

PAYMENTS HUB FOR A FRICTIONLESS PAYMENTS LANDSCAPE

Incremental increase in the number of international banking institutions and naturally in the inclination towards international transactions as a result of the evolution in the global trade pointed out that the current payments infrastructure needs an update in the direction of reducing fragmentation and achieving a more unified approach. Payments Hub emerged to meet the demands of the industry to provide a more seamless, cost-friendly and centralized payments platform to consolidate different payments systems in a more controlled way.

Features of Payments Hub

<p>Local payment support: In addition to the cross-border payment support, Payments Hub also enables simpler local payment activities.</p>	<p>Reporting simplified: With a unified and integrated approach, it is possible to report different balances and transactions within the day or at the end of the day easily.</p>	<p>Payments settlement: As the payment initiation, tracking and receiving / responding to the payments are done via a unified system, the payment settlement can be obtained with complete transparency and quickly.</p>
<p>Data enrichment and visualization: Centralized approach in data management and analytics feeds the customer data automatically into the relevant systems.</p>	<p>Payment screening and fraud detection: Payments Hub enables different platforms to communicate with each other which improves interoperability and provides an inter-bank transaction screening. It supports activities to detect and prevent fraud.</p>	<p>ISO 20022: Payments Hub is completely ISO 20022 for more structured payments messaging.</p>

RTGS (Real Time Gross Settlement)

A settlement system that is generally used for large-value interbank funds transfers and that are operated by the central bank of a country.

Local / regional payments systems

US

CHIPS (Clearing House Interbank Payments) The largest US Dollar payments clearing system globally owned by the private sector.

FEDwire The real time gross settlement (RTGS) system operated by the United States Federal Reserve Banks for electronic funds transfer between the member institutions.

ACH (Automated Clearing House) The electronic funds-transfer system used in the U.S to facilitate the payments and operated by the National Automated Clearing House Association (NACHA).

EU

TARGET 2 The real-time gross settlement (RTGS) system of the Eurosystem processing all the payments in relation to Eurosystem's financial policy operations and transactions both among banks and/or commercial ones.

ESMIS (Eurosystem Single Market Infrastructure Gateway) The harmonized gateway to access all the services of the Eurosystem.

SEPA (Single Euro Payments Area) The payment-integration initiative of the EU for simplification of bank transfers in Euro managed by the European Commission and the European Central Bank (ECB).

SIC (Swiss Interbank Clearing) Switzerland's central payment system.

UK

CHAPS The real time gross settlement (RTGS) system of the United Kingdom run by the Bank of England.

BACS (Bankers' Automated Clearing Services) The net settlement system of the UK.

ASIA

NEIS (National Electronic Interbank System) The clearing and settlement system used among the financial institutions of China.

LCHS (Local Clearing House System) The local clearing system that is responsible for all local paper-based transactions in China.

AFRICA

PAPSS (The Pan-African Payment and Settlement System) The first unified payment processing, clearing and settlement system used among African countries for trade and commerce payments.

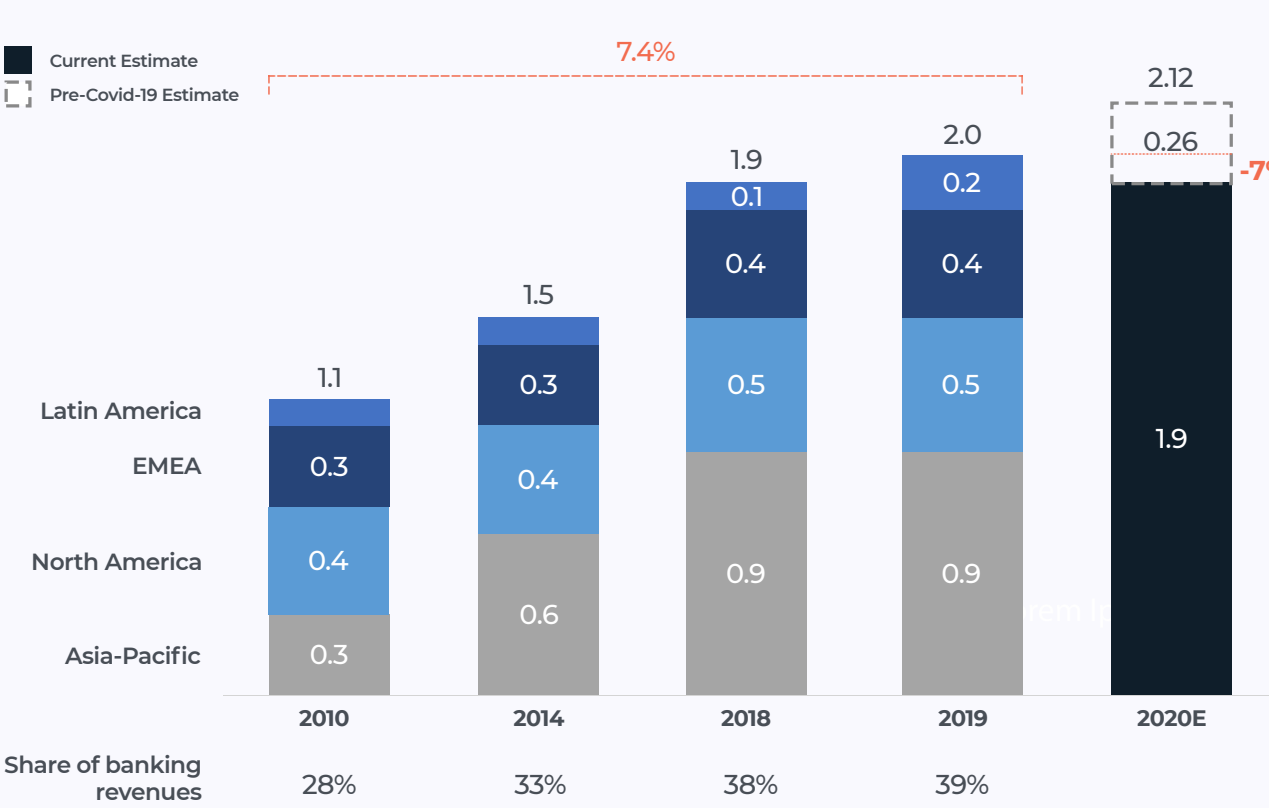
MENA

UAEFTS (The UAE Funds Transfer System) The real time gross settlement (RTGS) system of the United Arab Emirates, hosted by the Central Bank of the UAE.

NPSS (National Payments Systems Strategy) The initiative of the Central Bank of the UAE to ensure a secure, efficient and customer-oriented local and cross-border payments environment. The aim is to make the payment systems in the UAE more interoperable and regulated and to make the transformation to the cashless society smoother.

KNPS (Kuwait National Payment System) The automated and modernized payments and settlement system of Kuwait.

Global payments revenue, \$ trillion(2010 – 2020)



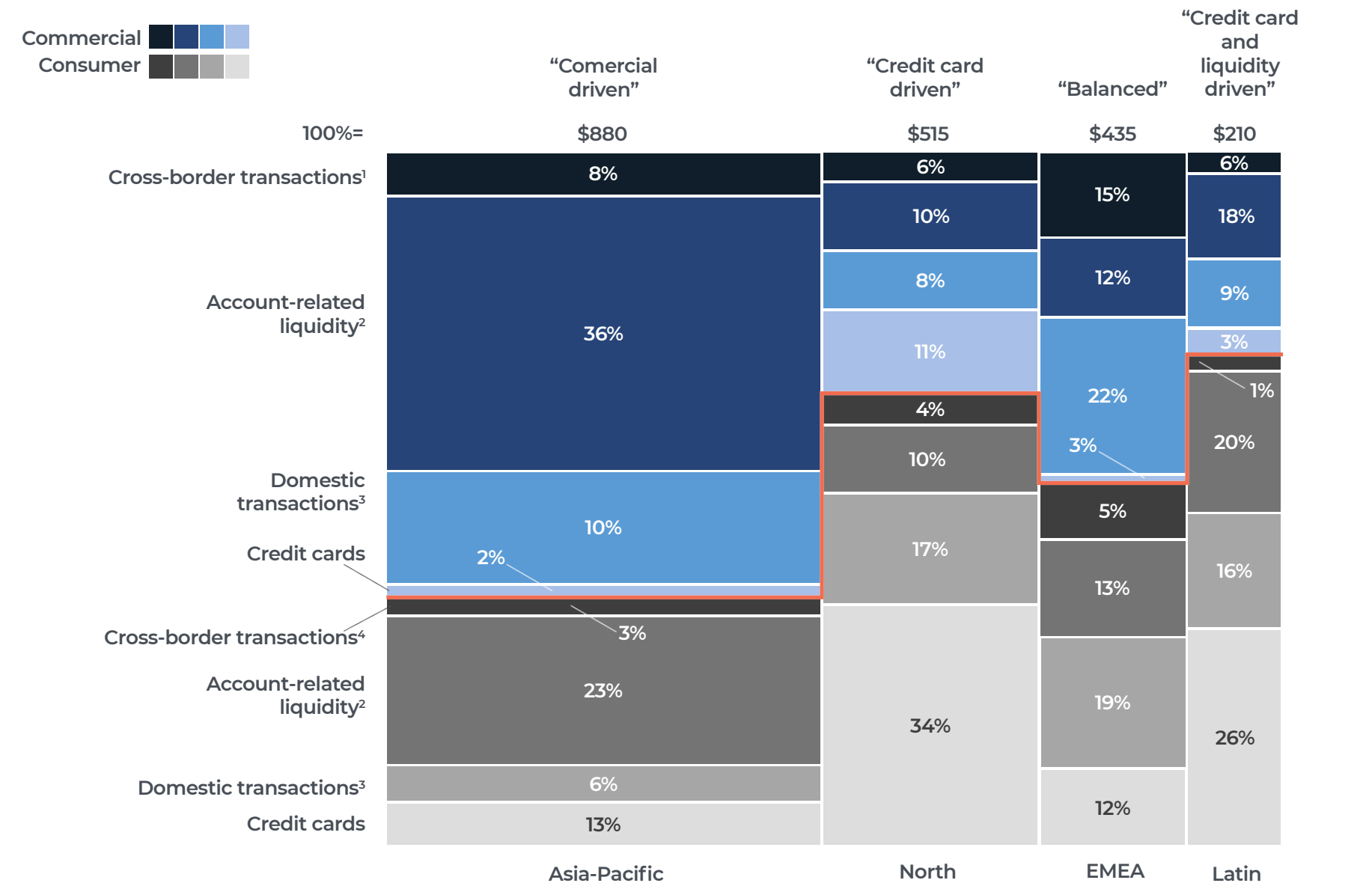
According to the Global Payments Report of 2020 by McKinsey, the **COVID-19 pandemic affected the global payments environment by increasing the tendency to use less cash and more electronic and cashless payments methods.**

In comparison to the stability of 2019, the first six months of 2020 the payments revenues decreased up to 22%.

It is expected that at the end of 2020, the total global payments revenue will remain 7% lower than 2019.

Note: Figures may not sum to listed totals, because of rounding. Source: McKinsey Global Payments Map

Global payments revenue, 2018, % (100% = \$ billion)



¹Trade finance and cross-border payments services (B2B, B2C). ²Net internet income on current accounts and overdrafts. ³Fre revenue on domestic payments transactions and account maintenance (excluding credit cards). ⁴Remittance services and C2B cross-border payments services.

Source: McKinsey Global Payments Map

The McKinsey report of 2018 demonstrates that in the global payments revenues, **the total rate of increase is 6% which is the usual trend historically.**

Asia-Pacific region covers the bigger part with commercial driven payments domination and also it has the biggest growth trend as a result of strong digital transaction growth, **less transaction fees and account revenues constituting the 60% of the total payment revenues.**

The European area is the slowest growing in terms of revenues; however, taking the rate of increase over the years into consideration, it is possible to say that **there is a consistency of growth in Europe.**

Conclusion

To achieve a more frictionless and centralized cross-border payments landscape is an urgent necessity among the increasing number of transactions every day and the fragmentation in the payment processes which result in operational, financial and compliance-related burdens on the financial institutions. Payments hub is the system that addresses those needs by offering unity, efficiency and better management on reporting, liquidity and settlement processes.

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