

A nighttime cityscape featuring a prominent dark building with illuminated windows in the center. The scene is overlaid with numerous diagonal light trails in shades of red and blue, creating a sense of motion and modern technology. The foreground shows a blurred street with light trails from vehicles.

EACT Briefing

Focus: Instant payment



THE
EUROPEAN
ASSOCIATION
OF
CORPORATE
TREASURERS

DRIVERS FOR INSTANT PAYMENT



INSTANT PAYMENTS ARE MEANS TO GENERATE ADDED VALUE AND TO BETTER SERVE OUR BUSINESS OPERATIONS WHILE REDUCING RISKS AND EASING RECONCILIATIONS

Karen Van den Driessche - Chairman of ATEB - Treasurer AVNET EUROPE Europe



WE ALL DREAM ABOUT A JUST-IN-TIME SUPPLY CHAIN AND TO IMPROVE COLLECTION SPEED, PREDICTABILITY AND USE OF LIQUIDITY

Sophie Depairon - Deputy Treasurer CLT-UFA

INTRODUCTION



« Immediate payments created one of the biggest buzzes at 2018 SYBOS in Sydney. They are crucial in a world in which where treasurers must manage liquidity more efficiently and in real time and they are a way for European treasurers to create and optimise value. The current ecosystem and context are perfect: everything is in place to enable immediate payments to become a reality in Europe. Instant payment will provide corporate treasurers with a fantastic opportunity to better serve operations and businesses. Immediate liquidity management is becoming increasingly key and the velocity of liquidity is an area of major focus for treasurers. Treasurers are keen to co-operate with their banks to find optimised solutions ».

Jean-Marc Servat,
Chairman EACT

« In a world in which cross-border payments (with SWIFT GPI) are on the horizon and in which new technologies and APIs (Application Programming Interfaces) are increasingly common, as treasurers and in collaboration with our bank partners, we have the opportunity to enhance business processes and to operate in a more real-time mode. We are entering a new era: the next generation of liquidity management. Of course, it is important for treasurers to work with significant volumes from retail activities; the introduction of payment at the point of sale is also interesting. The current cap may be an issue but should increase over time ».



François Masquelier,
Vice-Chairman EACT

INSTANT PAYMENT **IN SHORT**

Instant payment, an innovative instrument launched in November 2017 by the European Commission currently has 2500+ participating banks. It provides corporate treasurers with both a business enabler and an opportunity to improve internal processes and gain efficiencies.



34

countries covered

2500+

Participating banks



10
SEC.
MAX

Per transaction

24/7/365

Availability

100%

Finality

09/2019

Technical PSD2
deadline

40K
/DAY

Transactions in 2018

INTERVIEW

Bruno Mellado et Christine Guillaumet (BNP Paribas): the instant 'revolution'

Christine Guillaumet and Bruno Mellado (BNP Paribas) believe that Instant payment will revolutionise corporate treasurers' daily lives. Interview.

How would you assess recent developments in the payment field?

With the creation of the new Instant payment standard in Europe, we have for the first time a payment instrument with immediate execution. Corporate treasurers can now carry out payments at any time of day or night, all year long, without any cut-off time. They can now manage payments and ensure money is exactly where it needs to be, at the precise time required. At the same time, they can also become beneficiaries of Instant payment at any moment, including during weekends, which will require them to adapt their processes in order to meet clients' expectations, enhance their treasury performance, and overall take advantage of all the opportunities that this new standard unlocks.

What risks and opportunities do you identify?

Let's start with opportunities. These can be divided into two main categories. First, treasury today is empowered to act as a business enabler with new means of payment. The possibilities are endless: getting paid faster, benefiting from the certainty of the transaction, reducing delivery delays and friction throughout the entire value chain. More importantly, it can radically enhance clients' experience and increase one's differentiation from competitors.

Secondly, Instant payment requires treasury to redefine its processes to optimise liquidity and internal processes, while coping with the challenges of dealing with payments around the clock. Finally, on the risk side, I see three main issues. The first relates to the speed at which players across Europe embrace this new standard. Reaching critical mass is essential for treasurers and their clients to use Instant payment as their newly preferred means of payment. The second aspect concerns potential abuse, which require real-time defense mechanisms and a fast learning curve. Lastly, convergence around a few standard tools to equip business and consumers is necessary to lock in wide acceptance throughout Europe.

Christine
GUILLAUMET



Bruno
MELLADO



What case studies would you put forward?

We have three main cases in mind. First, an e-commerce player can now ship goods and services a few seconds after receiving the payment, with the certainty that the money will stay in its account. These transactions are accessible to clients without credit cards and outside card limits. Secondly, I think of a corporate treasurer in an insurance company. Not only can they empower their colleagues to instruct immediate payment while the client is still on the phone, but they can also arrange for all salaries to be paid at the date and time of their choice. Accuracy will be within 10 seconds, even on January 1. Finally, a restaurant owner who needs to pay on delivery for fresh food for the weekend can do so with one click, just in the same way as when booking a hotel room online. This solution is particularly relevant in cases where counterparty risk is an issue. /

TAKE AWAYS

CONTEXT:

The time is right to push for Instant payment adoption: widespread internet access and smart mobile use, necessary market infrastructure, the younger generation's preference for cash-free transactions, changes in behaviour, PSD2 and the regulatory environment, along with schemes which have already been developed in a few countries for fast(er) payments.

AN END TO THE CONSTRAINTS OF CUT-OFF TIMES AND THE ABILITY TO MANAGE LIQUIDITY INSTANTLY

With payment on delivery, immediate receivables and payment at point of sales, there will be an end to the constraints of cut-off times and instant liquidity management will be possible, even if this requires additional systems and bank interest calculations. Immediate payments will reduce credit risk, speed up the process to increase clients' credit limits, improve client satisfaction, facilitate trade and enable clients to pay on delivery without penalising sellers. They will be useful for clients without access credit cards and remove risk of refunds, as with cards. The company will receive immediate confirmation without the need for MT103 messages. Instant payment will further optimise working capital by enabling sellers to immediately re-use funds within 10 seconds.

IMPROVING LIQUIDITY VELOCITY

The velocity of liquidity is a major focus for treasurers, who are keen to co-operate with their banks to find optimised solutions. APIs will provide fantastic opportunities which can be offered to clients, while treasurers can benefit from customised solutions to suit their specific needs.

HUGE POTENTIAL TO BE UNLEASHED

Immediate payments are a potential game-changer. They'll help to better manage liquidity on an intraday basis, provide corporate treasurers with a way to generate value for businesses and give them a competitive advantage, while enhancing back-office and reconciliation processes. Immediate payments will require changes in treasurers' behaviour: they have an important role to play into the supply finance chain. However, there are still some technical issues to be ironed out, including intraday interest calculations, more standardisation, systems operability and tools and reporting for immediate liquidity management.

Instant payments are just beginning; treasurers will need to design solutions together with bank partners and FinTechs. This is a joint journey to be made with proactive financial partners.

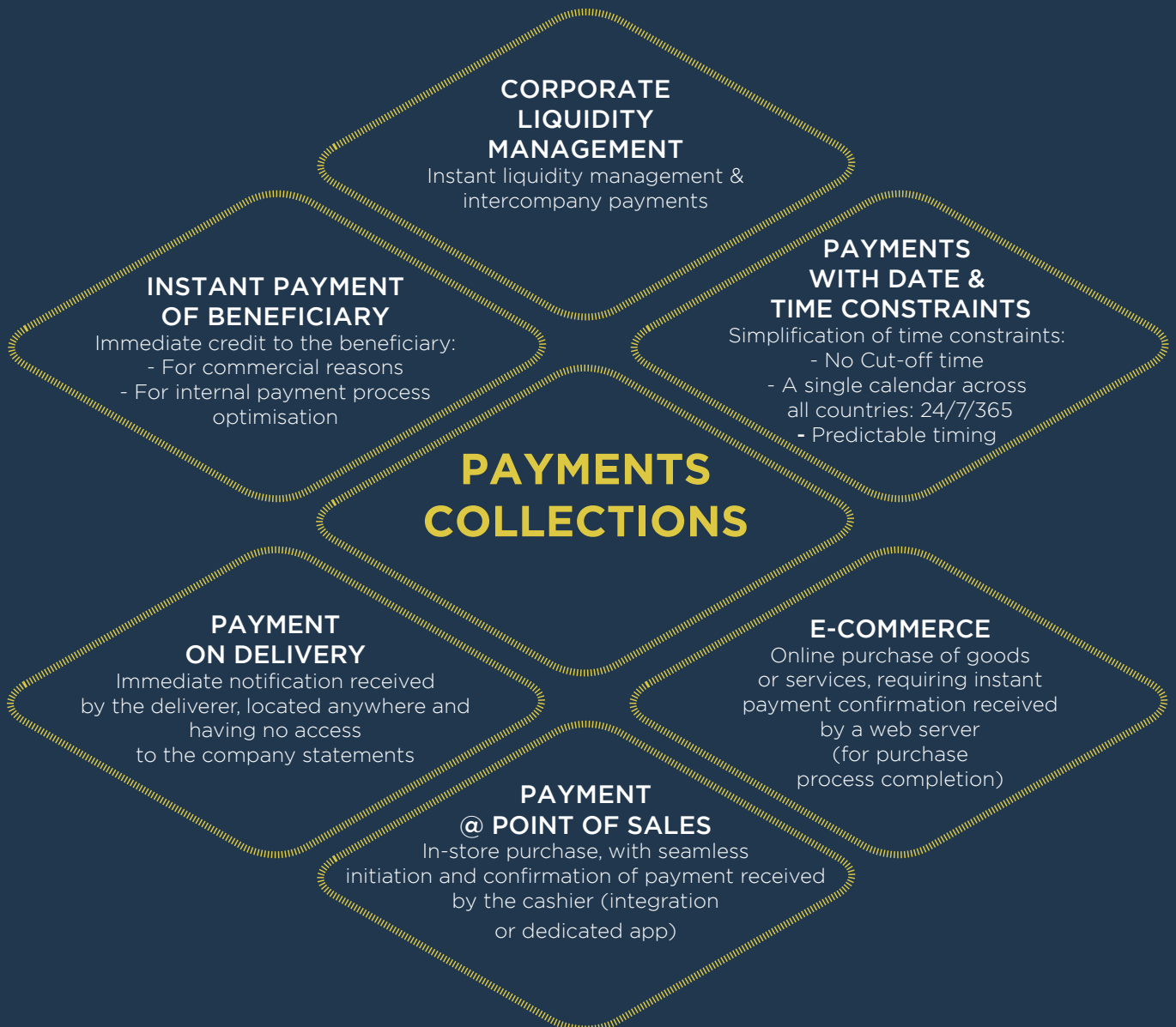
**By François Masquelier, Vice-Chairman of EACT, Treasurer RTL Group,
Chairman of Luxembourg Corporate Treasury Association ATEL**

CONCLUSION

A POTENTIAL GAME-CHANGER

In short, the EACT concludes that Instant payment will fundamentally change the way in which treasurers, companies and their clients work. But if this potential revolution is to take place, treasurers must play an active role. By changing their way of working and updating their systems, they will contribute to the critical mass in Europe which will be required for Instant payment to become the new standard.

GLOBAL USE CASES CORPORATE PAYMENT USE-CASES





THE
EUROPEAN
ASSOCIATION
OF
CORPORATE
TREASURERS

13,000+
PROFESSIONALS

23
NATIONAL
TREASURY
ASSOCIATIONS

6,500
COMPANIES
REPRESENTED

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