EXECUTIVE SUMMARY

Across the world, immediate payments systems and infrastructures are being planned or rolled out in more and more countries, following the success of schemes such as Faster Payments in the UK. This rising tide of immediate payments reflects growing consumer demand for real-time transactions, driven partly by the ubiquity of smartphones and other connected devices, which have catalysed consumer expectation for immediacy. With customers increasingly requiring ease, speed, convenience, security and always-on processing for their payments transactions, the momentum behind immediate payments is now unstoppable. This paper takes a close look at real-time payment initiatives—and examines how financial institutions and other participants can exploit this “once-in-a-generation” paradigm shift in the payments landscape both competitively and collaboratively.
Seizing the Immediate Payments Opportunity

How Banks Can Create the Right Strategy for Real-Time Payments

There are clear and compelling reasons for banks to offer real-time payment services. Customers who experience the best that digital provides in other industries, now increasingly want and expect instant access to monetary value. Growing customer expectations are also leading to a dramatic increase in the rate of launches of real-time payments systems in countries like Denmark, Australia, Thailand, and Malaysia. Additionally, governments are increasing pressure on banks to collectively create a ubiquitous, nationwide real-time payments system used by all financial institutions.

To move quickly and safely to adapt to this new real-time paradigm, banks can look to service providers who have gained experience through several similar schemes launched around the globe. Lessons learned through the breadth of such experience gained by Accenture and Finastra, both independently and collectively, are illustrated in this joint paper.

CREATE AND ADOPT A CLEAR REAL-TIME STRATEGY THAT SUPPORTS YOUR BUSINESS OBJECTIVES

Financial institutions should develop a clear strategy for real-time payments that aligns with their overall business strategy. For example, a bank seeking to grow its commercial banking business rapidly might look to exploit the richer data possibilities of real-time payments, by offering its business customers automated real-time reconciliation of receivables. Similarly, using a real-time strategy and simpler addressing to enable consumers to make payments instantly to each other using their phones, without the need to enter bank account details, could help to drive growth in retail banking revenues.

In devising their strategies for real-time payments, financial institutions should ask some key questions, such as:

- What kinds of customers are we targeting?
- What changes in customer behaviour and requirements will come with real-time payments?
- What use cases will be most attractive to those customers?
- What new products and services will we offer to monetize those use cases?
- How will all this impact revenue creation and costs?
- What new risks will we need to manage?

With growing customer demand for instant access, increasing government pressure for nationwide systems and many countries already making this journey, the time to start transforming payments systems begins here and now.

SECTION 02

How to Start the Journey

SECTIO01

Consumer Attitudes Indicate...

94%

Would pay for faster international remittances

59%

Would pay for faster domestic person-to-person transfers

34%

Would pay for expedited bill pay

1. Accenture Payments Insights Series: Real-time Payments

24/7/365

Payments Model Shift for Banks

In 2021, 94% of consumers would pay for faster international remittances. 59% would pay for faster domestic person-to-person transfers. 34% would pay for expedited bill pay.
SECTION 03

An Opportunity to Think Differently About Payments

Savvy banks in pursuit of a transformational strategy will embrace the change required to establish real-time payments capabilities and lead the way to digital services and profitability.

Product and Service Innovation to Provide Customers with “Overlay” Services Tailored to Their Specific Needs

Real-time payments is about much more than moving funds more quickly for customers. Because most real-time payments systems across the world are based on modern ISO20022 messaging standards, they allow banks to develop and deliver “overlay” services. Leveraging the ability of the real-time messages to carry additional information alongside the payment, these services allow extra functionality to be bundled in for payers and recipients, such as automated reconciliation of receivables and payables for business customers.

- Real-time information as well as real-time value.
- Payment versus delivery (release goods only after payment received).
- Request for payment (consumers and businesses can request a real time payment).
- Closer and timely integration with client ecosystems
- Business process integration.
- Automated exception processes.
- New commercial models (monetization).

New Opportunities for Monetization Will Come Not from Simply Offering Real-time Value Transfer but from Providing Consumers with Convenience and Corporates, Institutions and Governments with Tangible Service Benefits

Ensure you can exploit these attributes with appropriate processing, orchestration, abstraction and commercial systems particularly for corporate, institutional and government clients.

SECTION 04

A Roadmap to Get There

Each bank’s journey to build real-time payments will be unique based on its market, operational capabilities and technologies.

Develop a clear and actionable roadmap that outlines a step-change path to the end state, and reflects lessons learned in other markets.

1. Assess market trends and potential business impact
   - Which business domains will be impacted by real-time payments?
   - What are the key business requirements for implementing real-time payments, as well as non-functional requirements (e.g., downtime/stand-in processing, response times, capacity)?
   - How does the above differ across the countries in which the organization operates?

2. Assess the gap between current and target payments platforms
   - What are the key capability gaps (e.g. real-time fraud checking) that must be addressed in order to transition from the current payments landscape to a real-time payment capability?
   - What are the ‘as-is’ and ‘to-be’ internal/external systems and flows for each payment type along the entire payments value chain (capture, validation, processing, routing, and clearing and settlement)?
   - What changes need to be made to the application architecture and underlying infrastructure to enable real-time payments (e.g., batch processing vs. real-time processing)?

3. Determine operational and organizational impact
   - What changes need to be made to operational processes to accommodate real-time payments?
   - What structural changes to the operating model and/or organization are necessary to support real-time payment (e.g., new processes and handoffs, greater levels of automation)?

4. Evaluate implementation scenarios
   - What are the high-level scenarios/use cases for rolling out real-time payments?
   - What are the high-level scenarios/use cases for rolling out real-time payments?
   - Will the bank migrate existing payment transactions to real-time payments, or will it grow volumes organically through customer choice?

5. Build implementation roadmap
   - What are the high-level activities that need to be performed, over what time, and in what sequence?
   - What are the estimated costs?

6. Determine sourcing plan
   - What is the sourcing plan for real-time payments design and implementation?

7. Deployment
   - How will progress be monitored and success measured?
Lessons Learned Along the Way

Each bank’s journey to build real-time payments will be unique based on its market, operational capabilities and technologies.

However, there are common steps in the roadmap from strategy to implementation planning to design, build, test and deployment. Key lessons have been learned in these areas from the journeys made by other countries and banks.

Starting point. Banks that already have a centralized payment hub that supports real-time banking have a good foundation from which to create and launch real-time payments. Those banks without such a payment hub will find the transition more difficult.

Assess the business model impact. As previous experience makes clear, there is a clear first-mover advantage for banks that aggressively embrace the scheme. It is no surprise that all leading retail banks quickly joined the first implementation wave in Singapore. For banks with more niche business models, the business case may call for being a fast follower.

In considering different levels of participation from indirect/non-participant, to minimum compliance or to market leader, remember that speed of adoption is increasing globally and many who elected to hold back in earlier schemes are now playing catch-up.

Have the technology capacity to meet the real-time requirements through the entire payments value chain—clearing and settlement, account posting, beneficiary advising, etc. This might involve stand-in processing should the bank’s core system not be capable of 24/7 operation or be fast enough to meet the scheme’s real-time processing requirements. Delays were often a factor of a bank’s readiness/willingness to push through changes to critical and dependent systems.

Have the technology platforms and organizational capacity to react to large multi-year volume growth, changes in customer behaviour, and the introduction of new industry-wide value-added services and developments such as open APIs and blockchain technologies.

Evaluate the compliance impact. Compliance systems and processes must be highly automated and with very low false positive rates in order to meet the real-time criteria of the scheme. Include fraud, compliance, risk and credit management experts at an early stage.

Strong program management and governance. Build teams top-down around solid, well understood program principles. Ensure the payments program is integrated and strategically aligned to the enterprise and involve stakeholders early.

De-risk the program by using experienced service providers and product vendors whose processes and solutions have been proven in earlier implementations. There is a substantial body of experience gained from the large number of previous country programs that can be leveraged to avoid mistakes.

Conclusion and Experience

Banks should begin the work now to transform their payments processing and systems, working in collaboration and in parallel with government and the nation’s industry-wide efforts.

The Immediate Payments revolution has gathered momentum. In the next two decades, we expect to see over 75 countries developing Immediate Payment programs. As global adoption is only in the second stage of development (“Opinion Leaders”) many different models will be tested.

Banks that try to adopt Immediate Payments by using legacy payment system architectures will not likely be able to meet the speed and availability requirements of m- and e-payments, and may lose market share. Banks that approach Immediate Payments on a tactical basis are likely to overspend, and may fail to capture the critical mass of the emergent customer base. It is those banks that recognize the scope of the opportunity and prepare a strategic, and where appropriate, multi-country response, and select partners with proven experience and capabilities to deliver while the scheme is still evolving, are likely to emerge as the winners.

Accenture and Finastra

Accenture and Finastra have a deep and successful global strategic partnership:

- Accenture is Finastra’s largest single delivery partner with a long track record of successful delivery.
- Joint assets exclusive to the Accenture/Finastra relationship have been developed.
- In addition to an already mature delivery partnership, Accenture and Finastra have a strategic payments-as-a-service offering.

Sample Experience

Accenture

- Implementation programs for 3 bank participants in UK Faster Payments.
- Economic analysis and mobilization for Faster Payments Scheme Ltd.
- Implementation for large Asian bank participant of Singapore FAST.
- Advisory work for multiple Australian NPP participants.
- Advisory work for multiple US RTP participants.

Finastra

- Solutions for multiple UK Faster Payments participants, processing over 1m faster payments per day.
- Core processing engine and service development for Sweden’s Swish service, enabling 50% of the population to make real-time payments.
- Five of the region’s leading financial institutions selected Finastra for their solutions for Singapore FAST.
About Finastra

Finastra unlocks the potential of people and businesses in finance, creating a platform for open innovation. Formed in 2017 by the combination of Misys and D+H, we provide the broadest portfolio of financial services software in the world today - spanning retail banking, transaction banking, lending, and treasury and capital markets. Our solutions enable customers to deploy mission critical technology on premises or in the cloud. Our scale and geographical reach means that we can serve customers effectively, regardless of their size or geographic location - from global financial institutions, to community banks and credit unions. Through our open, secure and reliable solutions, customers are empowered to accelerate growth, optimize cost, mitigate risk and continually evolve to meet the changing needs of their customers. 48 of the world's top 50 banks use Finastra technology. Please visit finstra.com.

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