

Instant Payments: the current & future state of the market in Europe

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In November 2023, the Council and the European Parliament reached a provisional agreement surrounding the instant payments proposal⁽³⁾; based on current expectations, all banks will need to be able to offer instant payments by the end of 2024.⁽⁴⁾

As part of this agreement, the availability of instant payment options made in Euro will be more readily available to both consumers and businesses within the EU and EEA. While this will no doubt improve the autonomy of the financial sector in Europe, it will also help to reduce excessive reliance on the financial institutions and infrastructures from third-countries. As such, Europeans will benefit from this additional rapid cash flow and the prospect of new, innovative services which evidently result. It is important to note that this new agreement, established by the European Parliament and the Council, is not optional for financial institutions. Banks will be required to offer instant payments for their customers, and according to the newly put forth regulations, the costs associated with making such rapid transfers may not exceed those of standard transfers, which in Europe are generally free.⁽³⁾

While Instant Payments have been garnering more attention internationally, especially in the recent period, instant payments themselves are not necessarily new. They are in fact based on the European Payments Council's SEPA Instant Credit Transfer scheme (SCT Inst), which first launched in November 2017. Within the EU, all instant EURO transfers by default adhere to the principles outlined in this protocol. With instant payments set to grow exponentially, it's vital that we understand the current and future state of the market in Europe.



15%

**OF TOTAL REAL
TIME PAYMENTS
IN EUROPE**

As of Q2 of 2023, Instant Payments (credit transfers which take place within ten seconds, available 24 hours a day, 365 days a year, for up to 100,000 Euro) comprised almost 15.46% of total real time payments in Europe.

(3) <https://consilium.europa.eu/en/press/press-releases/2023/11/07/instant-payments-council-and-parliament-reach-provisional-agreement/#:~:text=instant%20payments%20allow%20people%20to,of%20non-euro%20area%20entities.>

(4) <https://www.thebanker.com/Banks-face-tougher-requirements-as-EU-reaches-provisional-agreement-on-instant-payments-1701364206>

01

Trends in Instant Payments in Europe

There are numerous factors contributing to the rapid growth of instant payments in Europe, which have and will continue to contribute to the Instant Payment trends we are currently witnessing. To start off, the high penetration of 4G/5G internet and smartphones, allows for quick transfers to be made possible at any time of day, and furthermore anywhere in the world. This is further solidified by the rapid adoption of real-time payment platforms across almost all industries (including healthcare, commerce and manufacturing). Additionally, online and mobile payments and the advent of new cutting-edge technologies like AI and ML integrating with the payment platforms, is exponentially increasing the demand for instant payments by consumers and suppliers alike.

There is visible growth in the number of countries implementing Instant Payment systems. Many European nations, including Germany, France, Spain, Italy, and the Netherlands, have already implemented Instant Payment systems or are in the

process of doing so. Furthermore, National payment schemes, banks, and financial institutions have been actively adopting and promoting instant payment services, which presents a very clear picture of a likely future: one with more Instant Payment transactions. There is also a noteworthy increase in popularity for person-to-person (P2P) transactions and consumer payments, brought on by mobile apps and digital wallets. Banks and fintech companies have also been leveraging application programming interfaces (APIs) to develop innovative instant payment solutions, thus allowing for payment services to easily be integrated into all types of applications, in order to provide a better user experience.

It's important to realise that Instant Payments aren't just limited to P2P and consumer transactions, but are also very relevant to businesses. Organisations are exploring the benefits of real-time payments for payroll, supplier payments, and other financial transactions, which would revolutionise the corporate world.



02 Growth Opportunities for Instant Payments in Europe

The UK currently has the largest share within the instant payments market, but surprisingly has one of the lowest CAGR growths over the past years, amounting to 18% in 2022. This combination of figures shows us that future growth is rather limited in the UK, largely due to it being an already saturated market with quick-payment providers. The next largest markets can be seen in the Netherlands and Germany. France is not far behind, showing more than 100% CAGR growth in instant payment transaction value over the last 4 years, with continued growth on the horizon. Furthermore, France actually shows the most possibility for future growth, when compared to the other countries.. Even though Belgium holds a slightly higher transaction value than France in 2022, it only has a CAGR of 57% when examining the last 4 year period, which is far less than France or even Italy. Italy has in fact shown the most resistance towards instant payment adoption in all of Europe, with its future growth sliding from 4th position in 2022 to 7th in 2027. When examining Spain, we see that while it represents a smaller market, it nonetheless has steady CAGR growth over the last 4 years of 28%.


Based on current trends, Peer-to-peer money transfers represent the largest segment within the future instant payments market, with a CAGR of 17.4% when considering the time period of 2022 to 2032. This growth is largely due to the increased need and consumption of instant payments in small and medium enterprises, as well as by the general public. As we have mentioned, Instant Payments are not limited to transactions between businesses, but also transactions between family and friends. For example, the rise of mobile apps is increasing the demand for instant payments which allow users to do such things as splitting the bill at a restaurant or paying in store via mobile apps by using a QR code.

This market is expected to hit EUR 25.3 trillion by 2027, demonstrating a CAGR of 31%.

25.3 trillion by 2027

Within the UK, France, Belgium, Netherlands, Germany, Italy and Spain, Instant Payments had a total transaction value of EUR 6.5 trillion in 2022.

6.5 trillion in 2022



At Sopra Banking Software, **we believe there are significant opportunities for instant payments in Europe.**

"First and foremost, by adhering to new regulations, all payment service providers (PSPs) and electronic money institutions (EMIs) are mandated to offer instant payments (SCT Inst) for the same cost as regular credit transfers, which are normally free. This will greatly benefit those wishing to both send and receive money at lightning speed. The ease of Instant Payment transactions will also likely benefit various other schemes, such as the European Payments Initiative (EPI) and one-leg out instant credit transfers (OCT Inst). Further economic benefits will also be unlocked, brought about by more efficient payments, and higher volume of transactions. Other opportunities present themselves through changing customer behaviour and preferences, based on the contemporary expectation of instant gratification. There are also growth opportunities surrounding merchant acceptance, as they now have many incentives to accept real-time payments; from greater liquidity and substantial cost savings, to reduced risk of fraud, merchants are set to reap significant benefits with the adoption of instant payments across financial institutions."

Anmol Sahib,
Product Marketing Manager
at Sopra Banking Software



03

Competition for Instant Payments in Europe

Sopra Banking Software is where experience and knowledge meet: **we are equipped with a highly skilled expert team, which is able to provide our clients with the necessary insight to stand above the competition.**

While Instant Payments represent an efficient and logical next step in terms of quick payment solutions, other similar providers have already existed and will undoubtedly continue to hold a segment of the market. Banks will have to determine how to best offer a competitive edge to outshine the current competition, motivating their client base to switch to in-house instant bank payments, rather than using an already established payment platform for quick payments.

Banks are not entering an unsaturated market with the advent of Instant Payments – nonetheless, in certain regions, there represents more possibility for growth than others. For this reason, it isn't surprising the UK is forecasted for less future growth in the realm of instant payments, as there are so many other providers currently offering instant/quick payments for the existing customer base to choose from.



04 Concerns and Challenges Surrounding Instant Payments

While instant transfers represent a fantastic opportunity for quicker and easier payments, they are not without risk. Moving forward, banks will have to ensure the necessary protocols and security measures are in place to provide customers with an efficient payment method that doesn't cause too great of a risk for either party. Due to the nature of instant transfers, banks have less time to conduct adequate checks regarding payee/receiver identities and account information. Furthermore, unlike standard transfers, instant transfers make it difficult to return money if transfer mistakes have been made. This also opens the door to more fraudsters, who can deceive people into sending them money under false pretences, knowing they won't easily be able to retrieve it back. ⁽²⁾

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There are three key concerns for banks when it comes to Instant Payment regulations:

The first, and greatest challenge involves banks having to put an IBAN Name Check solution in place that works globally through Europe, but currently due to fragmentation in the market, this becomes complicated. What is required is a unification of the market through a global switch or standard rulebook. However, there is a lack of clarity in the market and regulatory expectation which makes it a bigger challenge.

The second challenge surrounds those banks which are not yet facilitating instant payments; relatively soon, they must be able to accept Instant Payments through implementing the necessary technological and man-power changes, or risk losing clients.

The third applies to those banks who are already enabling Instant Payments, they are presented with other challenges: there is a risk that the current Instant Payment rulebook in Europe will need to be adapted. As with the implementation of any new regulation, those institutions involved will need to do their part and make the necessary changes in order to meet the outlined requirements. Volume is also an issue of consideration; in 12 months all banks must be able to successfully manage instant payments, which will no doubt increase the number of payments overall.

Laurent Hupet,
Payment Solution Offering Director
at Sopra Banking Software



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There are furthermore, seven main challenges surrounding the implementation of instant payments.

The first is ensuring compliance in accordance with the latest regulations, through the mandatory implementation for the concerned parties, as well as dealing with the pressure to implement a solution within the designated time frame. Next to this, there is the need to upgrade legacy systems by switching to a real-time infrastructure solution. The cost reduction element also comes into play at this time for IP (Instant Payment) projects; as per the new regulations, PSPs cannot charge for offering an instant payment service. PSPs will also need to build business cases and monetize IP deployments, as well as understand which infrastructure fits their needs, all while ensuring they have access to intraday liquidity, and have successfully set up real time fraud management. As can be seen, while Instant Payments will eventually benefit both customers along with financial institutions, banks nevertheless have their work cut out for them, in order to reach the expected service levels within the expected timeframe.

Anmol Sahib,
Product Marketing Manager
at Sopra Banking Software



05

The Future of Instant Payments in Europe

With instant payments clearly on the rise, **the current and future state of the Instant Payments market in Europe remains a valuable topic of consideration.**

Once the regulations surrounding Instant Payments have been enforced, European banks will have 9 months to make the necessary changes needed to receive payments at scale and implement sanctions screening. In regards to sending payments, banks will have 18 months to ensure the necessary upgrades have been made to ensure their systems have all of the required features to adequately support IBAN name checking and the actual sending of the instant payments. Non-Euro banks are given a longer timeline; within 33 months they must be able to receive instant payments, and within 39 months they must be able to send instant payments in accordance with the newly established protocol. Non-bank Payment Service Providers (PSPs) have 36 months to make the necessary changes in order to be able to both send and receive Instant Payments. Those financial institutions who do not adhere to these new obligations may face penalties.⁽¹⁾

As it stands, instant payments will no doubt revolutionise how consumers and businesses send and receive money. Despite this, banks have their work cut out for them in order to streamline the process of instant payments; this includes: **immediate currency conversion if needed, fraud detection, screening for sanctions and sufficient liquidity, customer accounting and ensuring the proper architecture and technologies are in place to facilitate all of this.**

On the PSU (Payment Service User) end, the adoption had been limited, as IP was mostly only offered as a premium service. This will soon change, as the new regulations stipulate that PSPs are limited to charging the same for Instant Payments as regular credit transfers, which are mostly free in Europe. If we take the example of the Netherlands, we see that IP adoption is very high, as it is offered for free. In a country like France, where Instant Payments are mostly offered as a premium service by PSPs, adoption rates are much lower.

In order to succeed and hold onto a share of the market, banks must ensure they stay ahead of the curve by embracing modernisation. The financial landscape is changing at record speeds, and only those institutions willing to consistently embrace these changes and push traditional payment boundaries will succeed.⁽¹⁾ With Sopra Banking Software by their side, banks can ensure they have the right knowledge and industry support to create a promising future for themselves as well as their customers.

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For the past 6 years since 2017, the adoption of IP has been slow.

The share of SCT Inst within total credit transfers, was only 14.38% at the end of the first quarter of 2023. As the new regulations will mandate all PSPs and EMIs to offer instant payments, adoption will be pushed on the service provider side.

Anmol Sahib,
Product Marketing Manager
at Sopra Banking Software



(1) PAYMENTS MODERNISATION: THE BIG SURVEY 2023. (2023). Research Report by Finextra Research, in Association with Volante . <https://doi.org/https://www.volantetech.com/wp-content/uploads/2022/05/REPORT-2023-Finextra-payments-modernisation-the-big-survey-2023.pdf>.

(5) <https://worldline.com/en/home/main-navigation/resources/resources-hub/blogs/2023/navigating-the-eu-instant-payments-deadline-countdown-to-compliance.html>

06 Who does this regulation affect?

The new changes to the regulation of Instant Payments, affect any payment service provider, payment institution or electronic money institution in EU and EEA region offering the sending or receiving of regular credit transfers (in euro) through a payment's account. This thus excludes some financial institutions, for example those savings banks, which only work with reference or nominated accounts. Central banks are also obliged to comply with the regulation, although they have some privilege when it comes to availability.



07

How Sopra Banking Software Can Help Banks Prepare for Instant Payments

We are extending our market base to other parts of Europe, in order to further our position as a leader in European Instant Payments. Offering our clients a complete service, covering all aspects needed to process Instant Payments, while also providing a modular solution which allows clients to pick and choose which aspects of the service they require, is what makes us unique. ⁽²⁾

Sopra Banking Software furthermore offers a high level of resilience through its cutting edge architecture, which reduces the risk for banks when dealing with payments, while also making the solution more cost effective and offering a top quality service with a user friendly interface. In fact, some of our clients have achieved up to 4x resilience and 33% in total cost reduction. Sopra Banking wishes to offer the best in terms of security, so by design we include a high level of security in our Instant Payment solutions. As such, we make life easier for banks, by providing a real cloud-native, SaaS solution which allows banks to outsource everything; this by its construction, offers a competitive solution that also allows banks to reduce total costs.⁽²⁾

In order to take on the next period of financial innovation with vigour and ingenuity, banks must understand the importance of

cloud infrastructure alongside the growing value of strategic partnerships. In this way, payment innovations may be brought forth in an efficient, speedy and cost-effective manner. ⁽¹⁾

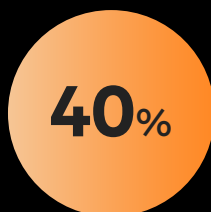
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*Sopra Banking Software has been **a pioneer with Instant Payments in Europe since 2017**. In fact, Sopra Banking was involved in making the first Instant Payment between two of our French clients. This service we provide represents **a unique offering in the market**.*

Romain Rica,
Instant Payments Product Manager
at Sopra Banking Software



As a leader in Instant Payments, Sopra Banking Software is involved in



of the Instant Payments in the French market, with our Instant Payment solutions.

Furthermore, in the Belgian market, we exchange



of Instant Payments every day through our solutions.

We process more than



1.5
MILLION

instant payments everyday across all geographies.

(1) PAYMENTS MODERNISATION: THE BIG SURVEY 2023. (2023). Research Report by Finextra Research, in Association with Volante . <https://doi.org/https://www.volantetech.com/wp-content/uploads/2022/05/REPORT-2023-Finextra-payments-modernisation-the-big-survey-2023.pdf>

(2) Sopra Banking Software. (2023). Webinar: Instant Payments regulation 2024: What banks absolutely have to know! Retrieved from https://www.youtube.com/watch?v=b-FyMKNrNRU&ab_channel=SopraBankingSoftware



**Sopra Banking
Software**

Sopra Banking Software is the partner of choice for more than 1,500 financial institutions worldwide. The rich variety of our solutions, the strength of our conviction and our passion for innovation enable us to support our clients on a daily basis and in their future projects, as well as in their goals regarding financial inclusion.

Our customers, based in over 80 countries around the world, benefit every day from our technologies and software, as well as the expertise of our 5,000 employees. Sopra Banking Software is a subsidiary of the Sopra Steria Group, a European leader in consulting, digital services and software development. With more than 50,000 employees, the Sopra Steria Group generated a turnover of €5.1 billion in 2022.

**To find out how we
can help your bank
to create market-
beating digital
transformation
strategies:**

→ www.soprabanking.com

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Olivier Sputael

Instant Payments
Product Manager,
Sopra Banking Software

Working for SBS for more than 12 years, Olivier started his career at the Client site, supporting our application, especially applying expertise in the Payments Domain. When SCT Inst was launched, he managed the implementation of the instant payment solution for the client. Currently, managing SBS Product solutions, with a focus on Instant Payments and Anti-Financial Crime Management products.

