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# Are instant retail payments becoming the new normal? A comparative study

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# Overview

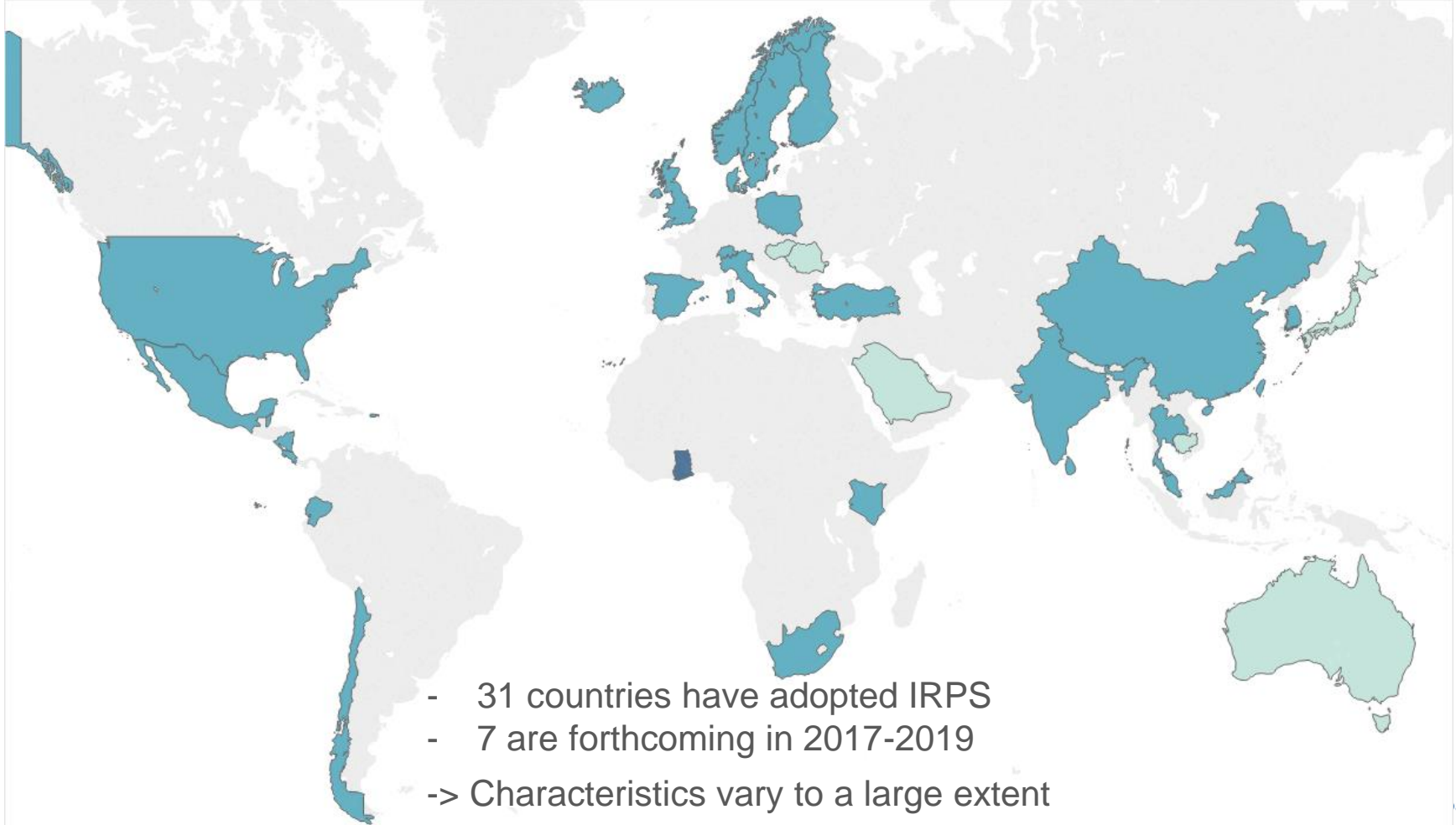
- 1 Introduction
- 2 Case studies: IRPS in Europe and around the world
- 3 Drivers of the adoption of instant retail payments
- 4 Forward-looking: will IRPS become the new norm in the euro area?
- 5 Scenarios
- 6 Conclusions & policy implications

## 50 years ago: instant access to funds 24x7



*Actor Reg Varney becomes the first person to use an ATM at Enfield in 1967*

## Introduction: IRPS in operation around the world

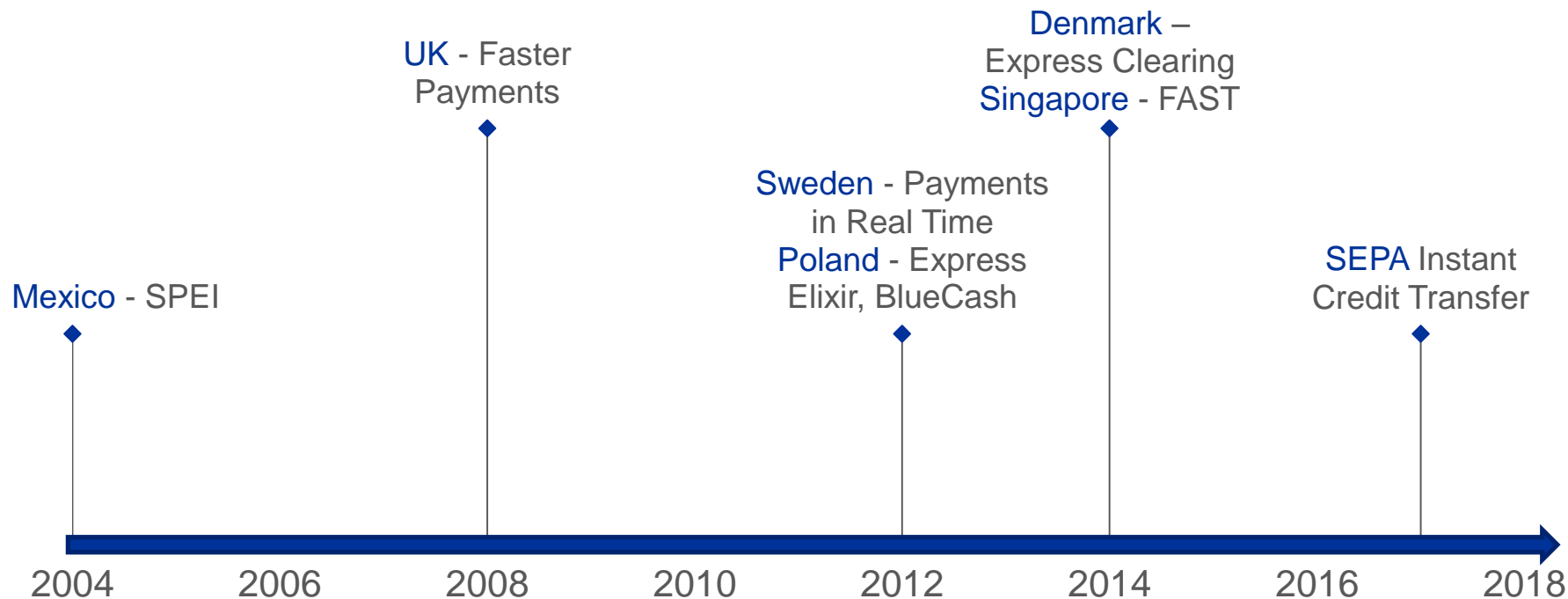


**Main objective:** To identify structural drivers and blockers to the implementation of instant retail payments using country cases where IRPS have already been operational for several years.

### Country selection criteria

- IRPS in the European Union -> available data ( as of 2015 )
- IRPS in operation in other parts of the world -> sufficient info available on:
  - Instant payments
  - Other instruments ( cards, credit transfers, direct debits, cheques, etc).

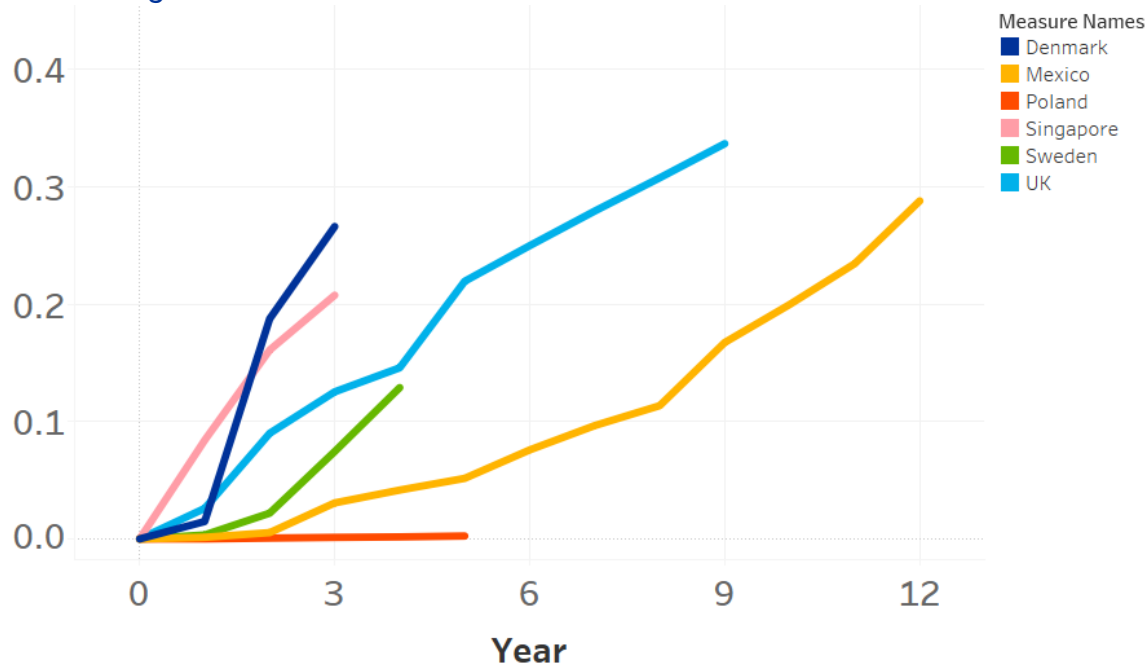
## Country cases – timeline



# The uptake of instant may be rapid or gradual

## Evolution of instant payments

Percentage of the total number of credit transfers

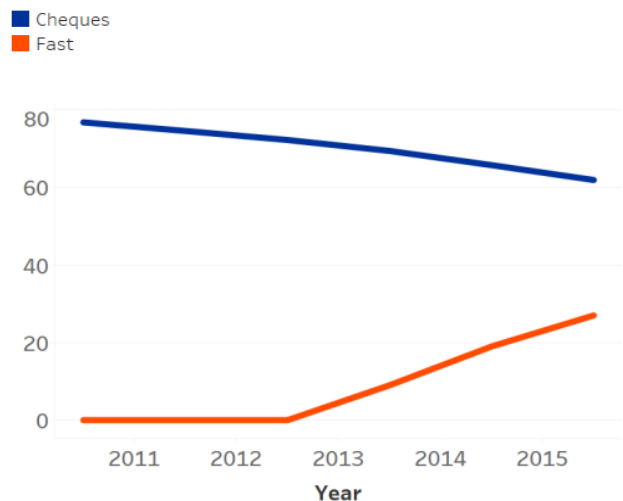


Sources: ECB, CPMI, Banco de México, Faster Payments, UK Cards Association, PaymentsUK, Bankgirot, Monetary Authority of Singapore, Danmarks Nationalbank

## Instant volumes come from traditional credit transfers, but also...

### Cheques vs FAST payments in Singapore

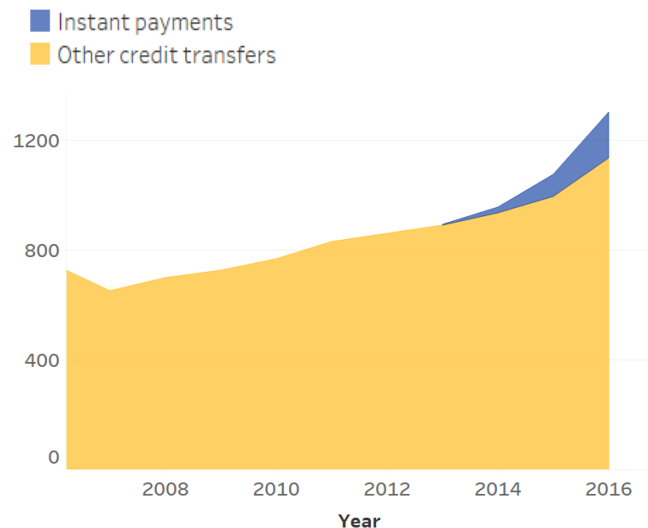
Number of transactions (in million)



Sources: CPMI, Monetary Authority of Singapore

### Other credit transfers vs instant payments in Sweden

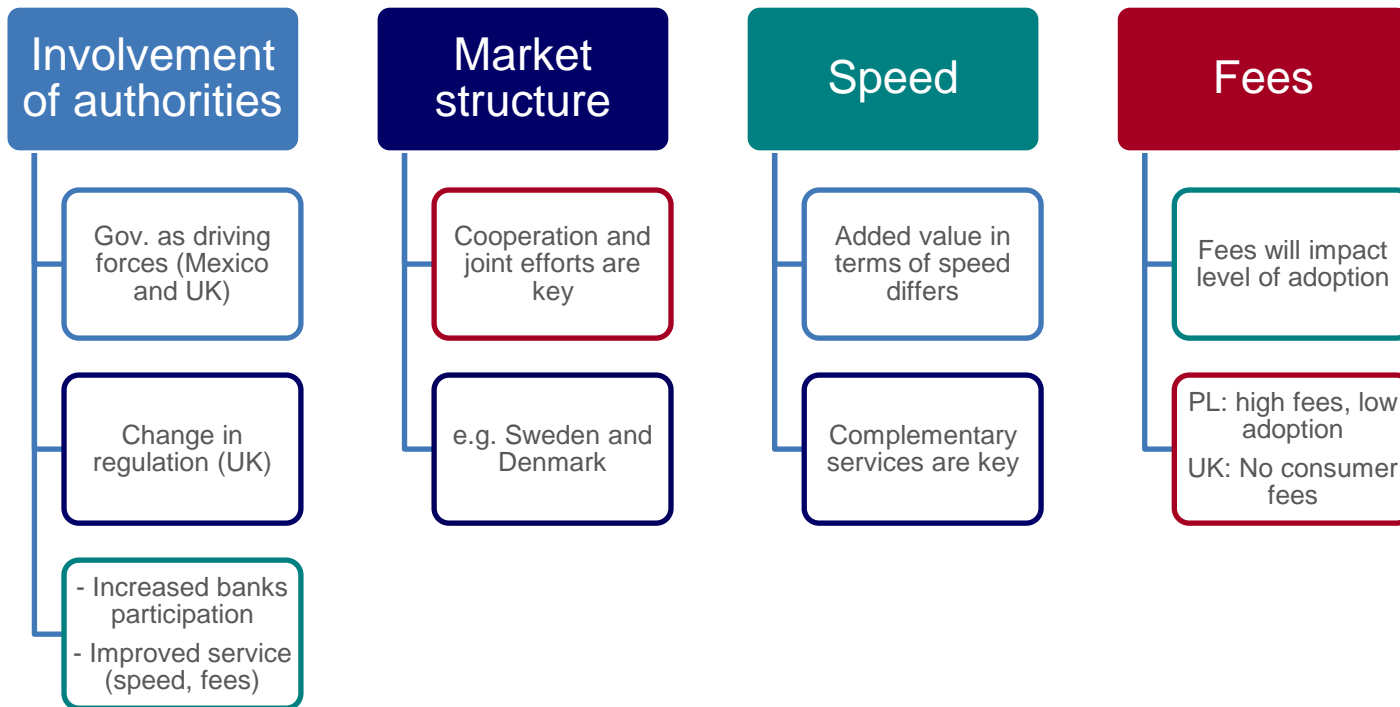
Number of transactions (in millions)



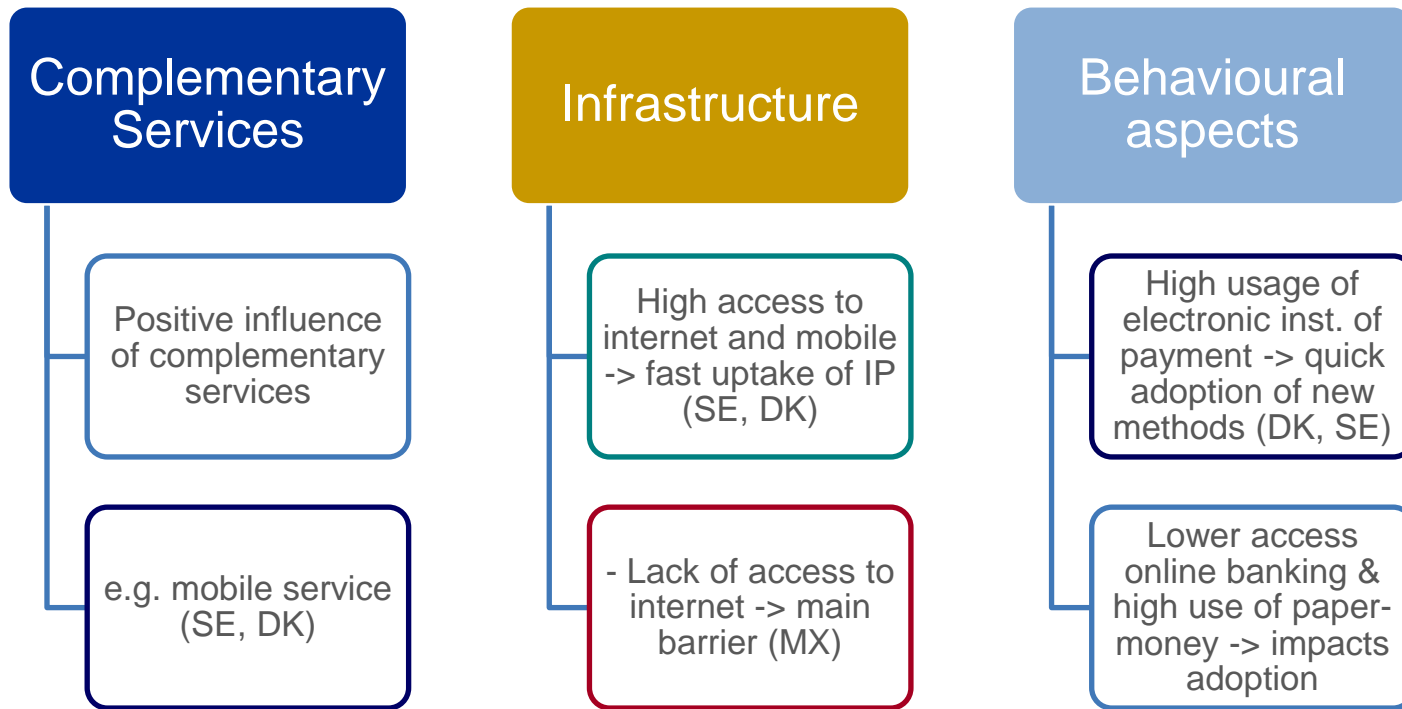
Sources: ECB and Bankgirot



## Drivers...



## Drivers...

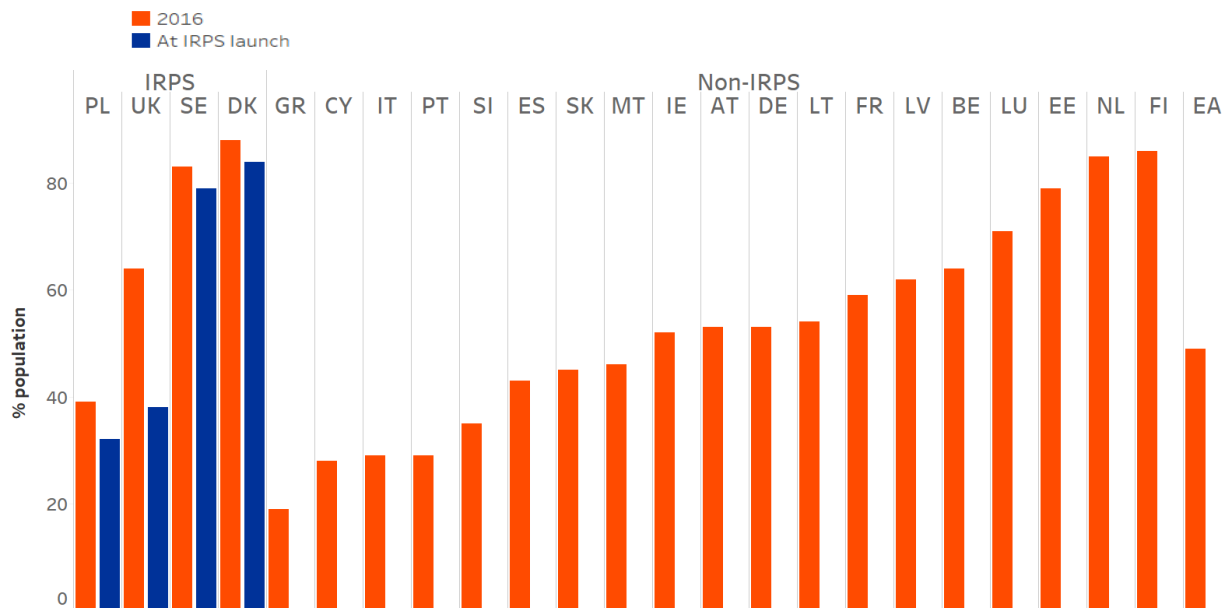


# Forward-looking: will IP become the new normal in the euro area?

- Cooperation btw PSPs to develop common scheme for IRP
  - SCT Inst
- High usage of internet and online banking
- Payment infrastructure is well developed
  - High card ownership (93%)
  - Card acceptance (72%)
- High preference for non-cash (43% non-cash, 32% cash, 25% either)
- High financial inclusion
- Complementary services: e.g. provision of POS services for Instant payments:
  - Bizum in ES to provide IRP using NFC

## Forward-looking: will IP become the new norm?

### Use of online banking

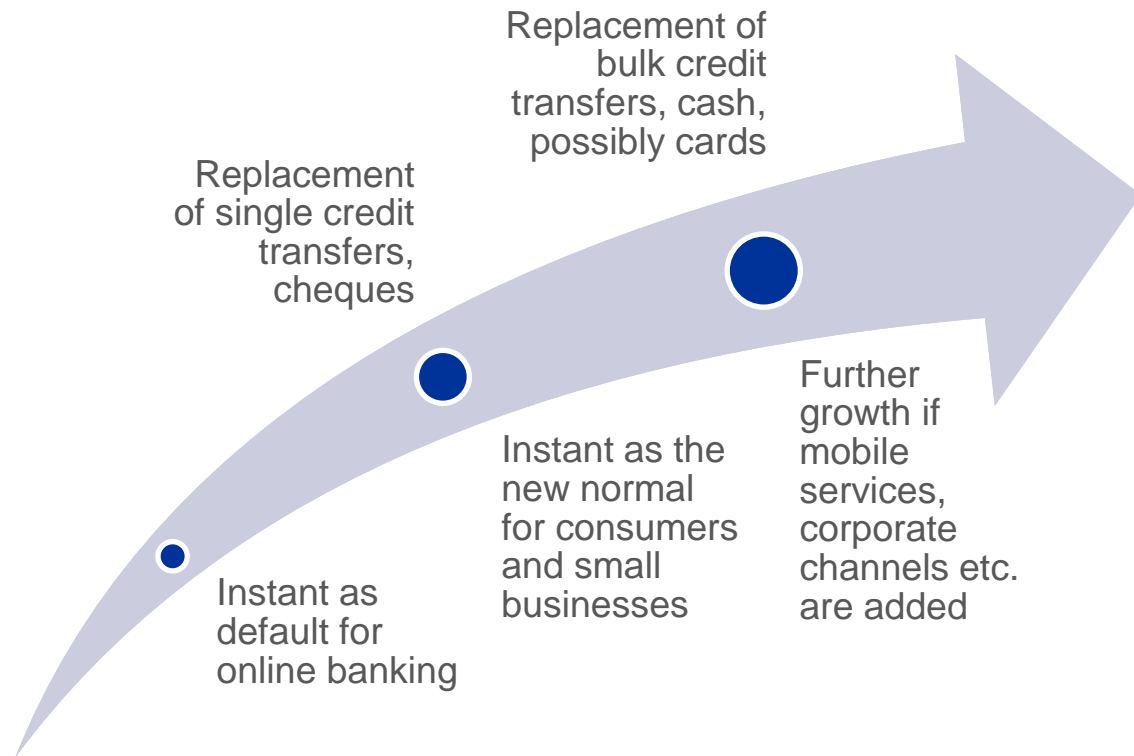


Source: Eurostat

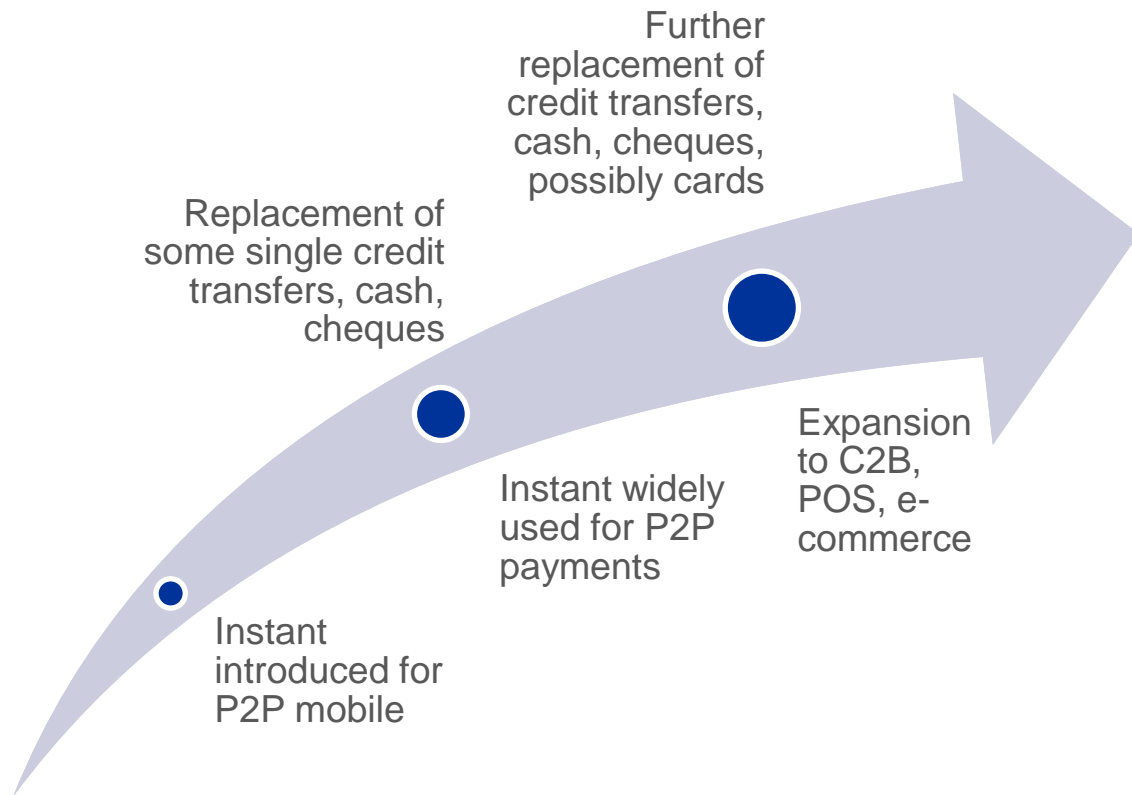
### Country differences

- Concentration in the banking sector
- High cash usage at the POS (~79%) Payment infrastructure differs per market sector (POS)
- Low use of internet and online banking

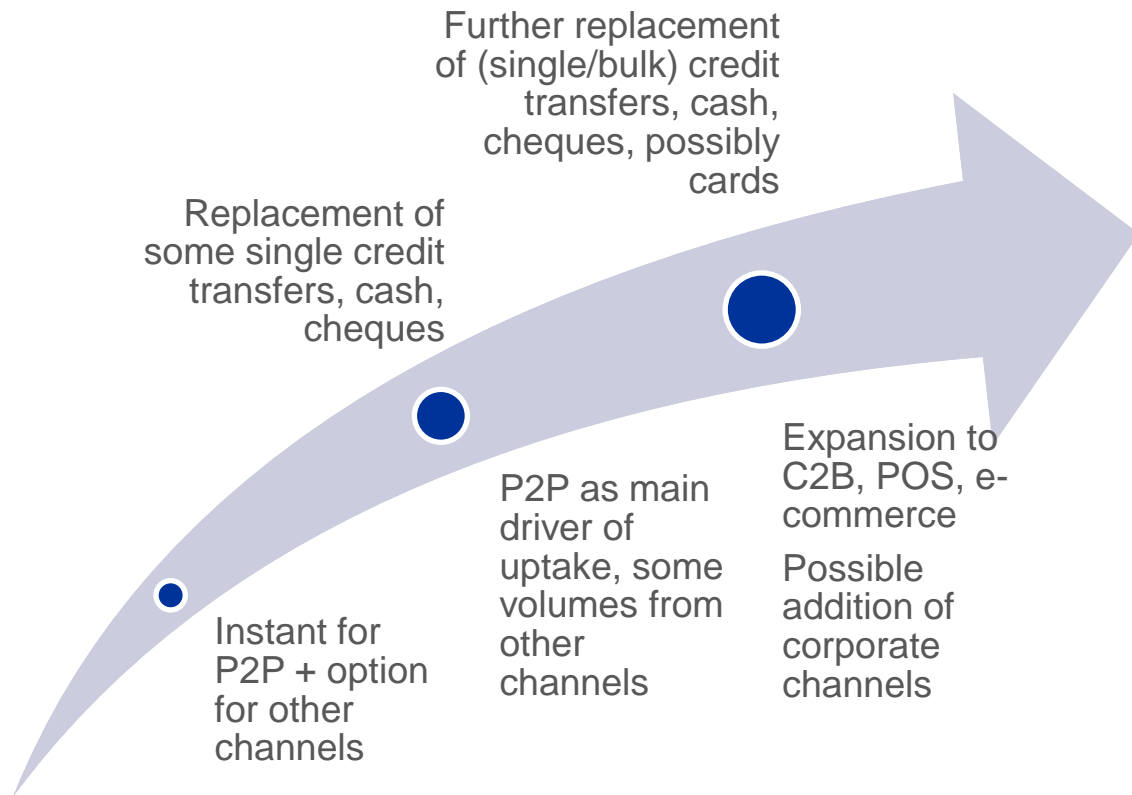
## Scenario 1: online banking = instant



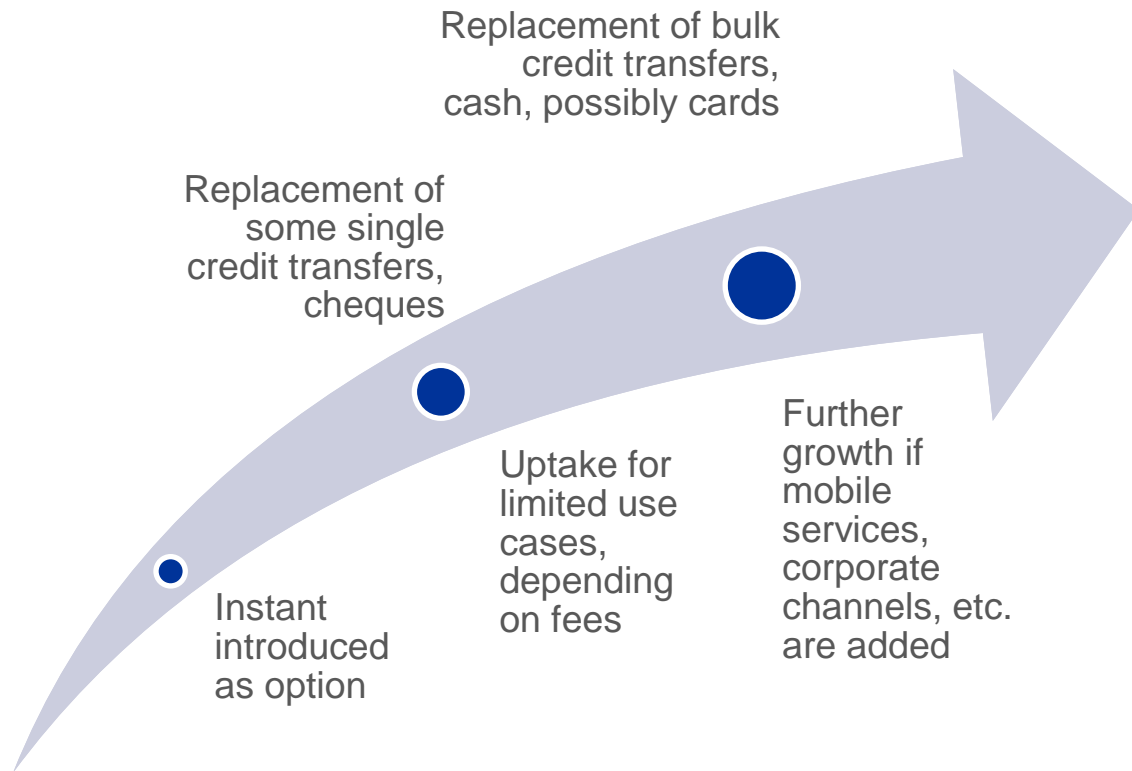
## Scenario 2: instant = mobile



## Scenario 3: mobile = instant / instant = mobile+



## Scenario 4: instant = (premium) option





## Which scenario for the euro area?

Euro area level: instant as an option

Scenario 1  
countries:

instant as default  
for online banking

Scenario 3  
countries:

focus on P2P  
mobile

Scenario 4  
countries:

start with instant  
as an option

Note: scenario 2 does not seem likely

- Some strong supportive factors for the success of instant retail payments in the euro area
- Extent to which it will become the new normal and the speed of transformation will differ between countries
- For the success of instant retail payments:
  - Support of authorities and governance structures should be provided
  - Complementary services should be available
  - Market stakeholders should work together to ensure the reach of the service
- Increase in competition in retail payments, in the context of the PSD2, may lower end-users' costs and improve services

# Thank you!

## Any questions?

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