

ECB launches real-time payments in challenge to tech giants

November 30 2018, by Jean-Philippe Lacour



The European Central Bank is poised to enter the instant payment market

The European Central Bank will on Friday unveil the first pan-eurozone instant payment service, hoping to become a dominant player in a field crowded by US and Asian tech giants.

The so-called TIPS system will allow consumers and businesses across the 19-nation euro area to send and receive money in mere seconds, without the usual lags associated with online and real-world transactions.

The service will be a direct challenge to the "digital wallets" provided by

the likes of Google, Amazon and China's Alibaba which offer contactless, super-fast payments and have exploded in popularity.

"Banks in the eurozone are under pressure" from tech rivals, said Marc Bayle de Jesse, head of market infrastructure and payments at the ECB.

"TIPS is a way for them to not give up the game to these digital players."

Local banks across Europe have already responded to demand by creating their own instant [payment](#) services that do not however travel across borders, leading to a patchwork of different systems.

The ECB hopes to solve that by offering a single, borderless solution available on smartphones, PCs and at in-store payment points.

The Frankfurt institution said TIPS will initially be open to any person, bank or business in the eurozone but could in future be expanded to other countries and currencies.

TIPS' speedy delivery is down to being directly linked to central bank funds, avoiding the need for sometimes time-consuming checks between commercial banks that even the "digital wallets" have to contend with.

"It means it's equivalent to cash and there is no credit risk for the recipient of the payment," Bayle de Jesse told AFP.

'Like cash'

The ECB official said he could see TIPS become "the preferred method of payment in places such as supermarkets or petrol stations" and predicted that it would quickly prove its merit in daily life.

"Think about your child asking to instantly send him 10 euros while

queueing in front of a cinema," he said.

To take part and be able to offer the service to customers, commercial banks will have to open a dedicated TIPS account with their national central bank.

Participating banks will also have to forgo the benefits of having the liquidity from an in-progress money transfer on their books, as well as losing out on sometimes hefty customer fees depending on the type of transaction.

But the ECB said the convenience of TIPS and the expected high demand will convince banks to sign up.

A list of eight participating banks is already expected to be unveiled at Friday's launch on the outskirts of Rome.

Among them will be several Spanish lenders as well as French banking group BPCE, sources have told AFP.

The ECB plans to charge banks a fee of 0.0020 euro (\$0.0023) per transaction for at least the first two years.

As an extra carrot, it has said the first 10 million transactions for each bank will be free before the end of 2019.

After that, it's up to banks to decide how to pass on the costs to consumers.

But Bayle de Jesse is betting that competition between lenders will keep charges modest "and well below" the fees that currently come with credit card payments.

© 2018 AFP

Citation: ECB launches real-time payments in challenge to tech giants (2018, November 30)
retrieved 10 May 2024 from <https://phys.org/news/2018-11-ecb-real-time-payments-tech-giants.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.