



Explanatory Note

Fast Payment Systems

What is a Fast Payment System?

A fast payment system (FPS) is a digital network that allows consumers and businesses to send money immediately, 24 hours a day, 7 days a week, with funds available to the receiver within seconds. It can be thought of as a modernised funds transfer system, that reduces transaction time from hours, or sometimes days, to an instant. This means that processing is not limited to business days; rather, money can be sent or received in real time, even on weekends and holidays.

How does an FPS work?

1. The consumer initiates a payment, through the financial institution's app or another service, then enter the recipient's details (often using a phone number, e-mail, account number, or QR code).
2. The system verifies the information instantly; that is, the initiator's identity, confirmation of sufficient funds, and validates the recipient.
3. The money is transferred in seconds; the system sends the payment request to the recipient's bank, which immediately accepts it.
4. Funds are available right away. The recipient can use the money instantly—no waiting period.

What are the key features?

- Speed: Payments settle in seconds
- Always on: Available all hours of the day, every day of the week, including weekends and holidays
- Convenient: Simple identifiers like phone numbers and email addresses
- Secure: Built-in authentication; as well as capacity for secure plugins to support e-commerce merchant payments.

The image below displays the expected transaction and message flow for a typical FPS transaction.

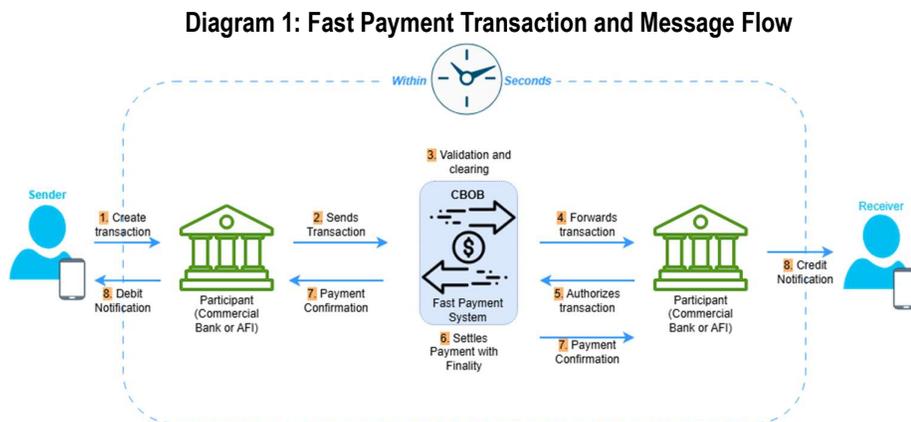


Image Source: European Central Bank – The new Target instant payment system