

## Interbank Funds Transfer Systems

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Interbank Funds Transfer Systems (IFTSs) refer to the arrangements through which funds transfers are made between banks on behalf of users. The transfer of money in the system is commonly carried out within the limits of the number of transferred funds as well as the amount of money received from other entities within the interbank fund transfer systems. From the broadest understanding, one of the purposes of IFTS is to process the most important and most priority-oriented payments in the domain of interbank environment. With regards to the extensive variety of elements and factors within the system of IFTS, which are different from state to state, a brief characteristic should be unveiled to assess the system from a general perspective. Subsequently, the mere existence of the IFTS refers to the system in which all participants are credit institutions, whereas case studies from Taiwan, Philippines, and Singapore are worthy of inquiry because of crucial distinctions in how the IFTS operates across the globe.

#### Taiwan: Central Bank

Having identified the Taiwanese system as such that should be analyzed, one may indicate the role of the Taiwan-based CBC Interbank Funds Transfer System (CIFS), which is operated by the central bank. CIFS is defined as an electronic payment system of large-scale, which ultimately serves as the hub of domestic payment and settlement systems ("CBC Interbank Funds Transfer System," n.d.). The crucial point is that the CIFS comprises the participants all across Taiwan, which are the credit entities across the state. In order to ensure the safety and efficiency of the large-scale settlements, the CIFS was continually reforming and developing to introduce a single system of the IFTS in Taiwan. Among the most considerable changes in the historical discourse, one may point out the replacement of transfer operations with the electronic

funds transfer process, the incorporation of domestic government bonds into the system, and the settlement of USD-NTD swap transactions with the adoption of a payment-versus-payment (PVP) mechanism ("CBC Interbank Funds Transfer System," n.d.). With regards to these changes, the CIFS stands out as one of the most developed IFTS, which is capable of enlarging the extent of its direct responsibilities.

Currently, the CIFS bears responsibility for processing the interbank large-value settlement services, namely interbank funding, reserve requirement adjustments, call loans, a transaction of securities, corporate bonds, government bonds, and even foreign exchange. Considering such an extensive field of responsibilities, the IFTS seems to be the crucial connection with essential retail payment systems, including ATMs, withdrawals, tax payments, credit card transactions, and check clearing. Consequently, the unveiled features of the systems, which are various credit entities, makes the CIFS a role model for the establishment of the IFTS. In the conventional development of the IFTS, the CIFS incorporates operational capacities and transactions of 38 domestic banks, 29 local branches of foreign banks, eight bills finance corporations, and six clearing organizations ("CBC Interbank Funds Transfer System", n.d.). The mere presence of such a considerable amount of credit entities makes the IFTS the most vital system across the globe, which should be thoroughly reviewed under the scope of the IFTS.

#### The Philippines: Clearing Houses

Another vital example, which deserves attention as the emerging IFTS is the case of the Philippines. More precisely, the IFTS was reported that it would emerge by the end of November, which would incorporate both banking and non-banking financial institutions into a single unit (Subido, 2018). One of the most overwhelming differences between the Taiwanese

system is the mandatory essence of transition, which was also reported to become intrinsic to the legal domain. This move by the central bank of the Philippines is crucial to ensure steady development of both the power and usefulness of most depositors' online banking accounts, which would neglect using manual services (Subido, 2018). The core of transformation is the development of the interbank transfers, which best refer to the essence of the IFTS. Therefore, the users of the banks would be granted with opportunities to receive or send funds to other banks' online clients as an available option, which is deemed to be the essential leap forward in terms of digitalization of the banking system.

Currently, the Philippines successfully accredited two automated clearing houses—namely PESONet and InstaPay—which are the signs of IFTS's upcoming revolution that would change the ways through which these aggregators operate within the banking system. According to Subido (2018), who characterizes the upcoming IFTS, 43 banks and non-banking financial institutions enabled the interbank fund transfer facilities, whereas others develop the within-firm regulations on sending, receiving, and offering funds. Even though this particular approach to the IFTS specifications is different from that in Taiwan, the use of contractors in the form of PESONet and InstaPay is still associated with the formation of a single unit within the banking system, which is closely related to the IFTS (Subido, 2018). Having considered the case in the Philippines, it becomes noticeable that the approaches to the establishment of the IFTS are exceptionally varied, yet the features of interbank transfers and unification patterns are familiar in both Taiwan and the Philippines.

Singapore: Universal QR Code

The last identified example of the IFTS, which also presents a unique approach towards the unification of the credit entities, is continually developing in Singapore. In particular, the Singapore banking system, coupled with the active participation of the government, released a universal QR code to enhance cashless payment schemes (Tham, 2018). In the context of IFTS, one of the most significant changes took place in relation to non-banking organizations, such as Grab and Singtel, which became part of the state-based IFTS system. By doing so, the emergence of the universal QR code is capable of covering the vast majority of e-commerce systems, interbank transfers, and e-wallets into a single IFTS framework. The instant online interbank funds transfer became possible in 2018 for non-banks, which also facilitated the transfers both to and from any e-wallet, serving to be a decent unification sign.

Since the previous experience with the transition into a digital domain of the IFTS ultimately failed because of the demand from e-payment firms to negotiate their own deals with independent banks, the customer side experienced the discomfort of use—especially under the scope of interbank transfers. With the introduction of the universal QR code, users obtained the chance to utilize interbank transfers, at the same time using such a chance through the lens of the single QR code (Tham, 2018). Subsequently, Singapore presumably conducted drastic efforts to merge countless banks, non-banking financial institutions, e-wallets, and e-payment systems into a single framework of the IFTS, which is another representation of how this system can be applied across the globe.

#### Final Remarks

Having scrutinized the data regarding the IFTS as the system in which exclusively the credit institutions operate to process the payment transfers digitally without cross-bank barriers,

the examples of Taiwan, the Philippines, and Singapore were pointed out as decent role models of the IFTS. The discrepancies in the implementation of the IFTS across the globe have proven their role. While Taiwan had efficiently accomplished the unification of numerous financial players under the scope of the central bank, the example of the Philippines represented that the e-payment systems may become partners in accomplishing the IFTS framework on a state level. Peculiarly, the case of Singapore stands out because of its approach intending to unite the financial organizations using a universal QR code, which may be utilized for interbank transfers, e-commerce, and other relevant facilities concerning cashless payment procedures.

With regards to the unveiled examples, one may indicate that despite drastic discrepancies between states and their banking systems, the common objective of uniting financial players may be underlined. Therefore, further research of the IFTS should be conducted by reviewing the implications of the IFTS in these three states, at the same time, reviewing the alternatives or innovative projects across the globe. By doing so, the research of the banking system may be enlarged, eventually resulting in further development and enhancement of the existing IFTSs around the world, which have only a positive impact on the digital evolution of the banking environment.

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