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Navigating the Future of Instant Payments

*Strategies for Increased
Domestic and Cross-border Volume*

Introduction

The emergence of digital instant payments, also known as real-time, immediate, or fast payments, is revolutionizing the financial landscape. This transformation touches every corner of national and regional economies, affecting central banks, national or regional clearings, government entities, financial institutions, third-party payment providers (TPPs), merchants, e-commerce platforms, and consumers.

The Emergence of Instant Payments

Instant payments systems (IPS) are not just a technological advancement; they represent a paradigm shift, driving business growth due to the instant availability of funds and spurring financial inclusion across the globe. With the rise of diverse use-cases such as R2P, P2B, P2M, and G2P, these systems are redefining the speed and efficiency of money transfers. However, many central operators and financial institutions face challenges in adopting these systems, including managing complex onboarding processes and the need to balance rapid adoption with operational stability.

Current Strategies and Their Limitations

Many central operators start by implementing IPS with stringent Service Level Agreements (SLAs) and limited to P2P flows. Over time, they gradually introduce more use-cases. While this gradual approach aims to ease the onboarding process for Financial Institutions, it often results in slower adoption rates and a delayed return on investment for both operators and participants.

Enhanced Adoption Approaches

Leading operators in the instant payments sector have responded by implementing improved strategies that would allow the market to overcome some of the adoption challenges and increase volumes at a quicker rate. Key strategic considerations include:

Early Integration of Diverse Use-Cases

Adding overlay services for P2B and P2M transactions early in the IPS launch can catalyze market adoption.

Government-to-Person (G2P) Payments

Leveraging G2P transactions can promote financial inclusion efficiently.

Adaptable Service Level Agreements (SLAs)

Offering flexibility in instant credits can expedite financial institution onboarding, enhancing market penetration. Examples include crediting the payee account in real-time, or validating the account and crediting later, with real-time notifications to both payer and payee.

Flexible and Inclusive Payment Initiatives

Implementing standard, open QR code payment schemes with equitable fee structures can attract a wider range of participants, including smaller merchants and financial institutions.

*Advanced
Strategies for
Operators
and Financial
Institutions*



In addition to these core strategies, both IPS operators and financial institutions can further leverage instant payments through integrated solutions and innovative practices. The implementation of services such as Request to Pay (R2P) and scheduled payment services plays a pivotal role in supporting a variety of transaction types, including bill payments and the increasingly popular buy-now-pay-later flows. These accelerators not only enhance the transactional capabilities of financial institutions, but when combined with open and standard APIs, they foster domestic TPP interoperability and bridge local wallet providers through the IPS.

To significantly reduce the cost and time involved in upgrading core banking systems, financial institutions can turn to Instant Payments Gateway (IPG) solutions. By adopting an IPG, they can achieve swift compliance with IPS standards without the need for extensive and expensive overhauls. This approach not only streamlines the transition to advanced payment methods but also ensures financial institutions remain agile and responsive in a rapidly evolving payments landscape.

The final step in solidifying a robust instant payments system is the implementation of advanced security measures and user-centric services. Financial institutions should focus on deploying overlay services such as Client Addressing (also known as Alias Directory) and Tokenization, which enhance transactional security and the overall user experience. Client Addressing ensures accurate payee confirmation, while Tokenization provides a secure method for handling sensitive financial information. Additionally, the integration of real-time fraud prevention, whether through a distributed or centralized approach, is vital in protecting the integrity of the payment ecosystem. These measures are instrumental in building and maintaining consumer trust, a key factor in the success and widespread adoption of instant payments systems.

The Road Ahead

To ensure the future growth of the instant payments rail, IPS operators should open participation to TPPs and PSPs, defining and regulating standard APIs for open banking and initiating cross-border schemes.

Montran's Contribution to the Instant Payments Landscape

At Montran, our experience in deploying instant payments services globally has given us unique insights into the complexities and opportunities of this dynamic field. We offer comprehensive solutions as well as consulting services, tailored to the multifaceted needs of the payment ecosystem participants. Our specialists are committed to guiding and supporting stakeholders through every step of their instant payments journey.

For more insights into how Montran can contribute to your instant payments journey, we invite you to visit www.montran.com/instantpayments or contact us at marketing.info@montran.com.

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