



Real-time payments will revolutionize corporate banking – here's why.



The forthcoming EU mandate for banks to enable SEPA-Inst payments both domestically and across borders will create huge opportunities in the often-neglected corporate and merchant payments markets.

On 9 January 2025, the EU's SEPA-Inst mandate will come into force across the Eurozone, requiring banks to receive real-time payments (RTPs) domestically. The mandate also states that Eurozone banks must be able to send RTPs in their home market and internationally by 9 October 2025. By 9 January 2027, non-Eurozone banks in the EU should be able to receive SEPA-Inst payments, with non-Eurozone SEPA-Inst compliance set for all EU banks by 9 July 2027.

“ Real-time payments will be a phenomenon over the next five years – and banks should look to capitalize.”

While most banks are, at present, seeing this as a regulatory or compliance issue, at Tietoevry Banking we believe this is a huge opportunity – not least because RTPs are going to be the payments phenomenon of the next five years. In particular, we see the B2B and merchant payment markets as rich opportunities, both for their huge volumes and for the seismic changes RTPs will bring to these segments.

By 2030, one in three payments will be RTP.

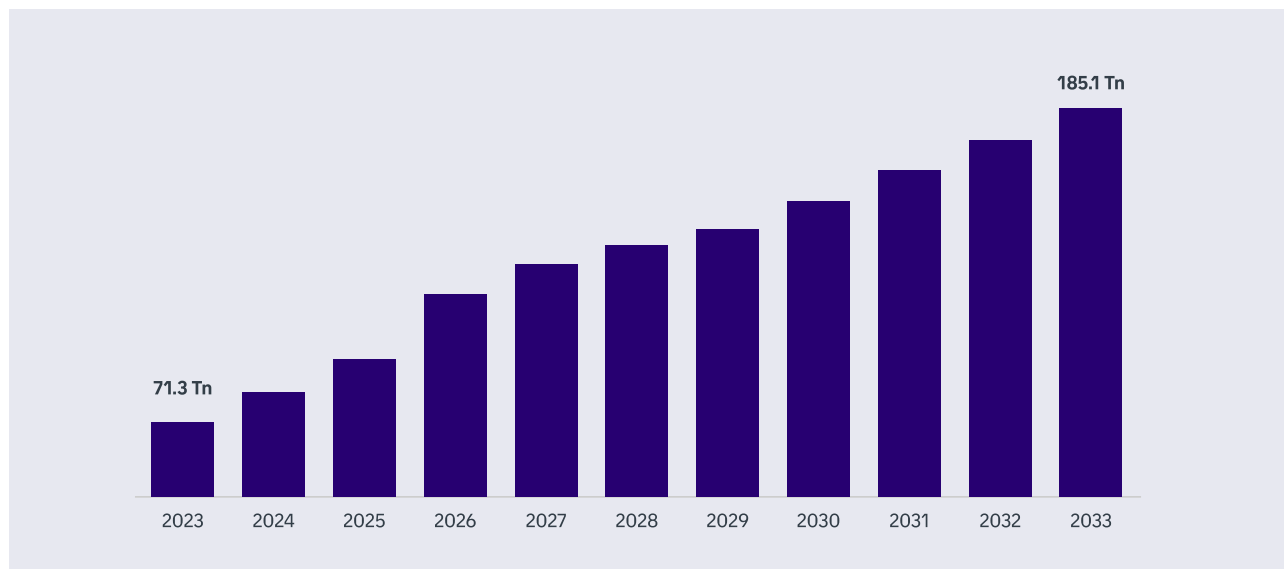
Growth in RTPs has been gathering pace for the last decade, and most recently has averaged around 30% per year, according to Data Bridge Research¹. Data Bridge project that RTPs will account for one in three consumer transactions by 2030 – and an even higher proportion of transactions in Asia, with markets such as Singapore, Thailand, Malaysia and India joining forces to connect domestic RTP systems across borders. Meanwhile in Europe, Spain, Italy and Portugal have announced plans to connect their RTP schemes and the European Payments Initiative has announced ambitious plans for a pan-continental RTP scheme.

However, the real opportunity for banks lies not with consumers, but with corporate and merchant payments – the business to business (B2B) payments market. That's not just because B2B and merchant payments dwarf consumer payments by a factor of more than two to one – but also because RTPs will have a greater impact on these previously under-served segments.

¹ Data Bridge Research, “Global Faster Payments Market – Industry Trends to 2029”: <https://www.databridgemarketresearch.com/reports/global-faster-payment-service-fps-market>

According to Sapphire Ventures, the global B2B payments market is worth around \$125 trillion, more than double the size of consumer payments around the world. Meanwhile, *McKinsey's Global Payments Report* ranks² growth in B2B payments over the next decade around a third higher than consumer payments in all world regions except North America.

B2B – Consumer's bigger brother



CREDIT = Sapphire Ventures

Long-standing payment problems – especially for SMEs

Small and Medium Enterprises (SMEs) in particular have long-standing issues with banks. Survey after survey shows that SMEs feel their bank does not tailor products to their needs and is too expensive and slow when it comes to making decisions on loans and other forms of finance. A survey in the UK found³ that 60% of SMEs feel neglected and underserved, while 59% of UK business owners think services offered by banks aren't tailored to their needs. A similar picture emerges in India, where two-thirds of SMEs say⁴ they want easier and faster access to loan approvals than banks can provide, and in Nigeria, where almost half (48%) of SMEs⁵ turn to friends and family for financing, as banks are too slow and reluctant to lend.

In Europe, specialist banks and other lenders such as Fire (Ireland) and Aquila (Norway) are emerging to counter SME dissatisfaction – however, complaints from SMEs continue. Partly, this is driven by business owners and managers expecting the same flexibility and speed from their business accounts that they find in their personal banking. More broadly, SME owners and managers have also seen the effect of the digital revolution in sectors such as publishing and media – and expect financial services to be as seamless, tailored and low-cost as services in those sectors.

² McKinsey & Company, "Accelerating Winds of Change in Global Payments": <https://www.mckinsey.com/industries/financial-services/our-insights/accelerating-winds-of-change-in-global-payments>

³ PYMNTS, "SMEs: Small-ish, Misunderstood Enterprise Report": <https://www.pymnts.com/news/b2b-payments/2018/bibby-financial-smb-banking-services/>

⁴ The Economic Times (India), 11 January 2022, "SMEs lose Rs67 lakh annually due to outdated ways of managing finances" <https://economictimes.indiatimes.com/small-biz/sme-sector/smes-lose-rs-67-lakh-annually-due-to-outdated-ways-of-managing-finances-study/>

⁵ PwC, Nigeria SME Report: <https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-2020-final.pdf>



Recent economic trends favor RTP for B2B



After the COVID pandemic, two trends in the global economy have strengthened the case for RTP payments in the corporate and merchant segments. The first is a huge increase in the number of merchants accepting electronic payments, which is expected to rise by around 30% between 2023 and 2028 according to *The Digital and Card Payment Yearbooks*⁶. The second is massive growth in self-employment, or the so-called “gig” economy – in which being paid rapidly, and having access to funds immediately, is vital. Data from the EU reports⁷ that 28.3 million people worked remotely or through digital labour platforms in 2022, a number they project will rise to 43 million by the end of 2025, with some markets seeing as much as 20% of their workforce self-employed.

Real-time payments offer banks the opportunity to create a step-change in how they service their SME customers, especially those merchants joining the electronic payments ecosystem for the first time. For workers in the “gig” economy, banks that offer real-time payment and settlement are going to be first choice.

How RTPs improve corporate and merchant payments

By 2030, we should expect financial services overall – and corporate payments in particular – to closely resemble other business segments that have already undergone a digital revolution – such as media streaming, publishing and others. This means banking will be digital-first and highly personalized. It also means more rapid service delivery and greater levels of security.

Some of the ways in which Real-Time Payments will revolutionize corporate and merchant payments include the following:



Verification of Payee (VoP) and Request to Pay: Enhancing Payment Accuracy and Security.

Verification of Payee (VoP) was introduced in the UK in 2019 and in the Netherlands in 2020 as “Confirmation of Payee.” This innovative service will be available across Europe from October 2025 and in the Nordics by late 2027. VoP empowers consumers and businesses to verify that payments are directed to the correct beneficiary and payee. Before transferring funds, users can confirm that the name on the recipient’s account matches the

⁶ See “The Digital and Card Payment Yearbooks 2024” at www.paymentyearbooks.com

⁷ The European Parliament, 18 April 2024: “The Gig Economy: How the EU platform improves workers’ rights”: <https://www.europarl.europa.eu/topics/en/article/20190404STO35070/gig-economy-how-the-eu-improves-platform-workers-rights>

intended person or business, ensuring that payments reach the correct destination.

Today's corporations frequently encounter issues such as sending payments to incorrect beneficiaries and receiving payments with errors, leading to reconciliation failures. By combining VoP with the Request to Pay service, corporations can ensure they send precise information to payers ahead of the payment, strengthening the payer's confidence that they are transacting with a legitimate corporate entity.

Corporations will also gain the capability to validate extensive payment files containing multiple transactions, including various payment types, before integrating the data into their ERP systems. This not only streamlines the payment process but also enhances overall transactional accuracy and security.

Investing in the combined power of Verification of Payee and Request to Pay promotes a robust financial ecosystem, providing enhanced security, improved customer trust and operational efficiency for businesses.



Bill splitting and instalment payments

Essential for small businesses who partner to deliver services, the ability to split bills and pay by instalments will also help small businesses looking to spread the cost of investments in new software or equipment. Using bill splitting and instalments, it's possible for businesses to send a supplier's share of an invoice to them immediately, or spread the cost of capital expenditures without resorting to loans.



Enterprise Resource Management

As real-time payments include rich transaction data, invoicing and accounting systems such as QuickBooks and Xero can be "plugged in" to bank accounts. Alternatively, banks can develop their own services that reflect accounts receivable, payments and billing in real time. For freelancers and small businesses working on tight margins, this is a significant service development.

RTPs also help to cut the cost of doing business. Research from Deloitte shows⁸ RTPs reduce the cost of transactions for businesses by up to half, meaning that businesses are required to hold much less "dead" cash to cover outgoing payments because their bills are settled immediately. In turn, this enables them to invest funds in future growth, rather than sitting on account.

Finally, introducing RTPs means banks have access to large pools of transaction data exchanged between sending and receiving banks during the transaction process. If this data is correctly analyzed, it enables banks to create more tailored services for their corporate and merchant customers. Access to richer transaction data also helps banks prepare for upcoming legislative requirements such as the EU's Digital Operations Resilience Act (January 2025) and the third Payment Services Directive (PSD3, due in 2027/2028) both of which are going to mandate new security provisions and authentication requirements linked to client data.

Beyond compliance: the real-time era

As banks face investor pressure to improve margins and drive better revenue growth – not to mention competition from specialist neobanks and fintechs – they should embrace the shift to real-time payment as more than just a compliance requirement. Instead, RTPs give banks the potential to revolutionize their corporate service portfolio and offer corporates a much better opportunity to communicate with their customers and integrate value-added services with the payments process.

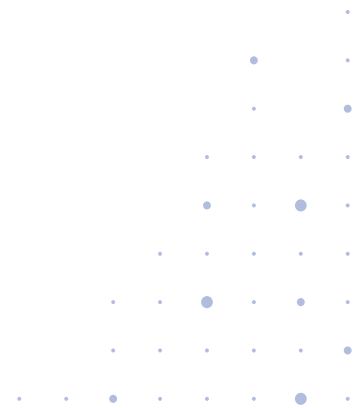
Beyond instant transaction and settlement, RTPs can provide services that deliver the lower costs and greater flexibility corporates and merchants have wanted for years – such as oversight into real-time cashflows and better visibility of accounts receivable. As always, banks that move first to adopt the RTP services we've outlined in this paper will reap the greatest rewards in terms of improved corporate client satisfaction, loyalty and positive revenue and profitability growth.

⁸ Deloitte, "The Economic Benefits of Faster Payments": <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/financial-services/deloitte-uk-economic-impact-of-real-time-payments-report-vocalink-mastercard-april-2019.pdf>

Tietoevry Bank Payment Solutions

Tietoevry Bank Payment Solutions works as a catalyst for change, empowering banks to navigate the evolving financial landscape from new technologies to changing regulations and increasing customer expectations. We pave the way for a seamless and efficient financial ecosystem through our unique, composable isolated payment capabilities delivered via a subscription-based business model. We enable our customers to focus on what truly matters – adding value and becoming a customer-centric organization. This strategic approach not only simplifies processes but also propels businesses forward in the competitive financial arena, equipping them to ensure compliance, access individual and orchestrated capabilities through flexible APIs, and reduce the cost and complexity of systems management.

www.tietoevry.com/en/banking/transaction-banking/bank-payments/



For a discussion about how to use the switch to RTP to revolutionize the services you offer corporate and merchant clients, contact:



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