

Instant Payments in Europa: die neue Normalität?

Wo stehen die Niederlande heute?

Swiss Banking Services Forum, 7. September 2022



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Zürich
7 September 2022

The Dutch way to pay ... *(some information as introduction)*

- Small country, 17 M inhabitants, $\pm 100\%$ banked, 24 M payment accounts, 31 M debit cards, 6 M credit cards (2021)
- Number of transactions (domestic + cross border) per capita per year (2021):

○	SCT / SCT Inst	101	(Euro area 73)	
○	SDD	95	(Euro area 68)	
○	Debit card	266	87% contactless	} Euro area combined debit/credit 164
○	Credit card	14	50% abroad	
○	iDEAL	65		
- High internet penetration: 98% of all Dutch households (2019)
- Concentrated combines market share (payment accounts) for the 4 major banks (>95%)
- Homogeneous payment account propositions:
 - Typical (low) fee: EUR 25 – EUR 40 per year incl. unlimited # of transactions in SEPA and cash withdrawals
 - Debit card included (Maestro or VPAY branded)
 - Free internet- and mobile banking access/apps
 - iDEAL internet payments, SCT/SCT Inst, SDD, Standing orders
 - Typically, paper bank account statements and use of a credit card incur additional fees
- < 1% of remote payment orders are submitted via paper-based forms (2021)

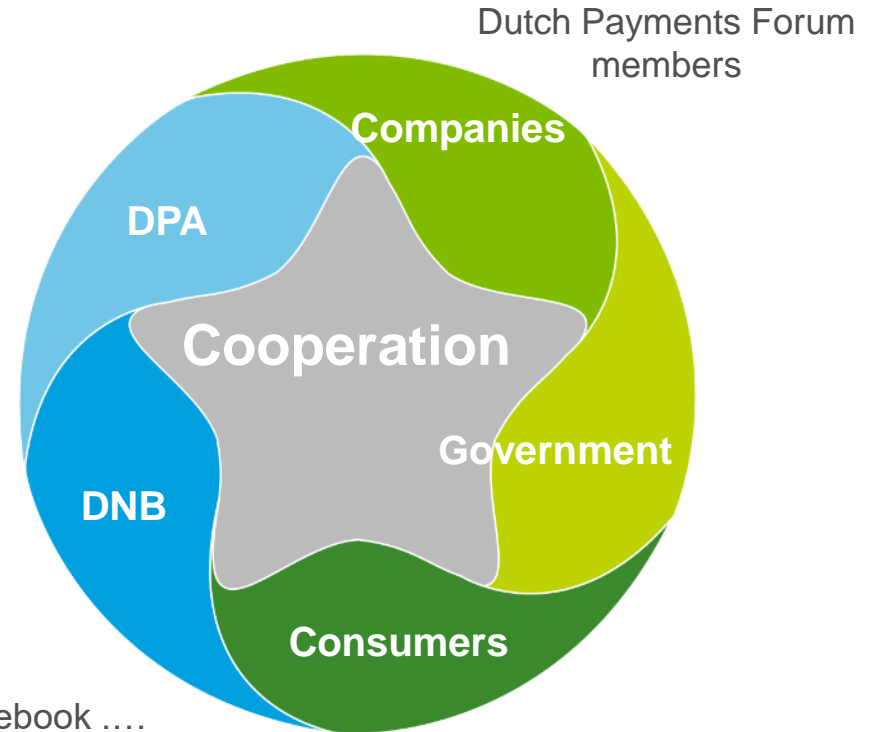
How did we start with Instant Payments



Background

- **Monday morning issue of retailers** prompted discussion and call in Dutch Payments Forum for faster payments (started already in 2013).
- Digitalization of society has led to **changing customer expectations** and a growing need to be able to use and do everything at any time, immediately and anywhere.
- Dutch Payments Association promised, in consultation with its members, **to draw up a vision** on this subject

At the time there was no SCT Inst Rulebook



In 2015 the vision was clear: Instant Payments will become the 'new normal' ...

P2P



5 seconds
maximum



Instant
available

P2B



Accounts
irrevocable



Faster delivery
of goods

B2B



No cut off
times



No maximum
amount

and more

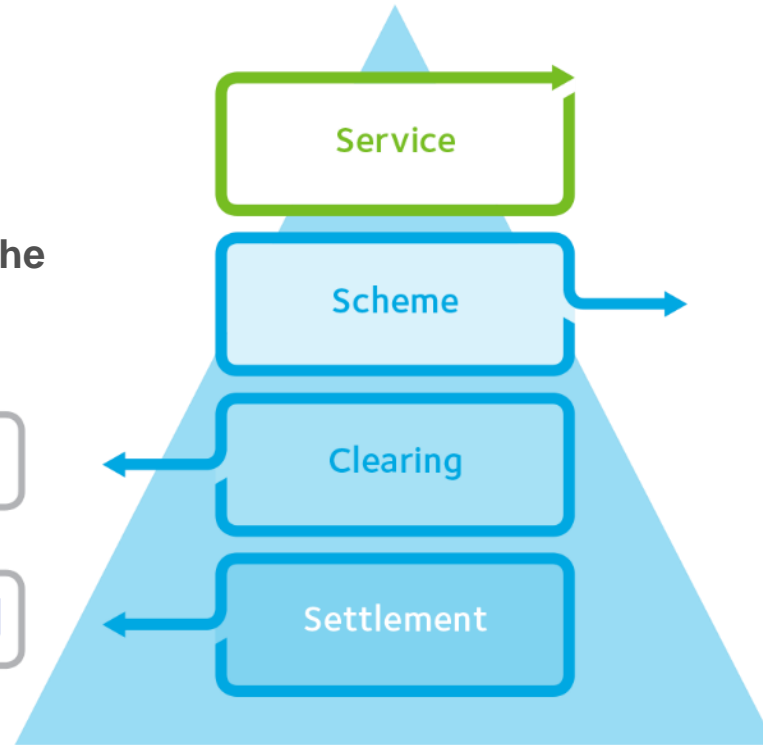


Create a new *mass* infrastructure through cooperation

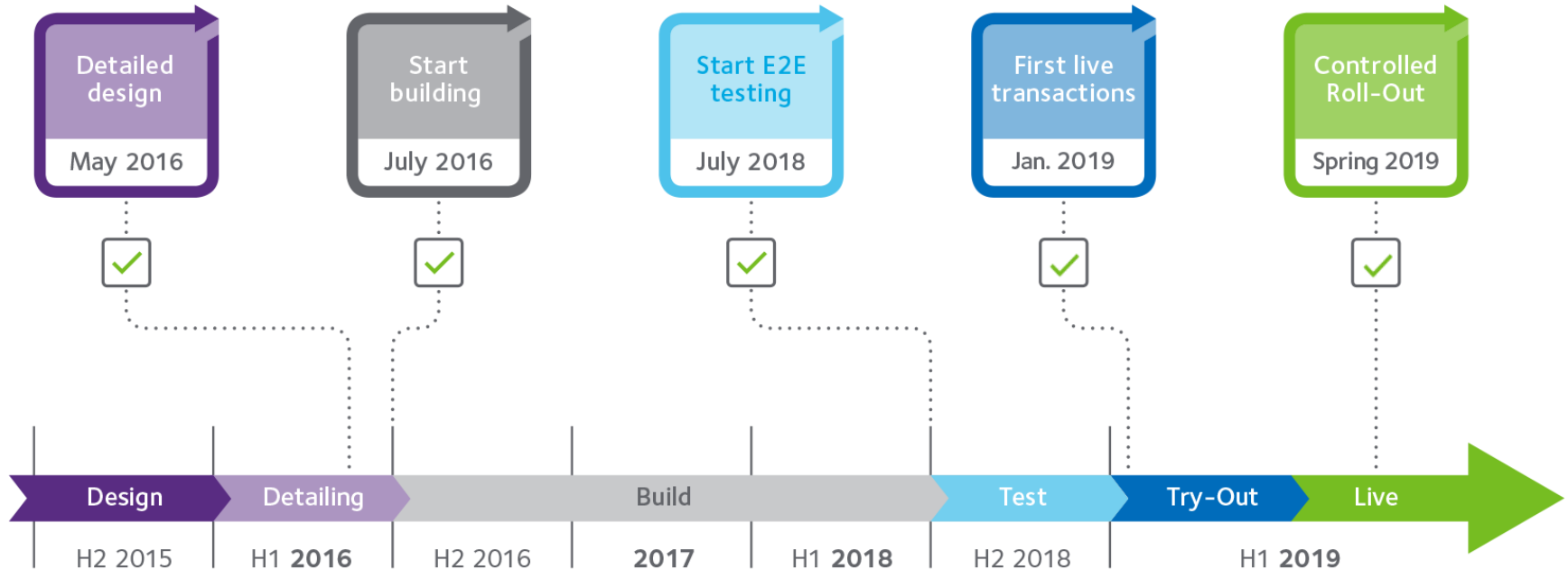
Commitment ensures an attractive proposition (>95 % of accounts reachable)

Strong involvement stakeholders

Project leadership by the Dutch Payments Association




... to be realised in 4 years time ...



EPC SCT Inst Rulebook introduction

... to fulfil all requirements



5
5 seconds maximum



24 7
Always open

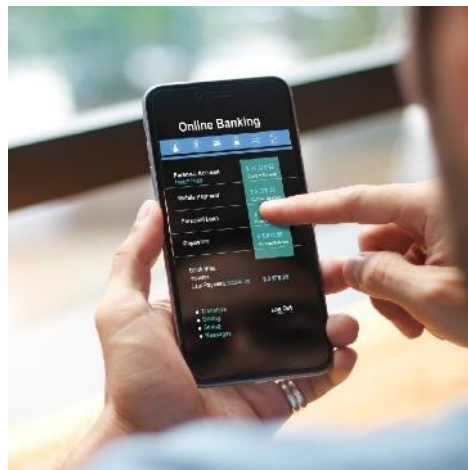
SCT
Inst⁺



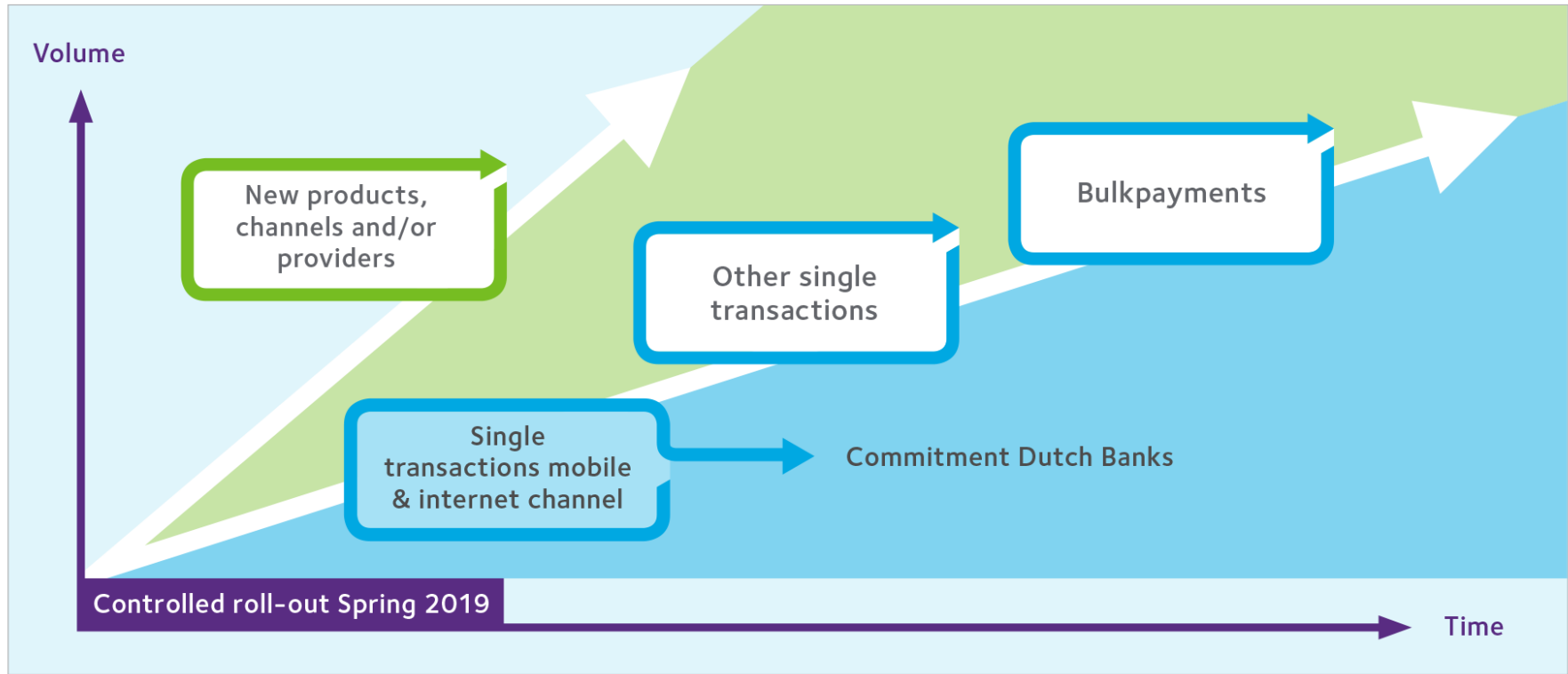
∞
Any amount



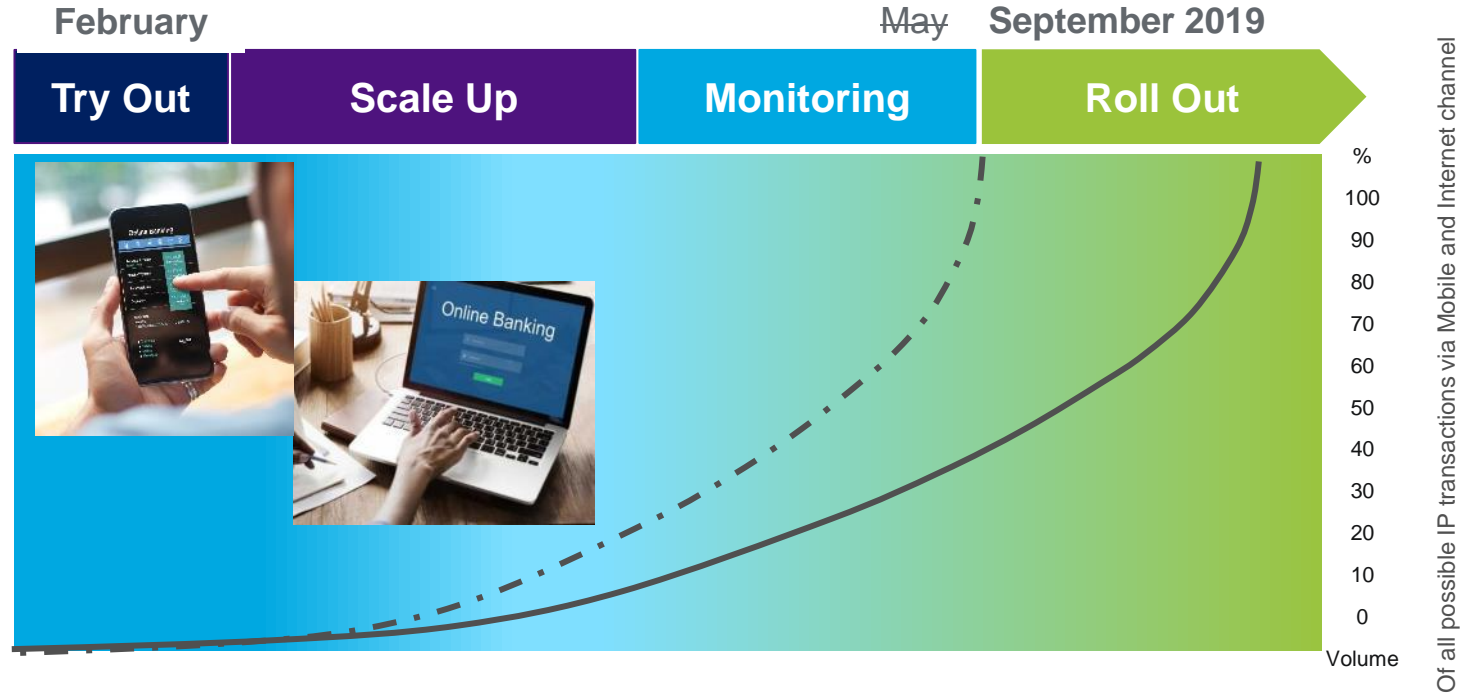
+
CREDIT
Instant available



Launching strategy required robustness & capacity



Step-by-step controlled introduction towards full reach

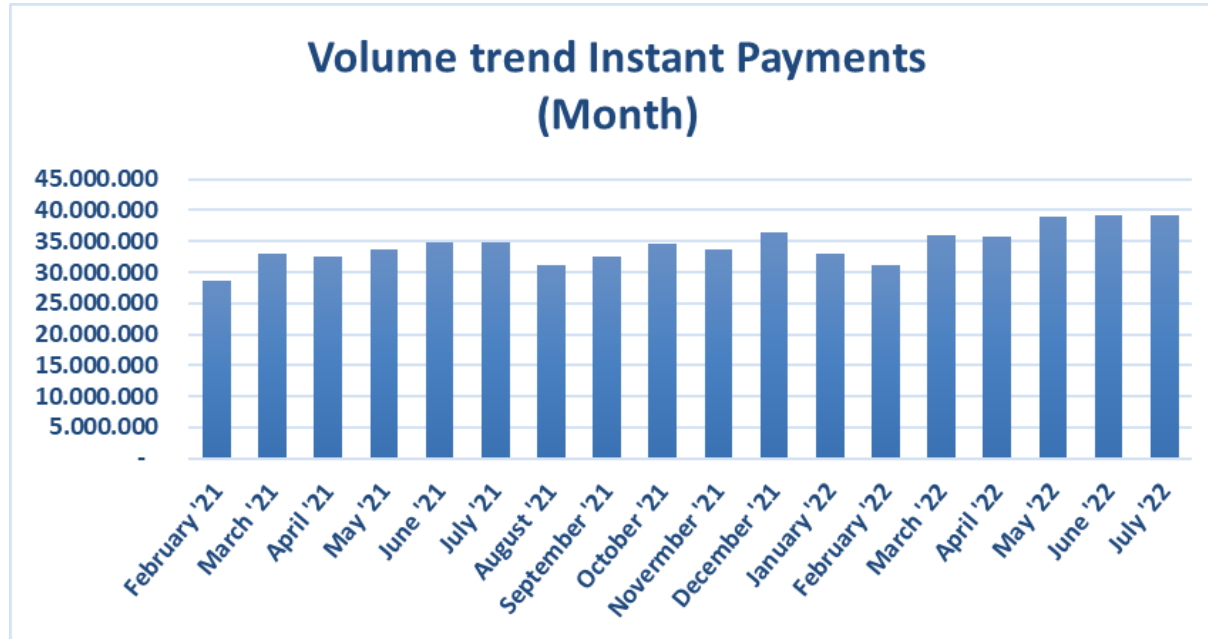



Lessons learned

- a. Cooperate to build a new (mass volume) infrastructure → the “new normal”
- b. Business value has to be the main driver
- c. Involve stakeholders, secure their buy in
- d. Deliver as promised
- e. Step-by-step, controlled introduction towards full reach



Where are we today? (*interbank transactions; on us = realtime too*) 1/5



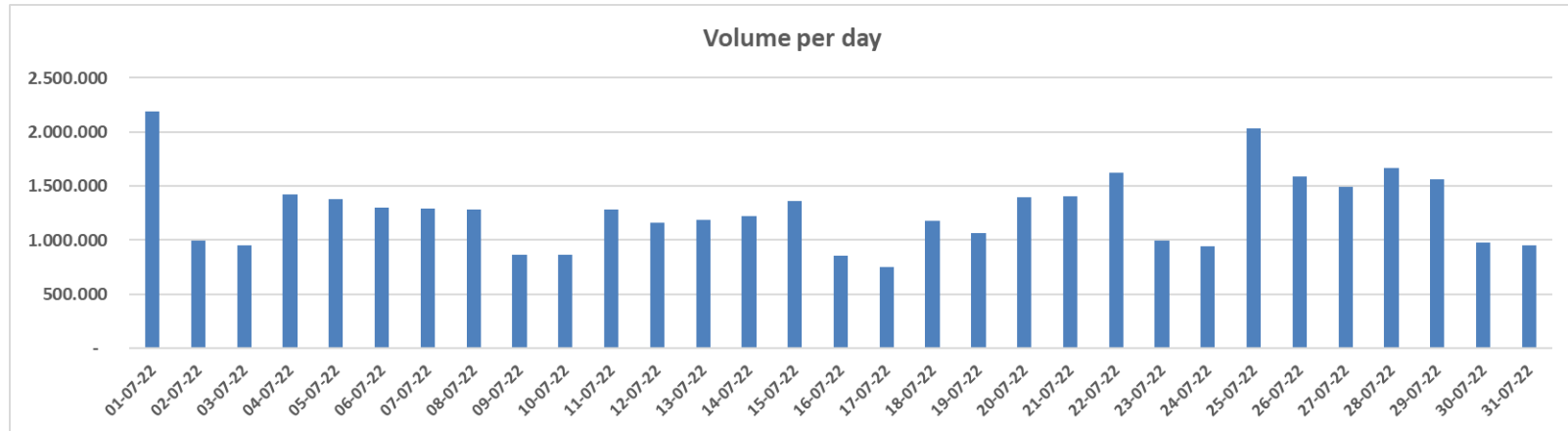
- 99% of online and mobile initiated single payments are instant
- Most of these payments are initiated via mobile phones (60-70 %)
- Excludes the 1,14 bn payments (2021)! 

Where are we today? (interbank transactions; on us = realtime too) 2/5

Month	# Instant Payments	% Increase
July '21	34.733.753	
July '22	39.200.785	13%

Month	# Instant Payments	Cumulative Since start (Feb '19)
February '19	3.867	3.867
March '19	457.966	461.833
April '19	7.973.066	8.434.899
May '19	12.784.027	21.218.926
June '19	15.891.550	37.110.476
July '19	23.168.860	60.279.336
August '19	23.984.520	84.263.856
September '19	27.072.594	111.336.450
October '19	29.755.438	141.091.888
November '19	28.677.697	169.769.585
December '19	31.450.287	201.219.872
January '20	30.843.243	232.063.115
February '20	28.427.263	260.490.378
March '20	29.240.650	289.731.028
April '20	28.260.509	317.991.537
May '20	30.450.861	348.442.398
June '20	31.571.355	380.013.753
July '20	33.130.635	413.144.388
August '20	30.206.313	443.350.701
September '20	31.186.254	474.536.955
October '20	32.521.445	507.058.400
November '20	31.352.178	538.410.578
December '20	34.956.526	573.367.104
January '21	30.640.818	604.007.922
February '21	28.538.848	632.546.770
March '21	32.864.453	665.411.223
April '21	32.413.958	697.825.181
May '21	33.703.732	731.528.913
June '21	34.742.303	766.271.216
July '21	34.733.753	801.004.969
August '21	31.118.308	832.123.277
September '21	32.467.399	864.590.676
October '21	34.685.023	899.275.699
November '21	33.710.941	932.986.640
December '21	36.351.699	969.338.339
January '22	33.049.031	1.002.387.370
February '22	31.151.631	1.033.539.001
March '22	36.058.252	1.069.597.253
April '22	35.624.708	1.105.221.961
May '22	39.027.676	1.144.249.637
June '22	39.065.241	1.183.314.878
July '22	39.200.785	1.222.515.663

Where are we today? (*interbank transactions; on us = realtime too*) 3/5

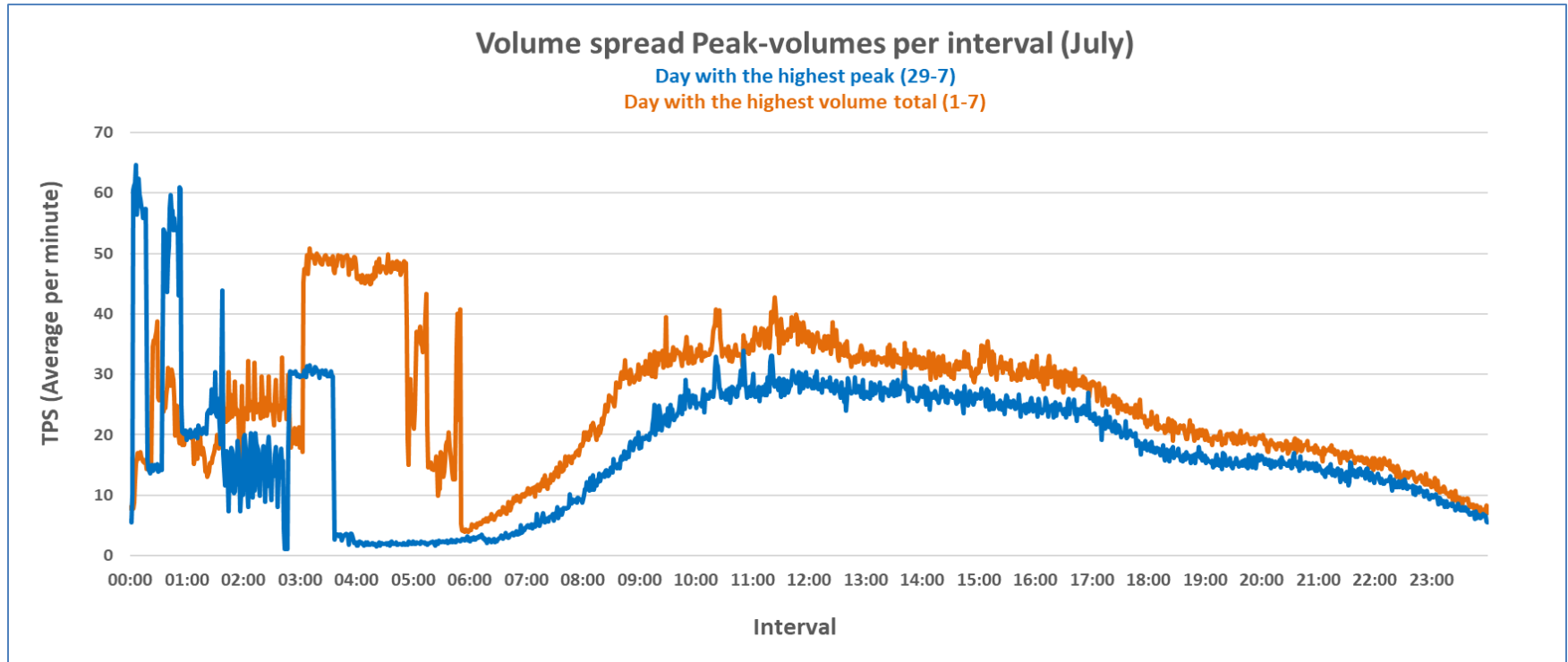


All-time high volumes

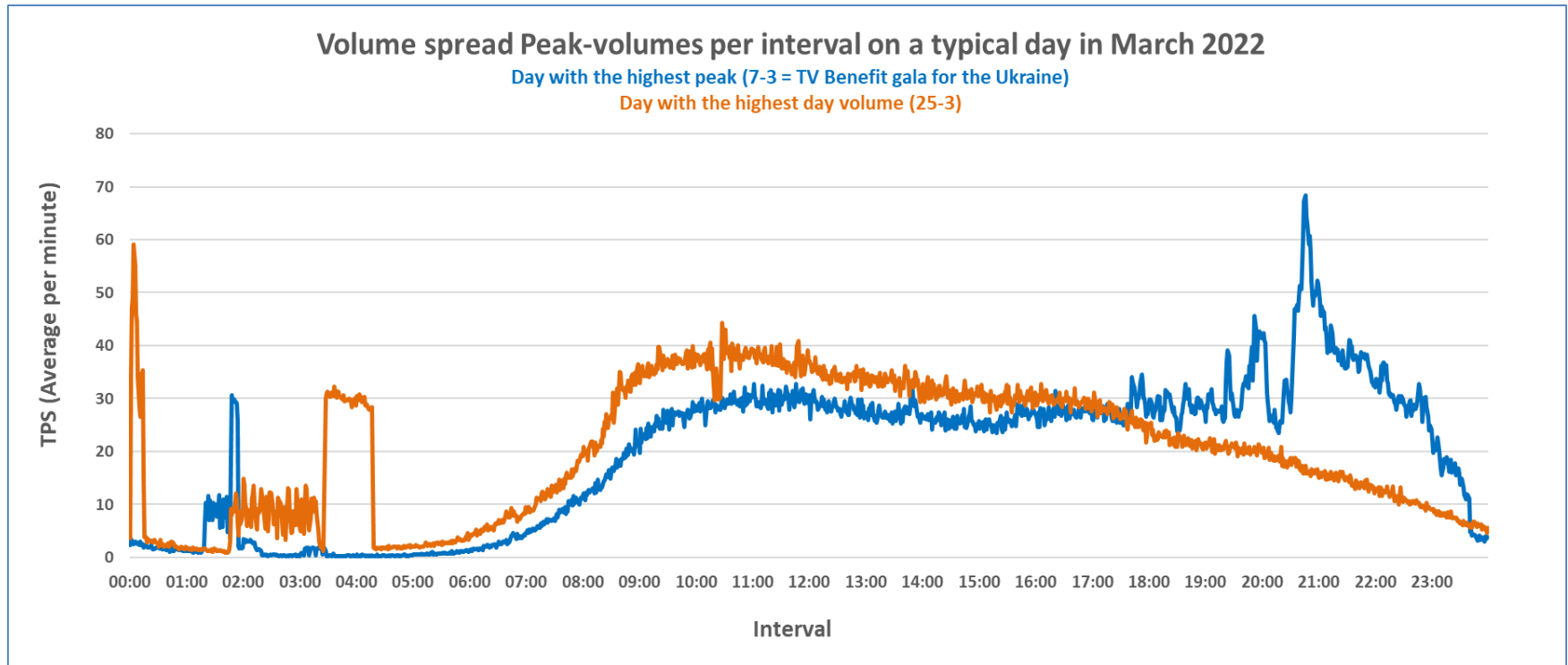


Weekday – Wednesday 27 May 2022 – 2.193.013
Weekend – Saturday 25 June 2022 – 1.360.823

Where are we today? (interbank transactions) 4/5

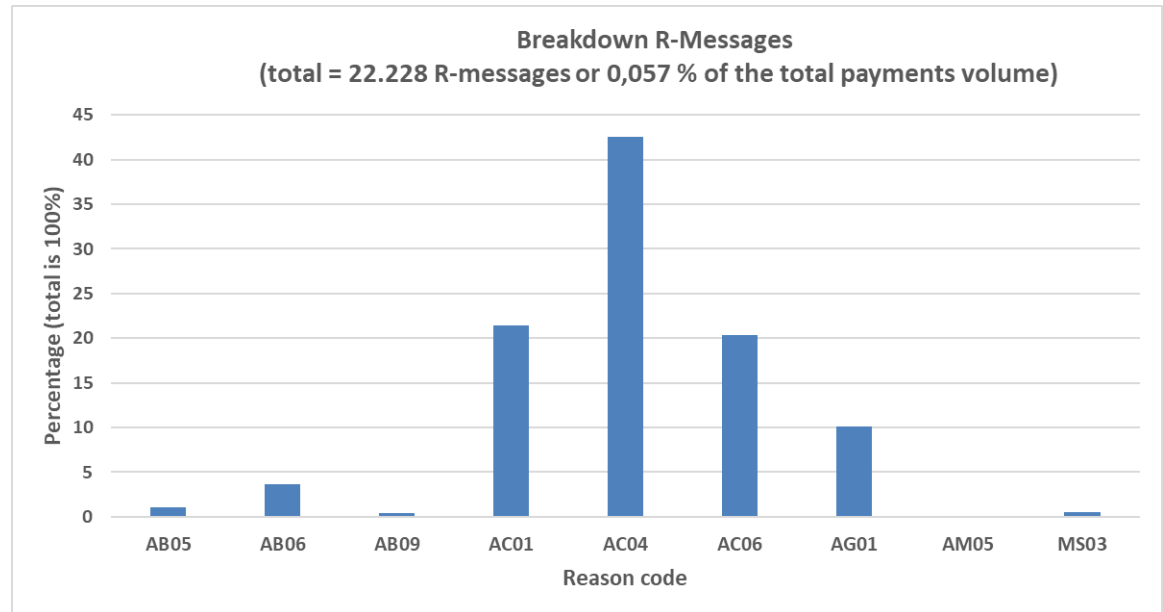


Where are we today? *(interbank transactions) 5/5*



How are we doing: R-Messages are well within expectations

- Reject-rates comparable to SCT
- Specific SCT Inst R-messages (AB05, AB06 and AB09) are very low
- Cross border we experience considerable higher reject-rates (up to 4%)



AB05 = Timeout Creditor Agent
 AB06 = Timeout Instructed Agent
 AB09 = Error Creditor Agent
 AC01 = Incorrect account number
 AC04 = Account number closed

AC06 = Blocked account
 AG01 = Transaction forbidden on this type of account
 AM05 = Duplication
 MS03 = Reason has not been specified by agent

How are we doing: Measures to assure smooth 'New Normal' operation (99,88 percent availability as SLA)



Monitoring

- Volumes and peaks
- Forecasts (every half year)



Technical features

- Pings for availability
- Reject monitoring/detection
- Redundancy



Consumer protection

- Confirmation of Payee



Procedures for incident management

- Broadcast incidents
- Escalation
- Smooth restart

Incident handling

- Non-availability
- Queues
- Fallback (SCT/TIPS)



All additional National arrangements were introduced for SCT Inst too...

Current participants: Instant Payments the new normal for all Dutch Banks?





Where are we going? NL perspective

- **Use 24/7 infrastructure for mass (bulk) payments;** (already limited use for small batches. Similar requirements as processing standing orders – night time)
- **Achieve full SEPA reachability single CSM connection/TIPS** (reality as of 2022)
- **Migration of iDEAL to SCTinst** (no fixed planning yet)
- **Support market (business) initiatives**, (e.g. cross-border corporate cash management; SRTP initiatives, SCTinst at POI, QR,)
- *(Is there a limit to being “normal”?)*

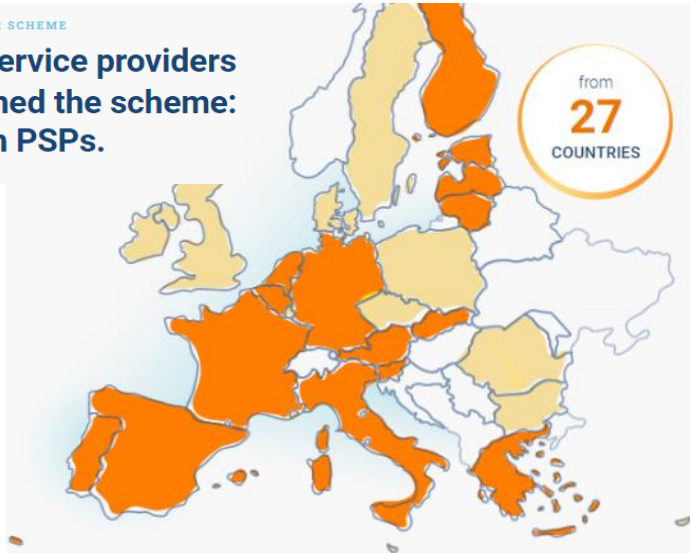


Where are we going? EPC perspective

SEPA INSTANT CREDIT TRANSFER SCHEME

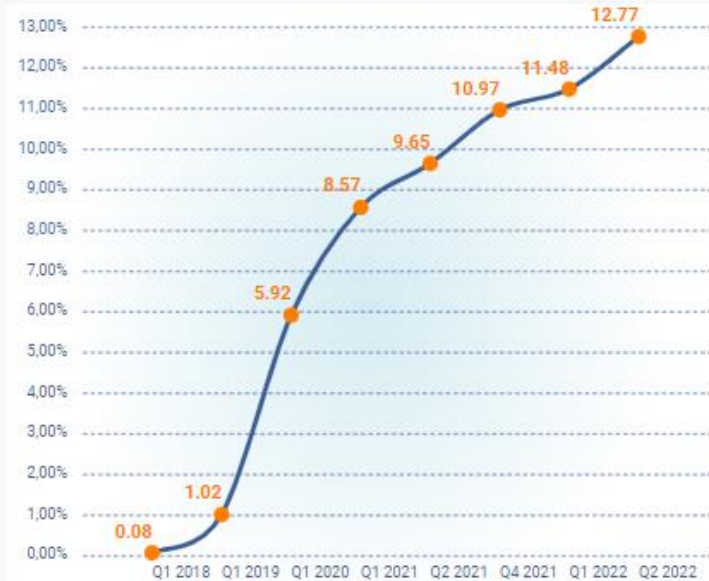
2360 payment service providers have already joined the scheme: 61% of European PSPs.

from 27 COUNTRIES



*SCT Inst scheme largely enumerates those having the most significant volumes in their countries.

ESTIMATED SHARE OF SCT INST VOLUMES IN TOTAL CT* VOLUMES



* SCT + SCT Inst.

Source: EPC website

And where is the EU Commission going with IP legislation?

Legislative initiative is imminent

- Make **SCT Inst** mandatory?
 - Receiving? Sending? Both? Timing?
- **SCT Inst pricing** relative to SCT?
 - Same? Premium? Lower?
- **SCT Inst security/consumer protection?**
 - Confirmation of Payee? IBAN check?
- **Sanction screening issues**
 - How to ease burden without risk?



Just some other (*non NL*) considerations

- In the EU we're good at paving the way for others

Citi launches Sepa instant payments in Europe

Citi has launched Single Euro Payments Area (Sepa) instant payments in Europe, providing clients with the ability to pay to and receive from 36 EU countries in real-time.

Payments Europe supports the uptake of instant payments. Instant payments will complement, rather than replace, existing payment instruments such as cards.

Money 20/20, Amsterdam, The Netherlands, 7 June 2022: Modulr has today announced it has launched its real-time Euro payments: European SEPA Instant scheme, which operates 24/7, settles funds for businesses with significant competitive opportunities.

Marca Wosoba, Managing Director for Europe at Modulr, commented that instant economy and historically financial services have lagged innovation. But that all changes thanks to SEPA Instant. Now, it's a tech stack but become a competitive advantage in their own right.



Brazil central bank chief predicts death of credit cards

15 August 2022

9 15 4

Brazil's central bank chief Roberto Campos Neto believes credit cards are on the brink of extinction due to growth in account-to-account based open payments.

- When – if ever – will Instant be the “new normal” from an infrastructure perspective?
- SCT Inst at POI as “The EU Alternative” for the ICS? Will our IP plans come together?



Thank you for your attention!



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Q&A

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