

ANNEX 1: GLOSSARY

Terms	Definition
Access	The ability to use an instant payment system's services, including the direct use of the IPS's services by participants, other market infrastructures, and, where relevant, service providers. Access is fundamental to ensuring that payment systems are inclusive while maintaining operational integrity.
Access Criteria	Specific requirements and conditions that must be met by financial institutions and other entities seeking to participate in an instant payment system. These criteria typically include technical capabilities, financial soundness, regulatory compliance, and operational resilience. The criteria are designed to balance the need for broad participation with the need to maintain the security and stability of the payment system.
Alias	An alternative identifier associated with a payment account (such as an IBAN), registered in the alias auxiliary application of the instant payment system. Aliases are designed to simplify the payment initiation process by allowing users to identify payment recipients using familiar information rather than complex account numbers. Common examples of aliases include mobile phone numbers, email addresses, or custom usernames.
Alias/Proxy Directory	A database that maps user-friendly identifiers (aliases) such as mobile phone numbers, email addresses, or custom usernames to the underlying bank account details required for payment routing. The alias directory serves as a lookup service within the IPS ecosystem.
Application Programming Interface (API)	A set of protocols, routines, and tools that define how different software components should interact. APIs serve as the technical foundation for connecting participants to the central infrastructure, integrating value-added services, and enabling third-party innovations within the IPS ecosystem. In modern IPS implementations, APIs typically follow REST (Representational State Transfer) or SOAP (Simple Object Access Protocol) architectural styles, with standardized data formats such as JSON or XML.
Availability	The percentage of time that the system is operational and capable of processing transactions as designed. Given the 24/7/365 nature of instant payments and their increasing importance in economic activities, IPS typically targets extremely high availability levels, often expressed as "five nines" (99.999%) or higher, which translates to just minutes of downtime per year.

Terms	Definition
Beneficiary	An individual, business, or entity that receives funds through an instant payment transaction. The beneficiary is the ultimate recipient of the payment and typically holds an account with a financial institution that participates in the IPS, either directly or indirectly through a sponsoring participant.
Caps	Quantitative limits on the funds transfer activity of individual participants in a system may be set by each individual participant or may be imposed by the body managing the system; limits can be placed on the net debit position or net credit position of participants in the system.
Clearing	The process of transmitting, reconciling, and, in some cases, confirming payment orders prior to settlement. This process includes the netting of instructions and the establishment of final positions for settlement.
Central Bank Money	Monetary liabilities issued by a central bank that serve as the ultimate settlement asset within a country's payment system. It exists in two primary forms: physical cash (banknotes and coins) and reserves or settlement accounts that commercial banks maintain at the central bank. Central bank money offers various advantages in terms of settlement finality and credit risk elimination, unlike commercial bank money.
Collateral	An asset or third-party commitment that is used by a collateral provider to secure an obligation vis-à-vis a collateral taker.
Collateral Arrangements	A specific agreement between a collateral provider and a collateral taker to use collateral to secure an obligation. These arrangements may include detailed criteria for the eligibility of assets that can be used as collateral, as well as haircuts (reductions in the value of the collateral to account for potential market fluctuations). Collateral arrangements can take different legal forms, such as title transfer or pledge arrangements.
Commercial Bank Money	A liability of a commercial bank, in the form of deposits held at the commercial bank, which can be used for settlement purposes. Commercial bank money is often used as the settlement asset for transactions between participants, particularly in systems where the central bank is not directly involved in the settlement process.
Consumer	A natural person acting for purposes other than trade, business, or profession in payment service contracts. This distinction is important for regulatory and consumer protection purposes, as consumers often receive additional protections compared to business users of payment services.

Terms	Definition
Credit Risk	The risk that a counterparty, whether a participant or other entity, will be unable to fully meet its financial obligations when due, or at any time in the future. This risk is particularly significant in payment systems due to the time-critical nature of settlement obligations and the potential for systemic impacts if a major participant defaults.
Credit Transfer Instruction	A payment instruction in electronic format, processed in the IPS, where the payer initiates the payment and the associated exception handling instructions. This is the fundamental transaction type in most instant payment systems, enabling the immediate transfer of funds from the payer's account to the payee's account.
Cross-Border Payment	A payment in which the financial institutions of the payer and the payee are located in different jurisdictions. Cross-border instant payments represent an evolution from traditional international transfers, which often took days to complete and involved multiple intermediaries.
Customer Due Diligence (CDD)	A process financial institutions use to verify the identity of their clients and assess the potential risks associated with their financial activities. This critical compliance function helps prevent money laundering, terrorist financing, and other financial crimes that could exploit the speed and convenience of real-time payment networks.
Data Protection	Policies, procedures, and technical safeguards that are implemented to secure sensitive financial and personal information throughout the payment process. As real-time payment networks process vast amounts of data across multiple participants, robust protection mechanisms are essential to maintain user trust and comply with regulatory requirements.
Debit Transfer	A transaction model where the payment is initiated by the recipient (payee) rather than the sender (payer). In this arrangement, the payee "pulls" funds from the payer's account based on a pre-established authorization or mandate, contrasting with the more common credit push model, where the payer actively initiates the transfer.
Defaulter Pays Approach	A risk management arrangement in payment systems whereby each participant is required to cover exposures it has vis-à-vis other participants in the arrangement. As a result, losses from a party's default are borne by the defaulting party through the non-defaulter's liquidation/enforcement of the collateral posted by the defaulting party.
Deferred Net Settlement (DNS)	A mechanism that settles on a net basis at the end of a predefined settlement cycle. The DNS represents an alternative to real-time gross settlement for managing the transfer of funds between participating financial institutions. In a DNS arrangement, the IPS accumulates payment instructions over a specified period (the clearing cycle), calculates the net position of each participant at the end of the cycle, and then initiates a single settlement transaction for each participant to cover its net obligations.

Terms	Definition
Direct Participant	An entity that has direct access to the FMI's services and is directly bound by the rules of the FMI. Direct participants typically maintain an account with the FMI or its settlement agent and can submit instructions directly to the system without intermediaries.
Direct Non-Settling Participant	A participant that does not have a settlement account in the settlement system and that has an agreement with a settling participant to act on the participant's behalf with respect to its settlement obligations under the IPS scheme rules and operating procedures. This arrangement is a form of tiered participation, where some participants access the system indirectly through others.
Direct Settling Participant	A participant that has a settlement account in the settlement system and whose net position is settled on its own settlement account opened in the settlement system. As a DSP, the participant takes on the responsibility for managing its own settlement obligations within the IPS.
Directives Relatives	Specific directives related to the reject, return, recall, and request for recall by the sender processes within an instant payment system.
Disaster Recovery	Strategies, processes, and technologies implemented to restore system functionality following a disruptive event such as a natural disaster, major technical failure, or cyberattack. Given the critical nature of payment infrastructure and the expectation of 24/7/365 availability for instant payments, robust disaster recovery capabilities are essential components of IPS design and operation.
End User	Those who use, or are likely to use, services provided by payment systems (e.g., consumers, businesses, and government).
Exception Handling Instructions	These instructions are an essential component of the IPS scheme, as they define how participants should handle various exceptional situations that may arise during the processing of instant payments.
Financial Market Infrastructure (FMI)	A multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions. Instant payment systems are a specific type of FMI focused on enabling real-time or near-real-time transfers of funds between accounts at different financial institutions.
Fraud Monitoring	Technologies, processes, and organizational structures implemented to detect, prevent, and respond to fraudulent activities. The real-time and irrevocable nature of instant payments creates unique fraud risk challenges, as transactions cannot be easily recalled once settled, making effective monitoring particularly critical.

Terms	Definition
Governance	Set of relationships between the payment system's owners, board of directors (or equivalent), management, and other relevant parties, including participants, authorities, and other stakeholders (such as participants' customers, other interdependent FMIs, and the broader market). It encompasses the processes, structures, and information used for directing and overseeing the management of the system.
Indirect Participant (in an FMI)	An entity that does not have direct access to the FMI's services and is typically not directly bound by the FMI's rules, but whose transactions are cleared, settled, or recorded by the FMI through a direct participant. An indirect participant has a bilateral agreement with a direct participant to access the services of the FMI. In the context of an IPS, indirect participants are often smaller financial institutions or non-bank payment service providers that do not meet the criteria for direct participation or choose not to become direct participants due to cost, technical, or operational considerations.
Instant Credit Transfer	A credit transfer that is executed immediately (at once, without delay) 24 hours a day and on any calendar day.
Instant Payment Systems	Electronic payment solutions that enable the immediate or near-immediate transfer of funds between accounts, typically 24/7/365.
Interoperability	The ability for payments to be processed (exchanged, cleared, and settled) across multiple systems or jurisdictions (e.g., cross-border) without manual assistance; generally facilitated by the adoption of common standards and/or technical compatibility.
ISO 20022 Standard	An ISO standard for electronic data interchange between financial institutions. It describes a metadata repository containing descriptions of messages and business processes, and a maintenance process for the repository content. It encompasses the physical representation of payment transactions in XML syntax, in accordance with business rules and implementation guidelines of the payment schemes. This standard has become increasingly important in the context of instant payment systems, as it provides a common language for communication between participants.
Know Your Customer (KYC)	A mandatory process that financial institutions use to verify the identity of their clients and assess their suitability before allowing them to access real-time payment services. This critical regulatory requirement helps prevent financial crimes such as money laundering, terrorist financing, and fraud by ensuring that payment system participants know who they're doing business with.
Legal Risk	The risk of the unexpected application of a law or regulation, usually resulting in a loss. Legal risk can also arise if the application of relevant laws and regulations is uncertain.

Terms	Definition
Liquidity Management	Strategies, tools, and processes that financial institutions employ to ensure they have sufficient funds available to meet their settlement obligations continuously throughout the day. The 24/7/365 nature of instant payments, combined with the requirement for immediate funds availability to recipients, creates unique liquidity challenges compared to traditional payment systems with predictable settlement cycles.
Liquidity Risk	The risk that a counterparty, whether a participant or other entity, will have insufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future. This risk is particularly significant in instant payment environments due to the immediate nature of transactions and the continuous availability of the service.
Loss-Sharing Arrangement	An agreement among participants in a clearing or settlement system regarding the allocation of any losses arising from the default of a participant in the system or of the system itself.
Message Flow	A set of actions that describe the messages and processes a transaction undergoes in order to transfer payment and non-payment-related messages from one participant to another in the IPS. Understanding the message flow is essential for participants to implement their systems correctly and for the overall efficiency and reliability of the payment process.
Message Format	Structured arrangement and syntax of data exchanged between participants during the processing of real-time transactions. These formats define how payment information is organized, encoded, and transmitted across the network, ensuring that all parties can accurately interpret and process the data they receive.
Multilateral Netting	The offsetting of obligations between or among multiple participants to result in a single net position per participant. This process is a key component of net settlement systems.
Net (Credit or Debit) Position	A net credit or net debit position in a netting system is the sum of the value of all the transfers it has received up to a particular point in time, less the value of all transfers it has sent. If the difference is positive, the participant is in a net credit position; if the difference is negative, the participant is in a net debit position. Depending on the model, these net positions may be calculated on a bilateral or multilateral basis.
Net Settlement System	A settlement system in which final settlement of transfer instructions occurs on a net basis at one or more discrete, pre-specified times during the processing day. In the context of instant payment systems, net settlement represents an alternative to real-time gross settlement for managing the transfer of funds between participating financial institutions.

Terms	Definition
Netting	The conversion into one net claim or one net obligation of claims and obligations resulting from transfer orders that a participant or participants either issue to, or receive from, one or more other participants, with the result that only a net claim can be demanded or a net obligation be owed. This process is a fundamental concept in many payment systems, particularly those that use deferred settlement mechanisms.
Non-Payment Message	A message other than a payment message or payment message response, in the format specified in the IPS technical specifications, that is transmitted between the IPS and a participant or between participants. Non-payment messages include payment-related messages and payment-related message responses.
Open Banking	Regulatory frameworks and technical standards that enable secure sharing of financial data and payment initiation capabilities between banks and authorized third-party providers through standardized application programming interfaces (APIs). This approach creates an ecosystem where consumers can use non-bank applications and services to initiate instant payments directly from their bank accounts, fostering innovation and competition in the payment landscape.
Operational Resilience	The ability of the payment infrastructure and its participants to deliver critical services without disruption, even in the face of adverse events such as technical failures, cyberattacks, natural disasters, or other operational challenges. As instant payment systems become increasingly essential to economic activity, their continuous availability and reliability have become matters of national importance in many jurisdictions.
Operational Risk	Risk that deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events will result in the reduction, deterioration, or breakdown of services provided by an IPS. Given the real-time nature and continuous availability of instant payments, operational risk management is particularly critical for these systems.
Overlay Services	Value-added functionalities built on top of the core payment infrastructure to enhance user experience, expand use cases, or provide additional features beyond basic payment processing. These services leverage the speed and reliability of the underlying IPS while adding layers of convenience, information, or specialized capabilities. Examples: Request to pay, alias directory, bill payment service (e-invoice).
Participant	A payment service provider that has entered into a participation agreement with the scheme manager. Participants are the core entities that make up the IPS ecosystem, connecting their customers to the instant payment infrastructure and enabling the exchange of funds between different financial institutions.

Terms	Definition
Participant Onboarding	A structured process through which financial institutions or payment service providers join the system and establish the technical, operational, and legal foundations for their participation. This process is critical for maintaining the integrity and performance of the IPS while expanding its reach and utility through new participants.
Payer	Individual or entity responsible for initiating and funding a payment. They are typically the source of the funds and bear the financial obligation for the payment. The payer's role is central to the instant payment process, as their authorization is what triggers the movement of funds.
Payment Aggregator	A payment aggregator is a specialized payment service provider that enables e-commerce merchants to process their payment transactions through a single integration point.
Payment Initiation Channel	Any method, device, or procedure through which payers can place payment orders with their payment service provider (PSP) for a credit transfer, including online banking, a mobile banking application, or in any other way on the premises of the PSP. These channels serve as the interface between end-users and the instant payment infrastructure.
Payment Initiation Service Providers (PISP)	PSPs that provide a service to initiate a payment instruction at the request of the customer with respect to a payment account held at another PSP. PISPs represent a new category of payment service providers that emerged with the development of open banking frameworks, particularly in regions like the European Union under the revised Payment Services Directive (PSD2).
Payment Order	An order or instruction sent by a payer or, in some systems, a payee ordering the execution of a payment transaction. This message is the fundamental unit of communication that initiates the movement of funds within the payment system.
Payment-related Message	A message, other than a payment message or a payment response message, in the format specified by the IPS technical specifications that is transmitted between participants. A payment-related message may be a request to pay, a payment initiation request, a request for information, a payment acknowledgment, a payment status request, or a request for return of funds.
Payment Service Providers (PSPs)	Entities that offer payment services to end-users, enabling them to send and receive instant payments. PSPs serve as the interface between end-users and the payment infrastructure, playing a crucial role in the adoption and usage of instant payments.

Terms	Definition
Payment System	A set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and the entity operating the arrangement. This broad definition encompasses various types of payment systems, including instant payment systems, which are specifically designed to enable real-time or near-real-time transfers of funds.
Positive Confirmation	A message sent to the sender of the funds regarding completion of the instant payment, thus giving an assurance to the sender that the funds have been successfully credited to the beneficiary account. This confirmation is a key feature of instant payments, providing immediate certainty about the status of the transaction.
Prefunded Balance Account	Special deposit account established by the settling participant on its behalf or on behalf of sponsored non-settling participants for the purpose of supporting the operations of the IPS. This account holds funds that are dedicated to covering the settlement obligations arising from instant payment transactions.
Proxy	Data required in order to retrieve a payment account identifier (e.g., mobile phone number, e-mail address, etc.). This is sometimes referred to as an “alias.” A proxy could be used to replace a payment account identifier, simplifying the process of initiating payments by allowing users to identify recipients using familiar information rather than complex account numbers.
QR Code Payment	A method of initiating real-time transactions by scanning a two-dimensional barcode with a mobile device. This technology creates a bridge between physical and digital payment environments, enabling instant payments without requiring specialized merchant hardware beyond the ability to display or generate QR codes.
Real-Time Gross Settlement (RTGS)	The real-time settlement of payments, transfer instructions, or other obligations individually on a transaction-by-transaction basis. This approach contrasts with deferred net settlement systems, where payments are accumulated over a period and then settled based on the net amounts.
Receiving Participant	The participant that holds the receiver’s account and that receives a payment message. This entity plays a crucial role in the instant payment process, as it is responsible for making the funds available to the payee immediately upon successful processing of the payment.
Reconciliation	A procedure to verify that two sets of records issued by two different entities match. This process is essential for ensuring the accuracy and integrity of payment processing, as it helps identify and resolve any discrepancies that may arise during the transmission and settlement of payments.

Terms	Definition
Request to Pay (RtP)	A message that a participant, acting on behalf of themselves or their end customer (the payee), sends to another participant or their end customer (the payer) via the IPS to request a payment. This functionality represents an evolution beyond basic credit transfers, enabling more interactive and payee-initiated payment scenarios.
Risk Management	A comprehensive framework of policies, procedures, controls, and technologies designed to identify, assess, mitigate, and monitor the various risks associated with real-time payment processing. The immediate and irrevocable nature of instant payments creates distinct risk challenges compared to traditional payment methods, requiring specialized approaches to maintain system security and stability.
Scheme Rule	A set of procedures, rules, and technical standards that govern how transactions are executed (CPMI 2016a). Scheme rules define the terms for maintaining an effective payment system, including rules for how participants will work together, how economic incentives will be balanced, and how disputes will be managed.
Scheme Manager	Entity responsible for the overall governance, strategic direction, and operational oversight of the IPS. This role is critical for ensuring that the system functions effectively, evolves to meet changing needs, and maintains the trust of all stakeholders.
Sender	A customer of a sending participant who sends a payment instruction to the sending participant. The sender is the individual or entity that initiates the payment process by providing instructions to their financial institution to transfer funds to a recipient.
Sending Participant	A participant who holds the sender's account and initiates an instant payment. A sending participant is similar to a payer or originator participant. This entity plays a crucial role in the instant payment process, as it is responsible for validating the payment instruction, ensuring sufficient funds are available, and initiating the transaction in the IPS.
Set Off	A method of canceling or offsetting reciprocal obligations and claims (or the discharge of reciprocal obligations up to the amount of the smaller obligations). Set off can operate by force of law or pursuant to a contract.
Settlement	Process by which financial obligations between participating institutions are discharged, representing the actual transfer of funds that backs the payments made by end users. While customers experience instant payments as immediate transfers, the underlying settlement between financial institutions may follow various models depending on the system design, each with different implications for timing, risk, and liquidity management.

Terms	Definition
Settlement Finality	The irrevocable and unconditional transfer of an asset or financial instrument, or the discharge of an obligation by the FMI or its participants in accordance with the terms of the underlying contract. Final settlement is a legally defined moment. This concept is fundamental to IPS, as it provides certainty to payment recipients that they can immediately use or disburse received funds without risk of reversal.
Settlement Risk	Risk that the settlement in a payment system will not take place as expected. This risk is particularly significant in IPS due to the immediate and irrevocable nature of payments, which creates potential exposures if a participant fails to meet its settlement obligations while other participants have already credited their customers' accounts based on expected receipts.
Scheme Rules	A comprehensive set of standards, procedures, and obligations that govern the operation of the system and the relationships between participants. These rules form the contractual foundation of the IPS, establishing clear expectations for all parties and providing mechanisms for addressing operational issues, disputes, and exceptional situations.
Standards	Messaging and communication standards, technical infrastructure standards, and contingency standards that participants must adhere to in order to become and remain members of the IPS. These standards provide a common framework that ensures interoperability, security, and reliability across the payment ecosystem.
Straight-Through Processing (STP)	Complete automation of the payment process from initiation to final settlement, without requiring manual intervention under normal circumstances. This end-to-end automation is essential for achieving the speed, efficiency, and reliability expected in real-time payment environments, where transactions must be completed within seconds regardless of transaction volume or time of day.
Strong Customer Authentication	Authentication based on the use of two or more elements categorized as knowledge (something only the user knows), possession (something only the user possesses), and inherence (something the user is) that are independent, in that the breach of one does not compromise the reliability of the others, and is designed in such a way as to protect the confidentiality of the authentication data.
Survivors Pay	An approach to loss-sharing arrangements in payment systems, where losses arising from a defaulting participant are borne by non-defaulting participants according to pre-agreed rules.
System Operator	Entity responsible for the technical operation, development, and maintenance of the infrastructure of an instant payment system (IPS). This critical role encompasses ensuring the continuous availability and performance of the system, implementing technical updates and enhancements, managing system configurations, and coordinating with participants to maintain operational integrity.

Terms	Definition
Systemic Risk	The risk that the failure of one participant in a payment system to meet its required obligations will cause other participants or financial institutions to be unable to meet their obligations when due. Such a failure may cause significant liquidity or credit problems and, as a result, might threaten the stability of the entire financial system.
Technical Specification	A comprehensive document that defines the technical requirements and standards for participating in an instant payment system. It provides detailed information about the system's architecture, interfaces, message formats, security protocols, and operational procedures, enabling participants to develop and implement the necessary technical capabilities to connect to and interact with the system.
Third-Party Provider (TPP)	An entity that offers payment-related services by accessing customer accounts held at other financial institutions through secure interfaces.
Transaction Limits	Maximum value thresholds applied to individual payments or cumulative transactions over a defined period. These limits serve multiple purposes within the IPS ecosystem, balancing the desire for broad payment functionality with risk management considerations and operational constraints.
Use Case	Specific payment functions and services designed for and made available to participants and their customers to meet a particular participant and/or customer need. These use cases represent the practical applications and value propositions of the IPS infrastructure, translating technical capabilities into tangible financial services that address real-world requirements. Common IPS use cases include P2P, P2M, P2B, CICO, B2P, P2G,
User Experience (UX)	Overall perception and response a person has when using real-time payment services, encompassing all aspects of the interaction, including usability, accessibility, performance, design, and emotional response. As instant payment adoption grows globally, UX has become a critical differentiator among service providers and a key factor in driving user acceptance and transaction volumes.