



EACT Briefing

Focus: Instant payment



THE
EUROPEAN
ASSOCIATION
OF
CORPORATE
TREASURERS

DRIVERS FOR INSTANT PAYMENT



“ Instant payments are a 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

“ 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

“ Payment solutions based on SCT Inst and associated credit facilities for the payer could be at the base of a pan-European payment scheme that could represent a valid and cheaper alternative to existing card-based schemes

Massimo Battistella, Manager – Responsible for Administration Services, Telecom Italia SPA

INTRODUCTION



« Instant payments created one of the biggest buzzes at 2018 SIBOS in Sydney. They are crucial in a world in which 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**

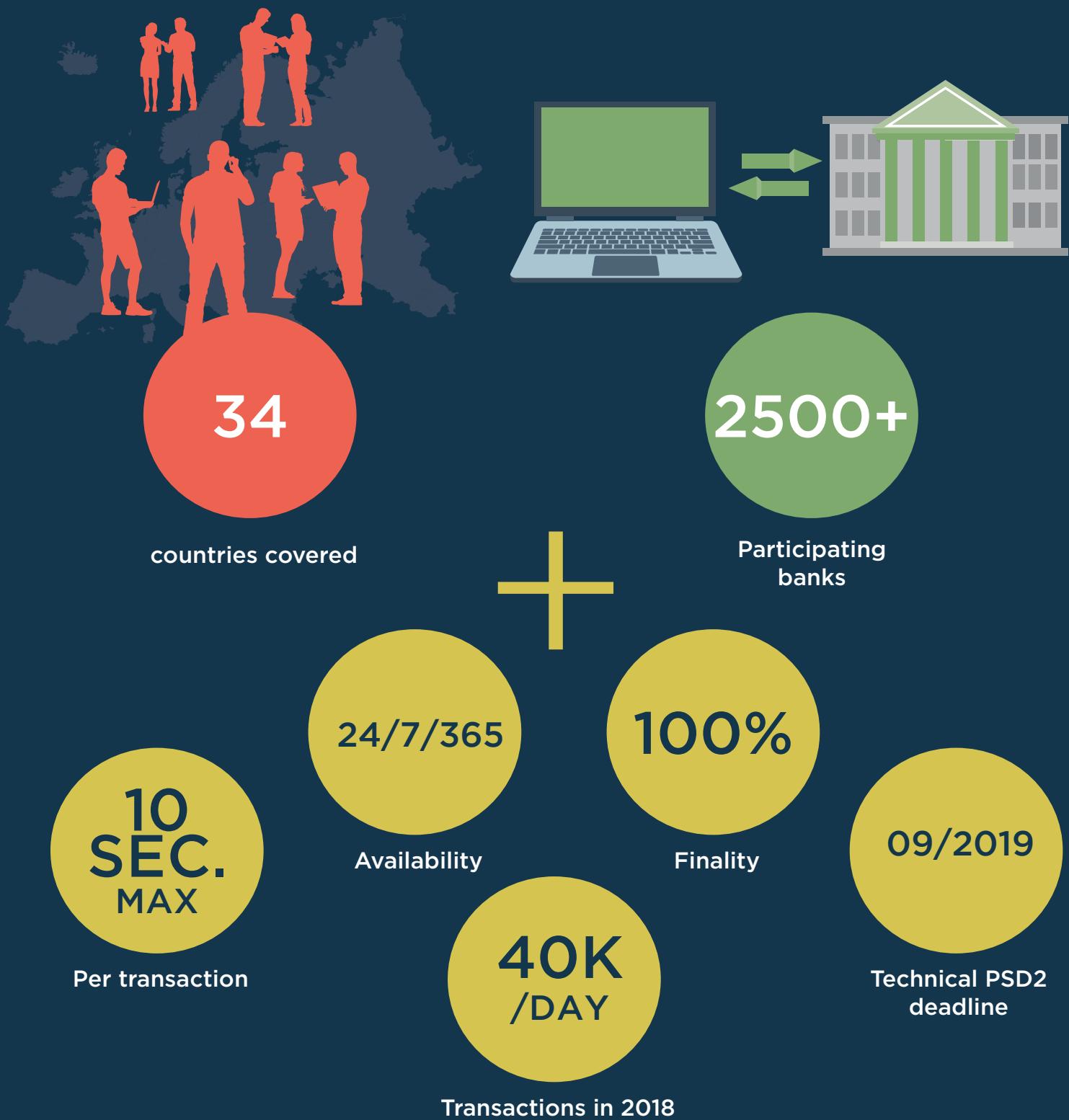
« The context has changed and is more favourable than ever before; for example, cross-border payments with SWIFT gpi have been significantly accelerated. New technologies and APIs (Application Programming Interfaces) are increasingly common and powerful. As a result, in co-operation with their banking partners, treasurers have an opportunity to enhance business processes and to operate in a more real-time mode. The introduction of payment at the point of sale will provide some businesses with a better, faster and safer way to collect payments. We can be sure that the current cap of €15,000.00 will be increased soon, as was the case for SEPA payments. We are entering a different era with a new generation of intraday liquidity management with potentially higher efficiency ».



**François Masquelier,
Vice-Chairman EACT**

INSTANT PAYMENT IN SHORT

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



INTERVIEW

Bruno Mellado and Christine Guillaumet, BNP Paribas: the instant ‘revolution’

Christine Guillaumet and Bruno Mellado from 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,
Head of cards
and innovative
payments

“



Bruno
MELLADO,
Global Head of
Payments and
Receivables

”

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. /



BNP PARIBAS

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 to credit cards and remove risk of returned transactions. The Company will receive immediate confirmation without the need to request a proof of payment to clients. Instant payment will further optimise working capital by enabling sellers to immediately reuse funds within 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, RTL Group Treasurer,
Chairman of Luxembourg Corporate Treasury Association ATEL**

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

CORPORATE LIQUIDITY MANAGEMENT

Instant liquidity management & intercompany payments

INSTANT PAYMENT OF BENEFICIARY

Immediate credit to the beneficiary:
- For commercial reasons
- For internal payment process optimisation

PAYMENTS WITH DATE & TIME CONSTRAINTS

Simplification of time constraints:
- No Cut-off time
- A single calendar across all countries: 24/7/365
- Predictable timing

PAYMENTS COLLECTIONS

PAYMENT ON DELIVERY

Immediate notification received by the deliverer, located anywhere and having no access to the company statements

E-COMMERCE

Online purchase of goods or services, requiring instant payment confirmation received by a web server (for purchase process completion)

PAYMENT @ POINT OF SALES

In-store purchase, with seamless initiation and confirmation of payment received by the cashier (integration or dedicated app)



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13.000+
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**NATIONAL
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6.500
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