

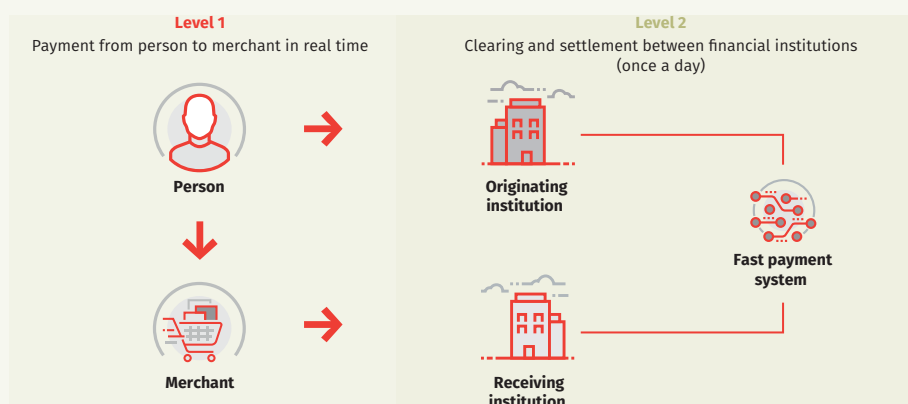
## Shaded Section 1: **Entre-Cuentas: The new Instant Payment Service by Redebán**

Fast payments or real-time funds transfers between end users, such as individuals, merchants, businesses, or public institutions, at any time (24/7), have significantly increased worldwide. In terms of the number of transactions in 2022, the largest transactions were recorded in India (48,600 million), China (18,500 million), Thailand (9,700 million), and Brazil (8,700 million) (Frost et al., 2024). In Colombia, the implementation of the fast payment system offered by *Banco de la República* is expected in 2025.

As a background, Colombia started implementing fast payment services through inter-bank payment systems to ensure the availability of funds in real time for payment recipients. In 2020, ACH Colombia launched the *Transfiya* payment service for instant person-to-person (P2P) transfers.<sup>1</sup> In 2023, *Entre-Cuentas* was created as *Redebán*'s fast funds transfer service, focused on person-to-commerce (P2C) transactions.

*Entre-Cuentas* is characterized by starting the payment process through a QR code, which allows the connection to initiate transfers from the customer to the merchant. Both parties must have accounts with any of the financial institutions registered as participants in the fast payment system.<sup>2</sup> Consequently, within the payment process, each transaction occurs at two different levels: one at the end-user level and the other at the financial institution level. The first corresponds to the payment between the customer and the merchant, which is characterized by the merchant's (payment recipient's) availability of funds within a few seconds. The second corresponds to the part of the process where the transaction is cleared and settled by the retail-value payment system, a process conducted between the financial institutions of the individual and the merchant (Diagram S1.1), known as *interbank settlement*.

Diagram S1.1  
Instant Payment Transaction (Two Levels)



Source: *Redebán* (2024); prepared by *Banco de la República*.

1 Use cases are recognized by the acronyms P2P: person-to-person; P2C: person-to-commerce, and G2P: government to person.

2 Among the banking institutions registered or participating with access to the *Redebán* payment system for instant transfers (enabled in the *Entre-Cuentas* service) are: Bancolombia, Davivienda, Scotiabank, BBVA, Banco AV Villas, Banco Caja Social, Banco de Bogotá, Banco Popular, and Banco de Occidente. Among the electronic deposit institutions are Nequi, Daviplata, Movii, and Dale.

Image S1.1  
Interoperable Codes (Digital and Physical)



Source: Redebán (n.d.). News.

As mentioned, this service began with person-to-commerce (P2C) transactions. However, a second phase is planned, including commerce-to-commerce (C2C) and government-to-person (G2P) transactions (Redebán, 2024). For the person-to-commerce use case, Redebán links individuals to a directory, which is a database containing the keys and other information associated with customers of the participating financial institutions of Entre-Cuentas and provides open and interoperable QR codes that allow merchants to receive payments in various ways (Image S1.1):

- Digital: with the QR code on their mobile phone or website.
- Physical: with the physical QR code at the store counter or through Redebán's payment terminals.

Below is a general description of level 1 with an example of the instant payment process via Redebán (Diagram S1.2): the individual initiates a payment transaction for 100,000 Colombian pesos, which requires authorization from both the individual's financial institution<sup>3</sup> and the merchant's<sup>4</sup>, an authorization that is processed by Redebán. To facilitate this payment, Redebán maintains bridge accounts in each financial institution (the individual's and the merchant's) to facilitate the transfer of debited and credited funds to these accounts. The debited funds are transferred to the bridge account of the individual's institution, while simultaneously, the funds are deducted from the bridge account of the receiving institution and credited to the merchant's account. This process occurs in approximately four seconds.

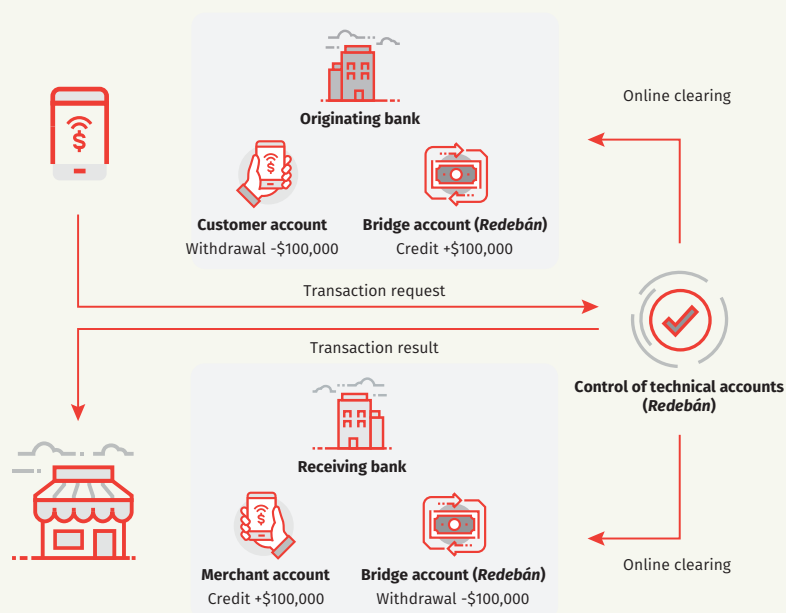
The sequence of the process is as follows (Redebán, 2024):

1. The originating institution requests Redebán to process a transfer order.
2. Redebán validates, using the liquidity accounts control system, the risk limits established by the originating institution.

3 Originating Institution: Any participating entity or group providing financial services. After joining Entre-Cuentas, it enables services for its customers (account holders) to act as originators, allowing them to make payments to merchants through real-time interoperable transactions (Redebán, 2023).

4 Receiving Institution: Any participating entity or group providing financial services. After joining Entre-Cuentas, it enables services for its customers (merchants), who must previously register through Redebán channels or the institution itself, allowing them to act as receivers, having a QR code to receive real-time interoperable payments (Redebán, 2023).

Diagram S1.2  
Redebán, Person-to-Merchant Instant Payment

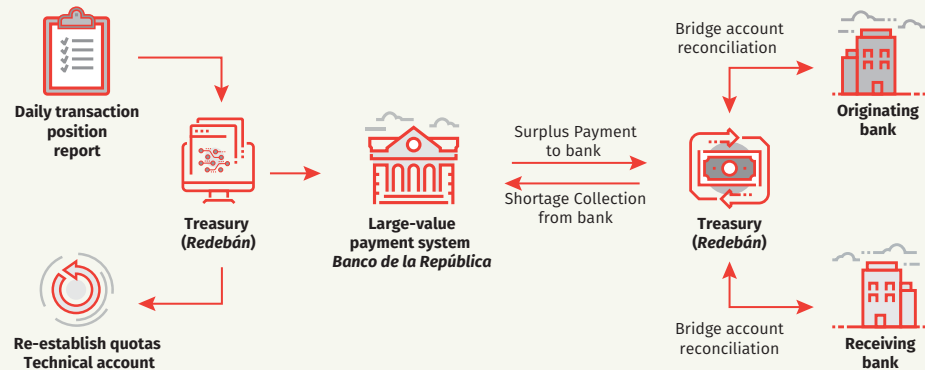


Source: Redebán (2024).

3. *Redebán* requests authorization from the originating institution for the *debit* transaction to the customer's account. The institution conducts an internal money transfer between a "customer account" and an "accounting account" and confirms the transaction result to *Redebán*.
4. If the result of the previous step is "approved," *Redebán* validates the risk limits established by the receiving institution through the technical accounts control system.
5. *Redebán* requests authorization from the receiving institution for the credit transaction to the merchant's account. The institution conducts an internal money transfer between the "accounting account" and the "merchant's account" and confirms the transaction result to *Redebán*.
6. *Redebán* confirms the transaction status to both the originating institution and the merchant via text message. If there is any inconsistency, the system will automatically and immediately send a technical reversal to each participating institution.

The movement of resources that enabled the availability of the 100,000 pesos in the merchant's account entails for this transaction, and for all those generated under *Redebán's* fast payments, the process of clearing and settlement of these transactions in the system (Level 2). At the end of the established period, *Redebán* determines the balance due to each participant as a result of the transactions processed in the payment system to extinguish their obligations among themselves, based on a consolidated transaction report (daily movement position) and the netting of transactions, which closes at 11:00 p.m. and is delivered at 7:00 a.m. daily. Diagram S1.3 illustrates both the components and the sequence of activities that allow each participating institution to establish its debit or credit balance at the end of the day.

Diagram S1.3  
 Redebán, Clearing and Settlement between Participating Institutions within the Instant Payments Framework



Source: Redebán (2024).

In the first eight months of operation, and as of April 2024, Entre-Cuentas processed 26,468,665 transactions, totaling approximately COP 1.7 trillion, indicating an average transaction value of around COP 66,000.

As detailed, the Entre-Cuentas fast payment service begins with the person-to-commerce use case, for which the debit and credit of funds occurs almost in real-time. The clearing and settlement are performed by Redebán’s retail-value payments system, once a day, following the established protocols for the day-to-day clearing and settlement for debit and credit cards.

**References**

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