

# Modernizing our Payments Infrastructure is Critical to Promoting Innovation and Growth

Presentation to ABAC  
ABAC II, Jakarta

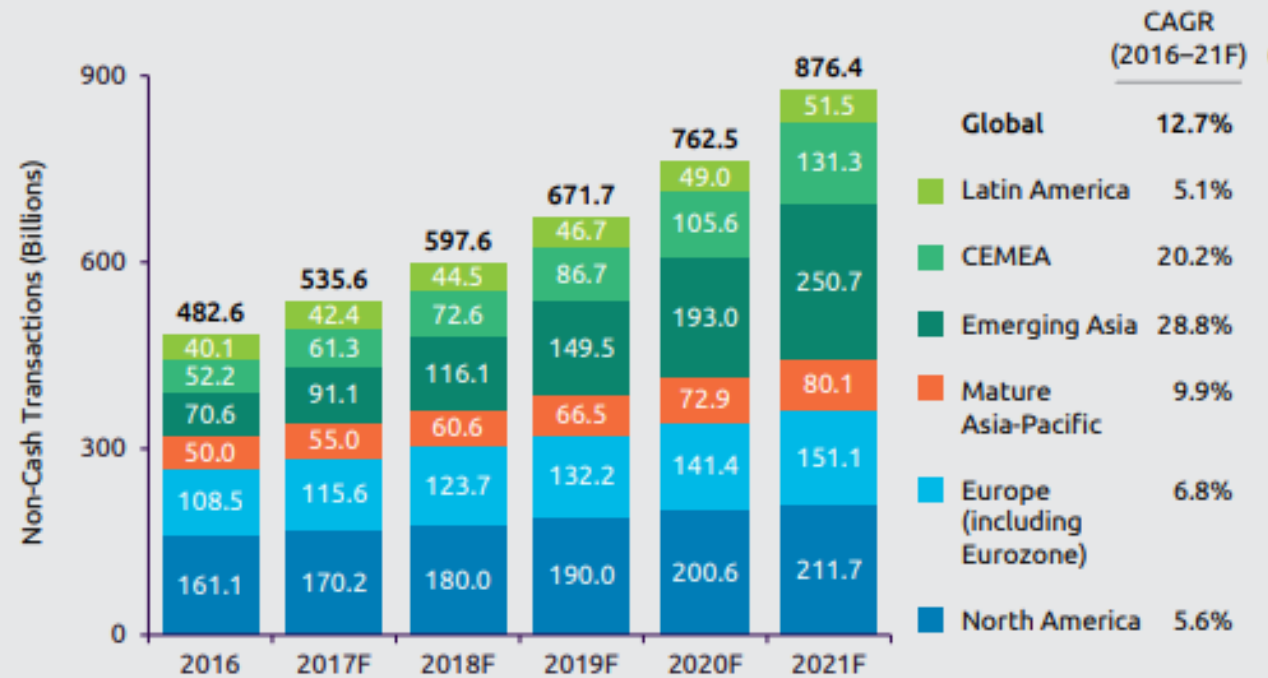
## **Executive Summary:**

- The volume of consumer payments is growing rapidly
- Innovation is driving many new types of non-cash payments
- Legacy payment settlement systems will not keep pace
- Modern economies need real-time payment settlement
- Instant payments will be present in all major Asian markets by 2020
- ABAC should encourage regional integration to promote real-time payment settlement across the region

## The Global Volume of Non-Cash Payments is Growing Rapidly

- Globally, the volume of non-cash transactions is forecast to grow 12.7% every year.
- In the Asia-Pacific region, non-cash transactions are growing even faster – at a rate of 20% per year.
- In the U.S., payment card transactions grew 10% in 2017, and the rate of growth is accelerating.

Figure 1.5 Number of Worldwide Non-Cash Transactions (Billions), by Region, 2016–2021F



# Real Time Payment Settlement Will Spur Innovation and Expand Inclusion:

- New payment models will expand access to the financial system for underbanked groups, as well as increase innovation and consumer choice

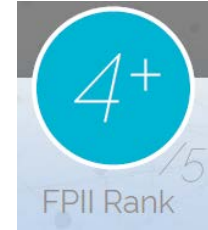
Additional benefits of instant payments include:

- Reduction in use of cash: reducing costs, improving transparency and assisting govt. revenue collection;
- Cashflow management: a reducing late Business-to-Business (B2B) payments to helps businesses get paid more quickly;
- Enhanced security: tokenization means customers do not need to share sensitive account information.

# Recent Developments in Asia-Pacific Economies

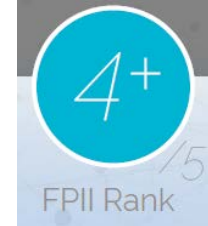
## Australia:

- Went live with the New Payments Platform (NPP) in February 2018.
- Six retail banks and three banking service aggregators participating.
- Instant Payment Service “Osco” links phone number or e-mail address to bank account.



## Singapore:

- Electronic funds transfer service FAST is available 24x7.
- Customers of 20 major banks can make instant interbank transfers.
- Prior to FAST, an interbank transfer took up to 3 business days.



## China:

- People’s Bank of China established the Internet Banking Payment System (IBPS).
- Payments between banks received in 20 seconds.
- IBPS handled 8.46 billion payments in 2017. (Growth rate of 90%)



# Instant payment scheme considerations

- Settlement: a strong settlement mechanism is critical
- Collateral: ensuring the remitting bank holds enough
- Central counterparty: can ensure consumer protection
- Speed/capacity: continual improvement to increase vol. and use cases
- Transaction limits: need industry-wide consistency
- Value add: Request To Pay, tokenization, QR code functionality
- Cross-border: Infrastructure cost; existing rails; open/interoperable

## Proposed ABAC Next steps

- Paper on developing instant payments:
  - explain benefits
  - cite examples of best practice
  - assess obstacles to developing cross-border systems (eg cost, authentication, fraud prevention)
  - develop recommendations for how to overcome challenges.