

Faster Payments Update

How Do Faster Payments Differ from Traditional Payments?

- Some are based on improvements to existing, trusted payment networks such as card networks or the ACH Network
- Provide the payee with funds faster than previously, usually within a few hours on a banking day
- Finality, availability and exception management are dependent on the individual payment network rules
- Same Day ACH is initiated and settled within the same business day
- Push-to-card has immediate availability of funds, but deferred interbank settlement

How Do Instant Payments Further Differ from Faster?

- Systems enable immediate funds availability to the beneficiary/receiver
- Systems allow for instant confirmation to sender and receiver
- Availability and finality of funds within a few seconds
- Corresponding interbank settlement within a few seconds
- Available 24x7x365
- Payments are irrevocable as agreed upon by all network participants
- Support business messages for additional payment services, such as Request for Pay
- Immediate nature of instant payments enables new use cases

Instant Payments





Instant Payments:

- are credit push only
- use real time gross settlement
- enable both payer and payee to see the transaction reflected in their respective account balances immediately
- offer immediate funds availability to the payee
- are final and irrevocable

Core Faster Payment Network Rails

This represents a sample of the faster payments solutions in the marketplace as of November 2022.

Funds Availability:  Real Time  Same Day

	 Payment Type (Includes only monetary transactions)	 Dollar Limits	 Payment Messaging Standard	 Amount/Type of Information with Payment	 Settlement Timing
Same Day ACH 	Push, Pull	\$1,000,000	Nacha, ISO 20022, XML, ASC X12 820, ASC X12 835, ASC X12 Data Segments, UN/EDIFACT, Nacha-endorsed banking conventions	Up to 799,920 Characters	Same Day
RTP® Network 	Push	\$1,000,000	ISO 20022	Unlimited Characters via Extended Remittance	Immediate 24/7/365
FedNow™ 	Push	\$500,000	ISO 20022	4,000 Characters	Immediate 24/7/365
Visa Direct 	Push	\$50K per OCT transaction \$100K/day (150 txn limit) \$250K/week (250 txn limit) \$500k/month (750 txn limit)	ISO 8583	Varies by Case	Same Day or Next Day
MastercardSend 	Push	P2P: \$10,000 A2A: \$25,000 B2C: \$50,000	ISO 8583	Varies by Case	Same Day or Next Day



What Faster Payment is Right for You?

Why Faster Payments?

- Opportunity to attract and retain customers by offering competitive payment services
- Potential to grow revenue
- Reduced costs through increased efficiency
- Reduced settlement risk

What is your strategy?

- What are your payment goals?
 - How can faster payments help to achieve current goals?
 - How can faster payments create new goals?
- What do you need?
 - Demand/Use Cases, Technology/Infrastructure, Training/Education
- What do you already have?
 - What partnerships/relationships can be leveraged?
 - What expertise do you have on staff?
- What will your investment be?
 - Will new or enhanced services be free? (Commercial vs Consumer)
- Which faster payments fit within your risk appetite?

Review technology

- Can your technology infrastructure support a new payment system?
- What connection options are available for your preferred faster payment rail?
- What overlay service options are available for your preferred faster payment rail?
- Can you accommodate secure transmission of data?
- Can you accommodate secure retention of data?

Let's Develop Use Cases

Why are use cases important?

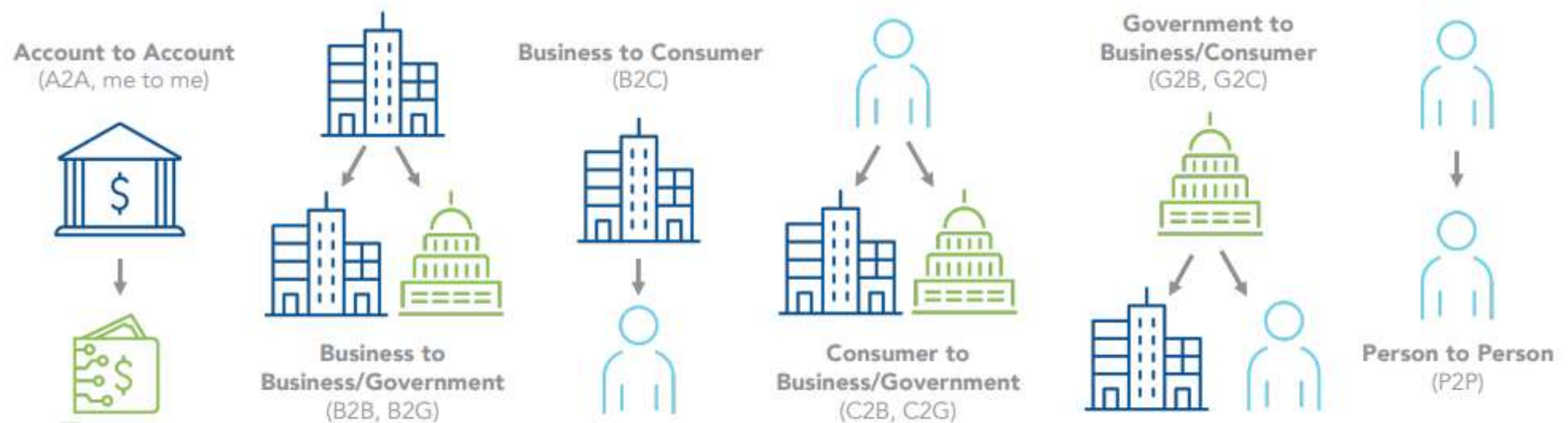
Instant Payments Use Cases

- Use cases help inspire ideas, discussions, and adoption within an organization to identify direct and indirect value for the implementation of faster payments.
- Use cases are instrumental in driving adoption for organizations to highlight the key value proposition of faster payments to all stakeholders.
- The Use Case repository organizes use cases by Use Case Type, Function and Industry

<https://fasterpaymentscouncil.org/Use-Cases>



Instant Payment Transaction Types



Identify your instant payment opportunities

Identify your needs/goals

Improving accountholder experience?

Immediate funds transfers

Immediate notification/confirmation of payment

Offering premium value-added services?

Enhanced bill pay service

Premium instant payroll

Creating internal efficiencies and cost savings?

Streamline payables

Reduced checks

Understand the demand by assessing accountholder behavior

FedACH® Services customers can use the FedPayments Reporter Service

Developing Business Use Cases

- Start with conversations:
 - Internal – interview internal departments to identify opportunities for improved efficiency
 - External – interview business account holders
- Focus on business use cases first
 - Business banking is driven by a fee-based mindset while consumer banking is a free-based mindset.
 - Businesses expect to pay for services; Consumers expect services for free.
- Faster payments can:
 - Improve invoicing
 - Reduce operating costs
 - Improve cash flow
 - Enhance customer experience
 - Improve inventory management
 - More secure than cash or check in POD situations

Developing Business Use Cases

- Look at each business to identify their activity
 - What activities could benefit from faster payments
- Identify current pain points in existing services
 - Challenges
 - Points of friction
 - Delays
 - Inefficiencies
- Quantify the benefits
- Developing clear and concise business use cases will help decision-makers understand the value proposition of adopting faster payments.

Sample Use Cases

Person to Person

Bill Pay Share

Cash
Remittances

Child Support
Payments

Personal
Services

Real Estate
Closing

Tips for
Services

Consumer to Business/Government

Bail

Bars and
Restaurants

(Just in time) Bill
Pay

Installment
Payments/Loan
Payments

Concession stands

Cross-Border Bill
Payment

E-Z Pass/Tolls

Farmers
Market/Farm
Stand/Food Trucks

Account to Account

Annuitization
Payments

Bank to Bank
account transfers

Investment
purchase funds
from non-
brokerage account

Investment sale
proceeds to non-
brokerage account

Realtime transfer
from digital wallet
to account

Retirement
account
contributions

eWallet transfers
in/out

Business/Government to Business/Government

Cash on Delivery

Child Support
Payments

Collections

Commissions

Fines and Fees

Insurance claim
payment to
healthcare provider

Insurance claim
payment to service
provider

Business Bill
Payment

Legal Settlements

Lottery

Business to Consumer

Cash Advances

Child Support
payments

Commissions

Insurance
claims
reimbursement

On Demand
Payroll

Expense
Reimbursement

Real Estate
Closing

Loan
Disbursements

Government to Business/Consumer

Recurring
Benefit
Payments

Child Support
Payments

Emergency
Disbursements

Financial Aid

Lottery

Military
Disbursements

Stimulus
Payments

Tax Refunds

Faster Payments Use Cases

Various organizations have publicly available use case repositories, including but not limited to:

- [Faster Payments Council Use Cases](#)
- [Fednow.org](#)
- [Mastercard](#)
- [Nacha](#)
- [RTP](#)
- [Visa](#)

Developing Business Use Cases Activity

1. Choose one business accountholder:
2. What is their activity?
3. How are they currently using payments?
 1. Are they receiving payments? (i.e. ACH, wire transfer, or using RDC)
 2. Are they sending payments? (i.e. ACH origination, positive pay, wire transfer)
4. What faster payment could benefit their operations?
5. What is a specific use case for this business?
 1. Write on a post it note and stick on the back wall



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