Speech

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Fast and available round the clock: What instant payments mean for households, companies and financial institutions

Money Market Event

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Ladies and gentlemen

Welcome to the Swiss National Bank's Money Market Event. My colleague Thomas Moser and I are delighted to be discussing the latest developments in Switzerland's cashless payments landscape this evening.

Since last year, bank customers in our country have been able to make transfers that are executed immediately. The amounts are credited within seconds, every day of the week and round the clock. In our speech, we will explore the significance of these instant payments for households, companies and financial institutions.

To illustrate the relevance of this topic, it is worth reflecting briefly on our everyday lives. Consumer behaviour has changed considerably in many areas. Thanks to online shopping and streaming services, we have grown accustomed to being able to consume quickly and at any time. You know the situation: We order a pizza online from the comfort of our living room in the evening, and it is delivered within half an hour. We have come to take this for granted. And yet, surprisingly, the physical delivery of the pizza is much faster than the electronic transfer of the money to the pizzeria. The payment that we trigger when we click 'Order' takes longer than you might think; indeed, it can take several days – or even weeks – for the money to arrive on the pizzeria's account.

Types of cashless payment and the benefits of instant payments

Why is this? The lag in payment settlement is due to the fact that legacy settlement mechanisms cannot keep up with the pace of modern business. A look at the structure of the financial system helps to better contextualise and understand what changes instant payments bring.

The financial system has two tiers (cf. chart 1). The first tier, which is illustrated on the slide by the blue semicircle, is shaped by the central bank. In its role as the 'bank for banks', the SNB lays the foundation for the entire system, providing banks with secure central bank money and a central payment system for making transfers among themselves. In Switzerland, this real-time gross settlement (RTGS) system is operated by SIX Interbank Clearing Ltd on behalf of the SNB. We will come back to the RTGS system later.

The second tier, shown in green on the slide, is in the hands of regulated commercial banks. These institutions compete with each other and offer their services to companies and households.

Cashless payments are settled within this two-tier system. As our latest payment methods survey shows, we are increasingly paying with cards or apps in our day-to-day lives, especially in situations where immediate payment confirmation is required – for instance when shopping at a retail store. We pay at the checkout, the transaction is confirmed immediately and we can take our purchase with us right away.

When we pay with a card, a long settlement chain involving various financial intermediaries is set in motion. This is illustrated on the slide (cf. chart 2). A payment processor mediates between the payer's bank and the merchant bank and reconciles the authentication data according to a fixed set of rules known as a 'scheme'.

Intermediaries, such as TWINT, guarantee the payment to the retailer until it is actually received. The intermediaries thus take on the risk that the payment will not be made – in other words, they assume a credit risk. Limits are set in order to cap this risk. This means that large amounts cannot easily be transferred in this way. Furthermore, fees apply – especially for the payment recipient, in this case the retailer.

A classic bank transfer has different characteristics. The advantage of this payment method is that it can be used to transfer large amounts of money, for instance if you are buying a car. The slide shows the settlement process (cf. chart 3). The money is transferred from the payer's bank to the recipient's bank via the central Swiss payment system. The transaction is made using central bank money. This enables a final transfer of value, as in the case of cash payments, so that no intermediary has to take on a credit risk. The disadvantage here is the time lag between the payment order and its execution. It can take a day or more for the money to be credited to the recipient's account, and in the meantime the buyer has to wait to pick up their new car.

This is where instant payments come in. They offer households and companies the same advantages as existing types of cashless payment, but without the disadvantages (cf. chart 4). Instant payments are a versatile payment instrument and are attractive for both private individuals and companies. As with a classic bank transfer, the payment flows from the payer's bank via the central Swiss payment system to the recipient's bank. However with an instant payment, the payer's account is debited and the recipient's account credited almost immediately and simultaneously, irrespective of the time of day or day of the week. Furthermore, instant payments facilitate the transfer of large amounts. While there is currently a limit of CHF 20,000 per transaction, this is to be removed in the longer term. Immediate crediting enables payment recipients to manage their liquidity more efficiently and automate processes such as the dispatching of goods or the activation of services.

It also brings benefits from an overarching perspective. Instant payments run directly via the central Swiss payment system. They therefore benefit from network effects due to the broad participant base, as well as from high security standards and risk-free settlement in central bank money. Thanks to economies of scale, transaction costs at the system level are low and the exchange of sensitive authentication data over long settlement chains is also avoided.

Instant payments utilise the tried-and-tested two-tier financial system and combine the strengths of the various stakeholders: the SNB's security at the infrastructure level and the innovative power of competition between commercial banks. This interplay between security and innovation is not always present in alternative approaches to advancing payment methods. Private forms of digital money such as stablecoins do not benefit from the security provided by the central Swiss payment system. Furthermore, they could lead to a fragmentation of the payments landscape. And, depending on its design, a central bank digital currency for companies and households might not harness the innovative power of the private sector.

The introduction of instant payments and ongoing development options

Where do we stand in Switzerland today with respect to instant payments? As a first step, the SNB, together with SIX Interbank Clearing Ltd, which operates the central Swiss payment system, created the technical conditions for instant payments. In November 2023, the instant payments service within the payment system went into operation (cf. chart 5).

The second step was the market launch of instant payments in the summer of 2024. Since then, the largest financial institutions, which together account for more than 95% of retail payments in Switzerland, have been able to receive and process instant payments. Receiving instant payments will be mandatory for all banks and fintechs offering retail payment services from the end of 2026.

Customers of ten Swiss banks are currently able to send instant payments. These institutions process around half of all retail payments in Switzerland. The potential for broad coverage thus already exists today. Many more banks have announced that they will also provide the option of sending instant payments in the future.

Initial experiences since the launch have been positive. The average value per instant payment is over CHF 1,000, which is relatively high compared to other payment methods. This leads us to assume that the ability to pay large amounts instantly satisfies a real need on the part of private individuals and companies. Furthermore, instant payments are used mainly during the week. We interpret this as an indication that instant payments are especially attractive for companies.

Relative to established payment methods, however, the share of total payments being made via instant payments is still very low (in the per mille range).

How does this launch compare internationally? In general, it is evident that the speed with which instant payments become established can vary widely. In some countries, the initial uptake has often been slow. This is a typical phenomenon in complex systems with strong network effects. Think about how long cheque books survived in the US. However, depending on the prevailing circumstances, regulation and coordination between the various stakeholders, broad acceptance of instant payments can also be achieved quickly.

Adoption tends to be fast where instant payments make a big difference compared to existing payment methods – for instance, if they enable broad swathes of the population to access financial services affordably and easily. It also helps if authorities and banks cooperate in a coordinated fashion to make new instant payments-based services available. On the slide this is borne out by Thailand and Brazil, which experienced a rapid rise in the number of instant payments per capita (cf. slide 6).

Uptake is generally slower in countries with an already highly developed payments infrastructure. On the slide, we have taken Australia as an example, and Switzerland also falls into this second category. We have a well-functioning cashless payments system. Furthermore, the SNB does not oblige banks to offer their customers the option of sending instant payments and we do not intervene in fee setting. Rapid market acceptance is currently being hampered by the fact that the costs associated with instant payments are still high in some cases.

How do we see the future? The SNB expects instant payments to become a well-established feature of the payments landscape and we are working with industry on further developments.

One such development could be the use of instant payments at points of sale and for online transactions (cf. chart 7). This is not yet possible. At the moment, it is 'only' possible to make instant payments in the form of classic transfers from one bank account to another. SIX Interbank Clearing Ltd and the SNB have launched an initiative aimed at enabling payment solution providers to use the instant payments infrastructure. The goal is to create space for the development of new services for companies and households. The initiative would also galvanise competition and could lower payment fees. Consultation with market participants has shown that banks and other stakeholders in the payments field are open to this plan.

A second option for further development would involve linking the instant payments systems of different countries. This could add considerable value for companies and households, given that cross-border payments are generally expensive and slow today. And if instant payments could also be made across borders in the future, this would of course be particularly significant for a small open economy like Switzerland.

Advantages and challenges of instant payments for financial institutions

So far, we have spoken about the advantages of instant payments for companies and households as well as the benefits from an overarching perspective. We would now like to talk about the advantages and challenges of instant payments for financial institutions (cf. chart 8).

Under the Swiss approach, instant payments are an enhancement of the classic account-based bank transfer. The banks are still the entities that clients interface with when making payments, and the banks remain responsible for authorising and processing payments. In many other countries, however, banks are losing this role, as payment providers there can authorise and process payments via their own interfaces. In other words, banks are losing one of their points of contact with their customers. The Swiss approach avoids this.

While the implementation approach for instant payments chosen in Switzerland offers opportunities for banks, there are also challenges.

The first major financial and organisational challenge is the adaptation of banks' IT infrastructure. This is necessary to ensure that transactions can be processed at the required speed. We are convinced that instant payments are a worthwhile investment in the future for banks.

A second challenge relates directly to the speed of instant payments. Since the sum of money is transferred immediately and irrevocably, and the payment recipient can withdraw that sum right away, it is more difficult to retrieve the money in the event of fraud. With the current system, banks normally have a few hours to review suspicious transactions, and, in serious cases, stop them. With an instant payments system, banks must act faster than in the past and must be able to identify – and if necessary, block – suspicious transactions at once.

Various solutions are being pursued globally. One involves automatically checking whether the account number specified in a payment is indeed assigned to the intended recipient. Another solution involves deploying machine learning and forecasting models for better fraud prevention.

Adjusting arrangements for ensuring liquidity

A third challenge for financial institutions concerns the management of the liquidity required to settle instant payments. We would like to discuss this in more detail (cf. chart 9).

Putting the question somewhat pointedly: Where would the liquidity come from if we were all to make large instant-payment purchases from the comfort of our living rooms at the same time on a Sunday evening? How can banks make sure that they have sufficient liquidity to execute the transactions immediately?

On the slide you can see the operating hours for parts of the Swiss financial market infrastructure over the weekend. The instant payment service is available 24 hours a day, 7 days a week – so including the weekend. The RTGS service for payments between financial institutions, which we referred to at the outset of this speech, was previously unavailable during parts of the weekend. But that is changing, literally as we speak. Today, at 6.30 pm, the RTGS service will be adjusted so that it will also operate continuously at weekends and during public holidays.

However, the infrastructure needed for repo transactions, with which financial institutions can obtain additional liquidity at short notice on weekdays, will remain closed at weekends. To prevent liquidity shortages during weekends, public holidays and off-peak times, banks must therefore pre-fill their accounts in good time – much as they do their ATMs. They do so on the basis of empirical data on expected outflows. If banks miscalculate, this can affect money market interest rates and thus impair the implementation of monetary policy. In extreme cases, financial stability could even be put at risk.

In future, the SNB will therefore make it possible for SIC participants to obtain additional liquidity at any time. What exactly is planned here? To support financial institutions, the SNB will be offering the Payment System Support Facility (PSSF) from the end of 2027 (cf. chart 10). With the PSSF, financial institutions will be able to independently obtain liquidity on a secured basis at any time. On the slide, we have enlarged the first tier of the two-tier financial system shown at the outset. This is where financial institutions and the SNB operate, settling payments in central bank money. If a financial institution draws on the PSSF, the liquidity is technically transferred to its RTGS account. If necessary, the liquidity drawn can subsequently be transferred on to the instant payments account. Financial institutions can automate these processes in their core banking systems.

How does this new facility fit with the currently available SNB facilities? The PSSF will replace the intraday facility and the liquidity-shortage financing facility (cf. chart 11). Today, the SNB offers its counterparties interest-free intraday liquidity during the Swiss repo market's opening hours and overnight liquidity at a special rate – in each case secured by securities accepted by the SNB. Unlimited intraday liquidity is currently available, while overnight drawings are capped by a limit. This limit is set for each bank according to its payment requirements. These parameters will not change with the PSSF. The PSSF will also be directed towards the same institutions as today's standing facilities.

In contrast to the existing setup, banks drawing liquidity will have to pledge their collateral on an open-ended basis to the SNB in advance. Currently, the collateral is merely held in a custody account. Open-ended pledging is necessary because the operational implementation of the PSSF will take place directly within the payment system, instead of as a repo transaction. Liquidity drawn under the PSSF will therefore take the form of a secured loan. This will ensure the availability of the facility during weekends and off-peak times. The open-ended pledging will have no impact on regulatory metrics such as the minimum liquidity ratio.

Another advantage of the new technical implementation is that intraday liquidity that is not repaid within the same SIC clearing day will automatically qualify as overnight liquidity. In addition, overnight liquidity that is not repaid on time will be rolled over automatically. Moreover, the SNB will, during the working week, continue to make it possible for banks to draw intraday liquidity in excess of the value of the collateral pledged to the SNB via repo transactions.

All participants will be given a sufficiently long transition period to switch to the PSSF. We will communicate this in due course. The design of the new facility will also enable the SNB, where necessary, to react flexibly to developments in tokenised assets or relating to shorter settlement cycles. But that is a topic for a future Money Market Event speech.

Conclusion

We are approaching the end our remarks now, so let me briefly sum up. Instant payments allow companies and households to make rapid transfers round the clock and facilitate their liquidity management. Banks remain the key point of contact for customers in payment matters. Since liquidity management can become more challenging for financial institutions in light of instant payments, the SNB will be offering a liquidity facility that is available at all times in the form of the PSSF.

From an overarching perspective, instant payments facilitate innovation. The SNB expects instant payments to become the standard option for account-to-account payments and it anticipates that, in the longer term, it will also be possible to use this payment option at retail points of sale.

However, instant payments will not necessarily replace all existing payment types. In some use cases, delayed settlement may make sense – for example, when reserving a hotel room. Cash payments will also continue to play a role. We have therefore begun designing a new banknote series, to be issued in the 2030s. It will be crucial for the future viability of Switzerland's payments landscape that instant payments become standard where they offer advantages over other settlement types.

The SNB has the statutory task to facilitate and secure the operation of cashless payment systems. By introducing instant payments, we, together with SIX Interbank Clearing Ltd and financial institutions, are helping to future-proof Switzerland's payments landscape. Open dialogue is essential for successful cooperation, and in this spirit we are looking forward to your questions and to the panel discussion.

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Money Market Event, Zurich
10 April 2025

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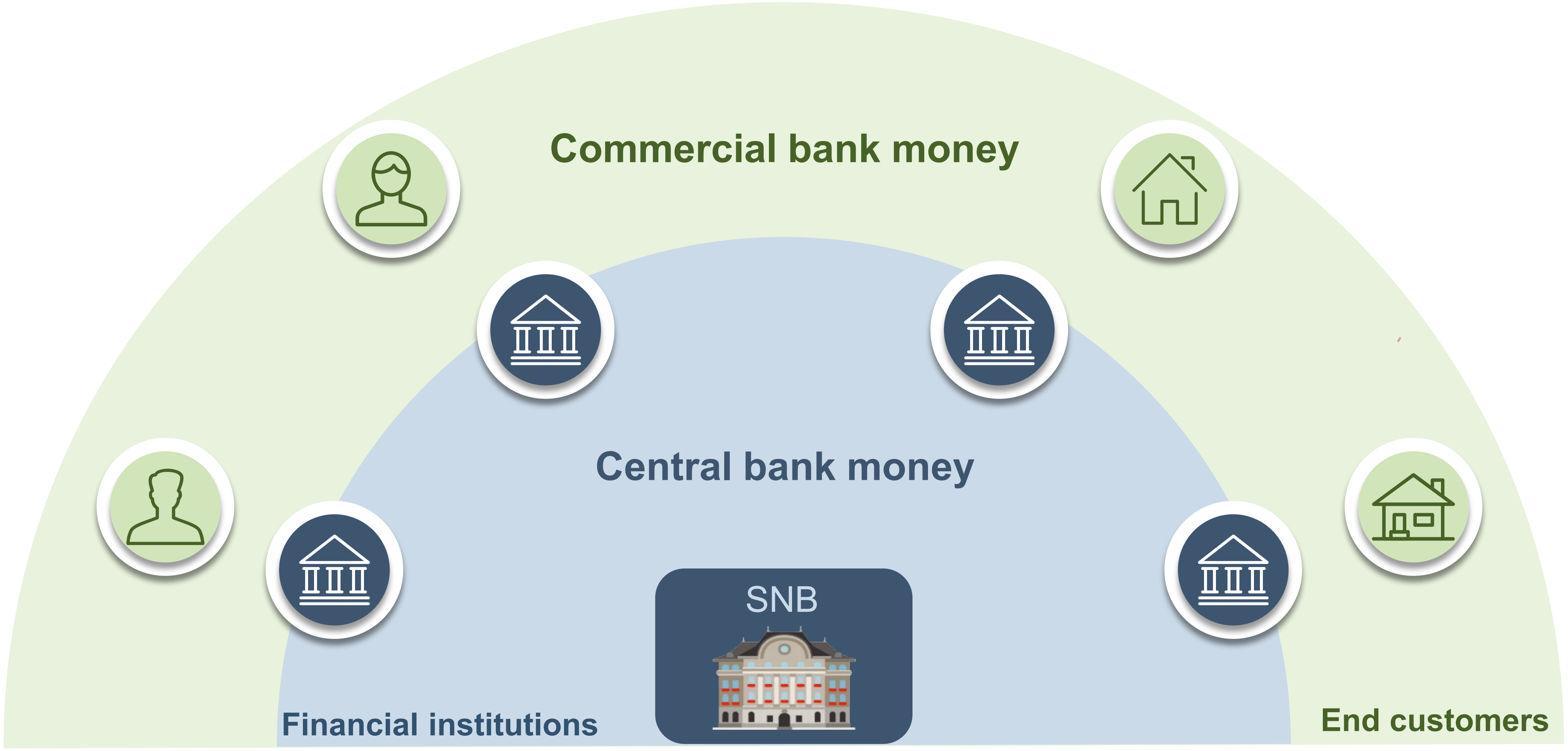
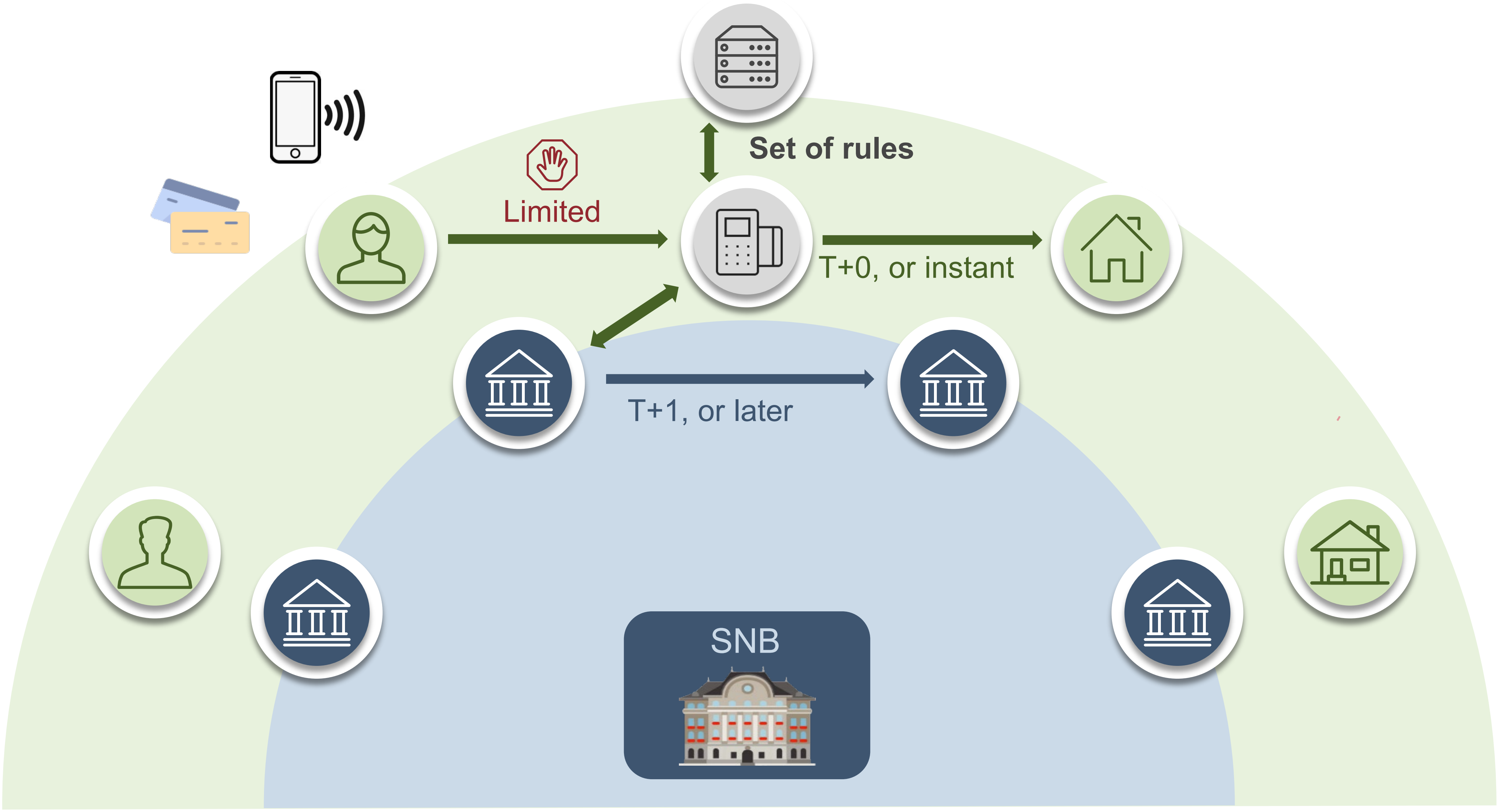
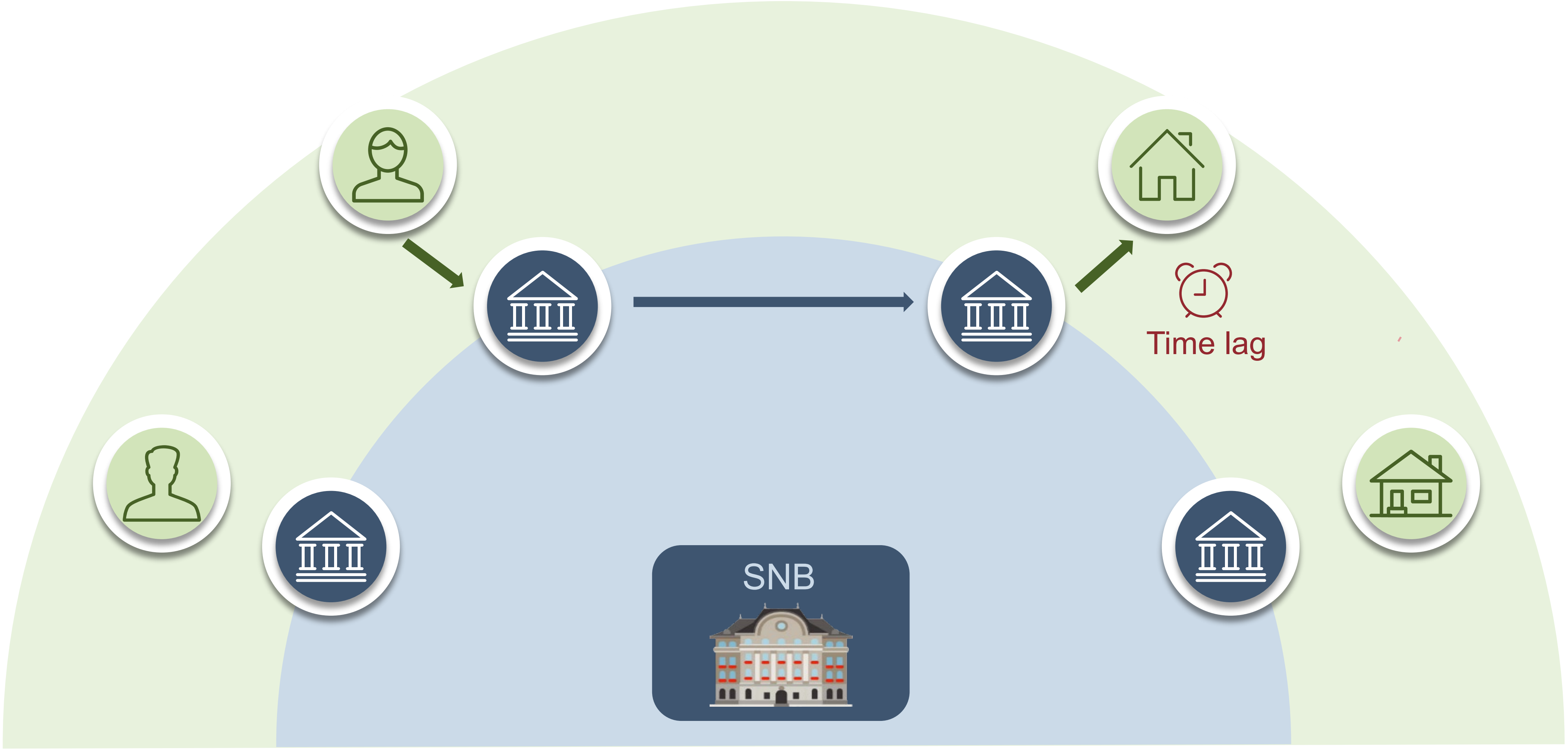
Central bank and financial institutions in the two-tier financial system



Card and mobile payments: fast but limited



Bank transfers: large amounts but with a time lag



Instant payments offer advantages and promote efficiency and security

For private individuals as well as companies

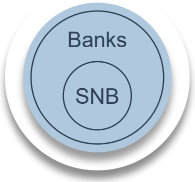
24/7 with instant settlement

Large amounts

Advantages for end customers

Broad participant base

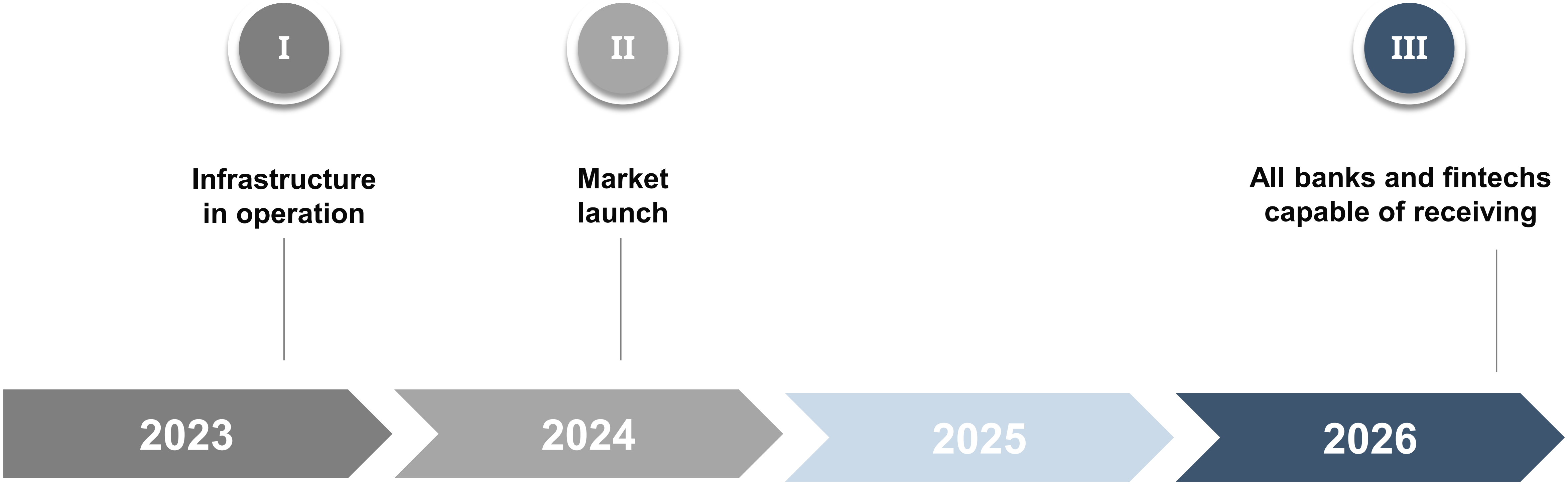
High security standards



Two-tier financial system

Advantages from an overarching perspective

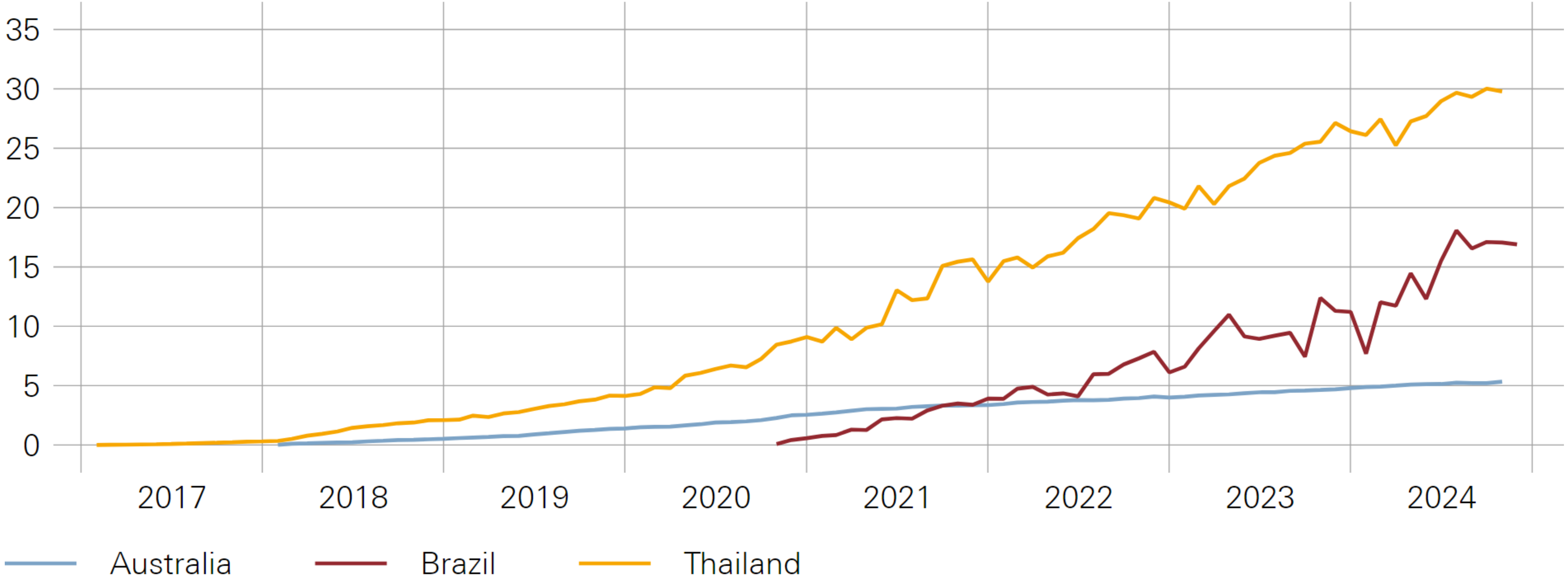
Banks have begun offering their customers instant payments



Adoption rates of instant payments internationally

NUMBER OF INSTANT PAYMENTS PER CAPITA

Monthy values



Source(s): Central banks of Australia, Brazil and Thailand; World Bank

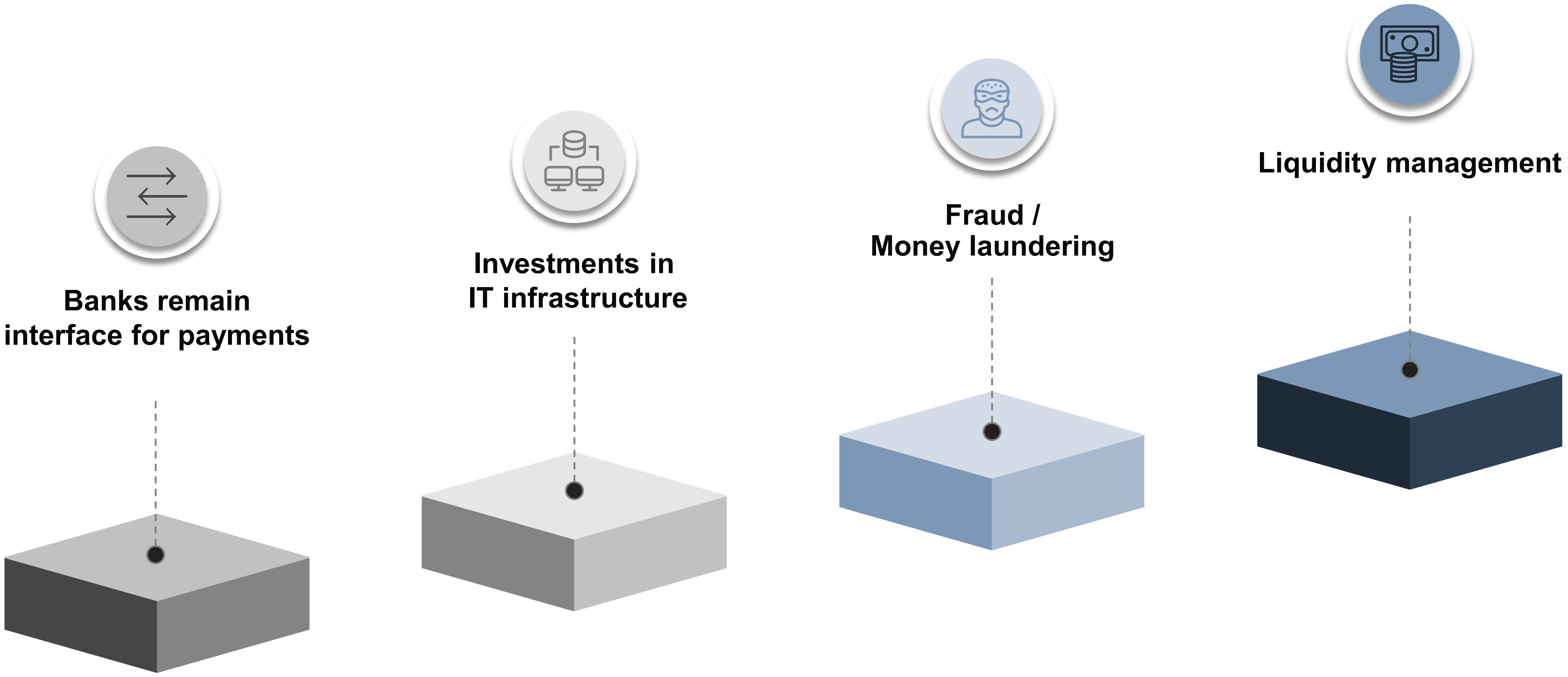
Impetus for the future: The SNB is committed to furthering the use of instant payments

Point-of-sale and online payments

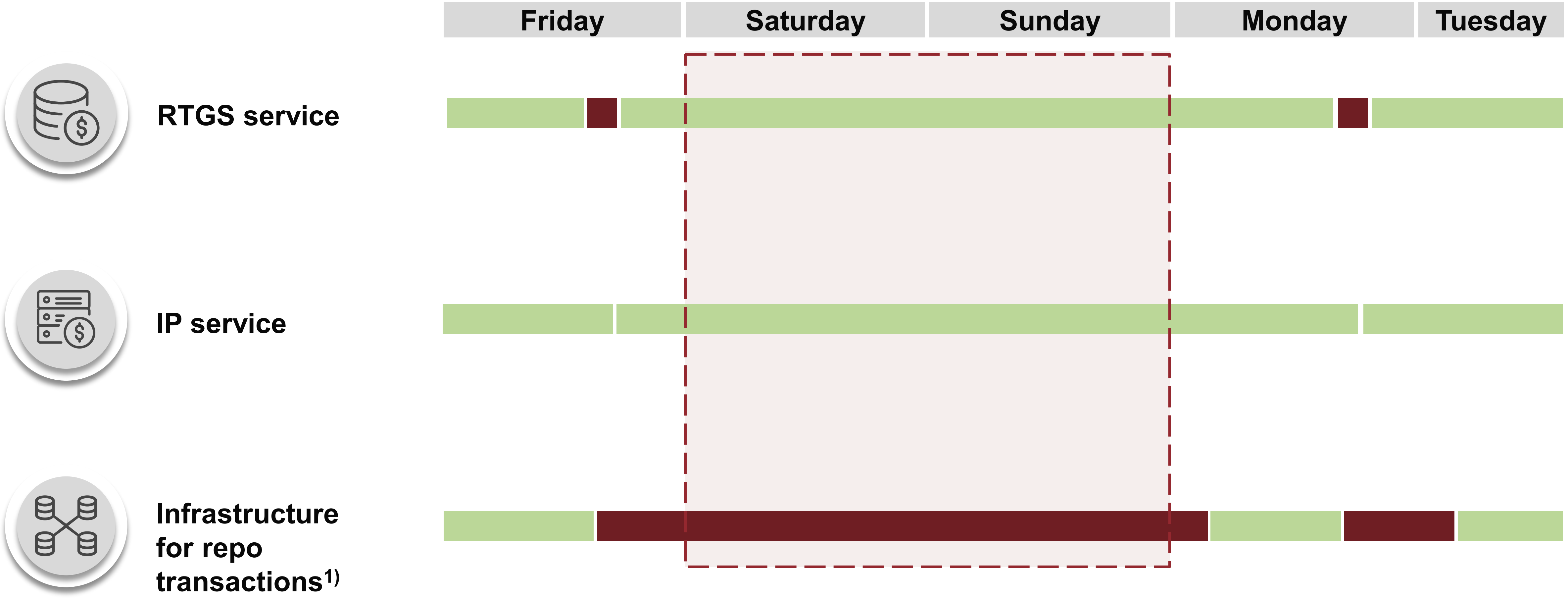
Interlinking instant payment systems of various countries

Advantages for end customers

Advantages and challenges for financial institutions

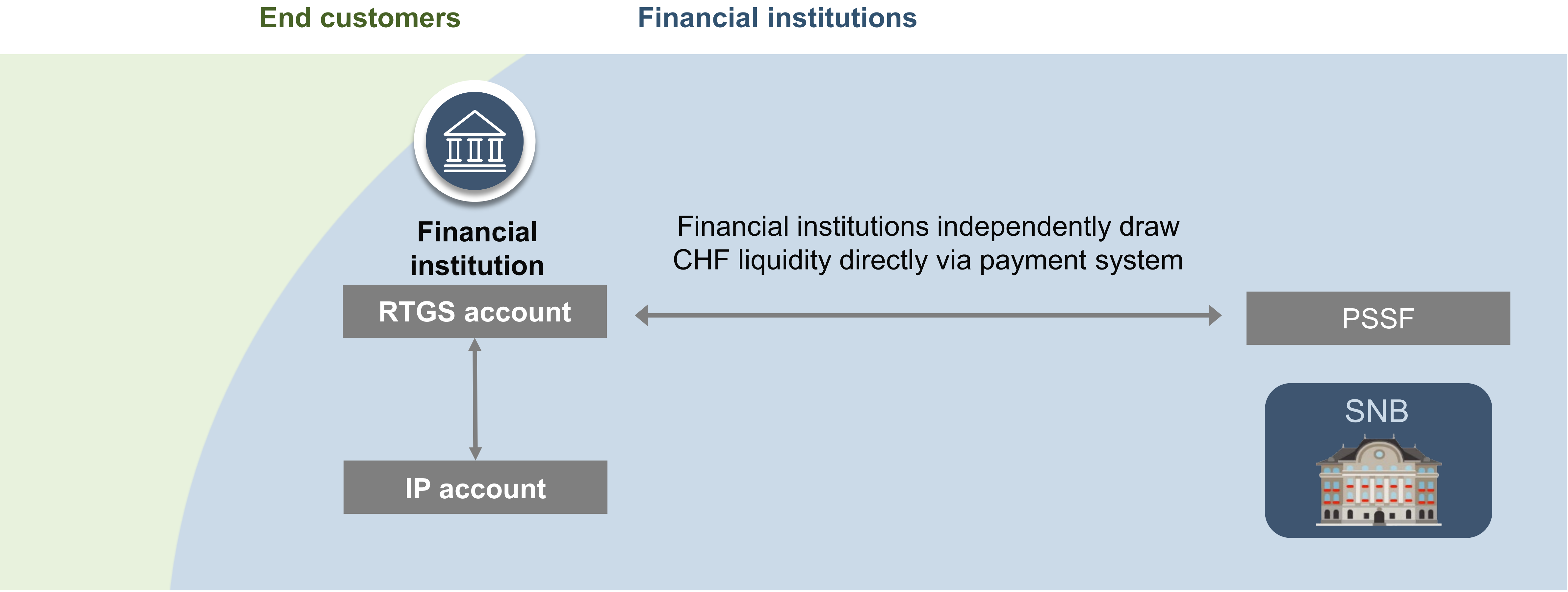


Liquidity management now also at weekends and during off-peak times



[1)] Trading platform, triparty agent, securities settlement (SECOM)

Payment System Support Facility (PSSF): short-term liquidity support round the clock and at weekends



PSSF will replace intraday facility (IF) and liquidity-shortage financing facility (LSFF)

	Terms	Intraday and overnight
	Price	Intraday: 0%; overnight: special rate
	Collateral	Securities accepted by the SNB (SNB GC Basket)
	Limit	Intraday: unlimited; overnight: limit
	Access	Analogous to current IF and LSFF

new

	Operational implementation	Open-ended pledging of collateral; liquidity drawn directly by participants via payment system (repo as backup); secured loan
	Availability	24/7

Conclusion

- Instant payments are available in Switzerland, bringing advantages for end customers and the financial system.

- Instant payments are a strategic investment for banks, but they also present new challenges.

- The SNB will make its facility for short-term liquidity support available round the clock and at weekends.

Thank you for your attention.

The speakers thank Jan Cuonz, Basil Guggenheim and Andreas Wehrli for their help in preparing this presentation.