In the age of mobile internet, all services are going real time. Payments are no exception: Instant Payments should appear in Europe towards the end of 2017. While this new payment instrument offers banks new perspectives, they are also subject to a double race against time: a race to make sure that their IT systems are ready, and a race to process payments in just a few seconds. Let’s take a look at the challenges that lie ahead for banks.
CUSTOMER RELATIONSHIPS
It’s easy to imagine that the customer wants to have a payment instrument at hand, at any moment, to pay for certain purchases. Therefore, banks must facilitate use at any time via the mobile phone or the internet, for example.

However, this multi-channel initiation combined with the instant nature of the transaction may give rise to fraud—which is also instant. During the time it takes to investigate the potential fraud, the money may have already travelled across Europe. Customer protection must now be reinforced with improved risk control.

What’s more, Instant Payments require communication with the customer in real time. Depending on the customer’s profile, their needs, and whether the customer is a payer or payee, the bank will have to manage different communication channels to inform the customer about the payment result.

BANKING PROCESSES
Instant payments will impose real time, high availability and unit transaction processing limitations on banks’ payment engines, which are more used to managing mass processing.

When it comes to the fight against terrorism and money laundering, banks currently have time to verify transactions, but in the future they will have to make a decision in a fraction of a second with regards to the level of risk that a transaction presents.

With instant payments, the account which initiates the transaction must be debited immediately, therefore the bank needs real time position keeping, as is currently the case for cards. Furthermore, the beneficiary must be credited immediately and funds must be available to be reused. Their bank must also be capable of managing their account in real time.

IMMEDIATE INTERBANK EXCHANGES
At the moment, banks exchange payments files several times a day via clearing systems (CSM). Instant payments will require an ultra fast interbank exchange for each payment. This means banks will have to transition from file exchanges to real time interbank exchanges.

SETTLEMENT
If money transfers become instant for banks’ customers, what happens to settlement between banks? Interbank settlement is not instant because the central bank payment system (TARGET2) is not open 24/7. Banks will then find themselves with a dual-speed system. However, the risk of a lack of liquidity will evolve at the same speed as Instant Payments, and similarly accounting forecasting requirements will also be increased.

All these impacts on banks’ IT systems and organisations must be reviewed to be able to meet the challenges of Instant Payments in the time allocated. Our software package offering and services, including payment engines, connections to interbank exchange systems, and additional modules, are all ready to help you face these challenges. We believe that quicker payments will make banks stronger: ‘harder, better, faster make us stronger’, the lyrics from a famous French electro-rock group make all the more sense in this context!

Axway focuses on streamlining the Instant Payment step within the value chain between end-customers and suppliers in:

- Transforming in real time the data flows at both format and protocol levels
- Anticipating and alerting on issues according to the potential impacts they create and provide an E2E visibility
- Federating identity, particularly in terms of authentication and authorization of the various players at each step

Then Axway ensures the payment step is seamlessly integrated with the players along the processes: this is the key for an improved customer experience!
LAURENT HUPET  
Payments & Cards Product Manager

Cards and Payments Manager for Sopra Banking Platform. Laurent has nearly 15 years’ experience in designing and rolling out banking software packages, mainly in the cards and payments domain. His main areas of expertise include compliance, understanding and defining requirements for banks, and solution proposals. Laurent is in charge of Sopra Banking Software’s Instant Payment offering.

GUILLAUME BARDET  
Payments & Cards Product Manager

Payments & Cards Product Manager, with 13 years’ experience in the payments domain: strategic studies, preliminary reviews, solution choice and innovation. Guillaume is specialised in cards, online transaction processing, compliance and payments security, international cards systems and Instant Payments.

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