



Instant Payments

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Instant Payments

Definition 1/2

Instant payments, or fast payments, are payments in which

- the transmission of the payment message and
- the availability of the “final” funds to the payee occur in (near) real time
- on a 24 hour/7 days basis.

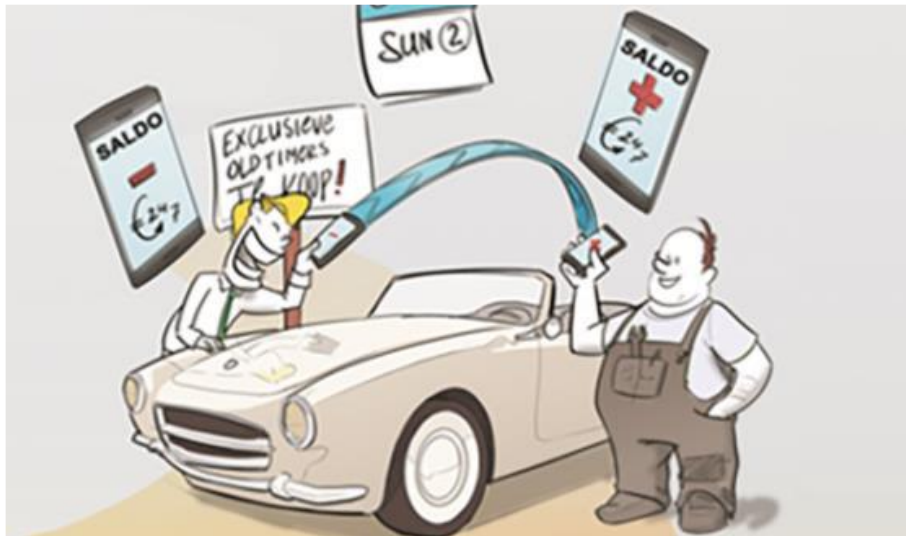
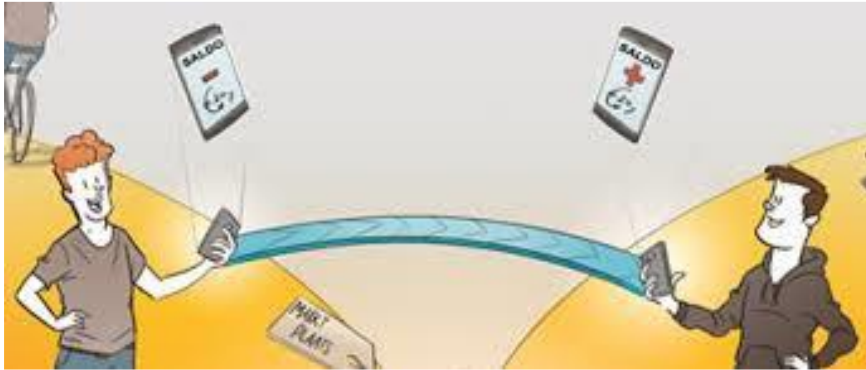
Instant Payments

Definition 2/2

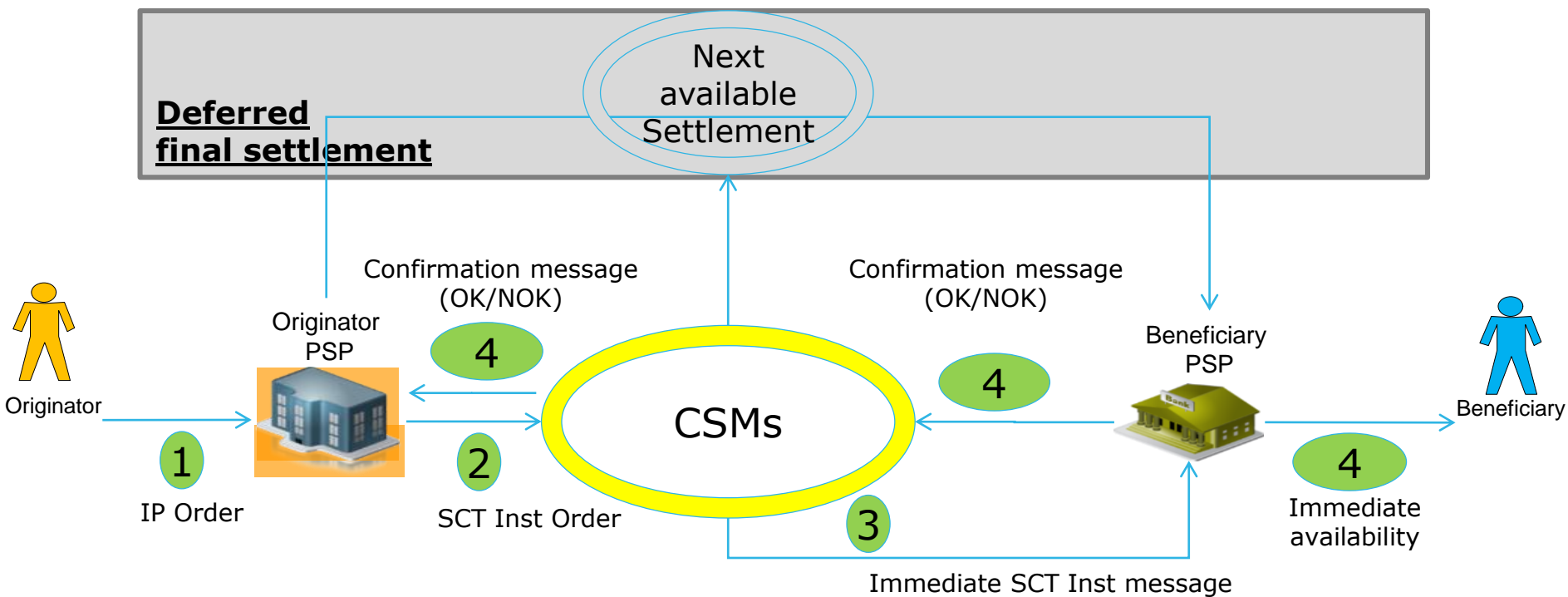
Differences from today:

- Moment of availability of the “final” funds
- Available on a 24 hour/7 days basis

- >> instant settlement
- >> deferred (net) settlement



Instant Payments Process Flow



Instant Payments

Instant payments is the “new normal”

International developments

Instant Payments

IP initiatives around the world

Western Europe

- Sweden
- United Kingdom
- Finland
- Denmark
- Norway
- Ireland
- Italy

Central & Latin America

- Brazil
- Chile
- Mexico
- Colombia

Africa

- Nigeria
- South Africa

Central & Eastern Europe

- Poland
- Switzerland

Asia Pacific

- India
- Japan
- Indonesia
- Singapore
- S-Korea
- Taiwan
- Australia
- Hongkong

Middle-East

- Turkey
- Saudi Arabia



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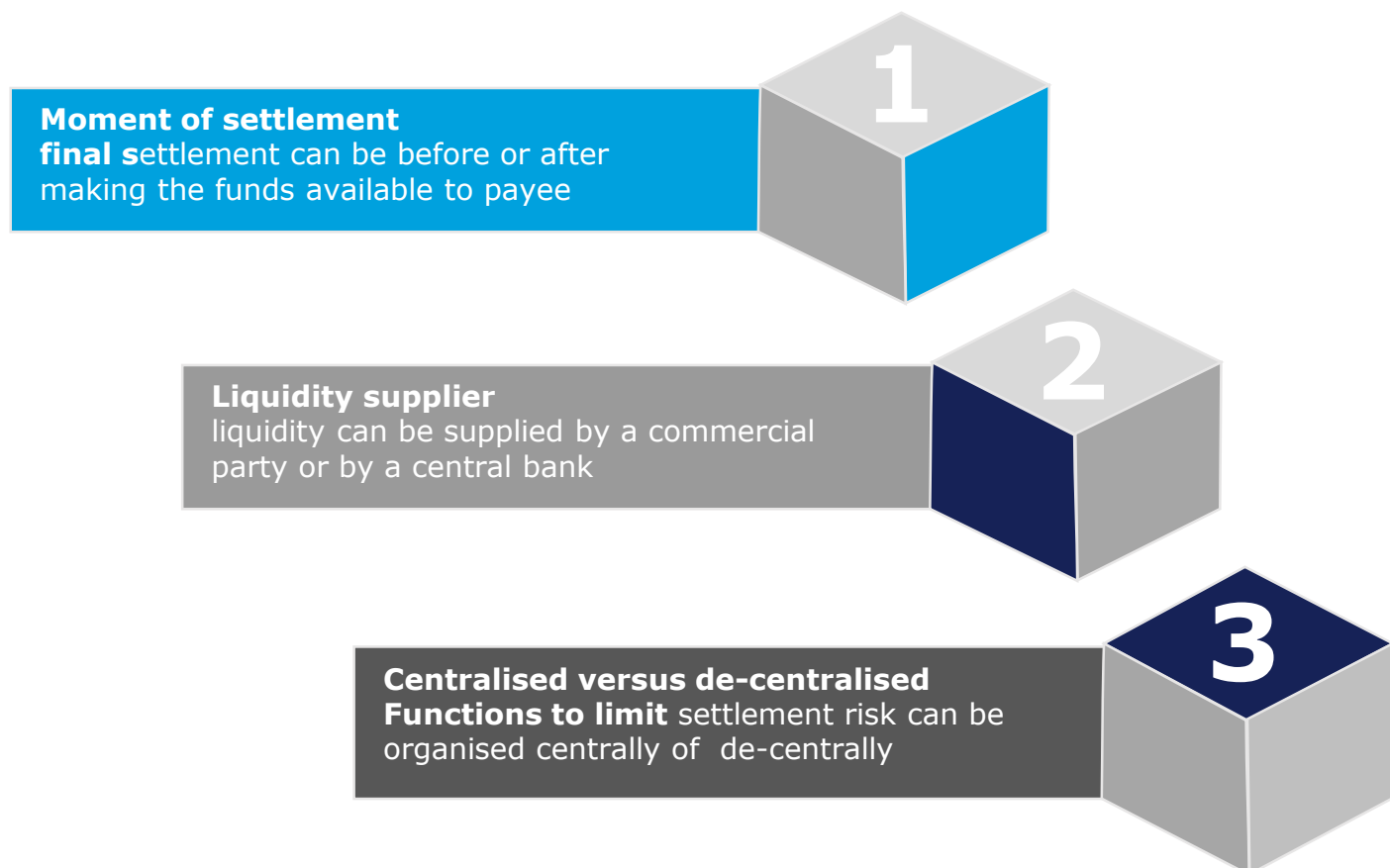
Dutch project ^{1/5}

1. Why and how
2. When
3. Choices
4. Status

Instant Payments

Dutch project 2/5

Building blocks to choose a settlement model



Instant Payments

Dutch project 3/5

Criterion	Description
National ambition	<ul style="list-style-type: none">The Dutch banking community formulated the following ambitions: (1) availability of funds within 5 seconds; (2) all year 7 days a week availability and (3) implementation within four years (so no later than 2019).
SEPA standards	<ul style="list-style-type: none">The model must be able to process all (chosen) products via SEPA standards, fitting within the standards as described in the SEPA Rulebooks.
Safe, reliable, future proof	<ul style="list-style-type: none">The model must be safe and reliable. Moreover, it must be secured that the model can even be used after 2019, e.g. scalable to specific volumes.
Level playing field	<ul style="list-style-type: none">Every entity, fulfilling separately to be determined access criteria,, must be able to settle with comparable accessibility via this model.
European connection	<ul style="list-style-type: none">The settlement model must be able to connect to or replaceable by a model that will be developed on a European level in due course.
Multiple clearing processors possible	<ul style="list-style-type: none">The solution must be able to work with multiple clearing processors.
Development and running costs (including liquidity costs)	<ul style="list-style-type: none">As far as possible a quantitative estimation of costs for development and exploitation of the model. Specific attention for any costs related to the provision of liquidity.
Settlement risk	<ul style="list-style-type: none">A qualitative estimation of any settlement risk present (credit and/or liquidity risk) including the possibilities to mitigate or even eliminating those risks.

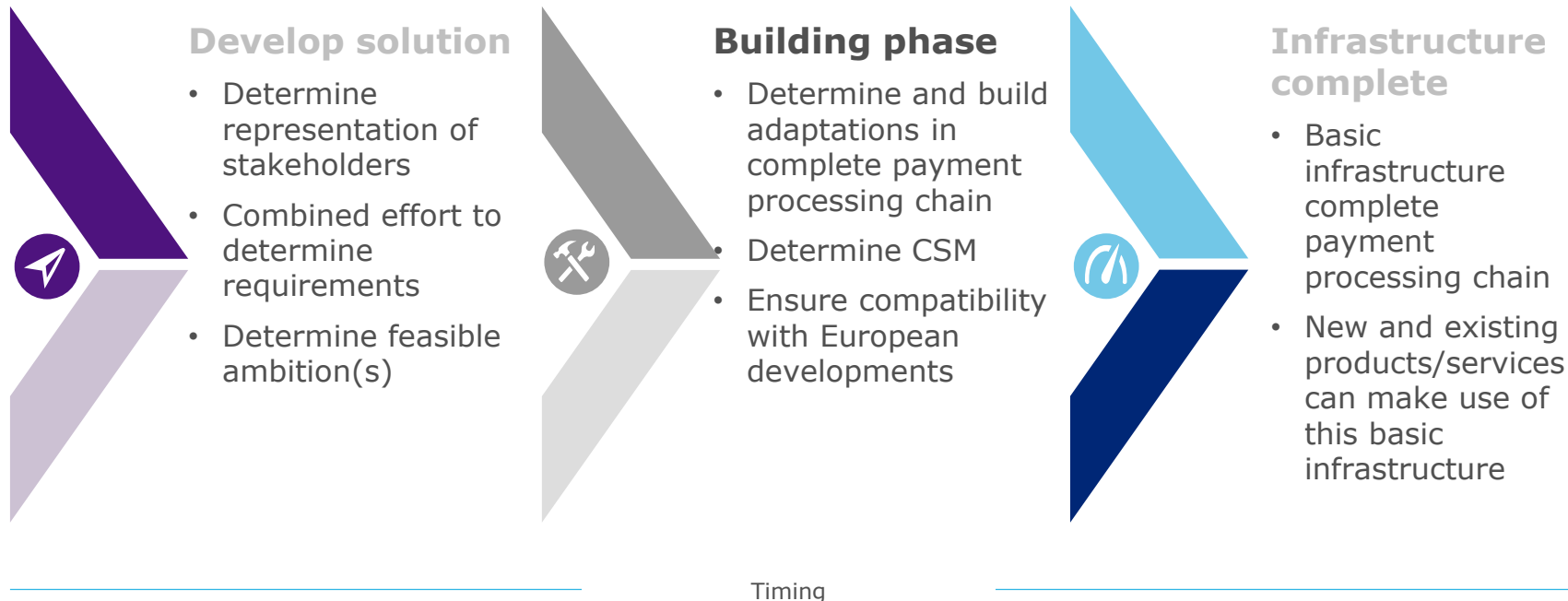
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Dutch project 4/5

Instant settlement	Deferred settlement
A system which could only be built by DNB	A system which can be built and/or supported by several parties
A system should fulfil specific conditions: e.g. PFMI Principle 9; ECB Oversight Regulation (designated system)	
No credit risk with instant settlement	There is a credit risk, because the beneficiary PSP makes funds available to the beneficiary before final settlement
	As a leading principle for participating PSPs, credit risk for the beneficiary PSP should be fully mitigated by collateral or cash
	Collateral has an opportunity cost, as a PSP can only use its collateral for one goal
During the processing of a payment transactions, the system should check the underlying limit. Reaching the limit will cause the payments to stop (liquidity risk). For both kinds of settlement a buffer is necessary: a higher settlement frequency will have a positive effect on the amount to be reserved for this buffer.	
There is an impact on the use of liquidity because of gross settlement of the payment transactions.	There is an impact on the use of liquidity because of the necessary buffer on top of the expected position to be settled.

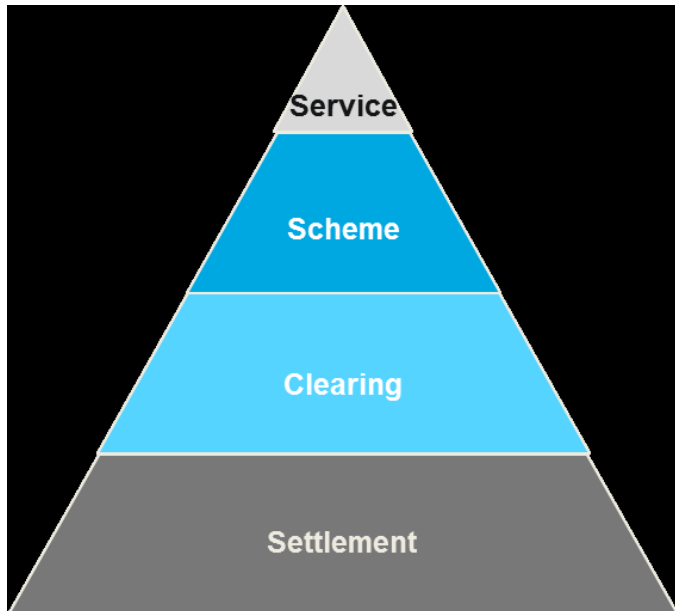
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Dutch project 5/5



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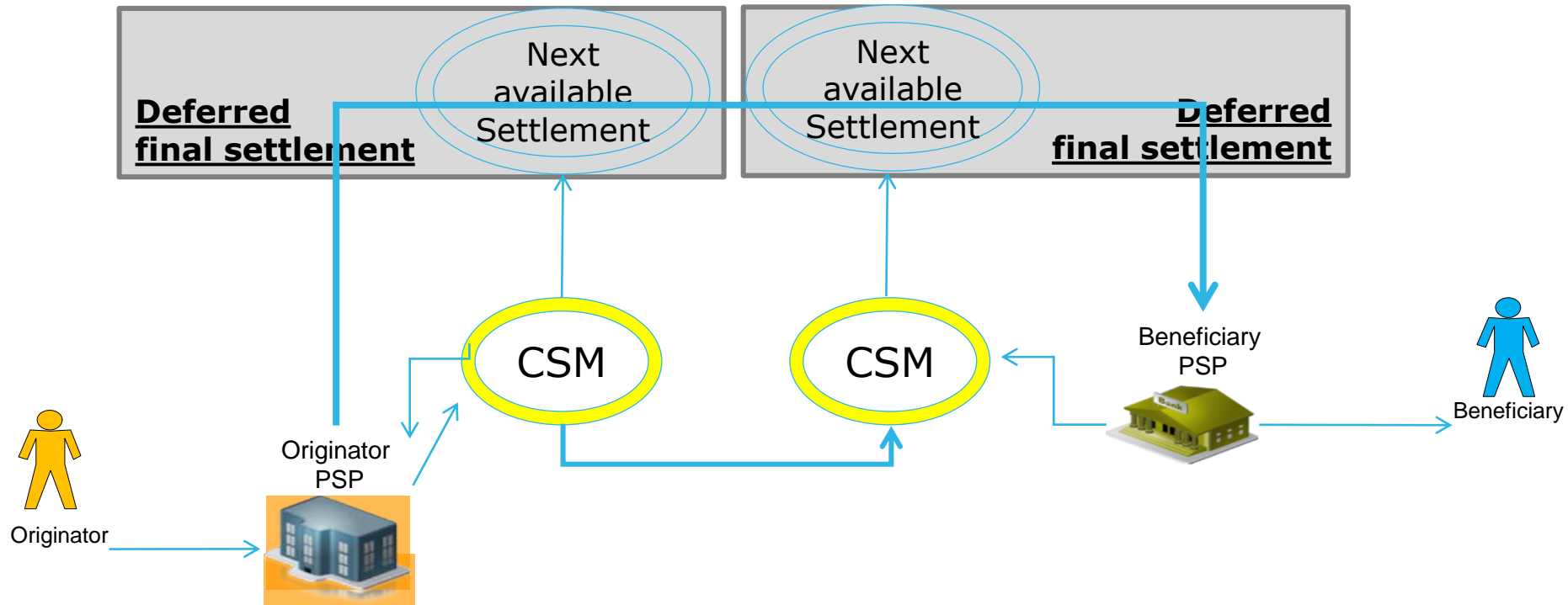
EU status 1/2



1. Scheme layer:
develop SCT Inst
2. Clearing layer:
interoperability
3. Settlement layer:
risk mitigation

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Multiple CSMs



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NCB Issues

1. Risk mitigation
2. Participation
3. Interoperability
4. EU developments
5. ?

Instant Payments Statements

1. Fast / Instant Payments is just a hype and it is something which will blow over.....
2. Central banks should actively support or even promote Instant Payments!
3. All kind of payment providers (Fintech!) should have access to central bank money to accommodate Instant Payments.

Thanks for your attention

Any questions?



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