



Money on the Move:

Understanding Traditional vs. Instant Transfers



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Introduction:

A Shift in Customer Expectations

Amazon's same-day delivery option has met increased consumer expectations by finding a faster and more customer-centric way to provide what the traditional 3-5 business day delivery window previously offered customers. This same thought process can be applied to the payments landscape, as customers want to be able to send and receive money not in a matter of days, but in a matter of minutes. Traditional ways of transferring money, such as wire transfers, still provide avenues for customers to send and receive money, but that's only one piece of the puzzle. Customers now expect their banking options to align with other aspects of their lives. Just like same-day deliveries, consumers want same-day payments.

Instant payments (also frequently referred to as instant transfers or real-time payments) help address this customer need. As the name so kindly implies, instant payments enable consumers to make payments instantly. Unlike traditional transfers that typically move money within a few days, instant payments send and receive funds in a matter of seconds. Unlike traditional money transfers, instant payments are not processed in batches. When banks process transfers in batches, they process all of their transactions in large groupings at specific times throughout the day (designated by the individual bank), regardless of what time the transfer was initiated. Instant payments, on the other hand, are processed in real-time. When a customer initiates a payment, the bank processes that transaction as it comes through their system — allowing the funds to be available in real-time.

Although same-day deliveries have met increased customer expectations and provide an alternative option for customers to take advantage of, they didn't eliminate traditional deliveries. Again, this same logic can be applied to the payments landscape. Over the past decade or so, instant payments have continued to gain both popularity and traction, but they haven't eliminated traditional, tried-and-true transfers. In order to understand instant payments and the key characteristics that appeal to both banks and customers, we must first understand traditional transfer types.

Let's take a closer look at both traditional transfers and instant transfers, as well as some of the specific payment types that fall under each category around the world.

Traditional Transfers

To get started, we must understand a few key features of traditional transfers. For the sake of simplicity, we can think of most traditional transfer types as electronic transfers of money that use a network. These transfers are usually traditional bank-to-bank transfers where money is moved typically within 1-2 business days. In the US, same-day transfers are possible, and international transfers may take an additional day or two. Still, banks process most of these transfers within a few business days.

When it comes to initiating a transfer, the exact details may vary from bank to bank and depend on which type of transfer you initiate. Nevertheless, there are a few universal characteristics of the process. For example, you most likely will need:

- The name of the bank you are sending money to
- The account number of the individual you are sending money to
- The American Bankers Association (ABA) routing number of the bank you are sending money to

Banks require this information via a paper form or online (many banks accept wire transfers online, but some may require you to fill out a physical form depending on your bank). For large transfer amounts, banks often require customers to make a branch visit. In addition to the above information, wire transfers also cost money to send and often have fees associated with receiving them. Depending on whether or not the wire transfer is domestic or international, fees can reach upwards of [\\$50](#) depending on the transfer.

If you're on the receiving end of a wire transfer, the ABA number may not be used and instead be replaced with a SWIFT code. We'll dive into SWIFT in greater detail in the following table, but it's important to note that SWIFT does not actually transfer funds but serves as a messaging system that facilitates the sending of funds.

Global Transfers

Before we dive into some examples of specific transfer types per country, it's important to note that there are some transfer networks that facilitate global transfers, even if they have a bank of origin in a specific country. The chart below illustrates some of the more common global transfer types used throughout the world.

SWIFT	CHAPS	CHIPS
What does it stand for?		
Society Worldwide Interbank Financial Telecommunications	Clearing House Automated Payments System	Clearing House Interbank Payments System
What is it?		
<ul style="list-style-type: none"> • A network that allows banks to communicate financial information securely • Usually takes 1-3 working days to complete • SWIFT codes: actual funds carried out on clearing systems like Fedwire or CHIPS • SWIFT standardized IBAN & BIC formats (used in other types of transfers as well) 	<ul style="list-style-type: none"> • Facilitates large money transfers denominated in British pounds (GBP) administered by the Bank of England (BoE) 	<ul style="list-style-type: none"> • US private clearing house for large-volume transactions • Clears and settles \$1.5 trillion in domestic & international payments per day • 250,000 traders per day
Who uses it?		
<ul style="list-style-type: none"> • 10,000 FIs in 212 different countries • Banks, money & security brokers, clearing systems, corporate non-bank FIs 	<ul style="list-style-type: none"> • Used for retail/wholesale, high value payments in the UK • Used by 30 participating FIs. Typically large banks (including BoA, Citibank, Chase) • ~5,500 institutions engage w/ the system through partnerships w/ 30 primary members 	<ul style="list-style-type: none"> • Cheaper than Fedwire (but not as fast) • Dollar amounts to use the service are lower • Average transaction that uses CHIPS is over \$3M

US Transfers

Unlike CHIPS or CHAPS which are networks that can facilitate large, cross-border transfers, the Automated Clearing House (ACH) offered in the United States typically facilitates lower value transfers (with lower or no associated fees) and operates only in the United States. In addition to facilitating payments between peers, it is also known as “direct deposit” and is what facilitates employer payouts to its employees.

Automated Clearing House (ACH)

What is it?

- Electronic, bank-to-bank, transfers that typically take several business days
- There are 2 kinds of ACH transactions:
 1. Direct deposits
 2. Direct payments.

What are some types of ACH transfers?

- External funds transfers
- Peer to peer (P2P) payments
- Bill payments
- Direct deposits from employers & government benefit programs

What are some key differences between ACH and wire transfers?

- At most, most ACH transfers cost a few dollars. Even for domestic transfers, a bank wire transfer can cost up to [\\$35](#) to send and usually has a fee to receive
- Wire transfers are best for large-sum and time-sensitive transfers (either in the US or abroad). ACH transfers are often used more by individuals sending smaller sums of money
- Unlike real-time processing of some wire-transfers, ACH transfers are processed by a network operated in batches only [3 times a day](#)

EMEA Transfer Types

On the other side of the pond, we have Single Euro Payments Area (SEPA). SEPA is a payment system initiative of the EU that simplifies bank transfers denominated in EUR. More than [500 million citizens and over 20 million businesses and European public authorities](#) can make and receive payments in the euro.

SEPA Credit Transfer (SCT)	SEPA Direct Debit (SDD)
What is it?	
<ul style="list-style-type: none">• Common, one-time bank transfer within the SEPA currency. It debits a euro account and credits another euro account• SCT enables PSPs to manage international payment processing and offer it to merchants as a credit transfer service within SEPA countries	<ul style="list-style-type: none">• Type of recurring payment (also within the SEPA area and in euros)• SDD enables consumers & businesses to make cross-border direct debit payments in EUR• For recurring payments and to charge clients automatically for collecting money from their accounts, direct debit is the best solution.

Instant Transfers

Now that we've taken a look at some of the common non-instant transfer types across the globe, the following section explores the Amazon same-day delivery equivalent in the payments landscape: instant payments. As mentioned in the introduction of this eBook, the biggest difference between traditional transfers and instant transfers is batch vs. real-time processing. But what does batch processing vs. real-time processing look like?

Let's take a look at a peer to peer (P2P) transfer example between two friends, Sam and Tom, using a non-instant transfer type, like an ACH transfer. Sam submits an ACH transfer to her friend Tom at 10:00 am EST, but her bank won't process that payment until it processes all of its transfers at its designated batch processing time at 5:00 pm EST. This means that Tom will not receive his payment from Sam in real-time, because Sam's bank does not process her payment to him in real-time. If Sam's bank provided its customers with instant payment options, Sam would have been able to initiate her payment at 10:00am EST, and the funds would have been processed and available in Tom's account most likely by 10:01am EST.

The benefits customers enjoy with instant payments are clear. Customers are able to make convenient payments 24 hours a day, 7 days a week, 365 days a year and funds are almost always immediately available. In addition to money being sent instantly, the sender receives real-time confirmation that the funds have been credited to the beneficiary account since settlements also happen in real-time. And because of their popularity with customers, instant payment types are popping up around the globe. Next, we'll take a closer look at some region-specific payment types and the impact they're having on customers.



UK Instant Transfers: Faster Payments

It would be remiss to talk about instant payments without first acknowledging the UK's Faster Payments. In [2008](#), the UK implemented a wide-spread instant payment type with Faster Payments and it continues to see adoption continue to grow. In just this past quarter (Q1 of 2020), Faster Payments processed [661 million payments, a 20% increase on the amount processed](#)

Single-Immediate Payments	Forward-Dated Payments
What are they?	
<ul style="list-style-type: none"> One-off payments 	<ul style="list-style-type: none"> One-off payments (set-up by the customer in advance) that are sent & received on a specific, prearranged date One-off payments (set-up by the customer in advance) that are sent & received on a specific, prearranged date
How can they be sent?	
<ul style="list-style-type: none"> Online, mobile device, over the phone, or branch 	<ul style="list-style-type: none"> Online, mobile device, over the phone, or branch
Who uses it?	
<ul style="list-style-type: none"> 24 hours a day, 7 days a week (subject to the bank's service offering) 	<ul style="list-style-type: none"> 24 hours a day, 7 days a week (subject to the service offering of your bank) For payments sent on weekends and non-bank working days, organizations may wait to process funds on the next working day
How much can be sent?	
<ul style="list-style-type: none"> Up to £250,000 (some individual banks may have lower limits) 	<ul style="list-style-type: none"> Up to £250,000 (some individual banks may have lower limits)
When are they available?	
<ul style="list-style-type: none"> Typically immediately available to the receiving account, although in some cases can take up to 2 hours 	<ul style="list-style-type: none"> Funds are available on the date specified by the payer for the pre-arranged date

from Q1 of 2019. Q1 of 2020 also saw the total amount of payments processed increase as well. A [13% increase from Q1 of 2019, or £518 billion](#), was processed through Faster Payments this quarter. Faster Payments can process four distinct types of payments: Single-Immediate Payments, Forward-Dated Payments, Standing Orders, and Direct Corporate Access.

Standing Orders	Direct Corporate Access
What are they?	
<ul style="list-style-type: none"> • Regularly scheduled payments for a fixed amount that are sent to the same recipient • Payment on the 1st of month 	<ul style="list-style-type: none"> • A service for business customers • Bulk files of payment messages that are sent directly to the Faster Payments Service
How can they be sent?	
<ul style="list-style-type: none"> • Online, mobile device, over the phone, or branch 	<ul style="list-style-type: none"> • A secure-IP solution is used to input payment files • The same format is used for Bacs transactions
Who uses it?	
<ul style="list-style-type: none"> • Monday through Friday (excluding bank holidays) • Payments will be made on the next working day for payments that fall on weekends or bank holidays 	<ul style="list-style-type: none"> • 24 hours a day
How much can be sent?	
<ul style="list-style-type: none"> • Up to £250,000 (some individual banks may have lower limits) 	<ul style="list-style-type: none"> • Up to £250,000 (some individual banks may have lower limits)
When are they available?	
<ul style="list-style-type: none"> • 90% of standing order payments are sent by 6am although it's not guaranteed the exact time the payment will reach the recipient's account 	<ul style="list-style-type: none"> • Same-day transmission for recipients, although not all Faster Payments participants offer Direct Corporate Access • There are alternatives for business customers that can be offered

EMEA Instant Transfers: SEPA Instant Credit Transfer

Faster Payments brought instant payments to the UK, but Single Euro Payments Area (SEPA) has taken wide-spread instant payments one step further by introducing instant payments to the EU. The EU's Payments Service Directive (PSD) introduced SEPA in [2007](#), and in [2011](#), SEPA replaced national payments. In [2017](#), SEPA introduced its own instant transfer type with SEPA Instant Credit Transfer.

Like the traditional transfer types already supported for SEPA (SEPA Credit Transfer and SEPA Direct Debit), SEPA Instant Credit Transfer allows for euro payments across Europe for individuals and businesses. It was also based on the existing SEPA Credit Transfer so banks could more easily adapt existing systems. However, unlike SEPA Credit Transfer and SEPA Direct Debit, SEPA Instant Credit Transfer is the first pan-European instant payment scheme in the market that allows for real-time euro payments across Europe.

SEPA Instant Credit Transfer (SCT Inst)

What is it?

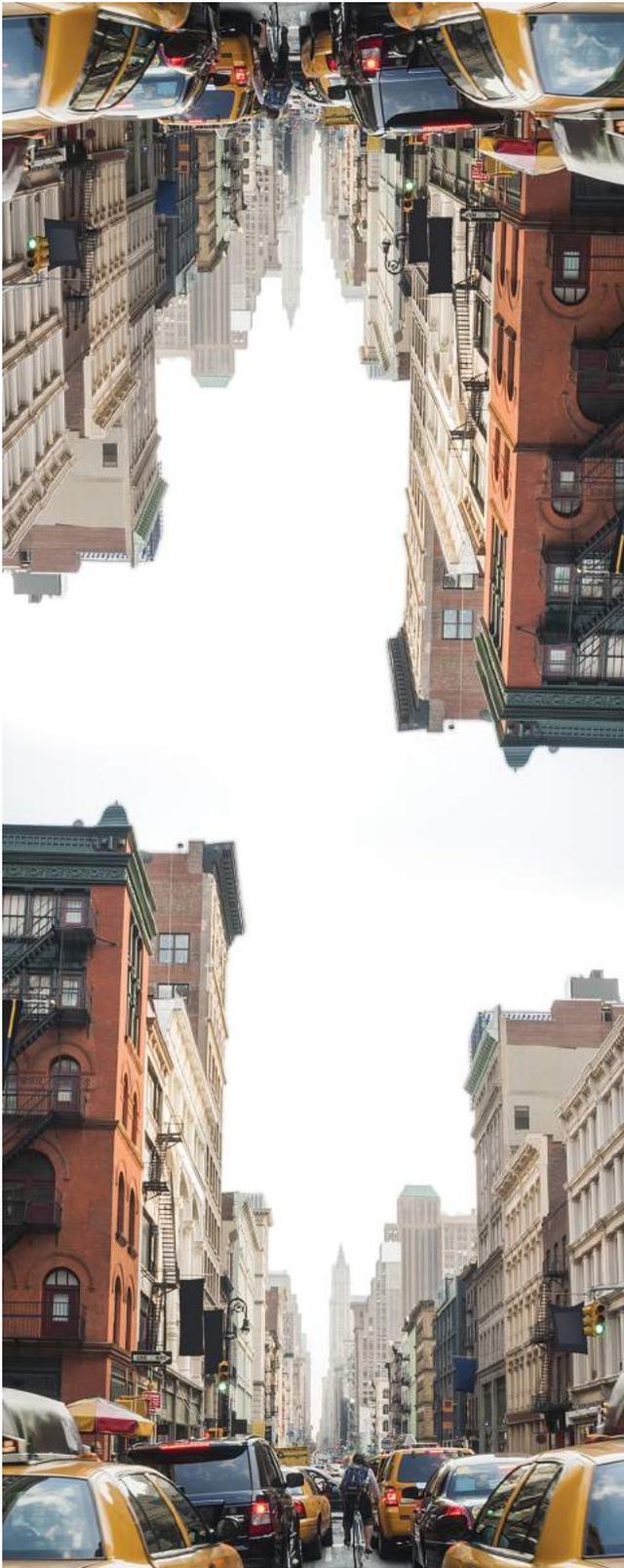
The first pan-European instant payment scheme in the market that allows for real-time euro payment across Europe. It is based on the existing SEPA Credit Transfer to allow banks to more easily adapt their systems.

What are some key features of SCT Inst?

- **24/7 availability:** FIs can send or receive payments any time throughout the year
- **10 second maximum:** The payment service provider (PSP) of the beneficiary must report to the payer's PSP that money is available or rejected within 10 seconds
- **15,000€** initial maximum: decided current initial maximum by participating PSPs, but will be increased to 100,000€ on July 1, 2020
- **Not required:** SCT Inst is built upon the existing SEPA Credit Transfer payment scheme and available to all PSPs, but it is an optional scheme

What are some key differences between SEPA Instant Credit Transfer & SEPA Credit Transfer?

- **SEPA Credit Transfers** are processed in batches
An individual sends a SEPA payment to their bank at various times throughout the day. These transactions are put into larger batches and submitted to clearing and settlement at the end of each business day
- **SEPA Instant Credit Transfers** are processed at the transaction level
As soon as the participating PSP recognizes that the SEPA transaction is an instant payment, they will process and clear the payment in real-time



United States Instant Transfers: Real-Time Payments & Zelle Payments

In the United States, all federally insured US depository institutions are eligible to use the Real-Time Payments (RTP) from The Clearing House (TCH). RTP is the only US-based faster payments system that allows customers to send payments 24/7 and receive payments immediately.

In Addition to RTP, a common type of instant payment in the US that customers may be more familiar with is Zelle. Zelle payments allow users to make payments directly to one another using an email address or phone number. [Seven hundred sixty-six participating financial institutions](#) offer their customers the option to use Zelle, and it processed [743 million transactions that totaled \\$187 billion in 2019](#).

Real-Time Payments from The Clearing House (RTP/TCH)	Zelle Payments
What is it?	
<p>The only real-time payment platform based in the US that all federally insured US depository institutions are eligible to use for payments innovation. Examples of RTP/TCH include: bill payments & peer to peer (P2P).</p>	<p>A way for users to send money directly between almost any US bank account using phone numbers or email addresses. Payments are made usually within minutes and are able to be sent regardless of where the recipient banks.</p>
What is it?	
<ul style="list-style-type: none"> • 24/7: FIs can send or receive money at any time • Immediate availability: The RTP network is required to make payments immediately available (with the exception of necessary risk management or compliances purposes) for payees • Payment certainty: The sending FI is not able to revoke a payment once it has been sent through the RTP system. However, there are processes in place to facilitate communication between FIs if payments have been sent by accident • Ubiquity: Regardless of size, all federally insured depository institutions are eligible to join the RTP network • Convenience: Banking customers of participating RTP FIs are able to initiate payments from their existing accounts 	<ul style="list-style-type: none"> • US-based: both the sender and receiving bank must have US-based bank accounts in order to use Zelle • Money within minutes: Most money sent is received by the beneficiary within minutes • App availability: if an individual’s bank does not offer Zelle, they can download the app for iOS or Android and use the app to make payments • Online availability: for individuals who do not have a smartphone, they can access Zelle via their bank’s online site (if their bank is a Zelle participant) • 766 participants: Zelle currently has partnerships with 766 FIs across the US
What are some key differences between RTP & Zelle Payments	
<p>Both real-time payments and Zelle payments are considered “real-time” and can’t be stopped or cancelled once they’ve been sent. However, there are a few key differences:</p>	
<p>Real-Time Payments:</p> <ul style="list-style-type: none"> • RTP network is a separate system operated by The Clearing House (TCH) • Allows senders to use the recipient’s routing number & checking account or savingaccount number • Payments typically occur within seconds 	<p>Zelle Payments:</p> <ul style="list-style-type: none"> • Designed for customers to send money to people they know & trust • Uses a mobile phone number or email address as an option to identify the recipient of the payment • Payments typically occur in minutes (if email/number is enrolled with Zelle)

Canada Instant Transfers: Email Money Transfers

In addition to the RTP/TCH and Zelle payments in the US, North America's additional instant payment scheme is Email Money Transfers (EMT) in Canada. Email Money Transfers are common across Canada and offered at nearly all online banks in Canada, including the "Big Five." A banking service offered by retail banks, EMT allows users to use email and their online banking service to transfer funds between personal accounts.

Email Money Transfers (EMT)	
What is it?	
A Canadian retail banking service that allows users to transfer funds between personal accounts, using email & their online banking service.	
How do EMTs work?	
<ol style="list-style-type: none"> 1. First Initiated when senders open their online banking account: <ul style="list-style-type: none"> • This can be done via desktop computer or mobile app 2. Sender selects the amount: <ul style="list-style-type: none"> • Sender selects the amount to be sent and the specific account, from which the funds will be withdrawn 3. Sender chooses the recipient: <ul style="list-style-type: none"> • Sender chooses the recipient of these funds. When confirmed, funds are instantly debited 4. Security measures: <ul style="list-style-type: none"> • An email with an answer to a specific security question is sent to the recipient of the funds • Separate instructions are sent to the recipient on how to retrieve the funds via a secure website • To access the funds, recipient must correctly answer a security question • After a set # of wrong attempts, funds can be returned to sender 	
Which banks are part of the "Big Five" that use email money transfers?	
Royal Bank of Canada (RBC)	Bank of Montreal (BMO)
Toronto-Dominion Bank (TD)	Canadian Imperial Bank of Commerce (CIBC)
Bank of Nova Scotia (Scotiabank)	

APAC Instant Transfers

Opportunities for real-time payments were identified for the Australian Payments System and as a result, the New Payments Platform (NPP) was opened to the Australian public on [February 13, 2018](#). The NPP's launch was the result of 13 organizations' joint effort to bring real-time payments to the Australian public.

New Payments Platform (NPP)	
What is it?	
The New Payments Platform came as a result of the Australian payments system by the Reserve Bank of Australia's (RBA) Payments System Board in 2012 that identified opportunities for the Australian payments system and the capability to make payments in real-time.	
<u>NPP Stats at a Glance</u>	
<ul style="list-style-type: none">• 75 banks, credit unions, & building societies that have rolled out real-time payment services to their customers• 52 Million account holders that can make & receive payments via the NPP• 90 Million NPP transactions so far• \$75 Billion dollar volume of those 90 million NPP transactions• \$17 Million largest single transaction within NPP	
<u>The NPP is mutually owned by which 13 organizations?</u>	
ANZ	Indue
ASL	ING
Bendigo Bank	Macquarie Bank
Citi	NAB
Commonwealth Bank	Reserve Bank of Australia
Cuscal	Westpac
HSBC	

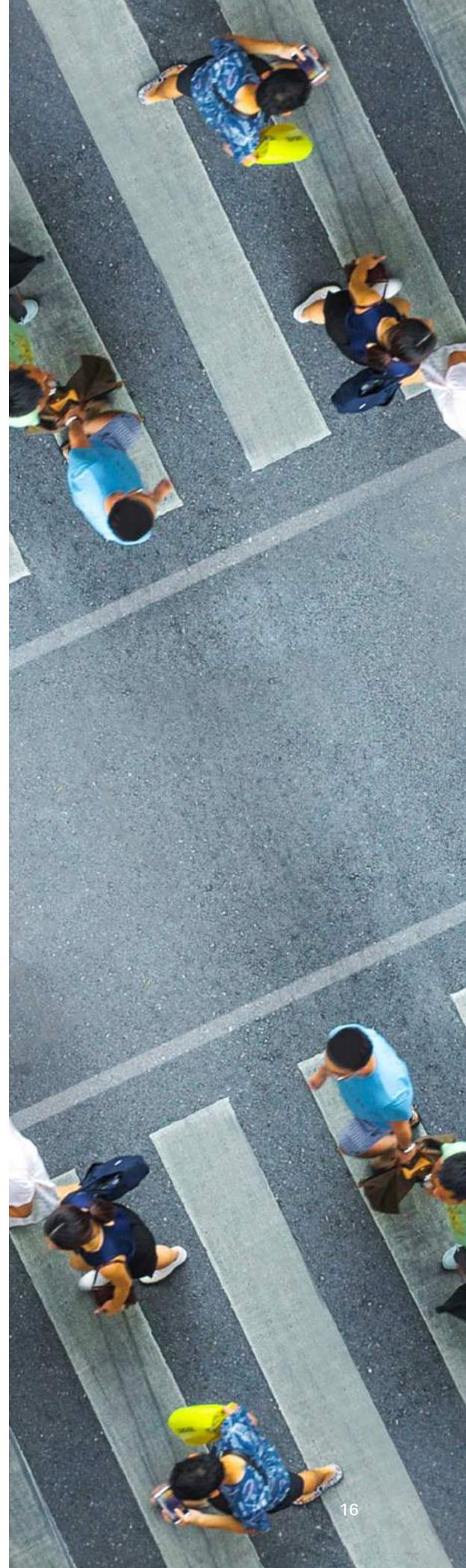
Conclusion:

Combating Fraud in The World of Instant Payments

Both traditional transfers and instant transfers provide customers and businesses a way of facilitating payments. But due to the real-time processing and payouts of instant transfers, these payment types will not only increase in popularity but also increase their exposure to risk.

Instant payments create one key problem that should not be ignored: they allow for instant fraud losses. Any payment that is initiated and available in real-time creates higher fraud percentages because the funds are immediately available in fraudsters' accounts. Unlike traditional transfers, victims do not have time to contact their banks to cancel payments before the money has been moved and banks typically do not have time to manually review transactions since they need to be accepted and declined immediately. This makes instant payments a fraudster's dream come true.

Scammers take advantage of both traditional transfers and instant transfers through several fraud schemes designed to exploit their victims. The table below outlines some common examples of these scenarios. Although they can be applied to both traditional and instant transfers, the impact they have on instant transfers is often irrevocable. Often, funds are moved and finalized before the victim even has time to realize they have fallen victim to an attack.





Authorized Push Payment (APP) Fraud

Criminals trick victims into transferring money to their accounts, usually by impersonating legitimate people or organizations.



Account Takeover (ATO) Fraud

Fraudsters gain access to an account by stealing personally identifiable information and transfer money out of the account.



Phishing

Criminals use deceptive emails, calls, and websites (often pretending to be from a legitimate source) to gain access to a person's finances.



Money Mules

Someone who, knowingly or unknowingly, transfers illegally acquired money on behalf of, or at the direction of, another. This is a common way to launder money.



Fake Invoice Fraud

A false invoice that appears to be real.



Mandate Fraud

An employee is tricked into changing a regular payment to a fraudster's account.



Payroll Schemes

This scenario may occur in three ways: employee time reporting fraud, payroll/clerk redirects terminated employees pay to his or her own account(s), and deliberate misclassification of W2 employees as 1099.



CEO Fraud

Scammers impersonate executives via email or deepfake calls to get an employee in accounting or finance into executing unauthorized payments.

As outlined by these fraud schemes, fraudsters don't lack creativity when it comes to finding new ways to commit fraud. From phishing schemes intended to exploit crises for cash (which was, unfortunately, a common occurrence for COVID-19) to increases in APP or ATO fraud, fraudsters are always looking for ways to exploit systems. Although these scenarios can impact traditional transfers, payments processed in real-time are even more vulnerable to these attacks as money can be moved into fraudsters' accounts instantly.

In the world of instant payments, it's critical for banks to be able to effectively assess risk in real-time. Thorough risk management is crucial to ensure the legitimacy of these payments, but customers should not feel the effects of increased security. Banks must walk the line between increasing security to combat fraud effectively *without* customers jumping through hoops to provide additional authentication or experiencing increased restrictions or declines on their legitimate transactions. If banks are successful in doing so, they can turn the world of instant payments into instant possibilities.





One Platform to Manage Financial Crime

Grow your business. We'll protect it.

Monitor all transactions throughout your entire business in real-time and prevent even the most complex fraud occurrences with accuracy and scalability. With Feedzai, you'll improve fraud detection, decrease customer friction, and increase operational efficiency.

feedzai.com/transaction-fraud/