Infrastructure**
- High access to internet and mobile -> fast uptake of IP (SE, DK)
- Lack of access to internet -> main barrier (MX)

**Behavioural aspects**
- High usage of electronic inst. of payment -> quick adoption of new methods (DK, SE)
- Lower access online banking & high use of paper-money -> impacts adoption
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: Blockers

Forward-looking: will IP become the new norm?

Use of online banking

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

Source: Eurostat
Scenarios for the adoption of instant retail payments

Scenario 1: online banking = instant

- Instant as default for online banking
- Replacement of single credit transfers, cheques
- Replacement of bulk credit transfers, cash, possibly cards
- Instant as the new normal for consumers and small businesses
- Further growth if mobile services, corporate channels etc. are added
Scenario 2: instant = mobile

- Instant introduced for P2P mobile
- Instant widely used for P2P payments
- Expansion to C2B, POS, e-commerce
- Further replacement of credit transfers, cash, cheques, possibly cards
- Replacement of some single credit transfers, cash, cheques
Scenarios for the adoption of instant retail payments

Scenario 3: mobile = instant / instant = mobile+

- Instant for P2P + option for other channels
- P2P as main driver of uptake, some volumes from other channels
- Replacement of some single credit transfers, cash, cheques
- Further replacement of (single/bulk) credit transfers, cash, cheques, possibly cards
- Expansion to C2B, POS, e-commerce
- Possible addition of corporate channels
Scenario 4: instant = (premium) option

- Replacement of bulk credit transfers, cash, possibly cards
- Replacement of some single credit transfers, cheques
- Instant introduced as option
- Uptake for limited use cases, depending on fees
- Further growth if mobile services, corporate channels, etc. are added
### Which scenario for the euro area?

#### Euro area level: instant as an option

<table>
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<tr>
<th>Scenario 1</th>
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<th>Scenario 4</th>
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<td>countries:</td>
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<td>countries:</td>
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<tr>
<td>instant as default for online banking</td>
<td>focus on P2P mobile</td>
<td>start with instant as an option</td>
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Note: scenario 2 does not seem likely
Conclusions and policy implications

• 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