

Instant Payments

Delivering access for both Message and Payments Services, and Connectivity via SWIFTNet Inst for RT1 & TIPS and SIC 5 Instant. Centred around our Universal Aggregator IQ single SaaS platform solution that leverages multiple gateways, Bottomline's Instant Payments services can be wrapped around any Instant Payments scheme to deliver speed-to-market, adherence to all scheme compliance and full access to orchestration & payments services.

Instant Payments are becoming mainstream and are considered table-stakes

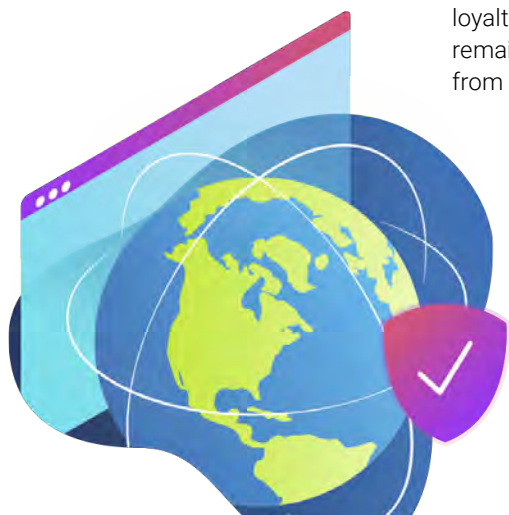
Following two years of unprecedented acceleration towards digitalisation that has been driven by the pandemic and new customer expectations, the benefits of instant payments for efficient economies is becoming obvious: frictionless payments, real-time access to counterparties, immediate feedback, better visibility on payments flows, enhanced customer experience and improved liquidity management. However, these are just some of the key advantages provided by Instant Payments in Europe.

Instant Payments are also a critical component to reach an end-to-end real-time experience driven by customer needs and regulations, bringing Real-Time payment implementation projects to the top of the agenda for the financial industry. For those financial institutions that don't have payments front and centre as part of their core-business, the decision to wait too long before implementation has the real potential to drive marginalisation and poor customer perception.

Many banks have been sceptical in the past about the advantages of modernising their payments systems. They felt that the customer demand for instant payments wasn't strong enough to warrant the expense, in other words the business case lacked the volume and value of transactions to justify the spend. They also considered the commitment excessive because it would involve the transformation of their entire legacy system to meet the new standards. As a result, some regions have seen banks take a wait-and-see approach to real-time payments to assess whether the rollout by others proves its worth.

The landscape has now evolved, and both customers and regulators expect payments systems to be modernised. Global Data published that 118.3B real-time payments were made in 2021 with a year-on-year growth of 64/5% and that they predict that instant payments will be 26% or a quarter of all electronic payments by 2026. However, Europe & the UK are lagging behind the top five global markets- "combined real-time payments volume across the top 5 global markets – India, China, Thailand, Brazil and South Korea – helped to facilitate US\$54.5 billion of additional economic output in 2021 – forecast to grow to US\$131.1 billion in 2026. In contrast – across the leading developed markets US, Canada, UK, France and Germany – the additional economic output supported by real-time stood at US\$7.3 billion in 2021 – expected to rise to US\$14 billion in 2026."

Therefore, the banks that move first in their region in the UK & Europe will have the greatest chance to unlock new revenue pools, attract the best talent and generate a wealth of data that can be used to enhance customer experiences and build brand loyalty. Early movers will also be first to lower costs and improve fraud detection, while remaining ahead of inevitable new regulations that will transform instant payments from a choice today into a requirement tomorrow.



Turning challenge into opportunity

While the power and potential of real-time payments are clear, making the switch to instant transactions at speed and scale is not easy. Modernising legacy IT systems takes time and costs money. Revenue per transaction will decline in the short term and non-bank technology companies are beginning to enter the fray, increasing the competition for both customers and talent.

Banks need to modernise their systems, including updating infrastructure and technology to support real-time payments through instant validation and confirmations; meeting international standards like ISO 20022; providing 24/7 processing and support; and ensuring that their systems can scale sustainably.

However, the benefits of the transformation now make it worth facing those challenges. The opportunities created by Instant Payments include:

- Create New Revenue Streams: Increased revenues through transaction fees, cross-selling, and data monetisation
- Leverage Data: Data Systems modernisation that facilitates the effective use of data and increases efficiency
- Reduce Friction & Overheads: Cost savings through the reduction of cash and check transactions and in-branch activity, as well as the automation of exception handling
- Boost Customer Excellence: Ancillary benefits such as better responsiveness to customer needs (which will increase loyalty) and the ability to build propositions around transactions

How do I decide which payment system to use between UKFPS, RTI, TIPS or SIC 5?

Although IP initiatives are domestic by nature with almost every country having its own implementation flavour, most of the recent IP schemes share commonalities between themselves e. g. end-to-end in less than 10 seconds, 24x7 availability and ISO 20022 format. These common features make instant payment processing steps reusable across regions, although the last mile connectivity and scheme specifics such as currency limits, remains proprietary for each scheme.

However, to maximise on the benefits of the reusability of features, be quick to market and also best serve your customers, the technology underlying Instant Payments must be carefully scoped and be based on modern micro-services. This is essential to meet the stringent schemes requirements, with a focus on fast processing steps (format & semantic control, fraud & sanction check, scheme specifics, banks specifics, balance check on a 24x7 basis) and end-to-end orchestration. Accurate workflow management and message life-cycle control will also be key features required in the new world of IP as manual intervention is no longer possible – it is all about automation.

Integration: a key starting point for API

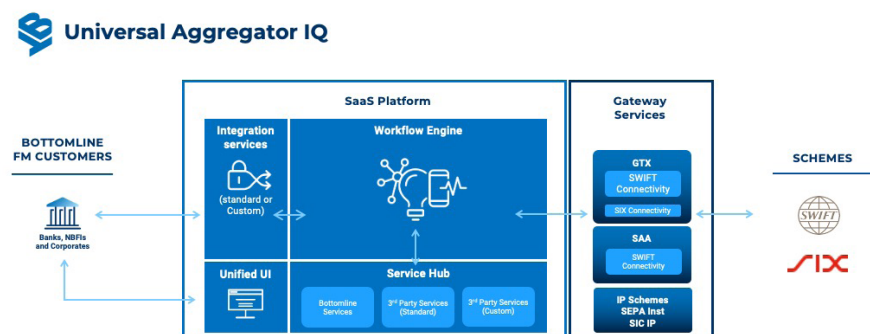
Innovative financial initiatives in general, and Instant Payments in particular, are moving to new integration models based on Rest API to speed up processes, improve security, and to ensure real-time and synchronicity in the interactions with market infrastructures. Although other integration methods can still be envisaged, IP represents a unique opportunity to start adapting interfaces to a future-proofed API layer that will be essential for leveraging other payments methods (e.g. cross-border payments, RTGS, and ACH) and to build new services to generate additional revenue streams.

Our solution

Built on Bottomline's Universal Aggregator IQ single SaaS platform with ultra-modern SaaS micro-services and leveraging multiple gateways, our solution for Instant Payment is agnostic by design and is interoperable with any type of Instant Payments scheme. This is complimented by our comprehensive set of Message Services (i.e. the payment is received in native format delivered by the backend system) and/or Payment Services (i.e. the payment is received in a canonical format and transformed into the target scheme format).

Using our Message Services will enable your banks or FI to receive super-fast access to a scheme, with orchestration and payments services (e.g. fraud, sanction, scheme semantic) provided by the bank's core systems, while our Payment Services will leverage Bottomline's orchestration and payments services to meet all the scheme's requirements, whether they are Instant or classical.

How does it all connect?



The full range of services that form our SaaS proposition are listed in further detail below. Their ubiquity/interoperability makes these services reusable across schemes, for a speedy delivery and cost effective access to Instant Payments schemes as well as classical RTGS, ACH, and bank-to-bank rails.

Use case - SEPA Inst

The SEPA Inst standard (SCT Inst) has been 'live' since 2017 and is already used by several schemes, banks, and service providers. However, the European landscape remains fragmented with various local schemes having different rules and a very domestic approach, preventing a harmonised and wide reach of Instant payment across the borders within Europe.

More recently, both TIPS and EBA RT1 have built a pan-European approach with a great reach where it is now possible to achieve a single instant payment area in the Eurozone. Recent declarations from the EU council about the plan to regulate – and possibly to make compulsory - the use of Instant Payments should dramatically speed up adoption in order to reach the required critical mass for true success.

This the reason why Bottomline is focusing on delivering access for both Message Services, Payments Services, and Connectivity via SWIFTNet Inst – a proven and reliable network well known by the banks - for both RT1 and TIPS. Other connectivity options are also on our future road-map including P27, so watch this space.

Use case - SIC 5 Instant

In Switzerland, the need for a modern and state-of-the art platform for Instant Payments has already been widely recognised and understood. So much so, that a renewal plan for the domestic payment platform has been issued by SIX in conjunction with the Swiss National Bank. This initiative called SIC 5 aims to renew the current RTGS platform used by 246 banks in the country, whilst also introducing a brand-new Instant Payment rail in parallel.

Unlike the EU landscape at this stage, SNB & SIX are making the usage of Instant Payments compulsory - they announced that all banks with 500'000+ SIC messages in 2020 must be ready to process incoming SIC IP by August 2024. It will then become mandatory for all SIC participants by 2026.

The planning for SIC IP service corresponds to a 'technical go live' in November 2023 and a 'market go live' in August 2024. Testing should start no later than mid-2023 for early adopters and so yet another date for your strategic diaries.



APPENDICES – LIST OF SERVICES AVAILABLE FOR PAYMENTS (NB. NOT ALL REQUIRED BY EVERY INSTITUTION OR SCHEME)

CORE SERVICES

- Reporting
- Analytics
- Audit log
- N-eyes control
- Notification & alerting
- Multilingual UI
- Online help / Documentation
- Billing

AVAILABLE MESSAGES SERVICES

- Message import for processing (technical step)
- Internal priority assignment (technical step)
- Unit Assignment (technical step)
- Duplicate check
- Format check
- Transformation
- External sanction screening
- Dispatch to network

AVAILABLE PAYMENTS SERVICES

- Payment end-to-end workflow
- Outbound payment processing
- Inbound payment processing
- Payment clearing & settlement
- Payment validation & semantic check
- Payment duplicate check
- Payment liquidity check
- Payment liquidity update (cash manager)
- Payment booking (ledger manager)

AVAILABLE INTEGRATION SERVICES

- Message MQ connector
- Message API connector
- Message Archiving API connector
- Transformation & Enrichment API
- Core systems connectors
- Payments API connector
- Payments MQ connector
- Message end-to-end workflow
- Distribution to third-party systems – including internal switch
- Message vault (long term storage)
- Message external archiving
- Message search & display
- Message manual entry
- Message end-to-end workflow dashboard
- Payment lifecycle consolidation

- Payment traffic control
- Payment transmission
- Payment distribution to third-party system
- Payment Vault
- Payment search & display
- Payment Manual Entry
- Payment end-to-end workflow dashboard

AVAILABLE CONNECTIVITY SERVICES

- SIC 4 RTGS
- SIC 5 RTGS
- SIC 5 IP (in prep)
- SIC 5 over SSFN (in prep)
- SECOM
- SWIFTNet FIN (all messages incl. CBPR+)
- SWIFTNet InterAct
- SWIFTNet FileAct
- SWIFTNet Browse
- SWIFT RMA (message)
- SWIFT RMA (API, in prep)
- SWIFT GPI (both message and API)
- SWIFT TMP (in prep)
- SWIFT emulation
- VISA B2B
- SEPA Inst (TIPS, RT1)
- EBICS
- FIX-post trade
- BACS
- CHAPS
- Bank of England
- Several Host-to-Host connectivity

Other schemes are on Bottomline's future roadmap and will be available soon.

AVAILABLE ACCOUNT SERVICES

- Interest and fees manager
- Aggregated account visibility
- Ledger Manager (managed accounts)
- Cash Manager (forecast)
- Liquidity Manager (Rules & Accounts)
- Statement manager

OTHER SERVICES

- Sanction screening
- Secure Payments



View our recent webinar with The Paypers: Instant Payments in Europe – How to Stay Competitive featuring Bottomline, Solarisbank AG, EBA Clearing & Banking Circle and the supporting article: Instant Payments holds the key to competitive advantage

LEARN MORE



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About Bottomline

Connect, Comply, Compete

Universal Aggregator IQ - Bottomline delivers a single SaaS platform for payments, securities and messaging that helps financial institutions and corporates to achieve lower costs, wider reach, speed-to-market, industry compliance, greater security and improved treasury & risk management.

For more information visit www.bottomline.com/UIAQ

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