



SWIFT Institute

CALL FOR PROPOSALS

Driving Global Instant Payments: Challenges & Opportunities

The SWIFT Institute invites proposals for research on the increasing global trend toward instant payments (real-time payments) and the challenge and opportunities this presents.

The global trend toward instant payments continues at pace with new initiatives being announced regularly. Instant payments is indeed the 'new normal'.

An instant payment can be defined as the immediate (or close to immediate) interbank clearing of a payment transaction, and simultaneous crediting of the payee's account and debiting of the payer's account predominantly on a 24/7/365 basis. In effect, the funds received by the payee are available for immediate reuse to pay out to another party. This meets the needs of consumers and businesses who increasingly demand immediate and mobile banking services, satisfies regulatory pressure for increased competition, and mitigates competitive pressure from FinTechs.

Nearly 40 countries around the world are either live with instant payments offerings, or are in the midst of developing services. In 1973 Japan was the first country in the world to implement instant payments, whilst Switzerland was the first country in the European region to implement instant payments in 1987. The UK launched their Faster Payments Service in 2008. Australia will go live with its New Payments Platform early 2018. Meanwhile, EBA Clearing went live in November 2017 with RT1; the first pan-European system for instant payments in euro. Other countries with live systems include Chile, Denmark, Sweden, Poland, India and Singapore (amongst many others). Instant payments initiatives are also underway or being explored in countries including the USA, Canada, Spain and The Netherlands. At euro area level, Target Instant Payments Settlement will facilitate instant payments in euro. The go-live is planned for November next year.

Instant payments present both challenges and opportunities. Technical changes are required, and there is the inevitable cost of implementation, which should be offset in the long term by increased transaction flows and business opportunities. These opportunities may well present themselves through the significant increase in customer data banks expect to attain through the use of instant payments. Big Data will enable banks to transform the way they offer products and services to customers.

There is an argument that as payments move online, the opportunity for fraud is reduced (e.g. cash based robberies, cheque fraud, etc.). However, cyber crime is an ever increasing issue in today's connected world. In an instant payment environment, Know Your Client (KYC) checks and anti-money laundering (AML) compliance are ever more critical. Banks must monitor payment instructions and identify fraudulent transactions in a real-time environment.

What are the drivers behind the take-up of instant payments? Is it simply a need (or desire) for a faster payment with a guarantee of finality? What drives some markets



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to have already adopted (or in the midst of adopting) instant payments, whilst others are only exploring the space? What challenges do banks face when implementing instant payments (e.g. legacy system integration, compliance and fraud checks, etc.)? Will the adoption of instant payments diminish the interest in digital currencies as some in the financial industry believe?¹

Research proposals can be theoretical or empirical. The focus of the research could look at the following (other suggestions are welcome):

- What is driving the global trend toward instant payments?
- Why are some countries not embracing electronic payments as fast as others? What are the barriers that might be inhibiting progress?
- What challenges do banks face when implementing instant payments (e.g. legacy system integration, compliance and fraud checks, etc.)?
- Does an instant payments environment reduce, increase or simply change the opportunity for fraud? How are markets and banks managing risk related to fraud, sanctions and anti-money laundering in today's real-time payments world? What lessons in fraud mitigation can new real-time markets learn from those systems that have been in place for a number of years?
- How can Big Data analysis by banks of instant payments transform their offering of products and services to customers (e.g. more tailored services, new services, meeting compliance requirements, etc.)?
- Will the adoption of instant payments diminish the interest in digital currencies?

Grant & Working Paper

A grant of EUR 15,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a final working paper and a two-page executive summary.

The paper's intended audience is the financial services industry, it must be written in a concise manner and provide clear thought leadership for use by the decision makers of this industry. It should be no more than 40 pages, including the Abstract and Table of Contents.

The SWIFT Institute will publish the working paper and summary to the global financial industry. The author is free to submit the paper (or variation thereof) for publication in academic journals and other publication outlets of their choice.

The author may be invited to present their findings at a SWIFT event to be held in Europe in September 2018 to present their research findings.

¹ June 2017 – Jens Weidmann, Bundesbank president, stated his belief that by making payment systems more efficient and faster, this would reduce the public's interest in digital currencies.
<https://www.ft.com/content/414072b7-0de5-3864-9493-14438eab30ae>



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Proposal Submission

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
 - Objective of your research
 - Methods by which you intend to undertake your research
 - Timeframe by which you intend to complete your research
3. By email in MS Word / Excel / PowerPoint format and / or pdf.

Deadline: Proposals must be submitted no later than **28 Feb 2018**

Email: Send submissions to: Nancy.Murphy@SWIFT.com