EUROPEAN CENTRAL BANK

EUROSYSTEM

Business cases for NTC payments

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Enhancing Payment Flexibility: Non-Time Critical Payments in TIPS

What Are Non-Time Critical (NTC) Payments?

This new NTC service extends the lifecycle of the transactions beyond 20 seconds for any transaction that does not require immediate certainty about the payment (based on preference of customer), by introducing a less stringent hard time-out.

Where flexibility already met efficiency

Such functionality is already used in the instant payments systems of the Netherlands and Australia and will also be supported by Nexus.

NTC payments today and tomorrow

Netherlands

- IP processing with a longer timeout
- 24/7 availability of SCT Inst with the reliability of SCT scheme
- A special code is used to differentiate NTC from regular instant payments.

Australia

- Payer sets payment priority: ***attended*** or ***unattended***.
- Real-time confirmation for attended payments
- Payer PSP controls the flow rate of unattended payments and prioritise the attended ones
- Functionality offered in the **New Payments Platform**

Nexus

- Will be supporting both time-critical and non-time-critical IPs
- Time-critical: urgent and POS payments
- Payment urgency set in pacs.008 'Instruction Priority' as HIGH or NORM.

Examples of business cases for NTC payments

In TIPS, NTC transactions would come **in addition** to SCT Inst transactions:

Business Cases: For all the payments (batches or not) whose immediacy is strictly speaking not necessary	**Non-batch/non-bulk payments, for instance:** • **Standing orders** • **Scheduled payments** • **Tax payments**	**Batch/Bulk payments, for instance:** • **Salaries** • **Pension payments** • **Social benefits**
Advantages	✓ An alternative to regular SCT and SCT Inst payments ✓ PSU point of view: positive customer experience ✓ PSP point of view: ✓ Sending side (i.e. Originator): optimise processing, non-interference with other instruments (different rails than for SCT Inst or SCT) ✓ Receiving side (i.e. Beneficiary): manage peaks, reduce negative impact on TPS* → **operational stability**	

* Transactions per second

Use cases

Non-time-critical processing helps to optimize infrastructure. It reduces peak loads by using slower periods for processing, ensuring efficiency while maintaining instant payment benefits.

In generic terms these are **‘unattended’ payments,** including:

- mass batch pay outs on fixed dates in the month,
- daily scheduled/warehoused payments,
- regular pay outs where beneficiaries expect funds on a specific date but not on a specific time

Recap on benefits

Processing of a NTC payment is very close to the one of a SCT Inst, but it provides a greatly improved service towards the handling of a SCT payment:

- ✓ Settled with almost the same speed of an instant payment, but with certainty **that it will not be rejected when (occasionally) not meeting a specific timeline**

NTC payments will help PSPs in managing peaks and in facilitating smooth processing of payments >> **reduce risk related to capacity management / IP TPS**

This functionality would give Beneficiary PSPs (that accept to receive NTC payments) more time to process these payments with a consequent reduction of rejections due to time-out

Also protects the reputation of banks which would not appear as rejecting perfectly valid transactions for lack of processing capacity

This would allow for a **greater flexibility** for the PSPs, decreasing the number of expired transactions and reducing the negative effects of transaction failures in case of temporary unavailability at the level of the Beneficiary PSP