

# REAL TIME PAYMENTS

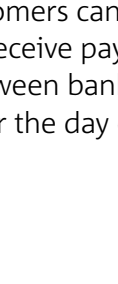
Leveraging the future of payments for customer innovation



The shift towards digital, richer and faster payments is here.

- For customers immediacy is everything;
- they expect payments to be easy, convenient and without delay; but
- currently cash is still the quickest way.

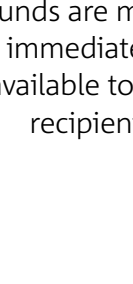
## What do we mean by real time payments?



1

**24/7**

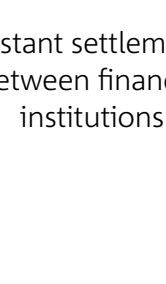
Customers can make and receive payments between banks no matter the day or time



2

**Instantaneous**

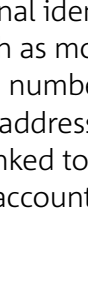
Funds are made immediately available to the recipient



3

**Real time settlement**

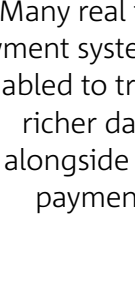
Instant settlement between financial institutions



4

**Simple addressing**

Personal identifiers such as mobile phone numbers and email addresses can be linked to bank accounts



5

**Richer data enabled**

Many real time payment systems are enabled to transfer richer data alongside the payment

## Real time payments have the potential to reduce customer pain points by creating new payment experiences.

Payment examples	Pain points	How real time payments could create value for customers
<b>Customer to Customer (C2C)</b>		
<ul style="list-style-type: none"> <li>• Buying second hand goods</li> <li>• Buying an asset</li> <li>• Splitting a bill</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of trust</li> <li>• Quality of goods</li> <li>• Dispute resolution</li> <li>• Settlement time</li> </ul>	<p><b>Instantaneous transfer and real time fund settlement means:</b> Customers can transfer to each other and receive funds immediately.</p> <p><b>Simple addressing means:</b> Customers can pay friends with their email address or phone number.</p>
<b>Customer to Business (C2B)</b>		
<ul style="list-style-type: none"> <li>• Bill payments</li> </ul>	<ul style="list-style-type: none"> <li>• Paying before the due date</li> <li>• Return of mistaken payments</li> <li>• Sending of receipts</li> <li>• Collection of overdue payments</li> <li>• Ensuring payment is received</li> </ul>	<p><b>Data rich payments can:</b> Minimise the reconciliation burden for bill payments and enable seamless payment receipts.</p> <p><b>Simple addressing can:</b> Enable easier tracing of received payments.</p>
<b>Business to Business (B2B)</b>		
<ul style="list-style-type: none"> <li>• Pay for an asset</li> <li>• Pay a supplier</li> <li>• Pay taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Reconciliation</li> <li>• Paper based records – for tax &amp; other purposes</li> <li>• Complex internal approval processes</li> <li>• Quality control of goods</li> <li>• Alignment of payment &amp; freight delivery of goods to multiple sites</li> </ul>	<p><b>Data rich payments can:</b> Enable easier reconciliation of received payments.</p> <p><b>Data rich payments can:</b> Deliver the ability to send, receive and store related documents alongside the payment.</p> <p><b>Data rich payments means:</b> Easier processing of received goods on consignment and associated payments.</p> <p><b>Simple addressing can:</b> Enable integrated management and reconciliation of inventory/stock between suppliers.</p>
<b>Business to Customer (B2C)</b>		
<ul style="list-style-type: none"> <li>• Emergency payouts by insurance companies and government</li> <li>• Payroll</li> </ul>	<ul style="list-style-type: none"> <li>• Reconciling payment</li> <li>• Sending related documentation with payment</li> <li>• Settlement time</li> </ul>	<p><b>24/7 instantaneous payments means:</b> Customers can receive emergency payouts without delay 24/7.</p> <p><b>Data rich payments:</b> Customers can potentially consolidate processes to send payments and associated documentation.</p>

## The global trajectory towards real time payments is here.

US \$433 TRILLION 2014 → US \$780 TRILLION 2023

In 2014, Boston Consulting Group (BCG) estimated that the total value of non-cash transactions to be USD\$433 trillion, growing at a CAGR of 7%, reaching USD\$780 trillion by 2023.

We have seen a surge in adoption of global real time payment systems but the uptake of these systems has varied...



Source(S): Swift, Global Adoption Of Real-time Retail Payment Systems, 2015; Clear2pay, Flavours Of Fast – A Trip Around The World In Immediate Payments; NAB Labs Analysis

## The Australian landscape provides a unique opportunity to create customer led innovation off the back of real time payments.

2013

19 BILLION PAYMENTS \$15 TRILLION VALUE

The evolution of the Australian payments industry has led to the continual shift towards payment models which are easier, faster and richer for customers. Whilst card payments have been the major focus of innovation, they are currently unable to deliver truly real time payments.

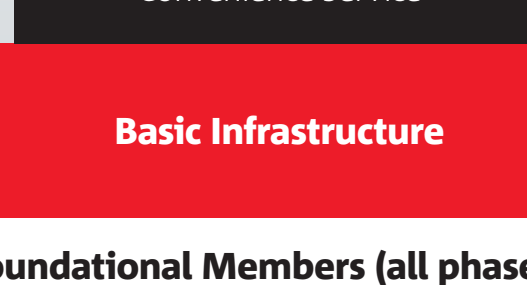
## Australia's New Payments Platform (NPP)

As Australia's real time payments system, NPP delivers a new payment model where rich data transfer is at the centre. This creates the opportunity for payments to become integrated in the lives and value chains of our customers.

Today	Future with NPP
Payments take 1-3 business days to settle	Customers receive payments in less than a minute <b>Faster</b>
To send a payment you need the recipient's BSB and Account No.	Customers can enter a mobile number, email, ABN or ACN or organisational identifiers to receive payments <b>Easier</b>
Additional information about the payment is limited to 18 characters of unstructured text	Customers can enter up to 280 characters of unstructured text and link documents <b>Richer</b>
	NPP is an open platform where non-traditional partners (e.g. FinTechs) can partner with NPP Foundation Members to provide new payment services <b>Innovative</b>

## NPP will enable new payment services

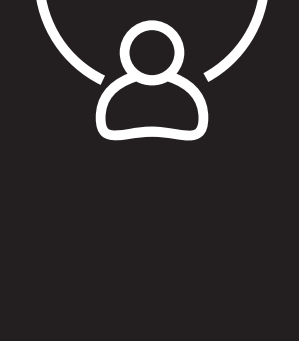
Overlay Services are commercial services that leverage the core components of NPP's Basic Infrastructure (BI) to create new payment experiences and services.



### Foundational Members (all phases)



## Industry collaboration is key to success



Overlay services are the pathway for banks and new entrants to use NPP infrastructure to deliver new and innovative customer solutions. In order to deliver the requisite experience for customers, successful delivery of an NPP Overlay Service requires collaboration between NPP foundational members.

## The future potential of NPP for customers



### Trigger based payments

A new NPP Overlay Service could create the ability to trigger a request for multiple interrelated services with a push of a button. This could reduce large amounts of friction for customers making large purchases (e.g. buying a car or house), where the purchase sits alongside a number of other payments or notifications i.e. insurance policy, Vic Roads registration, rates, utilities, change of address or vehicle etc.



### International payments

NPP has high interoperability between other value transfer mechanisms including SWIFTNet FIN global payments and Ripple's international payments network. For customers transferring funds internationally, the infrastructure has the potential to connect with these networks and enable real time settlement of international payments.



### Payments where contextual data and documents provide value

NPP provides the ability to connect the payment with detailed reference data. This is particularly relevant in circumstances where a customer sends or receives a payment but needs to reconcile with another system. In practice, this usually means a customer needs to reconcile online banking with a point of sale or physical receipt. The NPP can automate these reconciliation tasks by using the contextual data (e.g. reference information and attached receipt) to save time for customers.



### Payments where urgency is key

With today's payment systems it is relatively costly (and sometimes impossible) to deliver urgent payments, even if the customer need is great. For customers where funds need to be transferred without delay, the NPP's immediate settlement capability could prove extremely valuable. Examples where this could be useful include insurance and emergency relief payouts.

## To deliver innovation that is significant, scalable and sustainable we need to:

- Maximise the customer experience.
- Seize the opportunity to drive industry wide innovation.
- Look beyond the value transfer capability and create customer centric solutions for NAB's customers.