



van den berg

the transaction people



FAST, FASTER, INSTANT!

**Instant Payments by van den Berg –
We are the Experts in Payment Transactions**

WHAT ARE INSTANT PAYMENTS?

Real-time transfer (instant payment) is a means of payment whereby balances are definitively credited to the recipient within just a few seconds. Instant payments are available 24 hours a day, 365 days a year. The money should be credited in a maximum of 10 seconds. In practice, however, many of these transactions are conducted in less than 3 seconds. Many countries have now decided to press ahead with the subject of real-time payment transactions.

TRANSACTION IN SECONDS!

The digital age makes possible the exchange of information within seconds. That's why consumers expect to be able to buy goods immediately 24/7 all year round and payment will be taken care of instantly, and ideally free, in the background.

Since 21 November 2017, the European Payments Council (EPC) has laid down these requirements in a new European payment method and generated a uniform standard - the SEPA Instant Credit Transfer (SCT Inst) Scheme. Many banks have already registered for this scheme.

In the early days of instant payments, the amount for real-time transfers was limited to EUR 15,000. In July 2020, the limit was raised to EUR 100,000 per transaction.

In principle, this form of payment will only become really established on the market when real-time transactions can be processed cheaply.

A reduction in the item costs is possible only if the transaction volumes increase. The migration from SEPA to SEPA ^{Inst} should therefore be pressed ahead with as quickly as possible to greatly enhance the user experience in this way.

Other countries in the SEPA area, such as the Netherlands or Spain, are well ahead with the rapid changeover. Real-time payments are already common practice there. The rapid implementation of instant payments in Germany and Europe is very important in the modern payments system!

AT A GLANCE

- Transfers in seconds
- Available around the clock, 365 days per year
- Uniform European standard since 2017
- Since 2020, maximum transfer sum raised to EUR 100,000/transaction
- Reducing the item cost is a requirement for market penetration
- Announcement of draft legislation for mandatory participation in October 2022

INSTANT PAYMENTS – A GAME CHANGER IN PAYMENT TRANSACTIONS!

The subject of instant payments has the potential to radically change the payment transactions landscape in the years ahead. Ever more business models and applications are being developed.

The accessibility of the participants among themselves is a decisive element for the preparation of instant payments. For this reason, the ECB Council adopted a package of measures on 29 July 2020 to ensure Europe-wide accessibility of all payment service providers via the service offering of the Euro system.

For those who registered for the SCT Inst Scheme introduced in November 2021 and are accessible in TARGET2, there is also an obligation to remain accessible in TIPS. The clearing systems are networked via the TIPS platform and the participants can exchange SCT Inst payments between themselves. This has the immediate consequence that complete interoperability between RT1 and TIPS is ensured.

It is evident that there will be a general obligation for accessibility for instant payments. On 27 October 2022, the European Commission submitted its draft legislation on instant payments.

This includes the following important changes, such as the elimination of price discrimination against SCT payments, the reachability of instant Payments within 6 months (passive) and 12 months (active), after the EU regulation becomes mandatory, as well as higher security standards, such as the matching of name and IBAN. Overall, payment transactions should be faster, more secure and more cost-efficient.

The figure below shows the current number of payment service providers, that have already joined the scheme.

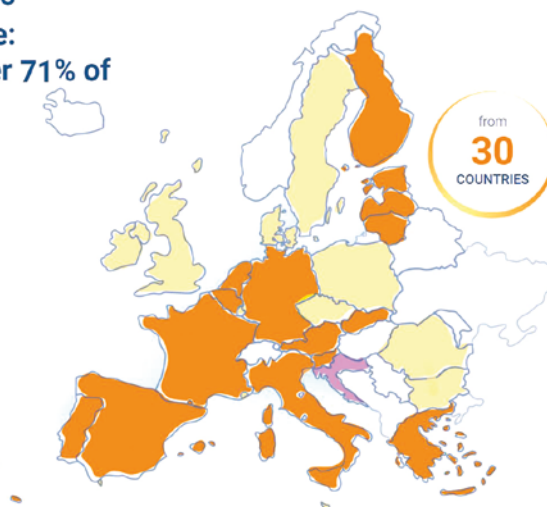
SEPA INSTANT CREDIT TRANSFER SCHEME

2325 payment service providers have already joined the scheme: 61% of European PSPs and over 71% of PSPs in the euro area.

ESTIMATED SHARE OF SCT INST VOLUMES IN TOTAL CT* VOLUMES



* SCT + SCT Inst.



■ At least 1 SCT Inst participant and a majority of payment accounts in the country

■ At least 1 SCT Inst participant but no majority of payment accounts in the country

■ Readiness date: 24 June 2023

□ No SCT Inst scheme participants in the country

*SCT Inst scheme largely enumerates those having the most significant volumes in their countries.

Source: <https://www.europeanpaymentscouncil.eu/what-we-do/sepa-instant-credit-transfer>
As of: April 2023

INSTANT PAYMENTS USE CASES

For credit institutes, it is important to develop use cases together with their clients that supply value added based on instant payments. Instant payments will become established only when there is broad client acceptance. There are already many use cases.



P2P USE CASES

Examples of this include peer-to-peer payments and payments between private individuals. Unlike current methods, which exchange payments via additional accounts, P2P payments can be made from one current account to another in seconds if instant payments are sufficiently widespread and used.

This can be of interest for classic small amounts such as pocket money or splitting a restaurant bill, but also for larger amounts, for example, a real-time transfer of the purchase price when buying a car can be a use case suited to everyday life.

B2C USE CASES

In the B2C area, too, there are many uses that could make interaction with clients much more convenient, such as:

- Paying out consumer loans
- Paying insurance premiums
- Settling invoices for assets that are supplied with a reservation of title

B2B USE CASES

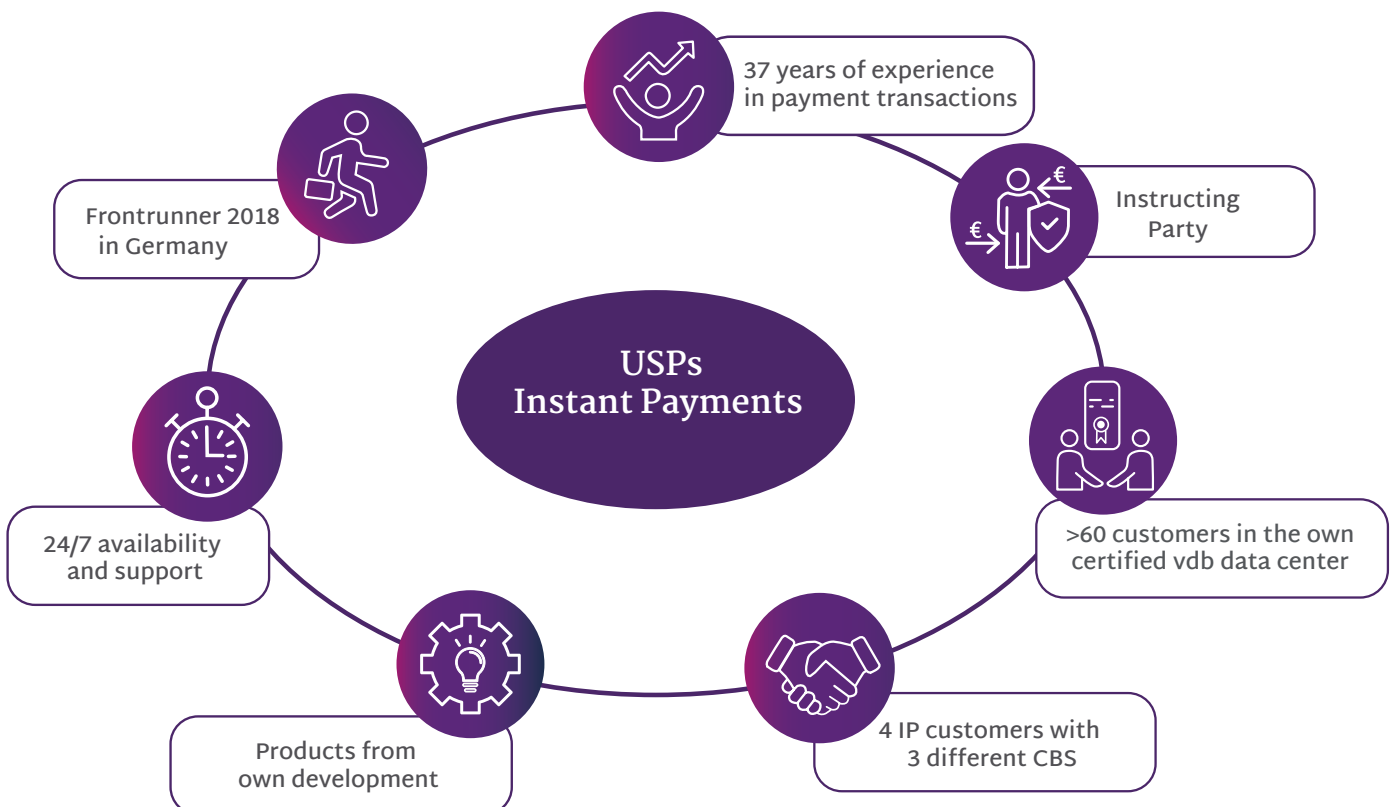
Now that the upper limit has been greatly increased, the instant payments method can also be a great relief in the B2B area.

Just-in-time payments are important for adhering to critical deadlines. Here, instant payments can replace cash. In the logistics sector, it is often the case that, for example, a loaded freight ship is not allowed to leave the port if the payment has not been made on time. With instant payments, the situation can be quickly solved, even at night or at the weekend.



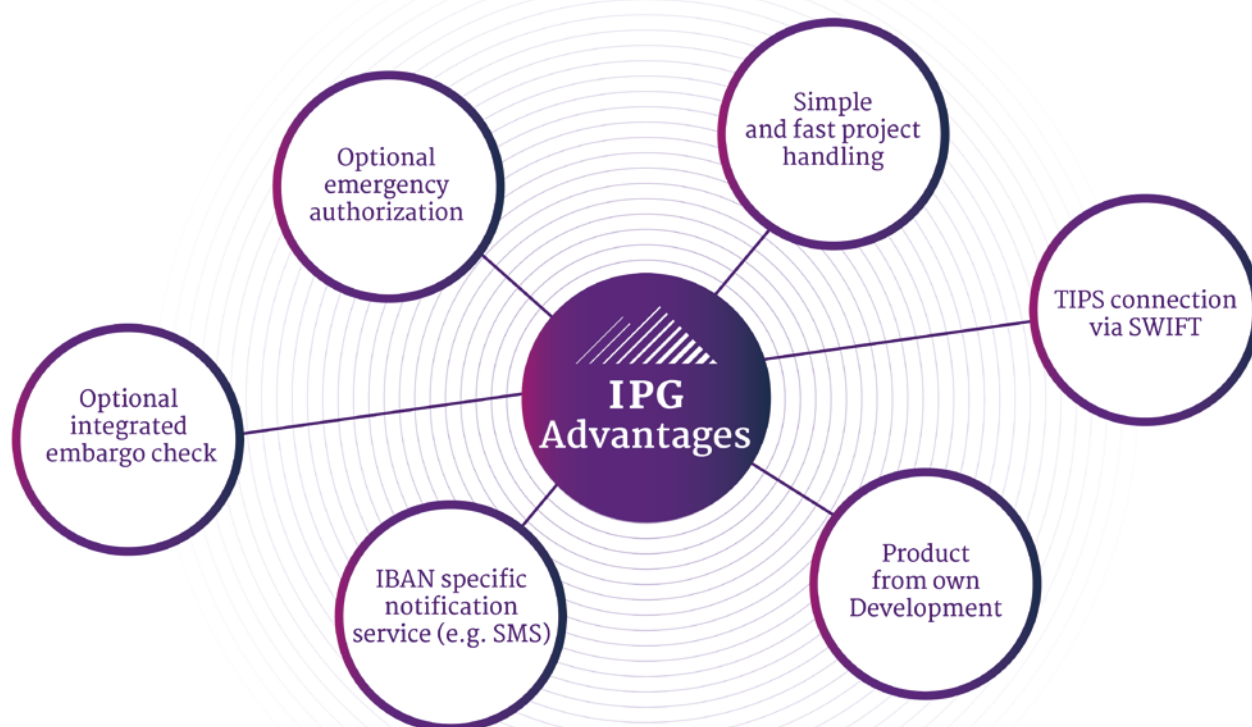
WHAT IS VAN DEN BERG INSTANT PAYMENTS OFFER?

Our clients benefit from our payments as a service solution, operated in our data centre. This is how experts from van den Berg ensure 24/7 availability and support. van den Berg BIC is licensed by the ECB as an instructing party for TIPS. We can therefore offer a solution for participation in TIPS that is independent of the client's current SWIFT infrastructure. The onboarding process is made much shorter by virtue of the fact that van den Berg is a direct contracting partner.



INSTANT PAYMENTS GATEWAY (IPG) – AN OVERVIEW OF OUR SOLUTION

24/7/365 – the van den Berg Instant Payments Gateway (IPG) has a lot to offer – in terms of operation and performance. IPG is the interface to the Clearing and Settlement Mechanism (CSM) and an important infrastructure component in many payment solutions in the digital world



We offer our clients both a secure connection to the Target Instant Payment Settlement (TIPS), which has been in operation since November 2018, as well as to the alternative EBA clearing (RT1). The IPG is technically connected to RT1 and TIPS via the Network Service Provider (NSP) SWIFT and the Alliance Gateway Instant (AGI). Optionally, the technical connection to RT1 can also be via EBICS.

The connection via EBICS requires an EBICS infrastructure that is suitable for instant payments. This can be provided by van den Berg.

As early as November 2018, van den Berg connected two of its clients to TIPS - they were the first banks in Germany. In the field of instant payments, more clients have been connected to TIPS or the alternative standard RT1 since then.

VDB/QUICK ASSESSMENT

One of the biggest challenges in processing real-time payments is that the core banking systems are not geared up to real-time-capable payment transactions and the payment process must be completed within 10 seconds including the embargo check. The solution offered by van den Berg is various connection methods that are analysed in a vdb/Quick Assessment together with the bank. In addition, other aspects of implementation are dealt with in the assessment and scheduling and budgeting in a joint workshop that act as the basis for a subsequent feasibility study.

REAL-TIME PAYMENTS – TRANSACTIONS PICKING UP SPEED!

„Instant payments ultimately gives banks in Europe the chance to regain significance in the mass payment transactions market.“

The European payment system took a giant step forwards with the introduction of SEPA in 2008. As a result, the previous extremely heterogeneous payment transaction market in Europe was harmonised, both in terms of formats and within the context of the processes. In addition to the single European currency, there was now also a joint network to exchange mass payments.

In existing methods that trigger payments, the individual transactions are processed via proxy accounts that then appear at the banks as cumulated balances in a classic current account. The main beneficiaries of this are technology companies that make this method available both to online traders as well as, increasingly, bricks and mortar traders. In order not to lose this part of the wealth creation chain, it is very important for banks to regain market share in the field of mass payment transactions by means of competitive services so that the contact to their end customers can be strengthened and made more sustainable.

VALUE ADDED FOR ALL INVOLVED

For the banks, this means that they offer the services involved at the front end of customer interaction and they can be processed without special item costs using the existing clearing platforms. Then banks profit from this in that they are right at the front of today's market, are back in close contact with customers and can therefore secure access to important customer information in the long term.



Christian Fink, CEO

Credit institutes should be aware that the introduction of instant payments offers advantages to the modern payment transaction market and, in particular, to the banks. Of course, an institution should identify for itself which of the use cases suit its current or future business model.

There are already banks and credit institutes that have successfully implemented this and, for example, approve consumer loans within just a few minutes. The loan amount is then credited to the loanee's account immediately. By using this uncomplicated loan application and the immediate receipt of the money thanks to instant payments, banks can increase the demand for loans and attract and keep new customers.

Cooperation of the entire banking market and a governance structure more like that of a FinTech than a major bank is needed for successful market penetration for services based on instant payments. Because this is the only way that the requisite agility can be ensured, both for development and for project management. Furthermore, close cooperation with the users, business and retail customers, is also required.

We will be happy to support you with a successfully implementation and on your path into the future of real-time-payments.

MEET THE TRANSACTION PEOPLE.

van den Berg

For 37 years, van den Berg has been developing innovative solutions for payment transactions. Thanks to expertise in the field of instant payments, individual and mass payments, card clearing and SWIFT and EBICS connectivity, van den Berg has established itself on the market as a reliable payments transaction specialist.



DO YOU HAVE ANY QUESTIONS OR WOULD YOU LIKE TO TALK TO ONE OF OUR EXPERTS?

Please contact us on:
sales@vdb.de or
by telephone: (+49) 2406 954 520

www.vdb.de