RS2

As instant payments go global, banks must control risk

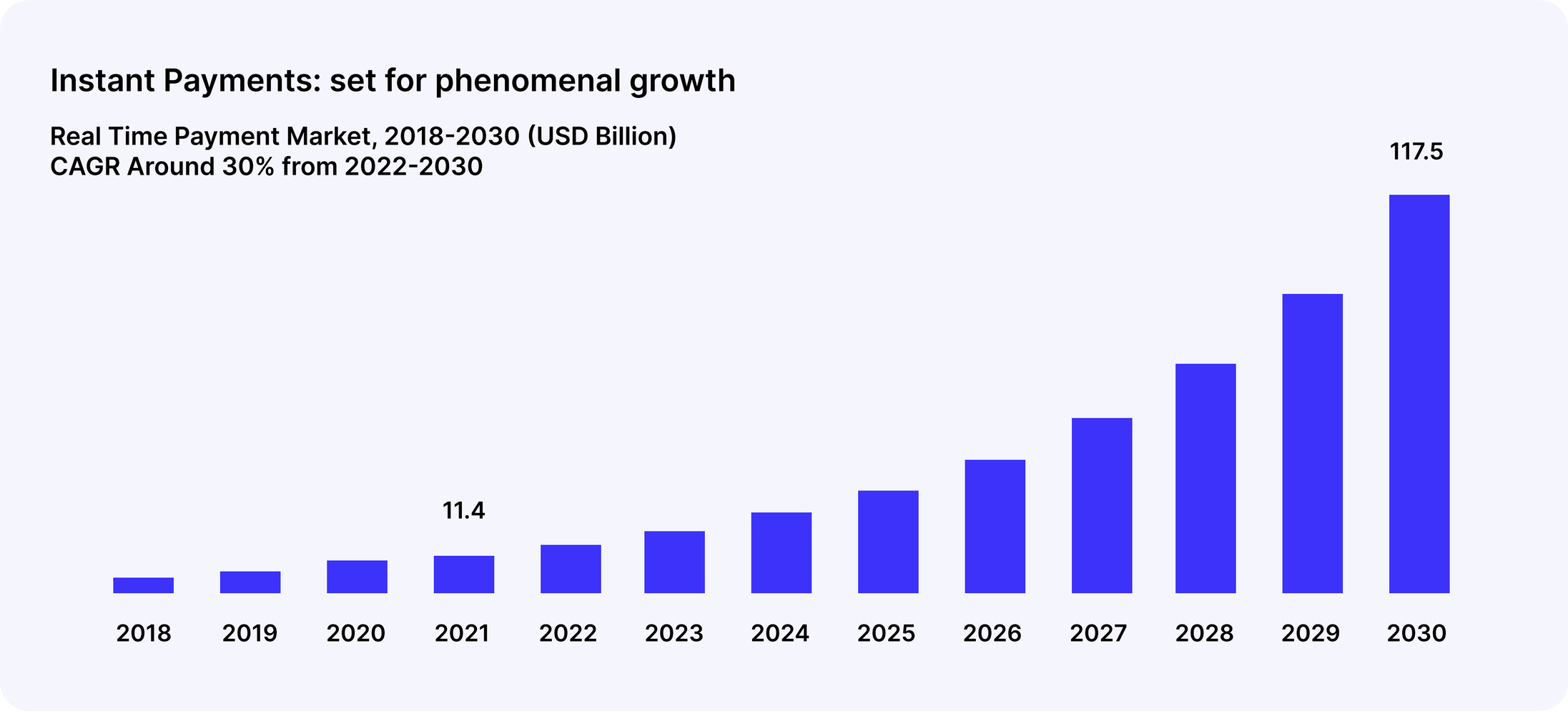
2024 White Paper

Our first white paper tracked the rise of instant payments, set to account for one in three transactions world-wide by 2030. Now we investigate the risks banks face from instant payments, and why banks must control these risks to grow their business and deliver the instant services consumers expect.

Instant about to go global

Instant payments will be the phenomenon of the next five years. Acumen Research and Consulting are just one of many analytics firms projecting massive growth: their research claims[1] instant payments will grow ten-fold this decade, hitting almost $1.2 trillion in 2030.

"Instant payments will hit almost $1.2 trillion by 2030."



CREDIT = Acumen Research

Although instant payments are emerging fast in Western markets, they are already well-established in Asia, where they account for 38% of all transactions on average[2] and are experiencing double-digit growth. Markets such as Malaysia, Singapore, Thailand, Indonesia and especially India are connecting their domestic instant payment networks to deliver faster transactions for consumers travelling between these markets. In Europe, the upcoming mandate for SCT-Inst transactions across the EU from December this year will see more links between domestic instant payment systems across borders.

[1] Acumen Research, November 2022: "Global Real-time payments market": https://www.acumenresearchandconsulting.com/real-time-payment-market
[2] McKinsey & Co, 18 September 2023: "The 2023 Global Payments Report": https://www.mckinsey.com/industries/financial-services/our-insights/the-2023-mckinsey-global-payments-report

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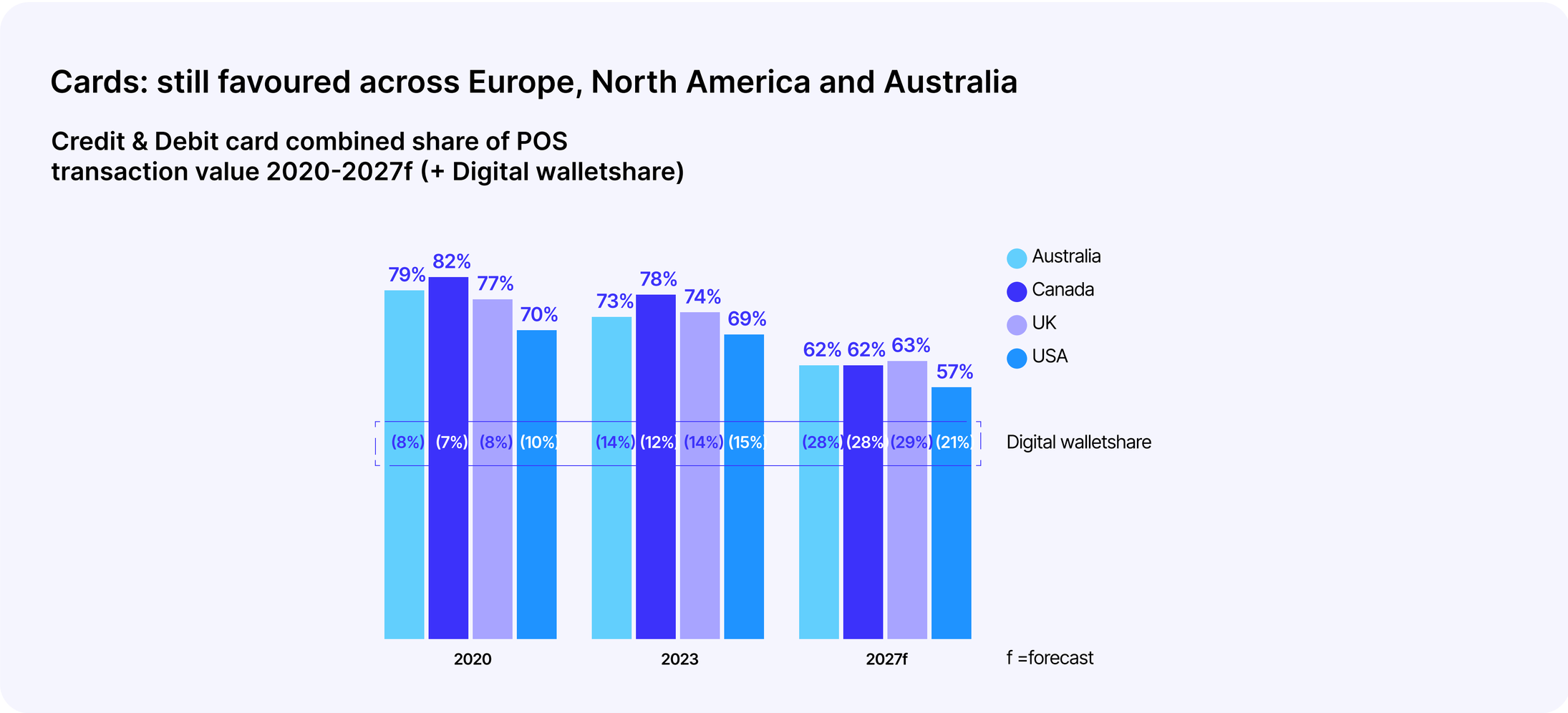
Cards favoured as a method

"Card transactions continue to grow across Europe and North America – creating risks for banks when it comes to instant payments."

Despite much hype around the rising popularity of digital wallet payments, cards are still the most popular payment form in developed markets. *Worldpay's 2024 Global Payments Report* shows[3] cards still rank ahead of wallets in North America, the UK and Australia – while data from the European Central Bank (ECB) confirms[4] spending on cards grew by 15.6% across the eurozone in 2023.



CREDIT = Worldpay

[3] Worldpay, 21 April 2024: "The Global Payments Report 2024": https://worldpay.globalpaymentsreport.com/en
[4] European Central Bank, 31 January 2024: "Payment Statistics: first half of 2023": https://www.ecb.europa.eu/press/stats/paysec/

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At present, instant payments using cards generate risk for banks because many bank systems are not ready to cope with the huge surge in transaction numbers that instant payments bring. Furthermore, inconsistent data standards between different markets can make for poor communication and slower settlement, as well as making fraud identification and management more of a challenge. While the advent of the ISO 20022 data standard from November 2025 will help somewhat, the real challenge remains with individual bank systems.

Instant payments: risk “on” ...

In markets such as the US, UK and India – where instant payments are already widely used – we are seeing new types of fraud emerge. Automated Push Payment (APP) fraud, in which consumers are duped into sending instant payments to fake companies, now accounts for 75% of all digital payments fraud in the UK, according to NICE Actimize[5], while overall losses from APP fraud in these markets is set to hit $5.25 billion this year. A similar pattern is seen across the EU, where the ECB reports that 64% of all payment fraud last year was cross-border.

Most bank systems are not yet equipped to handle AML screening, fraud checks and KYC routines in high-volume, high-velocity instant payment environments. However, all the evidence says that consumers will still want to use cards, rather than account-to-account transactions, to initiate instant payments over the next decade – meaning that traditional bank systems based on card transactions with longer settlement times are becoming more risky as they come under pressure from high volume payments with instant settlement requirements.

From FX to systems: further challenges

The challenges presented by instant payments don’t stop with transaction processes and fraud risk. Foreign exchange (ForEx) costs via card networks can be expensive, and many banks currently have a sub-optimal understanding of how ForEx works, with low transparency about costs and inefficient processes frequently cited as problems by banks.

More broadly, existing bank systems – many of which operate on technologies that are up to 30 years old – are going to have to change to cope with the new era of instant payments. Change is needed thanks to the sheer volume and speed of transactions (more transactions overall, and more lower-value transactions in particular) as well as making sure cash is available to manage settlement 24 hours a day, seven days a week, every day of the year.

[5] NICE Actimize, 20 October 2023: “Check Fraud in the Modern Payments Landscape”: https://www.niceactimize.com/blog/fraud-prevention-check-fraud-in-the-modern-payments-landscape/

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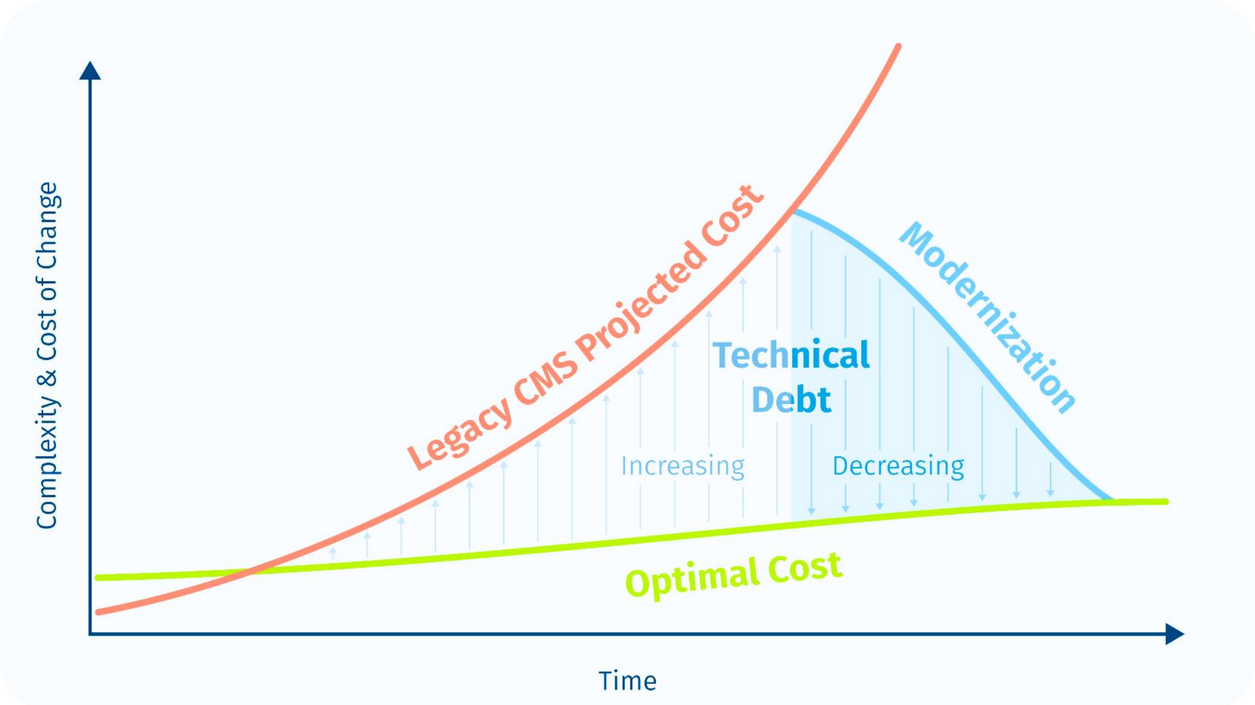
The longer banks wait, the higher the cost of replacing legacy tech



CREDIT = Axinom

Bank treasury functions will also require complete upgrades, since banks are no longer dealing with overnight or longer settlement periods, but the requirement to transact and settle within two to three hours. Finally, regulation and reporting will be transformed, as banks need access to transaction information within seconds. In cross-border environments, banks will also have to cope with the regulatory requirements of a wide range of national governments and international organisations, further increasing the burden on them.

The answer: a single global platform for transaction success.

In response to these challenges, RS2 has developed BankWORKS®: a single global platform that provides an end-to-end overview of the entire payment chain.

When it comes to fraud prevention, BankWORKS® generates transaction data across a number of channels and customer touchpoints to make fraud identification and prevention easier by eliminating multi-party loopholes. The platform is modular, meaning that customers can pick up and choose the services they need.

The BankWORKS® Orchestration Layer integrates within the customer payment ecosystem to consolidate payment data generated across all channels. The system's fraud management utilizes AI and ML algorithms that can be applied to global transaction data to detect anomalies and patterns indicative of fraud, with a focus on new fraud types such as Authorised Push Payment (APP) fraud, Account Takeover (ATO), and Synthetic ID. Combined with real-time transaction monitoring systems, this helps to detect and respond to suspicious activities instantly, reducing fraud effectively.

"Data from transactions is orchestrated with a bank's client payment infrastructure, providing banks with a single overview that helps to identify additional sources of potential fraud."

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RS2's platform also uses customer business data from various markets to enable verification of all actors and enable banks to block all non-whitelisted internet protocol (IP) addresses and transaction sources, which minimizes fraud risk. Data from transactions is orchestrated with a bank's client payment infrastructure, providing banks with a single overview that helps to identify additional sources of potential fraud.

In terms of client security, the platform provides multi-factor authentication (MFA) for selected online and offline transactions, adding extra security through biometrics such as facial recognition and fingerprint recognition. These techniques help to protect access to the system, ensuring that data is accessible only to verified users.

ForEx – better risk management, better processes

"RS2's platform has flexible ForEx capabilities, allowing users to store transactions in various currencies and choose the preferred rate for different transfers."

As covered above, many banks suffer from poor processes and a poor understanding of how ForEx markets operate – which leads to sub-optimal performance in this area. BankWORKS® includes automated ForEx platforms that reduce the need for the unnecessary "in and out" transactions described earlier, as well as a centralized ForEx management system that consolidates ForEx operations to reduce cost and improve efficiency. RS2's platform has flexible ForEx capabilities, allowing users to store transactions in various currencies and choose the preferred rate for different transfers. Additionally, it enables users to apply multiple rates for the same currency per day without overwriting previous ones.

By partnering with specialists in certain areas (such as rare currency pairs and high-risk regions), BankWORKS® ensures client banks get the best deals, including guarantees of favourable rates. Throughout, transaction fee structures are transparent, with detailed information about the costs and expenses associated with various currencies, complemented by the BankWORKS® Reconciliation Portal which provides one single view of the entire operation as well as a general ledger feed into the clients general ledger accounting system– backed up with training for your staff about Forex operations, risks and best practices

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Systemic benefits: high availability, maximum convenience 24/7/365

Featuring real-time switching, BankWORKS® enables client banks to send and receive funds 24/7/365. This means continuous service availability, which in turn provides customers with the convenience of conducting transactions at any time without being limited by traditional banking hours. This enhances banks' ability to manage cash flow and respond to market demands promptly.

BankWORKS® enables your clients to receive funds instantly, ensuring that they have better control over their finances and can manage their liquidity more effectively. Our system also reduces clearing times, a particular benefit for businesses that relying on quick turnovers.

Thanks to a fully-orchestrated, automated approach with a single global overview, BankWORKS® enables clients to streamline their operations, reducing the backlog of pending transactions and improving overall efficiency. Because manual intervention and processing delays are reduced, banks will find their overall operational costs are lower. Finally, BankWorks® helps banks to manage liquidity by monitoring transaction flows. This enables banks to adjust their reserve requirements to ensure that there are always enough funds to cover instant transfers.

Your solution for an instant future

The era of instant payments is upon us. To optimize performance, banks will need to work with a single partner capable of handling their needs in any market around the world, from the capacity to accept a very wide range of payment forms through to cost-effective ForEx optimized for an instant payments future. BankWORKS® from RS2 includes these features, as well as highly-effective fraud defences based on the latest AI and ML. From a systems perspective, BankWORKS® is ready for instant payments, including real-time switching with no overnight holds to deliver the instant settlement your partners and regulators expect. BankWORKS® is also easy to integrate with your existing systems, and continuously updated to meet existing and future regulatory requirements.

To find out more about BankWORKS® as your solution for the instant future, contact:

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