



IPFA Business Value Proposition

Introduction

Bank professionals around the globe recognize that the payments landscape is in a process of rapid change over the last decade and it is expected that this process will continue at an even higher level.

The **International Payments Framework Association (IPFA)**, being active in this environment of rapid change, has put together its **IPFA Value Proposition**, describing its Vision and Mission, its offering in general and the Member Benefits/Opportunities.

In order to make it more expressive both for our financial institutions members as for new prospects, we have put this **IPFA Business Value Proposition** together in order to explain what are the benefits of using the **International Payments Framework (IPF)** compared to other channels/correspondent banking.

Operational Efficiencies

The usage of the IPF for the execution of international payment transactions could lead to the following operational efficiencies

- > The possibility to use domestic formats (e.g. IAT, SCT) can enable banks to provide an international payments service without the need to develop totally new channels;
- > Local protocols for file transfer can be used providing banks with a choice of channel most suitable for their specific needs;
- > Use of bulk file processing instead of single messaging can enable the operational overhead to be reduced, e.g. reduced monitoring requirements;
- > Settlement activities may also be optimised as settlement may be made at bulk level, requiring less booking transactions which are only required at pre-defined times, i.e. when the payment file is ready to be transmitted.





Cost Improvements

Besides operational efficiencies, the usage of the IPF could also generate substantial cost improvements through

- > Leverage of ISO 20022 development costs which midterm each bank will have as ISO20022 becomes a global standard;
- > operational efficiencies – it will be possible to achieve lower inter-bank fees than those incurred when making wire payments;
- > the usage of the IPF network and reach provided to banks with the opportunity to optimise their processing capabilities and at the same time still keep their correspondent network where needed.

Process Improvements

Next to operational efficiencies and cost improvements also process improvements can be gained through the usage of the IPF

- > The IPF requires that a payment will be delivered to the beneficiary bank within a pre-agreed time frame (e.g. D + 2) so giving the originators confidence that their payment will reach the beneficiary in a timely manner;
- > The IPF provides for status updates, which allows participants to know where payments are, when they are credited etc.;
- > The IPF requires that there be no intermediary beneficiary deducts so that the full principle amount is delivered to the beneficiary bank. This ensures transparent pricing for payment originators who know how much will reach the beneficiary bank and the full cost of the transaction;
- > The IPF ISO format allows richer data to be carried creating the possibility to send additional information with the payment instruction.

Platform for emerging payments initiatives

Besides the already described advantages the IPF can also be used as a platform for emerging payment initiatives

- > The IPF message format aligns with the proposed ISO standard for mobile initiated payments;
- > The IPF standards align with standards adopted in SEPA and other regional developments taking place, which allows members to capitalise on investments made in this regard;
- > The IPF message standard fits in with the new ISO payments remittance advice messages, which will improve corporate payments services.

Further Benefits

There are clearly further benefits of using the IPF, which are not to be categorized in the three chapters before; these are among others

- > IPFA is targeting banks of all sizes in the cross-border terms, since it provides a cost effective way for their cross-border business;
- > Reliable known 'local' partners ensure local as well as international standards and regulations are met in the territory of the beneficiary;
- > Using the IPF can generate benefits regarding the fulfilment of national and international compliance obligations due to binding rules between IPFA members;
- > Opportunity to use the IPF aggregated market power to strengthen the bank product portfolio;
- > Banks can offer a new service with other conditions as an alternative to wire transfers hence generating possibilities for new business and closer client relationships.