



A NEED FOR SPEED:

The Growing Appeal of Instant Payments



Speed has been the ingredient that powers the adoption of many of our modern innovations. Everything from automobiles to airplanes to the internet and countless other indispensable digital technologies have been predicated on delivering greater speed and convenience. More recently, we're seeing this "need for speed" to meaningfully impact the world of payments and digital commerce.



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The global payment industry has exploded over the past 10 years with \$250Bn of venture capital funding in fintech / payments startups and countless projects by well-established and successful companies. The clearing systems are going through a rapid evolution as well, which has increased the speed of payments as much as 960x in the move from batch to real time.

Consumers and corporations have firmly established the demand for this change by requiring increased choice, greater flexibility, visibility and a better user experience for payment experiences. As a result, there are “winners” when the payments experience fits seamlessly into the overall product. Just look at how the ride-hailing companies simplified the payment process, allowing riders to execute payments, including tips, all from the convenience of an app with the tap of a button. This means riders can simply get out of the vehicle and head off on their merry way at the end of their trip. The speed and ease of the payment experience is a big selling point for this industry and has played a major role in the evolution of the marketplace.

Instant payments are fast becoming an important option for businesses because they can offer opportunity to increase revenue, reduce costs, and improve processes and controls.

The pay-in and payout advantages of instant payments

Instant payments offer some important pay-in advantages over credit cards, which require an interchange fee that essentially assesses a two to three percent tax on costs of eCommerce goods and services in many markets, especially for the internet economy. Credit cards provide a wide range of bundled services that have powered the growth of the internet economy, but they aren't required for each transaction. Those services include pre-authorization, validation, fraud prevention, reconciliation, loyalty and credit. In many cases, consumers receive benefits from a merchant that is not paying for the credit card fees, which has led to a demand for alternative models.

This disconnect between cost and benefit highlights the advantages offered by instant payments systems that offer “unbundled” services. The services offered by the instant payments systems vary from market to market, but we see some positive developments in markets such as India that could create a global standard despite the clearing systems being managed independently of each other. India is considered to have a best-in-class solution for this purpose, but more countries are following a similar approach.

Instant payments are also advantageous for payouts. When instant settlement is conducted through bank-led systems, businesses are able to take advantage of a low-cost option which is conducted faster, with full visibility of the payment status and with the freedom for clients to be able to execute these payments at any time without cutoffs.



Citi is uniquely positioned to offer instant payments to more markets through the bank's extensive local infrastructure and via their WorldLink® global payments service.



A few examples of how instant payments are being embedded as part of the customer experience, include:

- **Refunds** - Businesses can issue refund payouts, instantly. This enables customers to see they have received the funds while still in the store, or while on the phone with customer service, thus dramatically improving the client experience.
- **Supporting Platforms** - Platform operators can provide real value to third-party contractors to take control of when they're paid, which allows payments to create a completely flexible payments solution. Thus they bring innovation into the ecosystem while allowing third-party contractors to have greater control over their finances.

How banks are working with corporates to achieve instant payment success

Introducing instant payments often requires a multistakeholder partnership within an organization to achieve the broadest possible success. Treasury and accounts payable teams can work with banking partners to ensure operational requirements are met by the solution, while also collaborating with business development teams who are responsible for bringing in product and engineering partners. Banking partners can serve a vital role in helping to build a solid business case that can be used to obtain management buy-in and ultimately to put a highly successful instant payments program in place that best supports the business. These programs can help increase revenue, decrease costs, and improve compliance / controls – the holy trinity of project prioritization!

Instant payments – a work in progress

Today's instant payments systems are clearly a work in progress. The sophistication of these systems varies widely around the world. There are examples of models, such as Unified Payments Interface in India, that have highly successful use cases for both pay-ins and payouts, while other regions are working diligently to introduce new capabilities. While there is still work to do to bring all models to support best-in-class solutions like India, some models already contain all the key elements to support a variety of use cases and offer clients the opportunity to add intrinsic value to their solutions and client experience. Citi is uniquely positioned to offer instant payments to more markets through the bank's extensive local infrastructure and via their WorldLink global payments service.

As businesses begin to explore the benefits and advantages of adopting instant payments, it is important to understand the different characteristics of each respective clearing system, and how these solutions can add value to corporates. Working with a banking partner that has both local and regional expertise is essential to navigating the ins and outs of the marketplace. Instant payments are fast becoming an important payments tool in a corporate's payment arsenal – one that can offer significant competitive advantages and cost-saving benefits.

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