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Implementing Instant Payments - a project report

Dr. Hubertus von Poser, PPI AG

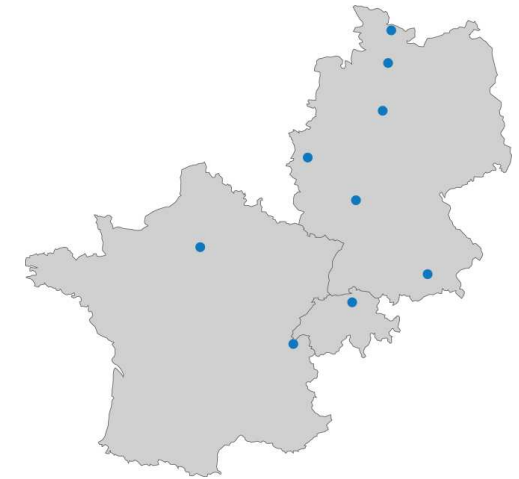
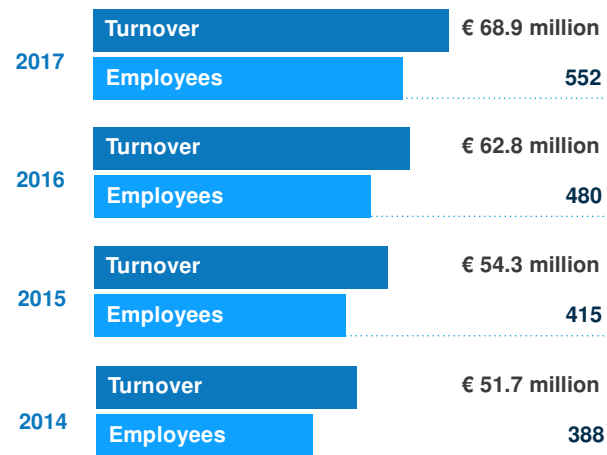
Portrait PPI at a glance



Industries and key areas



Turnover and employee figures



Value chain without breaks

Our seamless value chain covers everything – from ideas to concrete solutions.



Customers come first

Our customers are our most important stakeholders. As a family business, we follow a long-term approach.



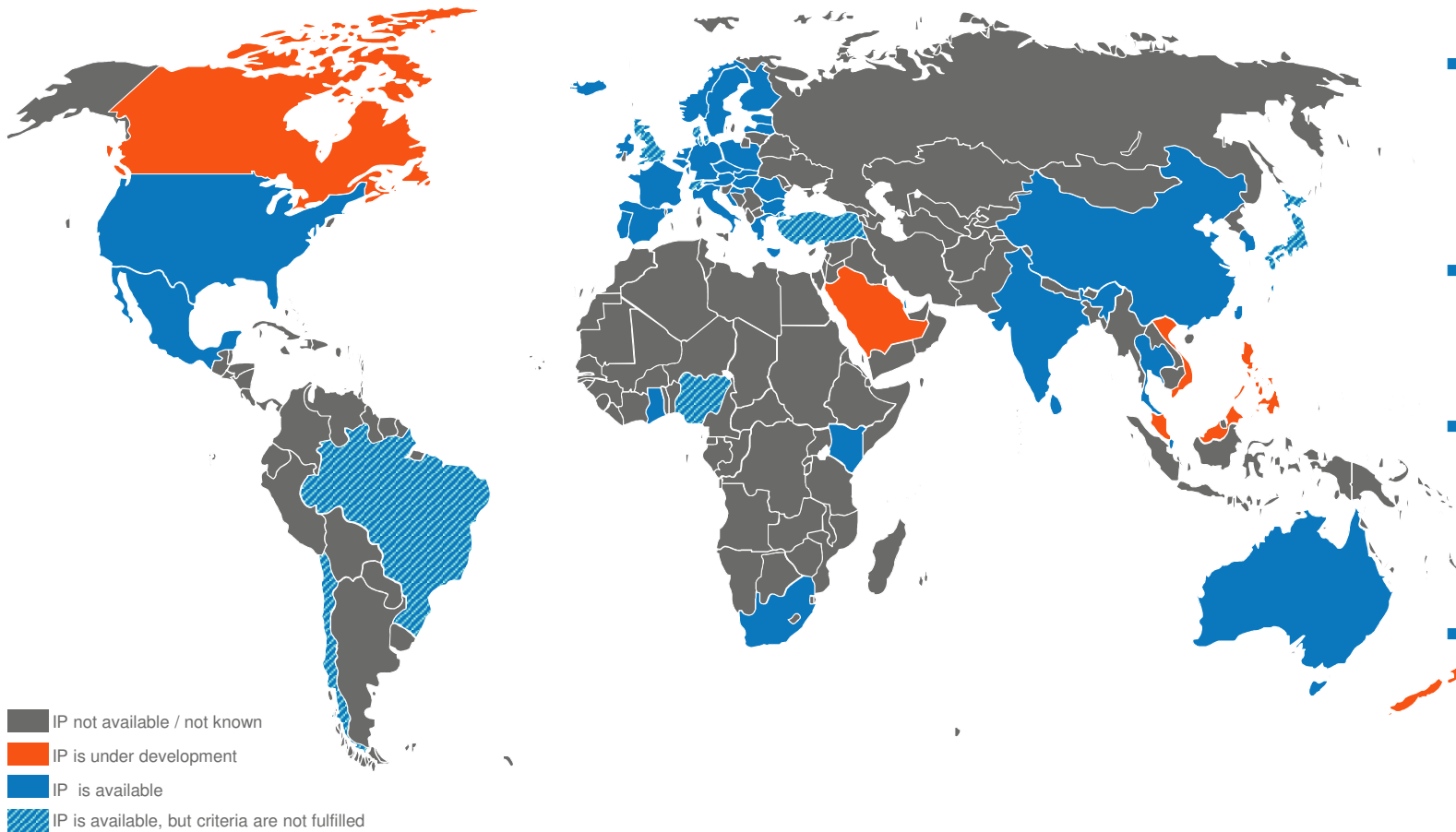
PPI connects

We strive to connect, not separate. As business experts, we transform business aspects to IT.

Instant Payments

- 01 The global perspective – what is live and where?
- 02 The status quo of SEPA instant payments
- 03 SEPA Inst at a glance – What does instant mean?
- 04 Potential benefits
- 05 Potential obstacles
- 06 Current developments and outlook
- 07 Key challenges of an implementation project

The global perspective – what is live and where?



- Globally there are several instant payment systems already in place.
- No interoperability between the different systems.
- Broad definition of “instant”. European approach is quicker than most.
- Not all systems have transactions ceilings like the 15.000€ limit in Europe.

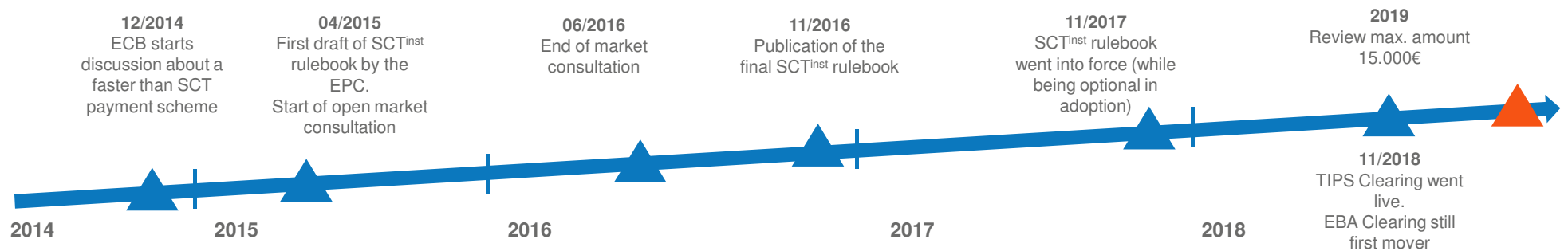
The status quo of SEPA instant payments

The road so far

The Euro Retail Payments Board (ERPB) of the ECB addressed the matter of a faster payment scheme in 2014.

Within the next several years a fruitful discussion with the European banking community lead to the SEPA Instant Payment Scheme, which was finalised in November of 2016.

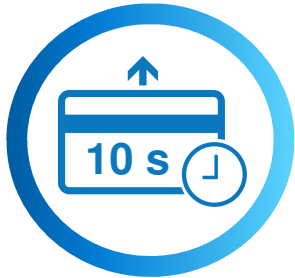
In November 2017 the first systems went live all over Europe, while the adoption (e.g. in Germany) was very limited. 2018 was the year, where wider adoption of the scheme made instant payments possible for close to all customers.



SEPA Inst at a glance – What does instant mean?

Key factors for instant payments

- Retail and P2P-Payments
- Irrevocable transaction



- Immediate availability for the payee
- Clearing and notification to the payer within seconds



- Payments up to 15.000 €
- Higher ceilings can be bilaterally agreed upon

- Pan-European, interoperable Standardisation – 34 SEPA countries



- Availability 24/7/365
- Single transaction (batch processing later 2019)
- Optional scheme

Potential benefits for...



Consumers

- Secure and convenient payment option for E-Commerce, POS and P2P
- New Services – e.g. instant money from insurance claims
- No more friction for higher value goods, e.g. cars - pay cashless and leave with the car



Merchants

- Lower cost– no interchange or scheme fees
- Improved liquidity
- Lower risk – no returns of the payment possible
- Process optimisation – instant payments can be used online and at the POS (future development in cash registers needed)



Insurance firms

- Replacement of cheques
- Same day money for smaller insurance claims
- Immediate partial payment as emergency relief
- last minute insurances (e.g. travel insurances at the airport) possible



Banks

- Focus back on the bank account without intermediary
- Cash replacement – lower cost
- Additional value to customers (e.g. e-billing)
- Due to the optional scheme, passive use of the scheme to accept payments is easy as a first step

Potential obstacles for...



Consumer

- Payment returns are not possible
- (German) consumers are used to direct debits and the option to return them
- No anonymity of payment in comparison to cash payments



Merchants

- High implementation cost (ERP, cash registers, etc.)
- Does not cover all business cases (instalments, reservation of funds, etc.)
- Higher requirements on the merchant's IT systems (e.g. immediate payments have to be visible at POS)



Insurance firms

- High implementation cost
- Higher requirements on the IT department
- Less liquidity
- Cheque replacement reduces income from not claimed cheques due to loss, etc.
- Currently not all customers are reachable with instant payments



Banks

- High implementation cost
- Single transactions only until the SCT bulks are implemented into the rulebook (2019)
- 24/7/365 (!!!)
- Process risks have bigger impact in an instant world
- No more interchange from card payments (in the future?)

SEPA Instant Payments – current developments and outlook



Current and future topics

- With **TIPS** (the clearing system from the ECB) a new clearing solution starts in 2019. While adoption is very low so far, many banks which are hesitant to adopt EBA Clearing's RT1 are potential customers after the Target consolidation.
- **Interoperability** between RT1 and TIPS must and will be secured.
- **Bulk payments** will be possible in late 2019 or early 2020.
- Potential use fo SCT^{inst} to replace German Girocard backend.
- Further regulation could mandate SEPA Instant Payments in all SEPA countries to fight upcoming local flavours in several countries.
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Key challenges of an implementation project (view of a bank)



- Implementation of a performant 7x24x365 production environment (data bases, application server, middleware), no downtimes.
- Ensuring the necessary running and response times for the ancillary systems.
- Separation of online and offline processes (e.g. camt, investigations).
- Adjustment of business processes (e.g. liquidity management, 1st and 2nd level support).
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Dr. Hubertus von Poser
Member of the Executive Management

T +49 69 2222942-4228
M +49 175 9378570
hubertus.von.poser@ppi.de
www.ppi.de

PPI AG
Wilhelm-Leuschner-Str. 79
60329 Frankfurt am Main

ppi

