



THE DRAMATIC RISE IN A2A PAYMENTS

The landscape of global payment methods continues to evolve at breakneck speed. The way consumers and merchants pay and are paid has been upended by digital wallets, Buy Now Pay Later options and contactless payments – all of which were little known or non-existent a decade ago.

Emerging as one of the potentially most transformative trends is the dramatic rise of account-to-account (A2A) payments.

The rise of A2A has also been lopsided, seeing enormous if highly localized successes. A2A payments compete for payment dominance in India, Poland and the Netherlands, yet they remain a comparatively fringe payment method in major markets such as China, Japan, South Korea and the U.S. That imbalance has also left a gap in collective understanding of what A2A payments are and why they matter.

What are A2A payments? Where and why are they succeeding, and what's next for A2A?

What are A2A payments?

Account-to-account payments are payments made directly from one account to another without transaction intermediaries such as card networks. Modern A2A payments are made directly from one party to another via digital tools on dedicated payment rails, most often instantly.

A2A payment methods such as Pix in Brazil, iDEAL in the Netherlands and BLIK in Poland are dominating their respective markets by providing seamless payment experiences in mobile apps, online checkouts and POS terminals. A2A payments are rooted in legacy payment systems such as ACH in the U.S. and giropay in Germany. A2A is already commonly used between individual persons (P2P), businesses (B2B) and governments (P2G, G2P). Today, A2A is emerging as a force in person-to-business (P2B) payments.

A2A payments are growing rapidly in markets such as Brazil and India, where they're executed over state-owned and operated real-time payment (RTP) rails. According to The Global Payments Report 2023, nearly 70 RTP schemes globally are projected to drive

continued A2A payment growth. (All statistics in this article are sourced from The Global Payments Report 2023 unless otherwise stated.)

RTP is a big part of the A2A story, but it's far from the only growth driver. Bank consortiums are propelling A2A success in Argentina (Modo), Singapore (PayNow), Spain (Bizum), Denmark and Norway (Vipps MobilePay). Private fintechs are leveraging open banking initiatives and powerful application programming interfaces (APIs) to create successful A2A tools such as Trustly, Sofort and Volt.

How big are A2A payments globally?

The Global Payments Report 2023 estimates that account-to-account payments represented US\$525 billion in 2022 e-com transaction value alone. A2A payments are projected to grow at 13% CAGR through 2026, resulting in a global e-com market size of nearly \$850 billion.

A2A payments are the leading online payment method today in Finland, Malaysia, Netherlands, Nigeria, Thailand and Poland, and our research projects that they will be so in Brazil imminently.

Where are A2A payments succeeding around the world?

A2A payment methods are competing strongly or have already achieved dominance in diverse markets around the world.

In Brazil, Pix is the instant payment system developed and operated by the Central Bank of Brazil. It went live in November 2020 and has exploded in popularity since. [Pix reported](#) that the number of P2B Pix transactions grew by 209% between October 2021 and October 2022, from 152 billion to 472 billion. According to The Global Payments Report 2023, A2A payments doubled their share of e-com transaction value in Brazil in a single year (from 12% in 2021 to 24% in 2022).

In Peru, Yape and PLIN are private bank-run systems that are driving the rise of A2A payments. Yape is run by Peru's largest bank, BCP, while PLIN is a joint service of BBVA, Interbank and Scotiabank. Driven by the success of Yape and PLIN, the value of A2A in Peru's e-commerce market spiked from 9% of e-com

transaction value in 2021 to 17% in 2022. Our research projects that A2A will continue to grow, accounting for 28% of Peru's e-com value by 2026.

In India, Unified Payments Interface (UPI) was launched in 2016 by the National Payments Council of India (NPCI) and the Reserve Bank of India (RBI). UPI's dramatic success derives largely from its seamless interoperability with the popular commercial digital wallet providers. UPI rails support payments from within NPCI's own Bharat Interface for Money (BHIM) app, and via Google Pay, Paytm and PhonePe both online and via QR codes. That helped drive digital wallets to an outright majority with 50% of e-com value in India in 2022.

In Thailand, PromptPay is a key component of Thailand's government initiative to transform the country's financial infrastructure, facilitating seamless digital payments online and at POS. PromptPay has propelled A2A payments to become Thailand's leading payment method online, accounting for 42% of e-com transaction value in 2022, up from 38% in 2021.

Why are A2A payments winning so decisively in many markets?

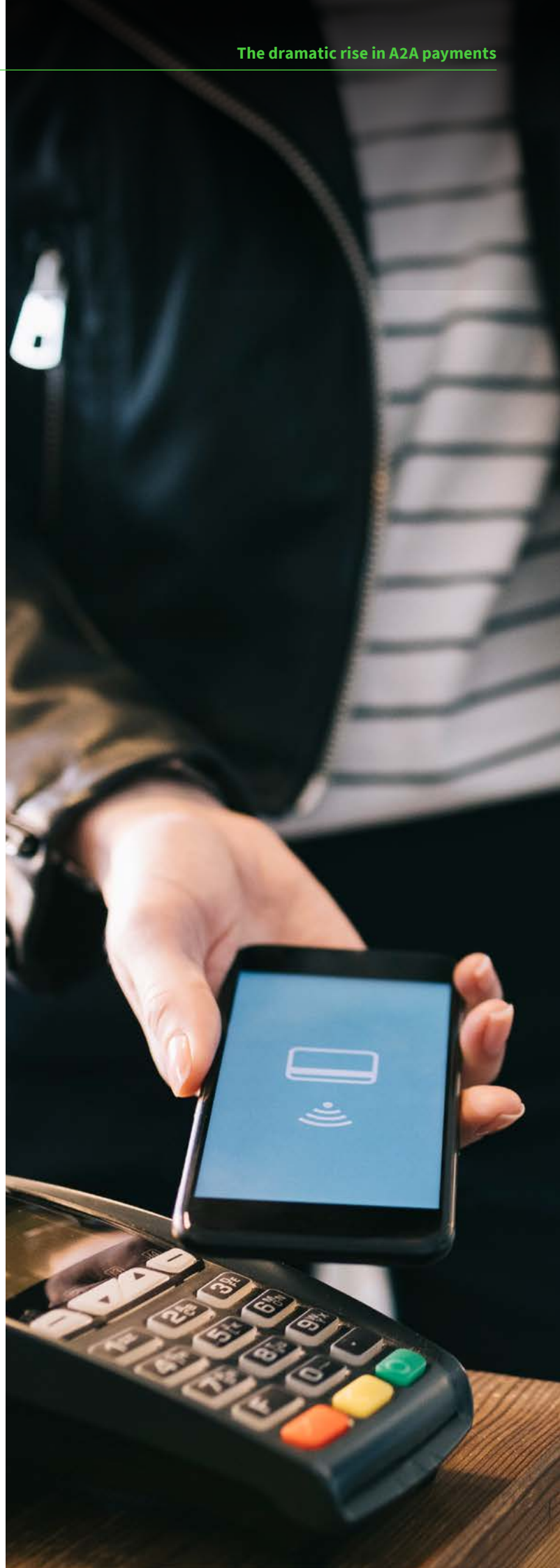
Simply put, A2A payments often offer lower costs of payment acceptance than most payment methods, especially card payments. That's exciting for merchants of every size and in every type of business around the world. A2A offers directness, immediacy and lower costs, as transactions are not intermediated by major card networks and thus not subject to interchange fees. Merchants' enthusiasm for A2A signals a potentially significant threat to disrupt legacy payment value chains.

Consumers are drawn to A2A payments by their safety, simplicity and speed. In emerging markets like Brazil and India – where card cultures never gained dominance among largely unbanked consumers – A2A payments are rapidly transforming the landscape while making enormous strides in advancing financial inclusion.

To date, A2A has been less impactful in mature consumer markets where card culture is deeply entrenched, such as in Canada, Japan, the U.S. and the U.K. These markets enjoy payment systems that work well and inspire strong loyalty with consumers through the success of card reward programs. A2A providers may need to offer incentives of their own to draw consumer spend away from established incumbents, including cards and the wallets that carry them.

What's next for A2A?

Having transformed the payment landscapes of some of the world's largest economies, account-to-account payments are now poised to scale well beyond domestic audiences. Meanwhile, A2A payments are in the news in the U.S. due to efforts by both existing and new A2A players.



Interoperability is fueling scale

A common characteristic of many of the world's leading A2A systems is their inherent interoperability with each other. Designed to leverage open architectures and APIs, these systems are enabling payment systems to scale well beyond national borders.

APAC's real-time payment schemes are increasingly interlinked: Malaysia's DuitNow is linked with Singapore's PayNow, which in turn is linked with PromptPay in Thailand. In November 2022, the five ASEAN countries of Indonesia, Malaysia, Thailand, Philippines and Singapore signed a [memorandum of understanding](#) to proceed to link each country's QR code payment systems.

India's [UPI link with Singapore's PayNow system](#) is but [one of many countries](#) where UPI can be used. Others include France, Oman, Malaysia, Saudi Arabia and the UAE. In LATAM, the success of Brazil's Pix has inspired [collaboration with payment groups in Colombia](#), while talks are in the works to [export Pix to Canada](#).

Will A2A succeed in the U.S.?

Big changes have been taking place for A2A in the U.S., and more are on the way. The U.S. already has two real-time payments A2A networks in Zelle and RTP® from The Clearing House. Though Zelle has succeeded in P2P and RTP from The Clearing House has gained share of B2B, neither has emerged as big players in U.S. person to business payments.

But change is in the air. In November 2022, e-commerce giant [Amazon announced a tie-up with P2P payment giant Venmo](#) that allows consumers to pay via bank account or debit card-linked Venmo accounts. In the same month, J.P. Morgan and Mastercard [jointly announced the launch of Pay-by-Bank](#), an ACH payment that uses open banking to facilitate bill pay and other account-to-account purchases.

To expand the availability of instant A2A payments in the U.S., the country's Federal Reserve banks developed a new instant payment system called FedNow, which went live in 2023. FedNow's success will depend largely on its ability to collaborate with banks and fintechs to create payment value chain by reducing friction, increasing speed and enhancing security. FedNow is perhaps unlikely to transform the U.S. payment market overnight. Yet FedNow may leverage its considerable advantage of being able to offer payment services at lower cost than its profit-minded competitors.

The existence of FedNow signals a strong dedication by payment authorities in the U.S. toward stimulating innovation in next-generation payment rails. In addition to FedNow, A2A payments in the U.S. may see a boost from activist regulators. In June 2023, U.S. regulators from the Consumer Financial Protection Bureau [signaled their intent](#) to further promote open banking initiatives. Whether those initiatives end up running on existing ACH rails, FedNow or another system entirely, A2A promises to be at the center of payment competition.


A2A payments are at the tip of innovation's spear and should be top of mind for payments professionals. Look to A2A to further establish itself as a foundational player in the constantly changing landscape of global payments.



[Click here](#) for more details on Open Payment Framework

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