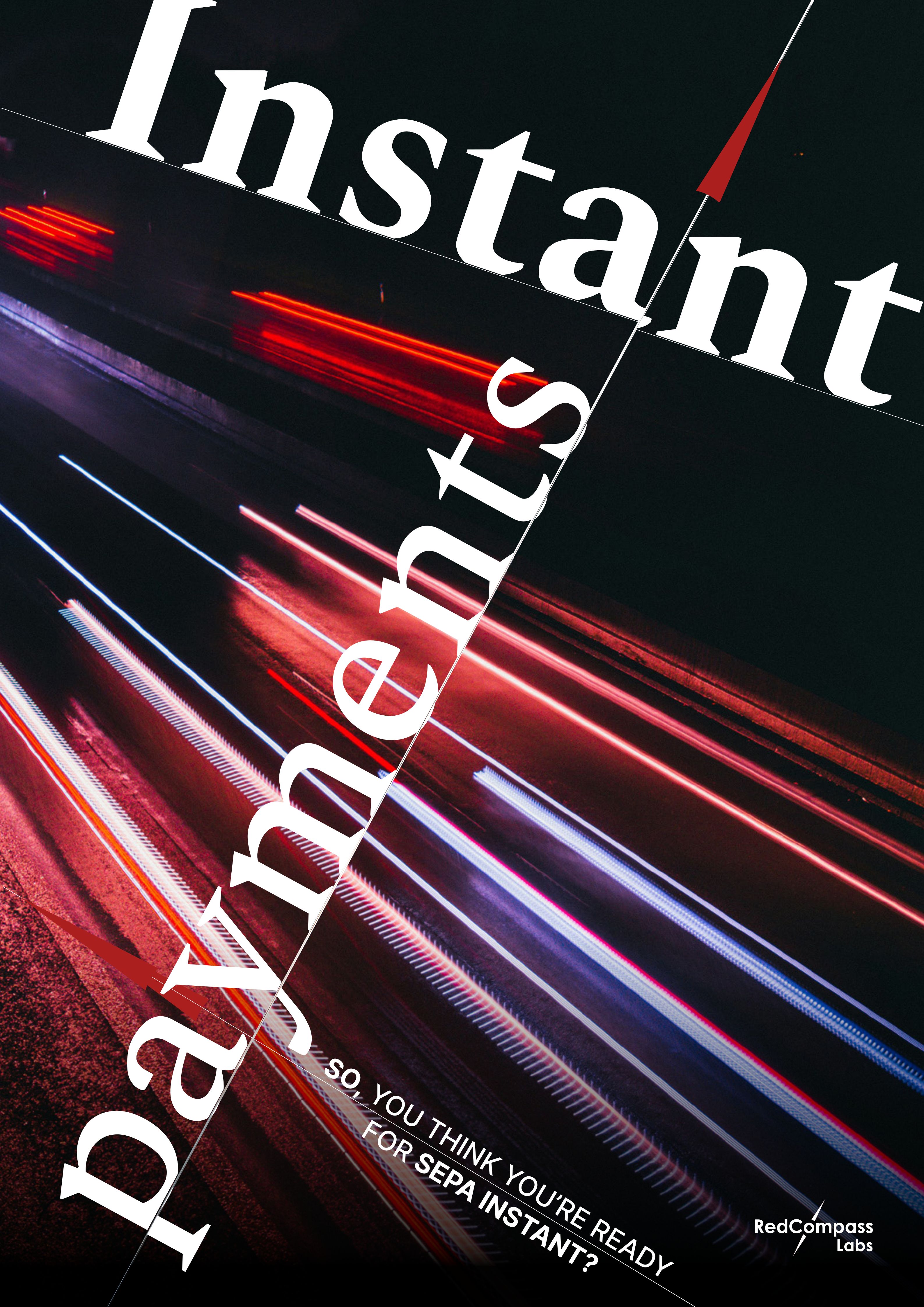


Instant payments

SO, YOU THINK YOU'RE READY FOR **SEPA INSTANT?**

RedCompass Labs

Contents

Foreword from CEO

Instant, frictionless payments will soon become so ubiquitous and intertwined with our lives that, much like running water, we will find it difficult to think we ever lived without them.

And much like running water they will reduce poverty and increase prosperity as they reduce the working capital burden for individuals and businesses alike.

Nowhere can these advancements be better seen than in India and Brazil, where instant payments have revolutionized the way people transact. An instant payment accelerates the velocity of money moving between millions of workers, entrepreneurs and large companies, from the homeless to the captains of industry. The UPI and PIX QR code are now ubiquitous and sources of instant benefit.

An instant payment allows a tradesperson to be paid on delivery of service and waiting staff to receive their tips and pay their rent in moments. Instant payments help today's start-ups and scale-ups accelerate hiring, delivery, and growth, and they simplify treasury for multinationals.

The developed world is behind, but Europe is taking a leap forward with new legislation that will make around-the-clock instant payments the new normal.

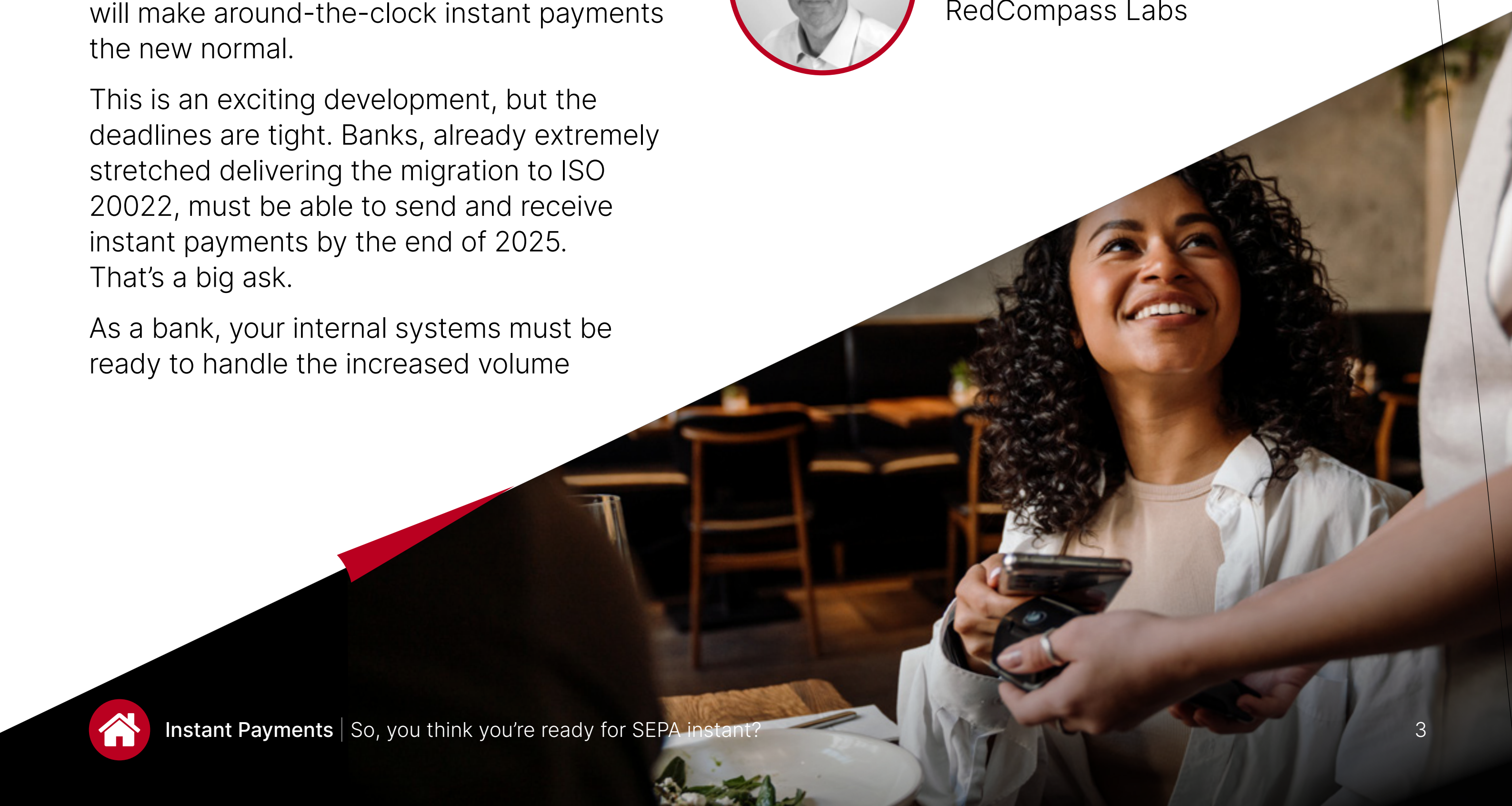
This is an exciting development, but the deadlines are tight. Banks, already extremely stretched delivering the migration to ISO 20022, must be able to send and receive instant payments by the end of 2025. That's a big ask.

As a bank, your internal systems must be ready to handle the increased volume and speed of transactions. In the past, we talked about hundreds of transactions per second for bank-to-bank systems. Now it is multiples of thousands per second. You will need to cover downtime and system outages while recording and synchronizing data accurately, in real-time, across various parts of the payment system for it to be reliable. Your systems will need to be scalable, interoperable and secure. And you must consider and combat fraud.

So there is work to do and resources to invest to meet the deadlines. Rolling out an instant payment service across all payment channels in time will be challenging, but the benefits and opportunities of this regulation will change the world.

As a company at the forefront of payments modernization, we are excited about the journey ahead and on hand to support European banks through this challenging period, which will unlock new levels of payment innovation in Europe and beyond.

Tom Hewson,
Partner and CEO,
RedCompass Labs



Introduction

On 7 February 2024, the march towards instant payments in Europe took a huge step forward as MEPs voted to adopt new rules for instant Euro transfers.

This followed [the provisional agreement]() reached by the EU Parliament and Council in November 2023, which was preceded by a series of lengthy discussions and exchanges with industry stakeholders on how best the EU can make instant payments ubiquitous across the continent.

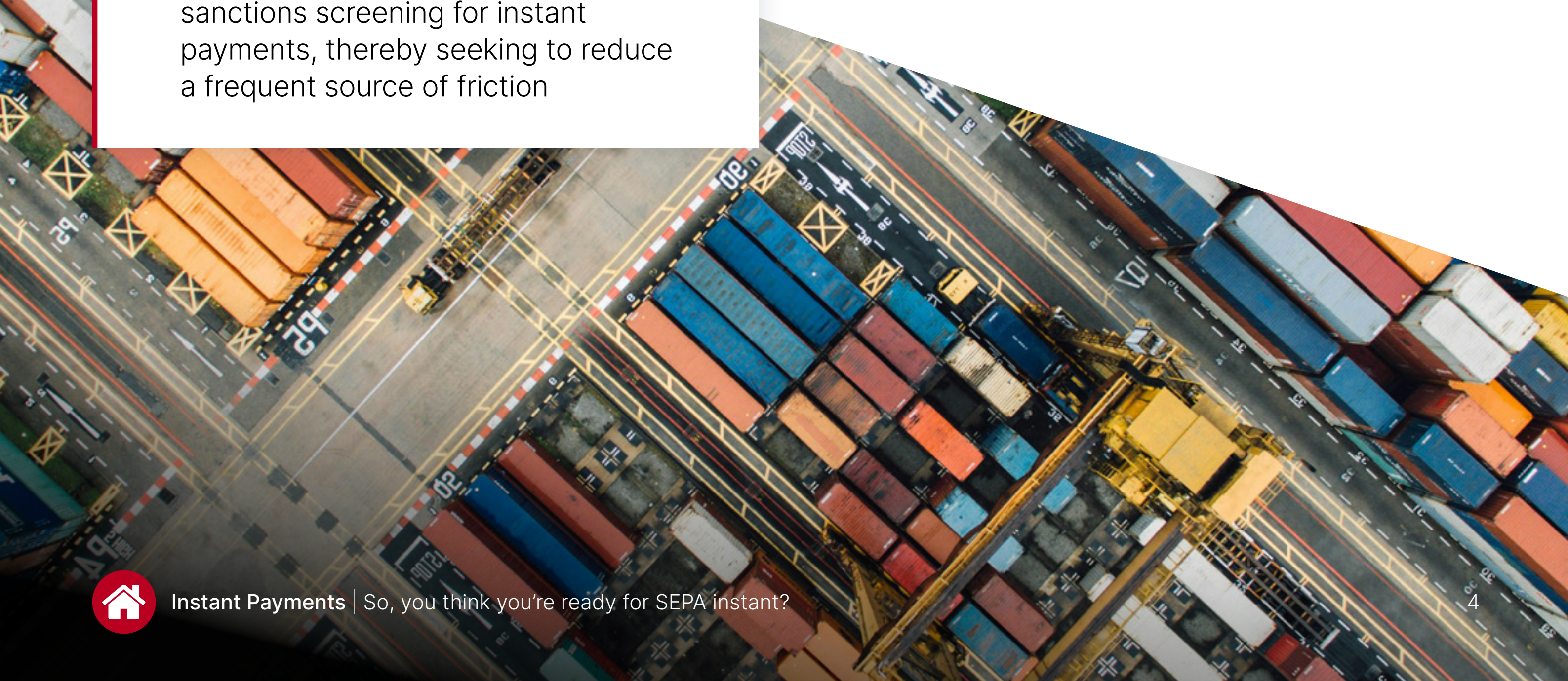
In summary, the legislation:

- Requires payment service providers to be capable of receiving instant payments by 9th January 2025
- Requires payment service providers to be capable of sending instant payments by 9th October 2025
- Prohibits payment service providers from charging more for instant payments than traditional SEPA credit transfers
- Obliges payment service providers to introduce a [Verification of Payee service]()
- Harmonises the approach to sanctions screening for instant payments, thereby seeking to reduce a frequent source of friction

Under the new rules, banks and other payment service providers (PSPs) will have to ensure credit transfers are affordable and immediately processed within stringent timelines.

European legislators have long sought to make instant transactions the new normal. In doing so, they seek to further integrate the Single European Payments Area (SEPA), promote a stronger international role for the Euro and, at the same time, decrease the region's reliance on foreign payment schemes such as Mastercard and Visa.

The regulation means that banks and PSPs will soon have to send and receive instant payments in Euros at no extra charge within ten seconds. The timelines are ambitious. Banks located in the Euro area have only nine months to be ready to receive instant credit transfers in Euro and 18 months to send them.



To guarantee safety, banks will also need robust and up-to-date fraud detection and prevention measures, to avoid credit transfers going to the wrong account due to fraud or error. To this end, banks operating in the EU must immediately, and without any additional charges or fees, provide a service to verify the identity of the recipient, also known as Verification of Payee (VoP).

Although this legislation is great news for European consumers and businesses, the technical implementation is set to be an enormous challenge for banks and will require them to rapidly assess their digital capabilities and work together with their counterparts and service providers to address these challenges within extremely ambitious timelines.

With this in mind, RedCompass Labs surveyed 200 senior payment professionals in European banks to find out their views on the demand for instant payments among their customers, where they are on their instant payment journey, whether they think they will meet the end of 2025 deadline, the challenges they will face along the way and if the benefits of this instant payments drive outweigh the costs.

Here is what we found.

"This is an exciting development, but the deadlines are tight."

Tom Hewson
Partner and CEO, RedCompass Labs

Demand for instant payments in Europe is increasing

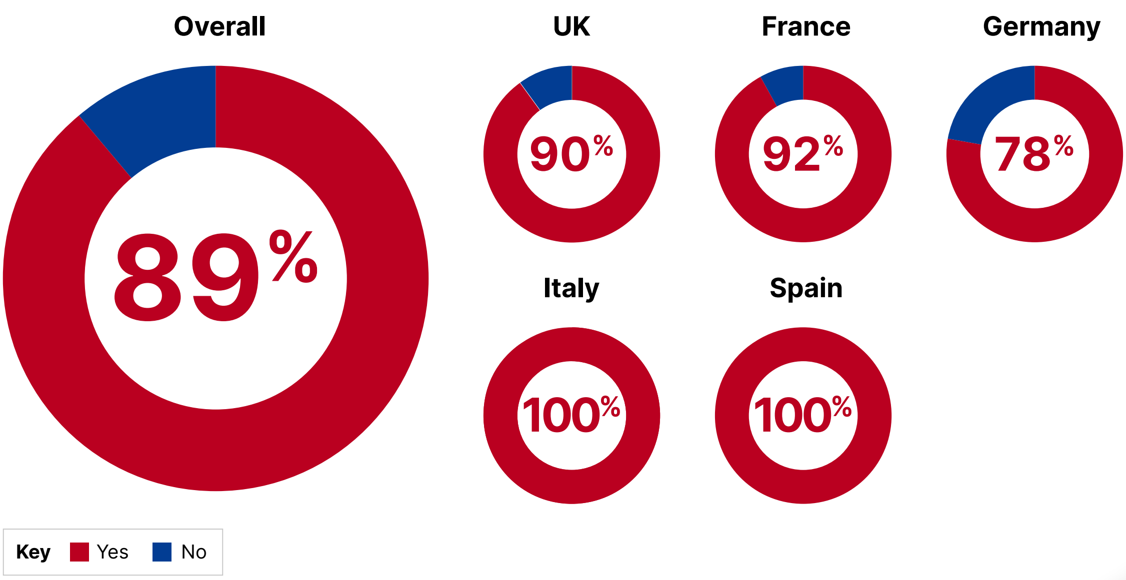
There is a huge shift towards instant payments in Europe, driven by regulation, increasing expectations, and demand among businesses and consumers for faster payments.

Our research reveals there is a big demand for instant payments amongst banking customers. 89% of respondents said they see a growing demand for instant payment products and services from their customers, rising to 100% in Italy and Spain. Clearly this regulation has at least in part been driven by businesses and consumers increasing demand for real-time payments.

The technology to enable instant payments across borders in the Single European Payments Area (SEPA) via schemes such as SCT-Inst (SEPA Instant Credit Transfers) has existed for some time. This permits transfers between registered entities in under ten seconds to a value of up to €100,000.

However, just 14% of credit transfers in the EU were instant payments in the first quarter of 2023. The EU Commission estimates that roughly €200 billion in credit transfers is stuck in transit in the European financial system on any given day.

Do you see a growing demand for instant payments products and services from your customers?



A significant proportion of banks aren't ready for instant payments

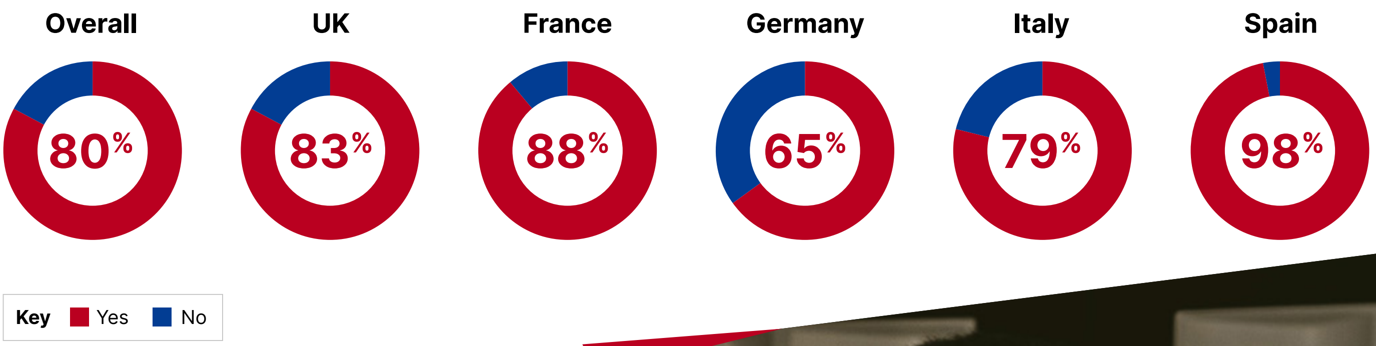
The EU instant payments legislation is extremely ambitious in terms of timelines and scope. So, we asked 200 senior payment professionals at European banks about their current instant payment capabilities and if they are confident that they can meet the 2025 instant payment deadline.

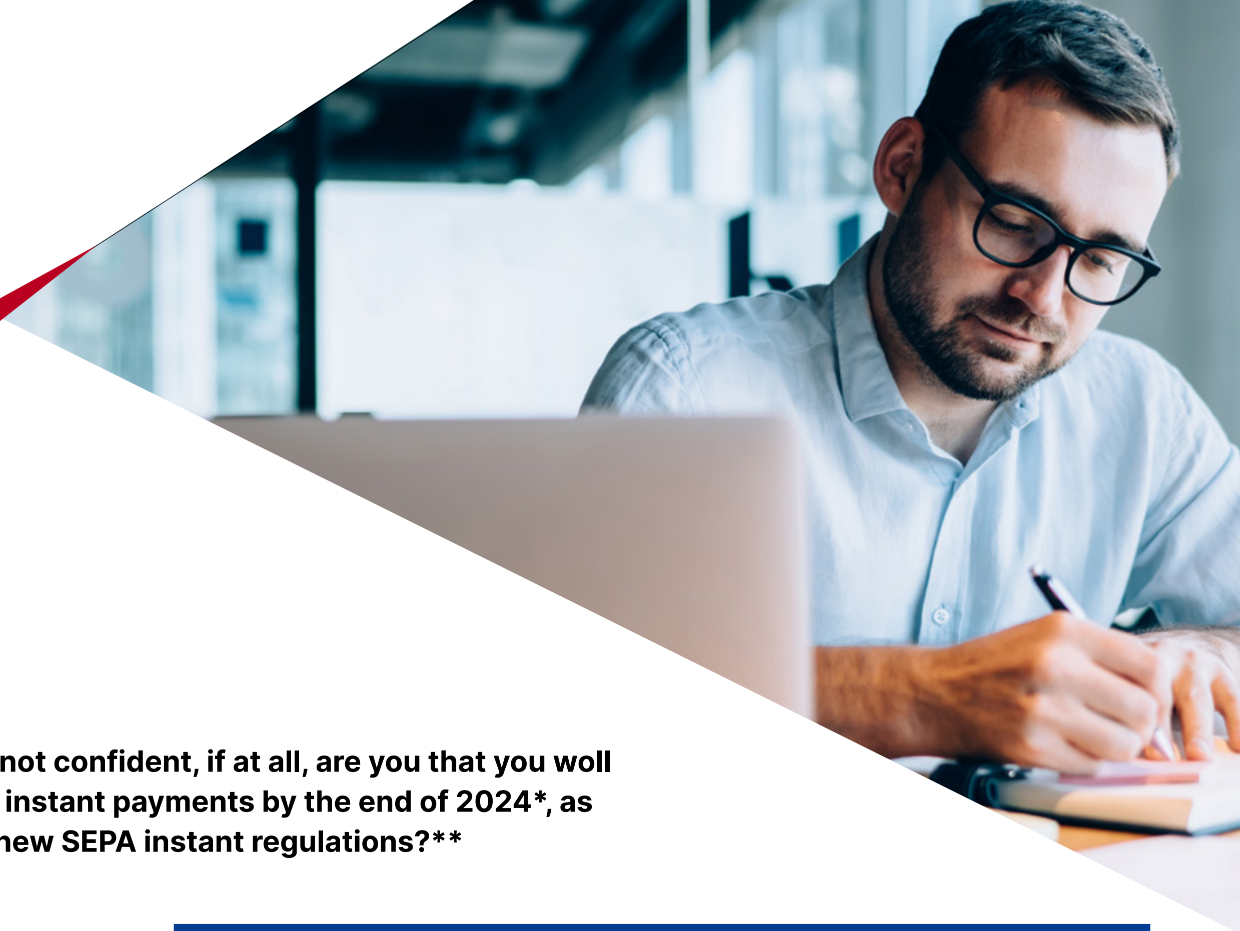
Four out of five (80%) said the SEPA Instant Credit Transfers payment method is available to at least one client segment in their bank. The highest was Spain (98%), which is significantly further ahead of Germany (66%).

We asked banks which don't currently offer the SEPA Instant Credit Transfers payment method if they are confident that they will be able to receive instant payments by the end of 2024. We found that over two-thirds (67.5%) said they were either somewhat or very confident, while nearly a third (32.5%) were unsure or not confident that they could meet the deadline. Confidence was highest in Spain (100%) and the UK (80%) while respondents in Germany (63%) and France (67%) had the lowest level of confidence.

We then asked the same group if they think the timelines imposed by the regulation are realistic. The majority (58%) said they weren't. The UK (60%) and Germany (63%) had the highest ratio of respondents who think the timelines are unrealistic, suggesting some countries are more optimistic about their instant payment journeys than others.

Is the SEPA Instant Credit Transfers payment method available to at least one client segment in your bank?





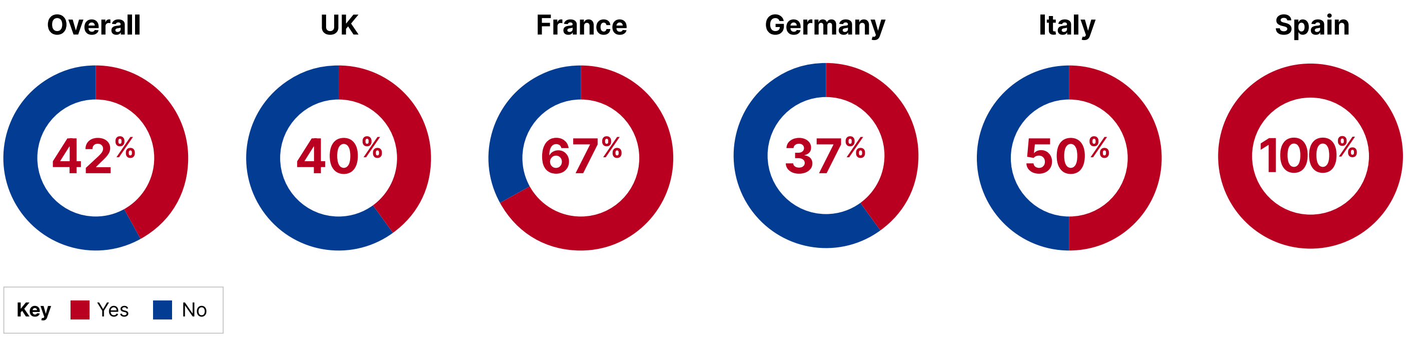
How confident or not confident, if at all, are you that you woll be able to receive instant payments by the end of 2024*, as mandated by the new SEPA instant regulations?**

	Overall	UK	France	Germany	Italy	Spain
Confident (Net)	67.50%	80.00%	66.67%	62.96%	75.00%	100.00%
Very confident	7.50%	40.00%	0.00%	3.70%	0.00%	0.00%
Somewhat confident	60.00%	40.00%	66.67%	59.26%	75.00%	100.00%
Neither confident nor unconfident	22.50%	0.00%	33.33%	25.93%	25.00%	0.00%
Somewhat unconfident	7.50%	0.00%	0.00%	11.11%	0.00%	0.00%
Very unconfident	2.50%	20.00%	0.00%	0.00%	0.00%	0.00%
Unconfident (Net)	10.00%	20.00%	0.00%	11.11%	0.00%	0.00%

* At the time the survey was conducted, the instant payments legislation was expected to be enforced by the end of 2024
The actual date banks will need to be able to receive instant payments is 9th January 2025.

**respondents who don't offer SEPA Credit Transfers currently

Do you think the timelines imposed by the regulation are realistic?



Five challenges banks face

While the new regulation will transform the European payments landscape, the technical implementation will be an enormous challenge for banks, requiring them to rapidly assess and build out their digital capabilities. Even those which already have instant payment capabilities will need to massively scale by the end of 2025.

We asked banks to pick their top challenges in complying with the SEPA instant payments regulations. They are:

25%

1. Adaptations to customer channels, including providing Verification of Payee services

Whereas card schemes have well-established chargeback procedures, instant payments do not. An instant payment, once executed, is irrevocable, much like a regular SEPA Credit Transfer. However, due to the speed of these transactions, successfully recalling an erroneous or fraudulent payment has a much lower probability of success.

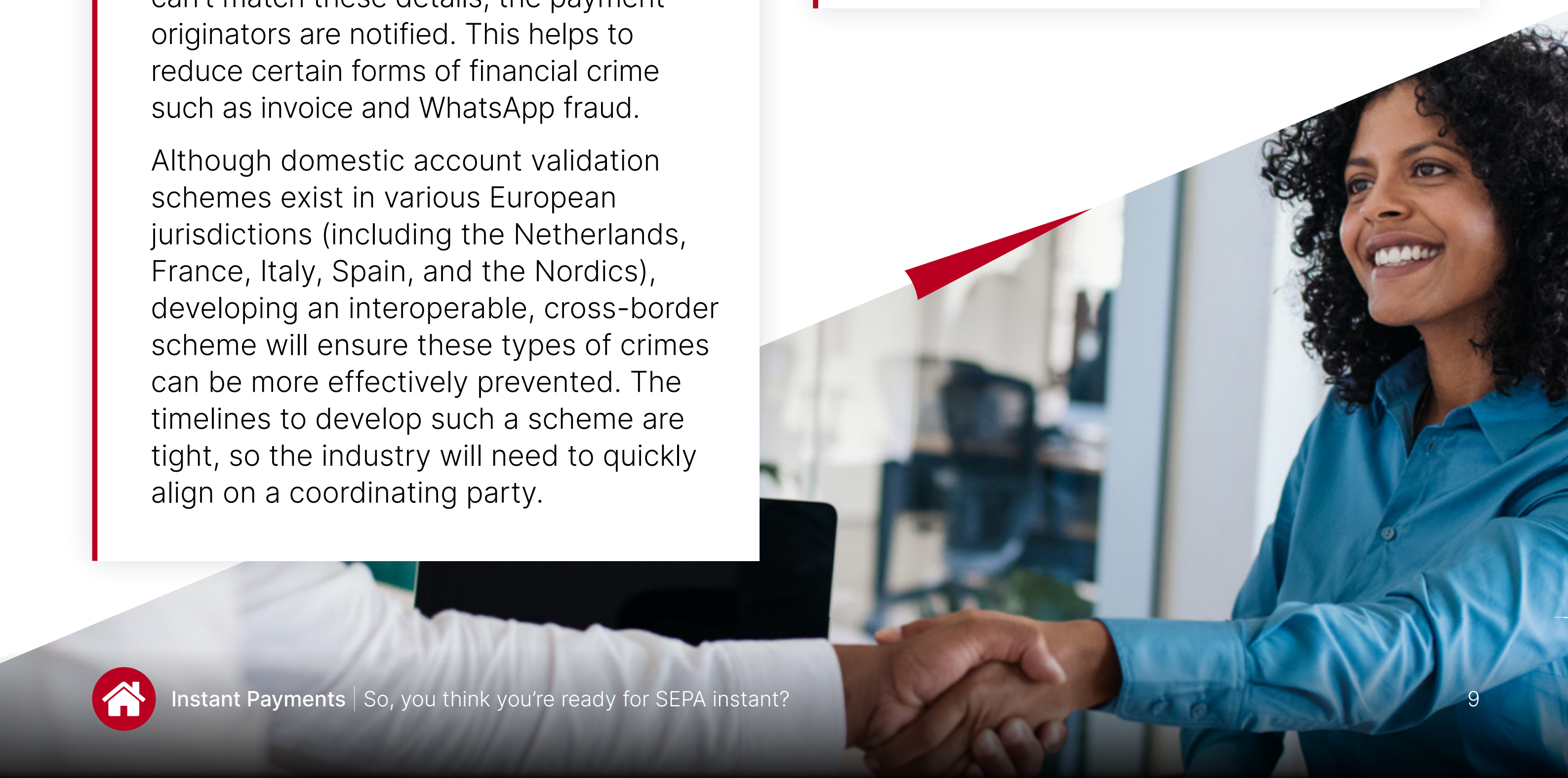
Introducing a Verification of Payee (VoP) service allows payment originators to verify the match between the account number and the name of the beneficiary. If they can't match these details, the payment originators are notified. This helps to reduce certain forms of financial crime such as invoice and WhatsApp fraud.

Although domestic account validation schemes exist in various European jurisdictions (including the Netherlands, France, Italy, Spain, and the Nordics), developing an interoperable, cross-border scheme will ensure these types of crimes can be more effectively prevented. The timelines to develop such a scheme are tight, so the industry will need to quickly align on a coordinating party.

23%

2. Implementing the provisions related to KYC and sanctions screening processes

Fraud detection, sanction screening, customer accounting, checking for sufficient liquidity – a typical bank will have upwards of ten different applications they need to integrate for an instant payment. They can only go as fast as the slowest of those interfaces. In addition to developing messaging capabilities, banks must ensure that their end-to-end payment architecture is real-time capable. In other words, wherever batch-based processes are used, the bank will need to replace them with real-time ones.



22%

3. Processing more volumes and scaling throughput

Payment service providers need to carefully assess their required capabilities for sending and receiving instant payments, measured in transactions per second. While they have some level of control over their volumes of outbound payments, this is not the case for inbound transactions.

The regulation enforces a no-cost-added instant option for payments initiated in bulk. Some bulk payment files initiated by corporates, such as payroll providers and pension funds, can contain hundreds of thousands of payments. If these were processed instantly, even the largest banks and clearing and settlement mechanisms would need to massively scale their infrastructures to be capable of processing at the required number of transactions per second.

20%

4. Creating the business case to create value-add offerings for instant payments

Instant payments should be available 24/7 throughout the year. This means that banks not only need to design and test for resilience, but they must also consider how software updates are released and how maintenance is performed throughout their payment processing value chain without disrupting services.

Further, whereas liquidity management can largely be automated by setting liquidity floors and ceilings in the market infrastructure, processes such as customer support and monitoring may require around-the-clock staffing. With FX markets that are not suited for a 24/7 environment, the technical feasibility might prove extremely challenging for banks to address outside of business hours.

20%

5. 24/7 availability

Instant payments must be available 24/7. Banks not only need to design and test for resilience, but they must also consider how software updates are released and how maintenance is performed throughout their payment processing value chain without disrupting services.

Further, whereas liquidity management can largely be automated by setting liquidity floors and ceilings in the market infrastructure, processes such as customer support and monitoring may require around-the-clock staffing. With FX markets that are not suited for a 24/7 environment, the technical feasibility might prove extremely challenging for banks to address outside of business hours.

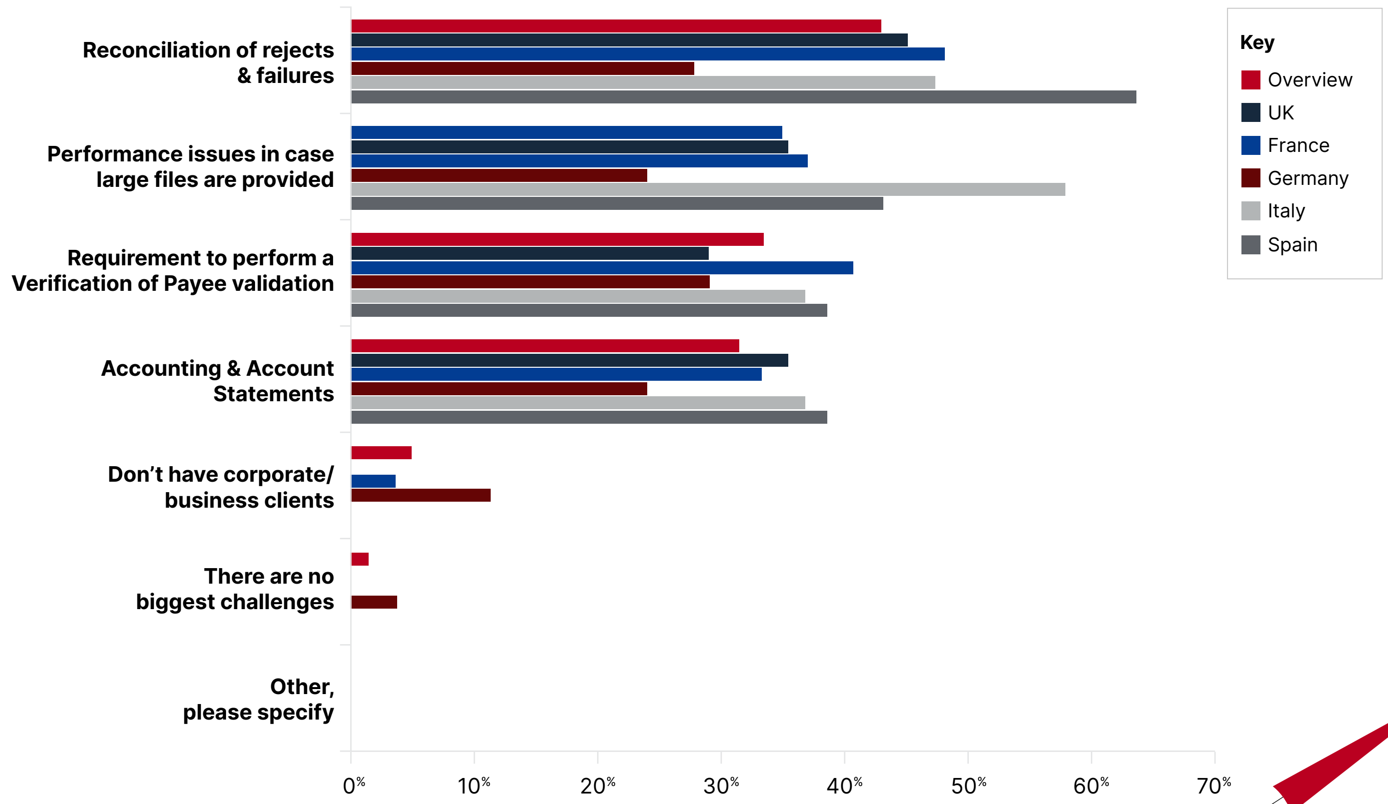
What will be the biggest challenge, if any, for your institution in complying with the SEPA instant payments regulation? (select two)

	Overall	UK	France	Germany	Italy	Spain
Adaptations to customer channels, including providing Verification of Payee services	24.50%	25.81%	18.52%	16.46%	36.84%	36.36%
Implementing the provisions related to KYC/Sanctions Screening processes	23.00%	29.03%	22.22%	22.78%	21.05%	20.45%
Processing more volumes/scaling throughput	22.00%	25.81%	33.33%	7.59%	36.84%	31.82%
Create the business case to create value-add offerings for instant payments	20.00%	12.90%	25.93%	16.46%	26.32%	25.00%
24/7 availability	19.50%	19.35%	18.52%	15.19%	26.32%	25.00%
Having sufficient subject matter expertise	18.50%	16.13%	18.52%	15.19%	15.79%	27.27%
Immediate currency conversion	15.00%	9.68%	33.33%	12.66%	10.53%	13.64%
The short timeframe between the availability of rulebooks (eg Verification of Payee) **and regulatory deadlines**	14.50%	12.90%	11.11%	12.66%	21.05%	18.18%
There will not be any biggest challenge	0.50%	0.00%	0.00%	1.27%	0.00%	0.00%

Bulk payments to cause headaches for European banks

The no-cost-added instant options for payments initiated in bulk is likely to cause headaches for European banks as it forces them to process hundreds of thousands of payments in some cases. We asked respondents what the biggest challenges are for processing instant payments initiated over file-based (bulk) channels by business/corporate clients and some key issues emerged:

What are the biggest challenges, if any, you anticipate related to the processing of instant payments initiated over file-based (bulk) channels by business/corporate clients?



Banks are underestimating the instant payment processing scale required

Our research reveals that banks which currently offer SEPA Instant Credit Transfers are capable of processing on average between 101-300 payments per second. Just 10% are capable of processing 301-1000 payments per second and 1% can process above 1000 payments per second, with the highest being 1,500.

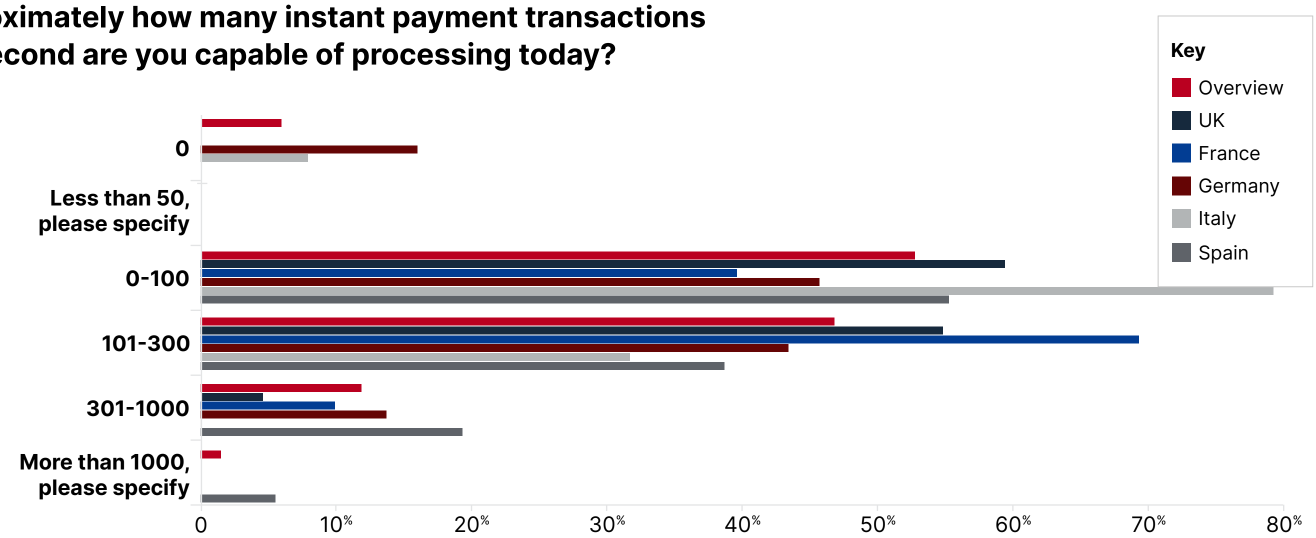
By the end of 2025, they expect their instant payment volumes to grow by between 51-100% on average. Just 8% expect them to grow by less than 20%, while 42% expect at least a 51% increase.

Across banks with an instant payment offering and those currently without one, overall, they are targeting to be capable of processing between 101-300 payments per second by the end of 2025, while just 5% said they were targeting above 1000.

That means banks are underestimating the processing capabilities required for the move to instant payments. Payments aren't always spread throughout the day, and as mentioned earlier, some bulk payment files initiated by corporates, such as payroll providers and pension funds, can contain hundreds of thousands of payments which will need to be processed as soon as possible.

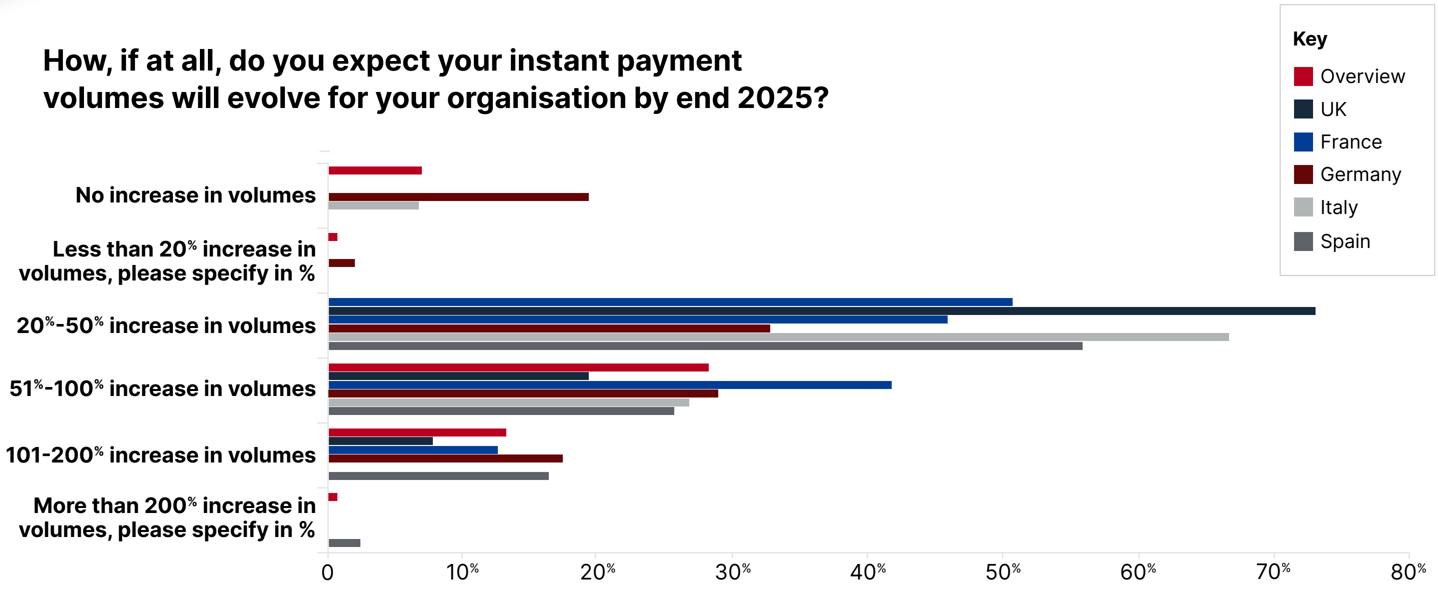
We recommend that banks receiving bulk payment files increase their processing capabilities beyond 101-300, to at least more than 1000 to ensure they can meet the instant payment demands of their customers.

Approximately how many instant payment transactions per second are you capable of processing today?



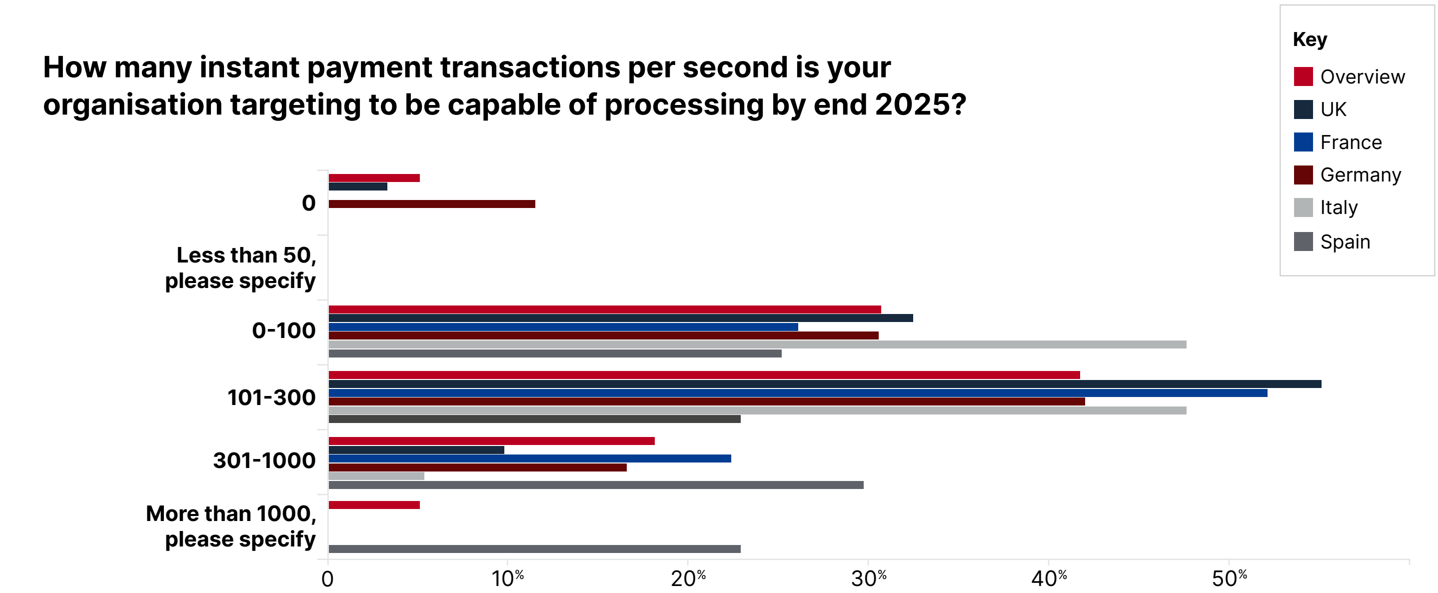
*respondents who don't offer SEPA Credit Transfers currently

How, if at all, do you expect your instant payment volumes will evolve for your organisation by end 2025?



*respondents who don't offer SEPA Credit Transfers currently

How many instant payment transactions per second is your organisation targeting to be capable of processing by end 2025?



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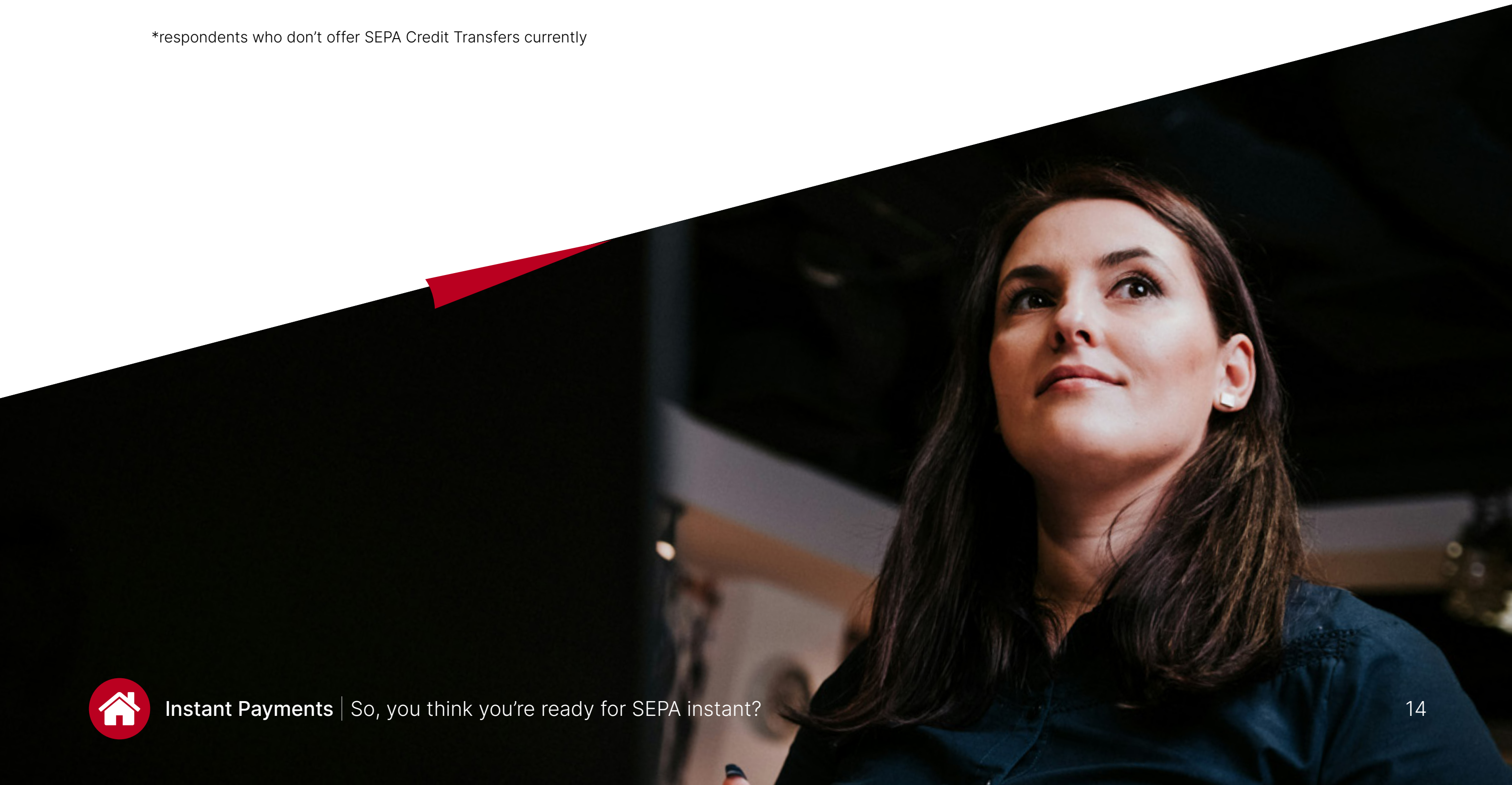


Banks to make significant investments to meet the deadlines

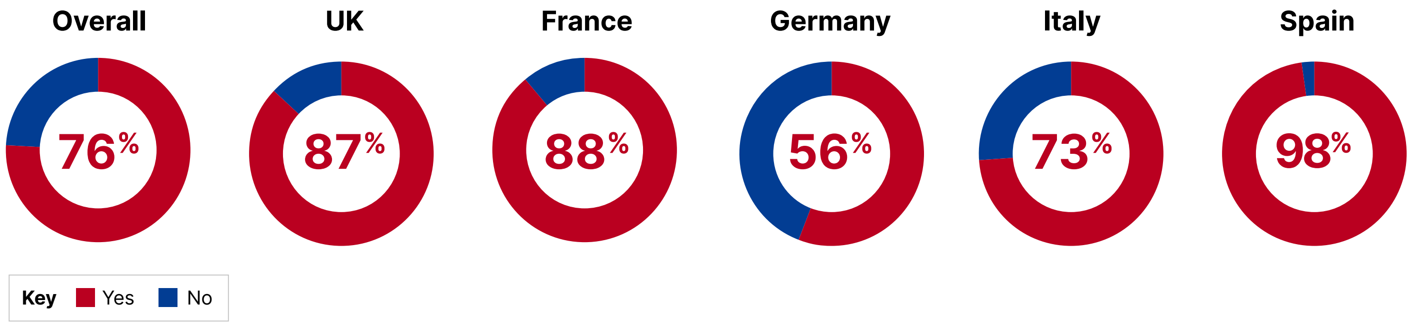
The best course of action for a bank to comply with the new instant payment regulation would be to update their core banking system to be instant, highly scalable, and available 24/7. But that's expensive, and if you're a bank in the EU, it may not be possible within the legislative deadlines. Rushing this process could introduce risks you cannot afford to take.

Banks need to invest in technology to streamline the processing of instant payments and meet regulators' instant payment requirements. The majority recognise this with 76% of respondents planning on investing in technology to comply.

Despite lagging behind in other areas, only 55% of respondents in Germany plan on investing in technology, the lowest in the survey. This could explain their lack of confidence.

On average, European banks expect to invest between €1 million and €3 million in technology, 14% expect to invest over €3 million and 23% expect to invest under €250,000. Again, with the underestimation of the amount of payments per second they will need to process in mind, we expect investment for many banks to be higher.

Do you plan on investing in technology to meet the new instant payments regulations?



How much do you plan to invest?

	Overall	UK	France	Germany	Italy	Spain
Less than €100,000	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
€100,000-€249,999	4.00%	3.70%	0.00%	4.55%	21.43%	0.00%
€250,000-€499,999	19.20%	7.41%	25.00%	29.55%	21.43%	4.65%
€500,000-€749,999	21.6%	11.11%	12.50%	22.73%	28.57%	23.26%
€750,000-€999,999	17.60%	25.93%	20.83%	15.91%	21.43%	16.28%
€1 Million-€3 Million	19.20%	25.93%	16.67%	15.91%	7.14%	27.91%
€3.1 Million-€5 Million	10.40%	7.41%	16.67%	6.82%	0.00%	13.95%
€5.1 Million-€7 Million	3.20%	7.41%	8.33%	0.00%	0.00%	4.65%
€7.1 Million-€10 Million	0.00%	3.70%	0.00%	0.00%	0.00%	0.00%
More than €10 Million	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
I do not know	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prefer not to say	4.80%	7.41%	0.00%	4.55%	0.00%	9.30%
Mean:	1428571.43	1760966.24	1854166.67	1038095.24	626785.71	1875000.00

Instant payments will bring huge benefits to banks' corporate customers

While their adoption piles pressure on banks, the power of instant payments is in their ability to meet the demands of a rapidly evolving financial landscape. Instant payments are fast, convenient, efficient, align with the expectations of both businesses and consumers and promote financial inclusion.

We asked banks what they think the top two benefits of instant payments regulation will be for their business or corporate clients and some clear themes emerged:

Displacing card payments

33%

The biggest benefit is creating a foundation for new collection methods to displace card payments according to our respondents. With high interchange fees, we see a trend emerging: merchants are trying to push their clients away from card rails and incentivise their customers to use alternative payment methods such as instant payments. Interestingly, over two-thirds (69%) of respondents said they expect there to be a significant uplift in the use of instant payments as an e-commerce or point-of-sales payment method by the end of 2025.

The EU has been transparent about its intention to challenge the duopoly in the card payments industry, introducing initiatives like [EPI (European Payments Initiative)](). It sees this instant payment regulation as the next piece of the puzzle.

That said, Mastercard and Visa are not easy opponents. They have an incredible partner network, leading-edge technology, and thanks to Open Banking regulation, the ability to connect directly to banks to transform their network to a hybrid that can process both card and electronic payments.

Improved customer experience

33%

The second biggest benefit for banks' corporate clients is improving customer experience. After members of the European Parliament (MEPs) voted to pass the regulation, Michiel Hoogeveen MEP summarised the end user benefits: "Customers can now say goodbye to the inconvenience of waiting two or three working days to access their money. We are delivering on something that people and businesses truly care about transferring money within ten seconds at any time of the day."

31% Payment certainty

Certainty has always been one of the most important elements when it comes to B2B payments. This was the third biggest benefit of the instant payment regulation for corporates according to our survey. Corporates want greater certainty around their payments. They want to know not only if the payment will arrive, but exactly when it will arrive.

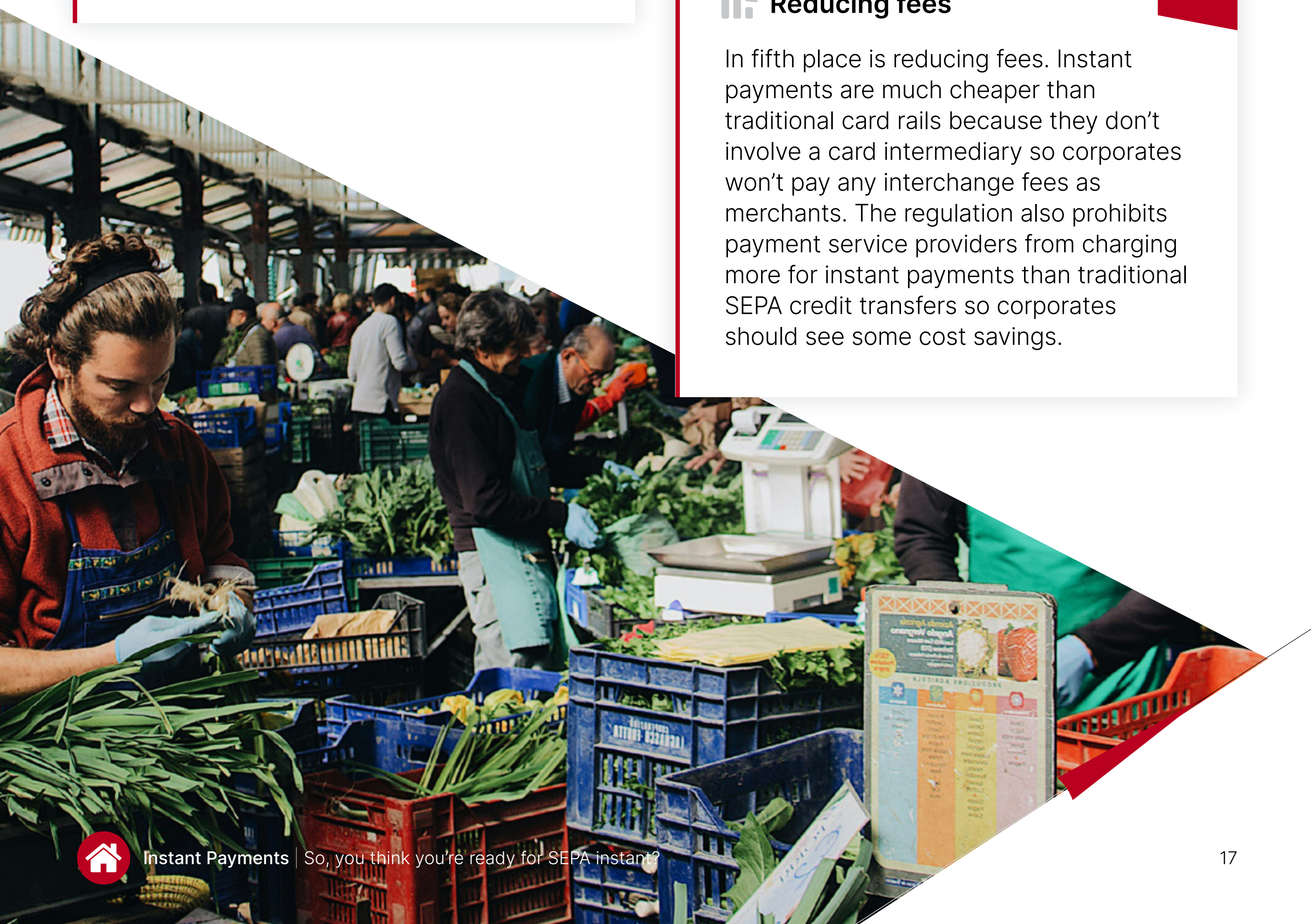
By stipulating that payments must arrive within ten seconds at any time of day, the regulation significantly reduces waiting time from days to seconds, thereby providing rapid certainty. Paying suppliers or partners promptly with certainty also has the added benefit of demonstrating trust and reliability, fostering positive collaborations and potentially leading to better terms, discounts, or future business opportunities.

30% Working capital optimisation

Working capital optimisation was another key benefit for corporates. With faster access to funds, companies can allocate resources more efficiently, invest in growth opportunities, and respond quickly to market demands. This financial agility is a significant advantage for businesses operating in a competitive landscape.

29% Reducing fees

In fifth place is reducing fees. Instant payments are much cheaper than traditional card rails because they don't involve a card intermediary so corporates won't pay any interchange fees as merchants. The regulation also prohibits payment service providers from charging more for instant payments than traditional SEPA credit transfers so corporates should see some cost savings.



Other instant payment benefits we see for corporates include:

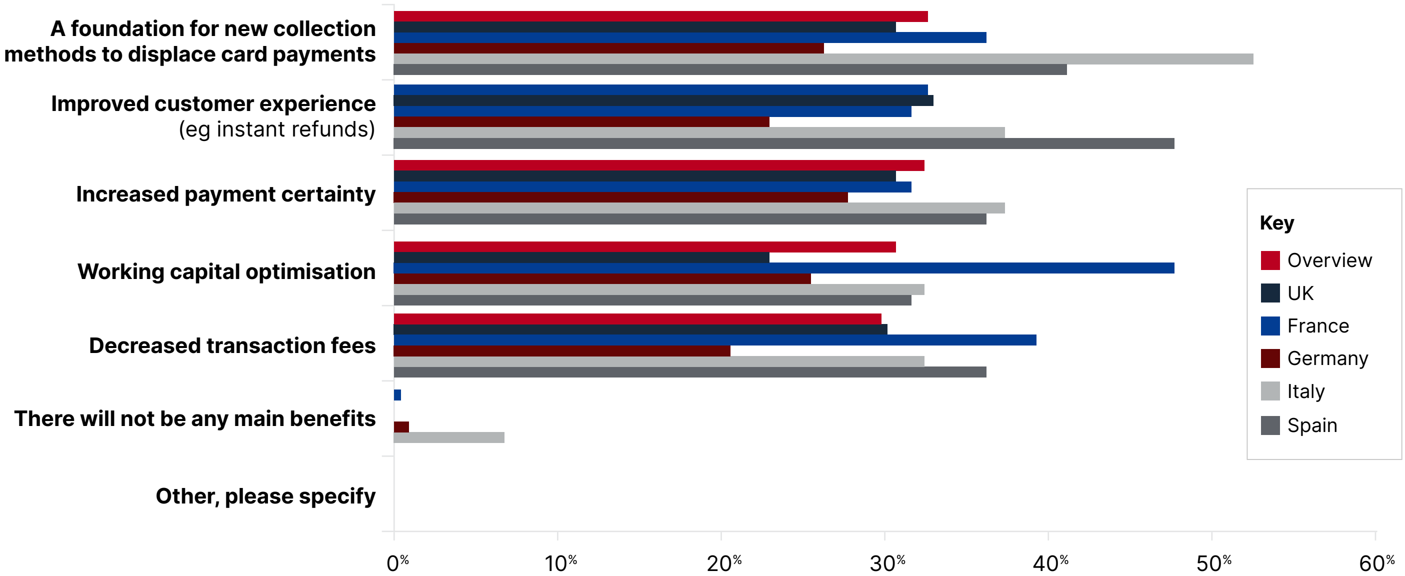
Reducing the administrative burden for businesses

Automating payment workflows eliminates the need for manual processes and frees up valuable time and resources. These resources could be pivoted to focus on core activities, innovation, and strategic decision-making.

Cash pooling

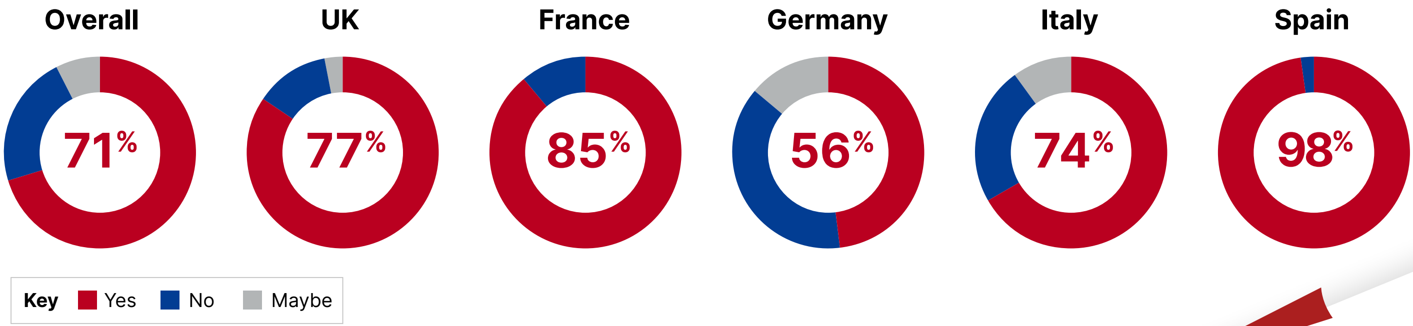
Cash pooling is a technique where businesses consolidate their funds into a central account to optimize cash management. With B2B instant payments, companies can easily transfer funds within their organization, allowing excess funds from one subsidiary or department to support areas with temporary liquidity needs. This consolidation enhances cash utilization, reduces borrowing costs, and provides better control over cash flow.

What will be the main benefits, if any, of instant payments regulation for your business/corporate clients? (select two)



*respondents who don't offer SEPA Credit Transfers currently

Do you expect there to be a significant uplift in the use of instant payments as an e-commerce or point of sales payment method by end 2025?



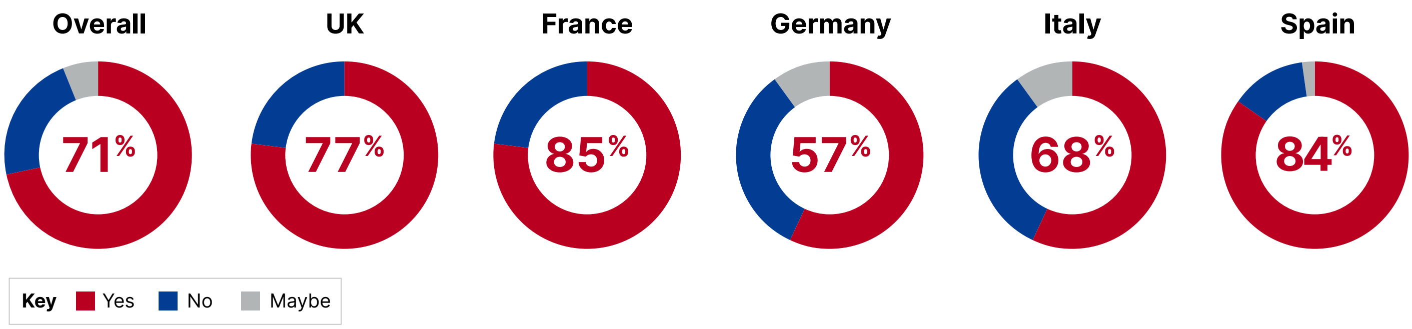
Do the benefits of SEPA Instant outweigh the implementation costs?

The big question on everyone's lips is whether all the work European banks must undertake to meet the stringent deadlines will be worth it. Our research reveals that they believe it is, demonstrating optimism among the banking community.

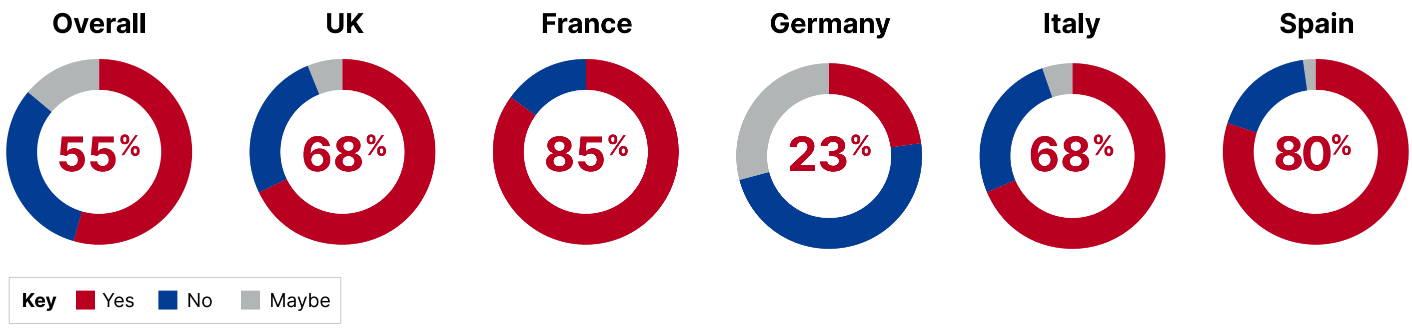
Despite the significant investment, 77% of banks believe the benefits outweigh the cost. This sentiment is strongest in France (85%) and Spain (84%) and weakest in Germany (57%) which still had an overall majority.

A slim majority of banks (55%) intend to offer instant payments as the default payment option for their clients in the future. Again, this is highest in France (85%) and Spain (80%) and Germany is a clear outlier with just 22% of banks intending to offer instant payments as the default payment option.

Do you believe that the benefits to European businesses and consumers offset the costs the industry will face to comply with the regulation?



Do you intend to offer instant payments as the default payment option for your clients?



Conclusion

SEPA Instant marks the modernisation of European payments infrastructure. Businesses and consumers can look forward to reaping the rewards of efficient, secure, cost-effective, and real-time payments in the near future.

This step change does come with major challenges for European banks who are at the forefront of the revolution. Banks will have to implement significant changes to their payment operations. From upgrading their infrastructure to cope with higher volumes and cover downtimes and outages, to recording and synchronizing data accurately, investing significant capital and making core banking, fraud, limit, and liability systems instant, highly scalable, and available 24/7. It will not be easy.

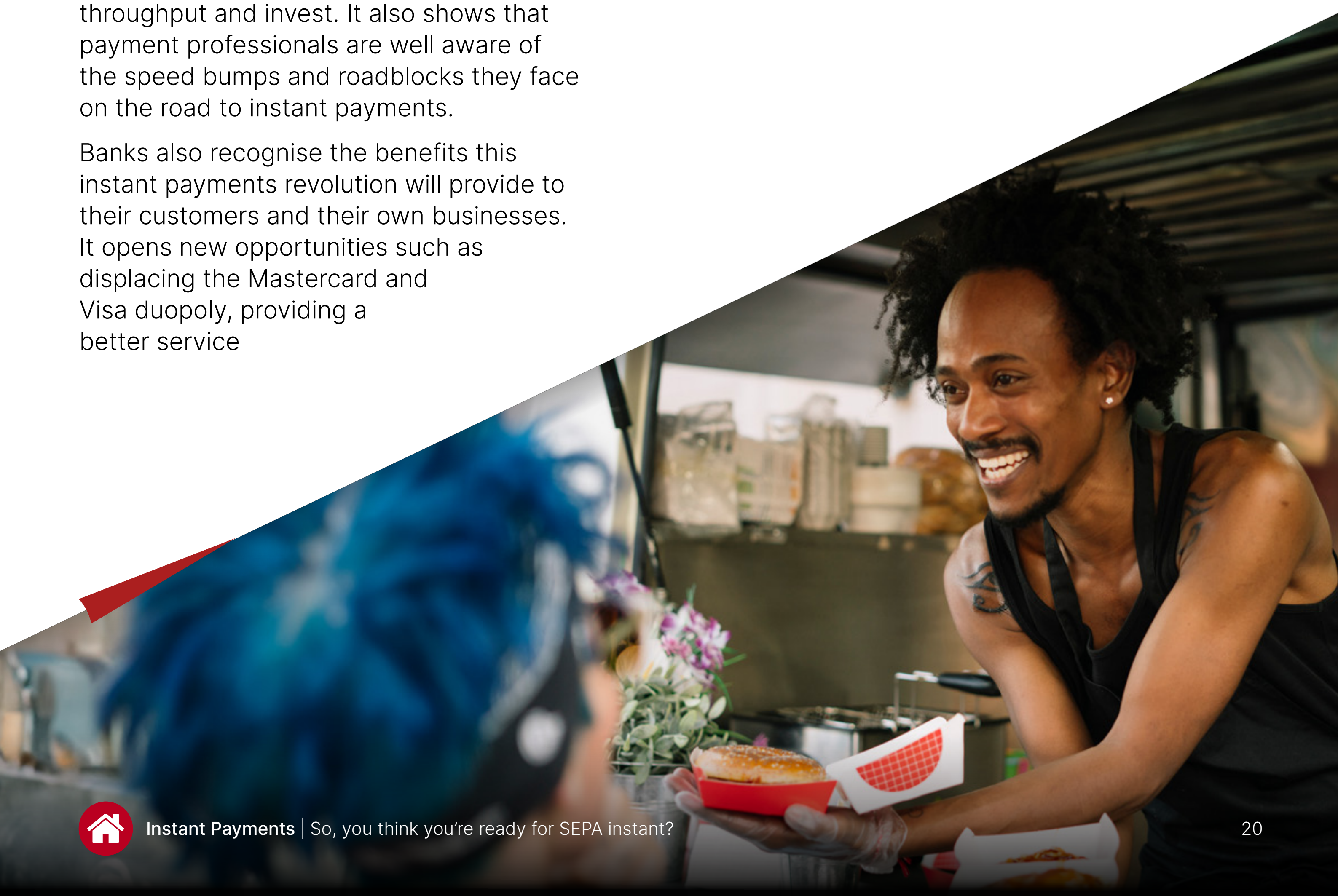
Our research shows that there is some trepidation about the proximity of the timelines and a possible underestimation of how much they need to scale their throughput and invest. It also shows that payment professionals are well aware of the speed bumps and roadblocks they face on the road to instant payments.

Banks also recognise the benefits this instant payments revolution will provide to their customers and their own businesses. It opens new opportunities such as displacing the Mastercard and Visa duopoly, providing a better service to their corporate customers, creating new value-add offerings and driving competition in the market.

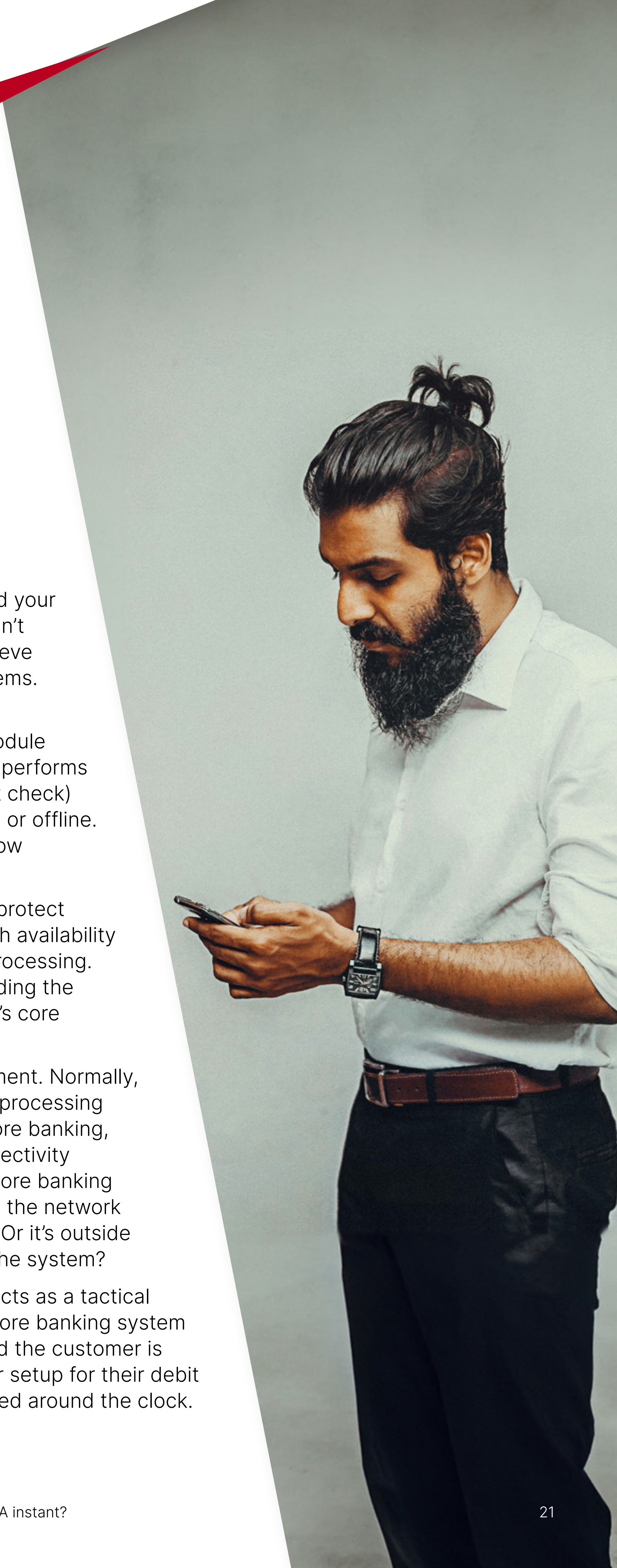
Positivity about the move to instant payments from those tasked to deliver it should give the industry, regulators, businesses and consumers confidence that banks will implement the changes requires and herald a new era in European payments.

As there is no cookie-cutter solution that will work for all banks, we can expect to see an exploration of alternative approaches that don't require them to change their core banking systems.

Finding the right partner to support this journey is key. One that has the technical expertise and experience to deliver a solution which meets their specific needs, while enabling them to retain control of their payments modernization programme.



I'm worried about meeting the new regulations, what can I do?



If you want to keep processing payments and your legacy core banking system can't do it (or can't do it quickly), you must rethink how you achieve instant payments on top of the existing systems. The question is: How?

In instant payment processing, a stand-in module refers to a backup or temporary system that performs transaction processing (like balance/account check) when the core banking system is unavailable or offline. It is also known as a stand-in ledger or shadow balance module.

Stand-in modules are tactical solutions that protect downstream systems while providing the high availability and accuracy required by instant payment processing. They also serve as an integration layer, shielding the payment engine from the specifics of a bank's core banking system.

Let's say a customer initiates an instant payment. Normally, the transaction will go through the standard processing system – order manager, payment engine, core banking, other enterprise systems, and last-mile connectivity gateways. But what happens if the primary core banking system is unavailable? What if problems with the network prevent transactions from being processed? Or it's outside business hours? Or there's maintenance on the system?

This is where a stand-in module steps in. It acts as a tactical and technical solution, shielding the bank's core banking system to ensure transactions are still processed and the customer is unaffected. Many banks already use a similar setup for their debit card transactions to keep payments processed around the clock.

Benefits of a stand-in module:

24/7 service from non-24/7 systems:

Most core banking systems operate during business hours, but instant payments are 24/7 (as per EU legislation). Stand-in modules help banks meet these demands using existing and legacy platforms to ensure payments process around the clock.

Reduced downtime

If the core banking system drops, the stand-in module steps in. Downtime is minimized by activating the stand-in module during the primary system unavailability. Businesses and financial institutions must maintain operations, especially in scenarios where instant processing is essential.

Business continuity

Heavily reliant on instant payment processing? The stand-in module helps prevent revenue loss and maintains service availability during temporary outages. It is a core component of business continuity planning for businesses.

Optimized cash flow

Timely payments are critical to every business. The stand-in module helps them flow even if the core banking system has not booked a payment yet.

Transaction continuity

One of the biggest benefits of a stand-in module is its ability to secure transaction continuity. In the event of disruptions or unavailability of the primary authorization system, the stand-in module allows transactions to be processed, which prevents delays and maintains a silky-smooth user experience.

Enhanced customer experience

Instant payments provide a fantastic customer experience. When they're instant, but if there is a delay, the system is down, or there is som e other technical issue that delays the transaction, instant payments are less attractive. The stand-in module tees up a winning customer experience every time by minimizing the impact of disruptions and ensuring that customers can still make transactions without unnecessary delays.

Improved reliability

A stand-in module adds a layer of reliability to the payment system. It demonstrates a proactive approach to handling potential disruptions, instilling confidence in users and stakeholders.

Prevent transaction declines

A stand-in module builds trust with your customers by preventing unnecessary transaction declines during temporary outages.

Is a stand-in module right for your organization?

A stand-in module is one slice of a broader strategy that protects the resilience and continuity of payment systems. It can help to minimize service disruptions and ensure transactions are processed even when the primary core banking system is temporarily out of action. When the primary system is back online, transactions processed using a stand-in module must be reconciled and verified.

At the same time, a stand-in module can be used as an integration layer, keeping your payment processing solution as vanilla as possible.

But it's important to note that a stand-in module is neither a product nor a one-size-fits-all solution.

Core banking systems differ from bank to bank, as do the activities performed. Do you deal solely with balances? Or do you perform complicated multi-currency transfers? If you have enough GBP in the GBP component but not enough USD, will you let the EUR component cover it? The systems that feed into a shadow balance and the way they are synchronized are subjective.

A stand-in module is a complex, highly customized piece of work. It requires deep integration with your payments engine and core banking systems. There is some basic functionality that is consistent across banks. Beyond this, it takes an acute understanding of your environment, risk appetite, and IT systems to build a bespoke solution.

Speak to RedCompass Labs

At RedCompass Labs, we will work with you to understand your requirements. We can deliver a solution that meets your specific needs. We have micro-service-based toolkits and accelerators to create solutions quickly that enable you to work with existing platforms. We can help you avoid the customization of your payments engines – which reduces cost, risk, and project time – and retain control of your payments modernization program.

About RedCompass Labs

At RedCompass Labs we believe that there are only two types of payments – good and bad. We enable good ones; We help stop the bad.

We exist to help open the doors of finance to all, and to protect those who enter.

We are experts in instant payments, faster payments and frictionless payments. Whether domestic or cross border, we have been working with IS0 20022 for 15 years, and as payments move faster, we have been on the leading edge of implementing these schemes all around the world.

RedCompass Labs is a source for world-class payments experts, as well as microservice-based toolkits that accelerate payment platform builds, updates, and scheme adherence. Our technology reduces the need for complex payment platform customizations, increases platform functionality, and decreases project risk.

As payments accelerate, their use for causing harm multiplies. The RedCompass Labs RedFlag Accelerator is the gold standard of red flags for providers of payment services. We use these flags and a persona-oriented approach to provide investigation tools and algorithms that identify human crimes such as labor and sex trafficking, child sexual exploitation, elderly abuse, and fraud, occurring in payment providers' data. We provide AML (Anti Money Laundering), Sanction and Fraud system integration, upgrades and tuning, using data analytics tools we have developed.

We support our clients from offices in the UK (London), Poland (Warsaw), North America (Miami, Atlanta, Toronto), Belgium (Geel and Brussels), Japan (Tokyo) and Singapore.

We do payments. We accelerate the good - instant, faster, frictionless, real time, and cross-border payments. We help stop the bad - human crimes, labor and sex trafficking, sanction lists, and fraud. That is who we are.

About the research

This white paper examines the data and results of a survey by Censuswide on RedCompass Labs' behalf conducted between 22 January 2024 and 30 January 2024 of 200 senior payment professionals who work in a bank in the UK, France, Spain, Germany or Italy.

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