

FIS

FLAVORS OF ***FAST***

Country Reports
Singapore

Introduction

The fifth edition of global fintech leader FIS' faster payments¹ industry report, *Flavors of Fast*, demonstrates how quickly the global payments ecosystem is evolving. When *Flavors of Fast* was first published in 2014, there were 14 live faster payment schemes in the entire world. In 2018, that number has nearly tripled. There are now 40 live faster payment schemes, five real-time schemes actively preparing for launch, and 16 more "on the radar."

Adoption of faster payments remains strong, particularly in regions that have encouraged innovation and invited third parties to use the real-time rails (the network or central infrastructure that facilitates the movement of funds) to deliver a frictionless user experience. Despite that more than half of India's population remains offline, its real-time scheme now processes nearly three million faster payments transactions each day, up from two million a day in 2017.

China now processes more than 25 million faster payments transactions a day, more than double its 2017 transaction volume. Economically significant regions like the United States (US) and Australia recently launched their first real-time schemes, and since its November 2017 launch, banks in more than 15 European countries, including Germany and the United Kingdom (UK), have gone live with the SEPA Instant Credit Transfer (SCT Inst) scheme.

Meanwhile, Hong Kong prepares to launch its faster payment rail in fall 2018, as the UK reconsiders the future of its modernized payments system and explores new frontiers of open banking.

Despite that processing speed is an inherently critical component of a real-time scheme, it's not the end game. "The proliferation of the number of schemes and adoption points to the fact that global faster payments rails are no longer an outlier, but the faster payment rail on its own is not transformative. The real value we're seeing is in the overlay services that use the rail to bring additional value for end users, banks and other parties attached to the scheme," explains Andrew Hewitt, FIS Director Payment & Data Solutions.

As regions continue to invite and encourage innovation on their real-time rails (including from providers who aren't traditionally involved in financial services) we predict that 2018 marks the start of a pivotal shift in how, why and for whom real-time rails will deliver contextual relevance, frictionless experiences and value.

In this report, we examine the state of faster payments in Singapore, four years after the launch of its Fast and Secure Transfers scheme (FAST).

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¹ Flavors of Fast Definition of a Faster Payment: Inter-bank fully electronic payment systems in which irrevocable funds are transferred from one bank account to another, and where confirmation back to the originator and receiver of the payment is available in one minute or less.

Scheme Overview

Singapore's FAST was among Asia's first new wave of instant payment services, and enabled customers of the 20 participating banks to send electronic transfers in Singapore dollars almost instantly, 24/7. FAST was introduced to meet the increasing demand from consumers and businesses for faster and more efficient funds transfer. Prior to FAST, an interbank funds transfer took up to three business days. The service has a limit on individual transactions of SGD 50,000.

Customers access FAST using devices like a tablet, smartphone or personal computer. To send funds, customers need the recipient's name (for reference) and bank account number. Using FAST, consumers and businesses can move funds between conventional checking and savings accounts, and to credit and debit card accounts (when allowed by the participating bank). Customers can confirm the status of transfers by accessing their bank account via internet banking, or through notification services provided by participating banks.



FPII Rank



Fast Facts

- FAST launched in 2014
- Achieved a 4+ rating on FIS' Faster Payment Innovation Index (FPII)*
- Banking Computer Services (BCS) on behalf of The Singapore Clearing House Association (SCA)
- Real-time, immediate and continuous settlement 24/7
- Almost 100,000 transactions per day with the value of almost SGD 200 million transferred daily

* The Faster Payment Innovation Index (FPII) is FIS' five-point comparative rating system to compare and contrast diverse payment schemes. The higher the FPII score, the stronger the possibilities for innovation.

Closer Perspective

Despite its modern image as a regional hub of financial innovation, electronic payments acceptance in Singapore is inconsistent, and reducing check usage has proven to be a slow process. To redress the balance, the Association of Banks in Singapore (ABS) introduced a mobile payment service for retail consumers in 2017 called PayNow. The service enables instant person-to-person (P2P) funds transfer to be made to a mobile number or Singapore NRIC/FIN ID number that is linked to a specific bank account through FAST. The service is free, secure, available 24/7 and can facilitate instant payments via QR codes.

Despite strong adoption of FAST in the retail market, the business community has remained heavily dependent on cash and checks. Corporate adoption of electronic payments is somewhat inhibited by a lack of access to FAST, requirements for liquidity/working capital, and limited demand from consumers to expand payments acceptance beyond cash and checks. With the upgrade to the PayNow overlay service app to include business users (see below), this situation could change radically in the future.

The Monetary Authority of Singapore (MAS) has given impetus to further payments innovation with the publication of the "Singapore Payments Roadmap." The aim is to drive innovation and adoption of payment developments that will facilitate further payments growth for consumers and businesses across the island nation.

Singapore is now well-developed in the implementation of an application programming interface (API) access layer that operates alongside the FAST service, to encourage innovative payment solutions.



No Country Is An Island

Despite its small size (or perhaps, because of it) the island of Singapore has always operated in a globalized economy. The FAST payment service certainly maintained Singapore's reputation as a payments innovator, but other regional giants like China and India have made enormous strides in the move toward digital payments and the eradication of cash and checks.

While Singapore had the infrastructure to make instant payments possible, the arrival of social media app-based payment mechanisms like WeChat and Alipay have changed the game. As these Chinese social networks expand their coverage across Asia to ease the payments journey for visiting Chinese citizens traveling abroad, many Singapore-based services and retailers now accept them to satisfy demand from Chinese travelers. (This is something the citizens of Singapore cannot replicate). The threat to the Singaporean banking sector being disintermediated from the payment cycle has motivated the territory to become creative about ways to remain relevant in the face of stiff competition.

As Singapore adapts and expands the services available on the FAST payment rails, and adopts open banking and API-based services, its reputation as a regional center for innovation will be reinforced.

Regional Collaboration

Despite the friendly rivalry in the region, there is a collective understanding of the need to work together for the greater good. Consequently, the Monetary Authority of Singapore is collaborating with the Hong Kong Monetary Authority to deploy a blockchain solution that would link the two jurisdictions for facilitated cross-border trade. When the deal was announced last October 2017, the initiative was the first of its kind in the world in the application of distributed ledger technology (DLT), in solving the century-old problem arising from the inefficiency of the paper-based trade finance system.



PayNow for Business

The PayNow app and overlay service on FAST was introduced in the summer of 2017 as a basic P2P funds transfer app for retail customers. The PayNow corporate app launched in August 2018 to enable companies of all sizes and the government to pay and receive funds instantly by linking a Unique Entity Number (UEN) to a Singapore bank account.

As Asia continues to embrace the QR code as a simple way to initiate payments, especially for smaller businesses and street vendors, the PayNow for business app works with the Singapore Quick Response Code. This allows business users to generate a business-specific QR code that customers can scan to make payments. This long-awaited development has received strong support from an eager business community, and more than 90 percent of business customers registered before the launch. One recent study by OCBC Bank, the oldest established Singapore bank, indicated that two out of three small to midsize businesses in Singapore expect to be completely cash- and check-free by 2023.

Singapore's digital payment revolution so far has been focused on the consumer, but for instant e-payments to become pervasive, the next big step must come from businesses.

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