



Democratising access to real-time payments with managed services

POSITION PAPER

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As the pace of digital growth accelerates, demand for instant payments is increasing. Leveraging Mastercard's scale and Vocalink's expertise, we're deploying regional managed services to enable a future where payments keep pace with the way we live, work and do business.

Real-time payments support financial inclusion, enable business growth, and drive the transformation to a digital economy. Richer messaging capabilities foster innovation and stimulate competition among participants old and new; but real-time payments infrastructures can be costly and difficult to implement.

Mastercard's regional managed services for real-time payments significantly lower costs and other barriers to entry for banks, central banks, operators and governments looking to modernise their payment systems. Now launching in Latin America, Asia-Pacific and Europe, and soon in the Middle East & Africa, we're embarking on a strategy to democratise access to real-time payments for people, businesses, banks and governments around the world.

"Our vision is to empower an entire region of people and businesses through one safe, robust and centralised payment platform."

James Sherwin-Smith, General Manager of International Managed Services

Rising demand for payment system modernisation

National payments infrastructures are the lifeblood of an economy; when money and data flow digitally and seamlessly, it enables people and communities to flourish. It's little wonder that demand for instant payments is increasing from all sides. But as more economies make the transition to real-time payments, there's an obvious and growing disparity between those that *have* and those that *have not*.

In an increasingly hyper-connected world, fragmentation between payment systems and schemes presents a barrier to cross-border trade, negatively impacting the countries' economic growth. As the needs of people, businesses, banks and governments go unmet by existing payments infrastructures, an increasing number are turning to alternative service providers resulting in further fragmentation in payments.

At Mastercard, we're moving at pace to resolve this fragmentation by driving the regionalisation of real-time payments. Our strategy is comprised of three stages:

- **Modernise the payment system**
Provide real-time infrastructure, applications and services to increase the velocity of money, support financial inclusion and business growth, and accelerate the transition to a digital economy.
- **Harmonise rules and processes**
Resolve fragmentation between multiple payment systems and schemes, facilitate partnerships and foster innovation.
- **Secure the digital ecosystem**
Secure and stabilise the network to keep people and businesses transacting 24x7x365, and future-proof the ecosystem.

We're stronger together. Our vision is to empower an entire region of people and businesses through one safe, robust and centralised payment platform that lowers barriers to entry and caters to the needs of individual countries and financial institutions.

Democratising access to real-time payments with managed services

We've been investing in the people, businesses, relationships and technologies that enable us to drive the regionalisation of real-time payments as part of a managed services model.

In 2018, we welcomed Vocalink to the Mastercard family. The business brings more than 50 years' experience operating secure and resilient real-time and bulk payment systems in leading economies including the UK, Singapore and the US alongside local operators and central banks. Together with Mastercard's experience operating a global and localised network, our combined capabilities uniquely enable us to **modernise**, **harmonise** and **secure** multiple payment systems and schemes.

Our managed services model includes the following solutions:

- A multi-tenant real-time clearing and settlement **infrastructure** that supports ISO 20022 messaging standards, with secure connectivity solutions for financial institutions of all sizes and pre-processing solutions for bulk and batch input
- End user **applications** for person-to-person payments, online and in-store retail payments, bill payments, and business and government disbursements
- Consulting and data analytics **services**, including cross-border financial crime solutions, supported by a 24x7x365 security and operations centre

Our deployment model is similar to the suites of cloud-based giants including Google, Amazon and Microsoft, and 'bundled' card-based payment services. Its modular design can be configured to different scheme requirements; platform upgrades and innovations are non-invasive to participants; and the system flexes with demand using agile technology. The platform is secured at a component level and designed to meet evolving global and local compliance and regulations.

Common and extensible message standards (ISO 20022) enable the development of value-added services and applications, while simplifying connectivity and compatibility for banks and businesses.

Fully managed by Mastercard, and assured by our global experience and expertise, our services are designed to cater to multiple participants individually, preserving sovereign autonomy and control. We can facilitate a phased migration with full customer and change support to help financial institutions realise incremental benefits.

Significant and incremental benefits enabled through regional managed services

With simple, fast on-boarding, connecting to our regional managed services will reduce demand on organisations' internal resources while bringing greater efficiency to their operations. Financial institutions benefit from:

- **Lower upfront capital costs**
Including simpler on-boarding and increased speed to deployment, and economies of scale that reduce up-front investment.
- **Long-term cost avoidance**
Including regional standardisation and on-going maintenance.
- **Reduced risk**
Including Mastercard expertise, security and resilience.
- **Support and resources**
For payment product and service innovation, plus system upgrades to ensure optimal performance and leading-edge capability.

The regionalisation of real-time payments with common rules, processes and standards can help banks and alternative service providers seize the opportunities of Open Banking and supports the development of innovative solutions for people and businesses, stimulating competition and innovation across the wider digital ecosystem.

"This is an opportunity for us to evolve together with our network of partners in regions around the world."

George Evers, Senior Vice President for Real-time Product

Coming soon to a region near you

Our regional deployment of real-time payment infrastructure, applications and services is available to operators and direct to individual financial institutions in Latin America, Asia-Pacific and Europe, and soon in the Middle East & Africa.

While Mastercard is leading the regionalisation of real-time payments in these instances, our efforts compliment a global movement towards cross-border collaboration: in 2019 we were selected by the P27 group as its partner of choice to deliver a world-first real-time and batch multi-currency platform for the Nordic region that enables instant and secure payments within and between countries.

Meanwhile, we continue to bring together card and account-to-account payment capabilities, plus blockchain capabilities, to improve connectivity, visibility and choice in digital payments. This is a long-term commitment and an opportunity for us to evolve together with our network of partners including banks, payment providers and technology innovators in regions around the world.

Our efforts to drive the regionalisation of real-time payments is part of our broader strategy to improve world-wide connectivity across the payment ecosystem: democratising access to real-time payments for people, businesses, banks and governments around the world.

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