

Immediate Funds Transfer – the case for a roadmap

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Do we need Immediate Funds Transfer?

The case for IFT is becoming more and more compelling. We see more countries implementing or planning real time services and the list of payment types and use cases that are benefitting from real time is growing all the time.



UK



Poland



Mexico



Sweden



Australia



Singapore



Denmark

Real time payment types and use cases



Insurance payouts



Small business invoice
and request for payment



Government benefit payments



Daily/weekly wages



P2P payments



Electronic bill presentment
and payment



Short term loans



Pre paid top ups

Emerging services

Real time is delivering a growing number of benefits to:

- Banks
- Consumers
- Merchants
- Corporations
- Government

In the UK, we expect to see new services being launched next year, that will use FPS to transform:

- E:commerce
- M:commerce
- Point of Sale

These new products will put the banks at the centre of digital payments and will enable them to offer a range of fantastic customer propositions

The benefits of a roadmap

The route to immediate funds transfer and the achievement of all the associated business benefits is potentially complex and costly

In the UK, FPS was developed and launched without medium or long term plans or objectives

While we are getting there in terms of launching value added services, we are encountering some challenges that with hindsight, could possibly have been avoided

I would strongly recommend that when embarking on an initiative such as FPS, a roadmap is prepared at the outset that lays out the key objectives, milestones and deliverables that all stakeholders can buy into

The roadmap may and probably will be adjusted en route, but at least all parties will have entered the process with a clear vision of what is to be achieved and by when

Moving to IFT

If the US were to introduce immediate funds transfer, I would suggest there are a number of key steps to be taken in turn:

1. Define the rules and features that will shape the new services
 - Governance
 - Participation
 - Settlement/risk
 - Standards
 - Commercial frameworks

2. Develop a plan
 - Broad consultation with industry stakeholders
 - Clear objectives
 - Realistic but challenging milestones and timelines

Moving to IFT Cont'd

3. Implement the core infrastructure components (the rails) that provide the basic inter-bank real time funds transfer:
 - Collaborative, not competitive. Investment for the “greater good”
 - Overseen by a public authority / payment regulator
 - Should be designed to provide open access and wide reach
 - Should deliver real value through the more straightforward use cases
4. Introduce value added customer facing products that leverage the core infrastructure
 - Market driven
 - Competitive - banks and suppliers able to differentiate their offerings
 - But still standards based and interoperable

Collaboration vs competition

I believe that to achieve the full benefits of real time, you need a combination of both

- Steps 1 and 2 should be driven by a regulator or public authority
- Step 3 should be collaborative
- Step 4 should be driven by competition and market forces (with a degree of oversight to ensure the plan stays on track)



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