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## Future Gazing: Instant Payments and What to Expect Going Forward

The European Payments Council's instant payments scheme, SCT Inst, went live across the SEPA zone's 34 countries in November 2017, with 17 banks processing payments of up to EUR 15,000 in real time. Corporate appetite for this new instrument is expected to take off in earnest once this limit has been lifted, but results from the first six months have already exceeded initial expectations – with SCT Inst proving popular in corporate and retail settings alike, while coverage has already extended to 20 banks from eleven countries.

Moving forward, there is still work to be done to ensure a seamless integration with corporate systems and manage issues such as exception handling and reporting. Optimising these areas will ensure that the scheme continues to build on its early successes, becoming more efficient and more accessible – and paving the way for instant payments to become the norm across Europe and beyond.

### The experience to date

Though still in its infancy, the SCT Inst scheme is already surpassing expectations in a number of areas – a feat made all the more impressive considering the limited coverage and non-mandatory nature of the service.

In usage terms, the service has proven more popular than anticipated, with total transaction numbers exceeding predictions by a third, and covering a wide range of sectors, from smaller C2C retail and online transactions, to larger C2B payments. Indeed, roughly a third of transactions took place in this latter sector alone, and, with the average transaction size sitting in the low-four-digit range, it would appear the service is garnering more interest from businesses than initially forecast.

Offering the convenience of real-time execution, the security of mandatory feedback on negative transactions, and, processing 95% of all transactions within three seconds – well under the prescribed EPC target of 10 – it is not hard to see why the service is becoming popular.

### Moving forward

Yet, as with any new service, the SCT Inst scheme needs to keep growing – in terms of both coverage and efficiency – if it is to become the default payment method for businesses across Europe.

Indeed, while the service has proven popular among those with access, it is not yet universally supported across all banking platforms – with some banks' savings and foreign-currency accounts currently unable to accept instant payments.

Another area that requires attention is communication. Currently, the lack of clarity in the information passed between different banks means that, in the event of refused transactions, they are often unable to pass on clear feedback to their client. To support this process, banks need a better recovery system for failed payments. Standardised return reason codes are perhaps the most promising avenue of exploration here – promising clear alternatives for users to ensure payment processes do not break down upon refusal.

This is the aim of a working group established by EBA Clearing. Currently, in the process of developing a harmonised catalogue to provide guidance for existing and new participant banks, the group aims to implement a uniform set of common standards that will ensure originating banks can pass on clear guidance to their clients.

For corporates – who demand minimal disruption when it comes to instant payments – the SEPA system could benefit from a similar, detailed automatic feedback system, and even one that would enable payments to be automatically re-routed in the event of refusal. ➔

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## A seamless link with corporate systems

On top of these systemic improvements, perhaps the most important challenge lies in aligning instant payments with corporate Enterprise Resource Planning (ERP) systems. For instance, while the SCT Inst scheme enables the instant transfer of funds, clients have raised the issue that there is no direct trigger system in place to provide them with real-time updates on completed payments – meaning there is still a delay in initiating the next steps in their service process.

What's more, the current batch-processing approach to feedback limits banks to provide corporates with information updates every half an hour or so. There is room for better coordination between the two to ensure that the information transferred is both relevant and delivered in real-time. Indeed, the rise of Open Banking in the wake of PSD2 – live from January 2018 – poses a neat solution. Through the use of application programming interfaces (APIs), corporates' systems will be able to interact directly with bank systems to share information in real time – even aggregating data across banks.

We are now dealing in future gazing, of course, but the future outlined above is not so distant now. The Regulatory Technical Standards for PSD2 give operators the time until September 2019 to have their systems compliant. Meanwhile, the first step towards faster payments seamlessly integrated into corporate systems has already been taken – and with impressive results. Now we can only look forward to the next stage. For banks, this means increasing coverage – in terms of both accounts and geographies – and working with corporates to streamline the interface between instant payments and their internal processes. Once addressed, we will be looking at an era where corporates can make and receive payments freely and instantly – and begin exploring the additional benefits of managing treasury processes in real time.