

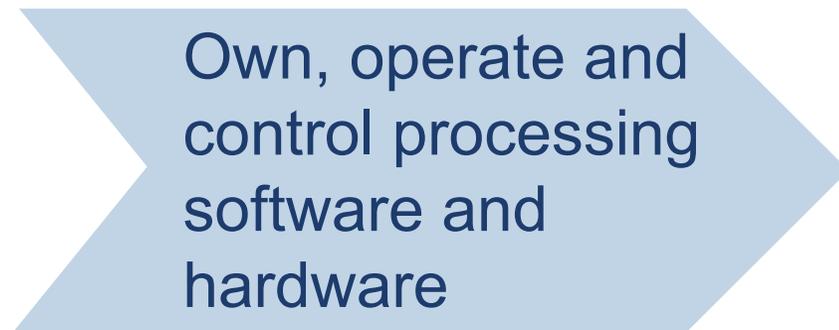
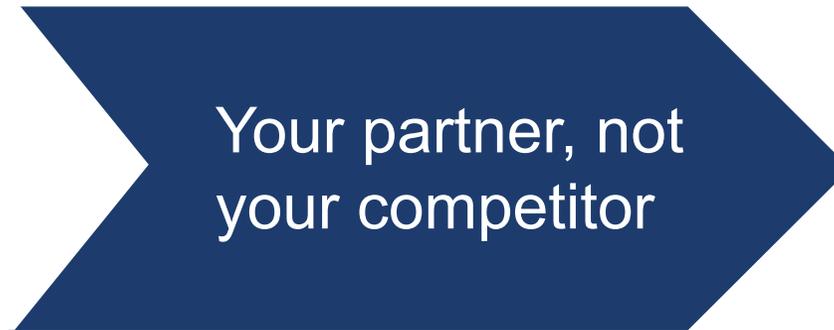


## Faster Payments

Kevin Christensen,

- SVP, Data Analytics at SHAZAM &
- Board Member and Former Executive Director at U.S. Faster Payments Council

# SHAZAM'S STRUCTURE





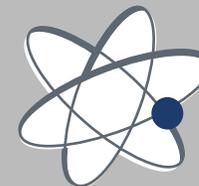
ATM  
SERVICES

FRAUD & RISK  
SERVICES



CARD SERVICES

CORE  
SERVICES



# SOLUTIONS FOR YOUR SUCCESS

PAYMENTS



SUPPORT  
SERVICES

MERCHANT  
SERVICES

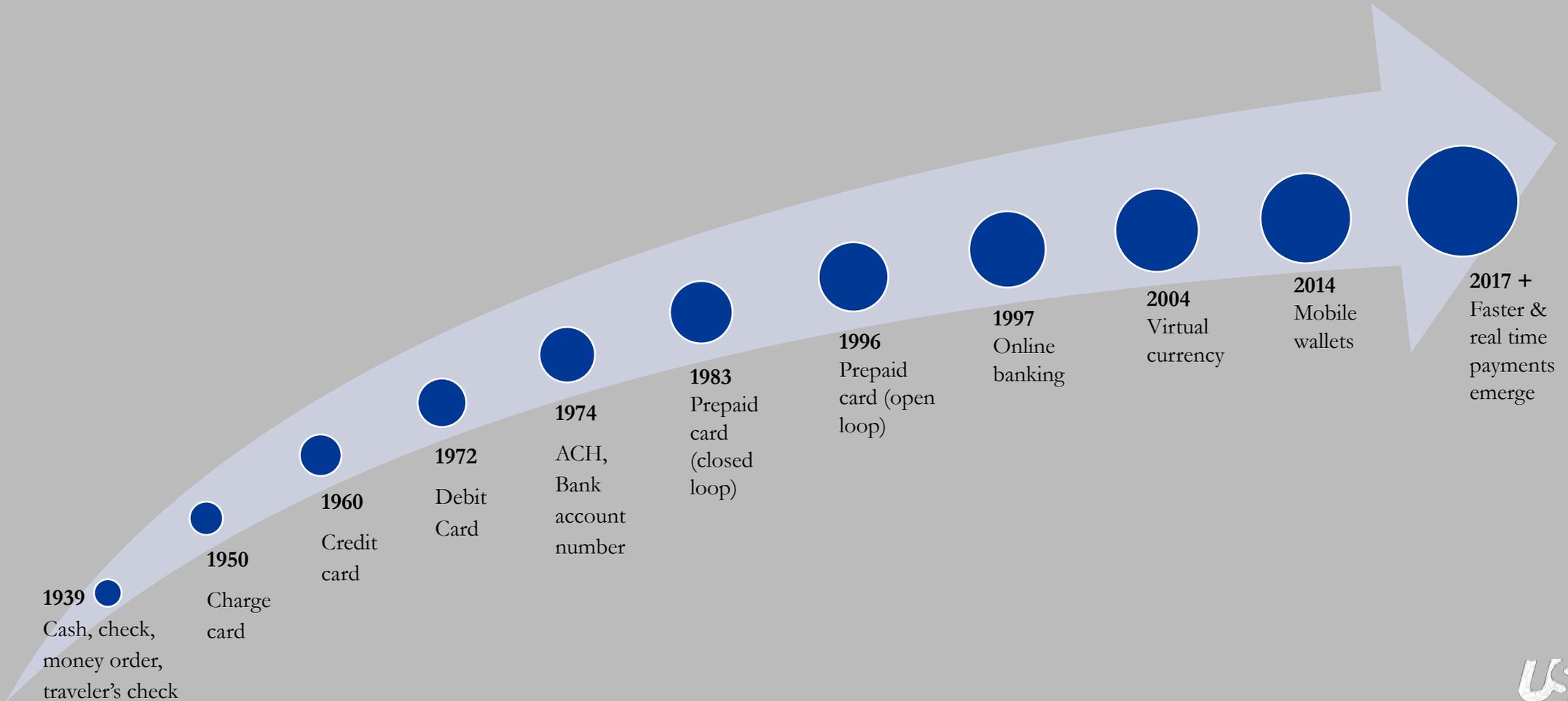


MARKETING  
PROGRAMS



REPORTING

# Evolution of US Payments



# A History of Faster Payments in U.S.

2013

## **Consultation Paper**

Faster Payments outline presented by the Federal Reserve

2015

## **Faster Payments Task Force**

Over 300 organizations join the Federal Reserve's initiative

2016

## **Same Day ACH**

First phase of a multi-year plan implemented by Nacha

2017

## **Real-Time Payments**

New payment rail implemented by The Clearing House

2019

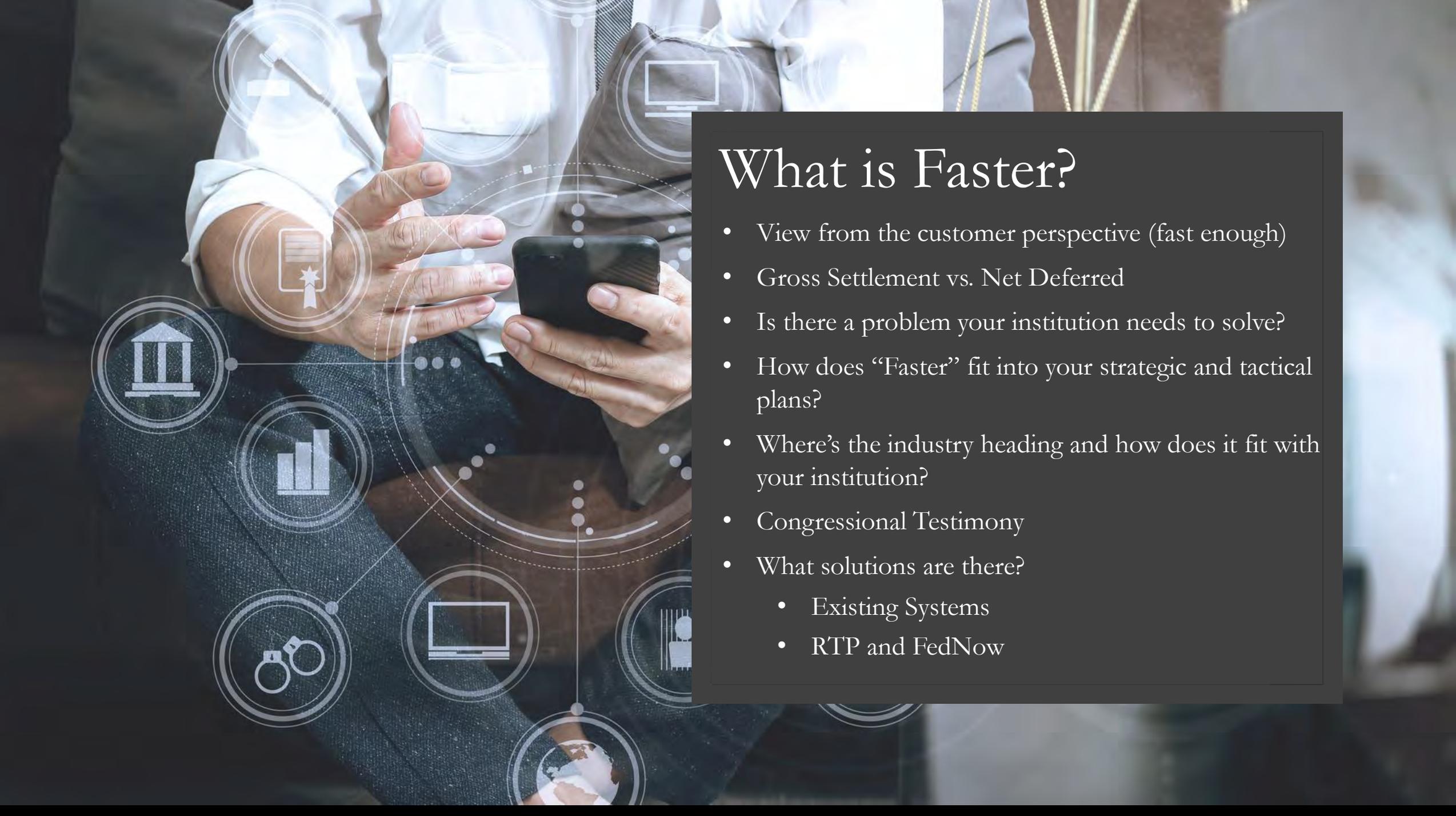
## **FedNow**

Announcement by the Federal Reserve System

# What is a faster payment?

According to the Bank for International Settlements' Committee on Payments and Market Infrastructures...

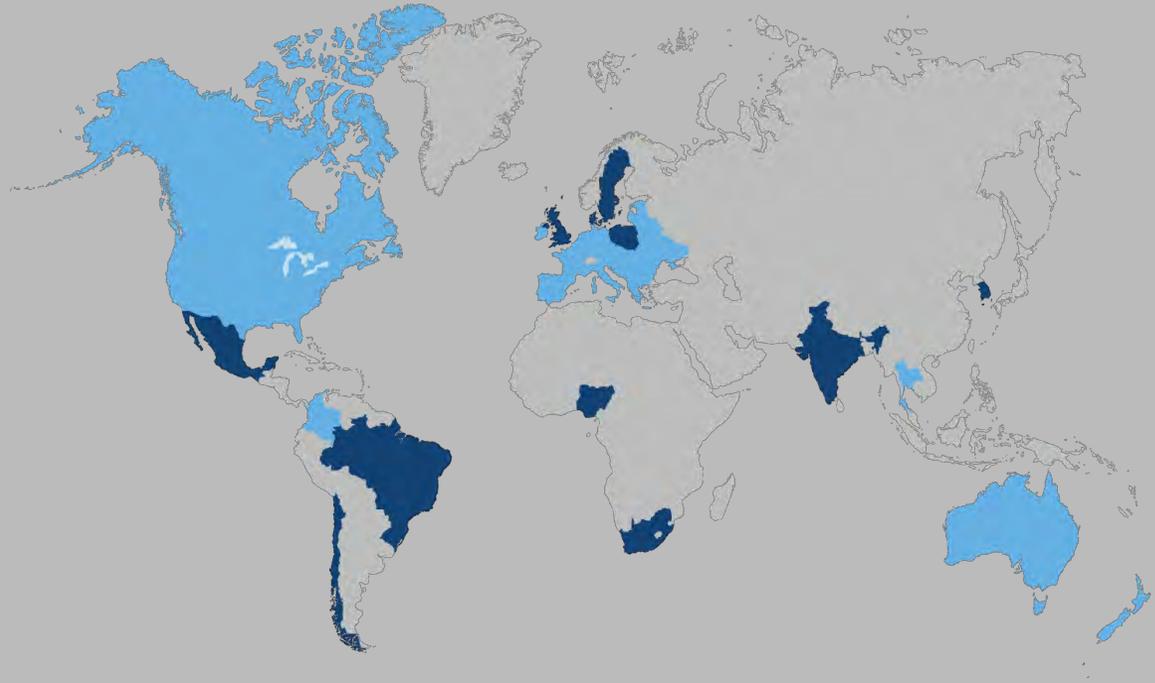
Traditionally, it has taken a day or more (even weeks in the case of some cross-border transactions) after initiating a cashless retail payment until the funds reached the payee. Frequently, the initiation and processing of transactions has been limited to specific times during the day. These two limitations of traditional payments, payment speed and service availability, are the main features that fast payment initiatives aim to change. Combined, these improvements provide end users with rapid availability of final funds on a nearly continuous basis and can, therefore, be used to define more formally the concept of "fast payments". For the purposes of this report, a **"fast payment" is defined as a payment<sup>3</sup> in which the transmission of the payment message and the availability of "final" funds to the payee occur in real time or near-real time on as near to a 24-hour and seven-day (24/7) basis as possible.**

A person in a dark suit and white shirt is holding a black smartphone. The image is overlaid with various semi-transparent icons and lines, suggesting a digital or financial theme. The icons include a classical building, a bar chart, a laptop, a globe, a document with a star, a magnifying glass, and a network diagram. The background is slightly blurred, showing what appears to be an office or public space.

# What is Faster?

- View from the customer perspective (fast enough)
- Gross Settlement vs. Net Deferred
- Is there a problem your institution needs to solve?
- How does “Faster” fit into your strategic and tactical plans?
- Where’s the industry heading and how does it fit with your institution?
- Congressional Testimony
- What solutions are there?
  - Existing Systems
  - RTP and FedNow

# The World is Moving to Faster Payments



*“Faster payments are the talk of the payments world, and treasury professionals can't afford to ignore them” – AFP*

2001	South Korea	HOFINET
2002	Brazil	SITRAF
2004	Mexico	SPEI
2006	South Africa	RTC
2008	U.K.	Faster Payments
	Chile	TEF
2010	India	IMPS
2011	Nigeria	NIP
2012	Sweden	BiR
	Poland	Express ELIXIR
2014	Denmark	NETS
	Singapore	FAST
2017	Australia	NPP
	EU	SEPA Instant
	US	RTP

# Introducing: The Center for Payments

- VISION: Informing Payments Decisions
- MISSION: To advance the payments industry as a united voice through market intelligence and thought leadership
  - *GOAL 1 – Market Intelligence: Gather market intelligence and share findings to support members' planning and decision making*
  - *GOAL 2 – Staff Development: Jointly develop subject matter expertise of the participating associations to ensure highest level of member support across existing and emerging payments systems*



# Objectives of the 2019 Study

Identify

Identify key payments trends

Evaluate

Evaluate faster payments awareness

Assess

Assess current state of readiness

Explore

Explore opportunities to support members

# Methodology and Recruitment

- Data Collection: February 20 - March 8, 2019
- 709 total organizations completed the survey
  - *All current members of 11 associations invited*
  - *Represents approximately 9% of total membership nationwide*
  - *94% Financial Institutions, 6% Third-Party Providers*
- Each responding organization completed one collective survey (no multiple survey completions per organization)

# Results At-a-Glance

- The vast majority of those surveyed are seeing or expect to soon see customer demand for new faster payments solutions
  - *These same organizations say they are not fully prepared to meet it*
- In general, a large proportion of financial institutions need guidance and assistance with payments strategy
- Members are prepared to look outside their core provider for products
- Members need more faster payments information and training; “who are the key players” and “how does it work”
- Many are concerned they do not have the technology in place to implement faster payments
- Although payment associations are not the 1st source of payments info, they are the most trusted



# KEY FINDINGS

As financial institutions address faster payments, numerous challenges arise:

- Security/fraud concerns
- Technology stack requirements
- Operational strategies
- Performance measurement
- Training
- Identifying vendors

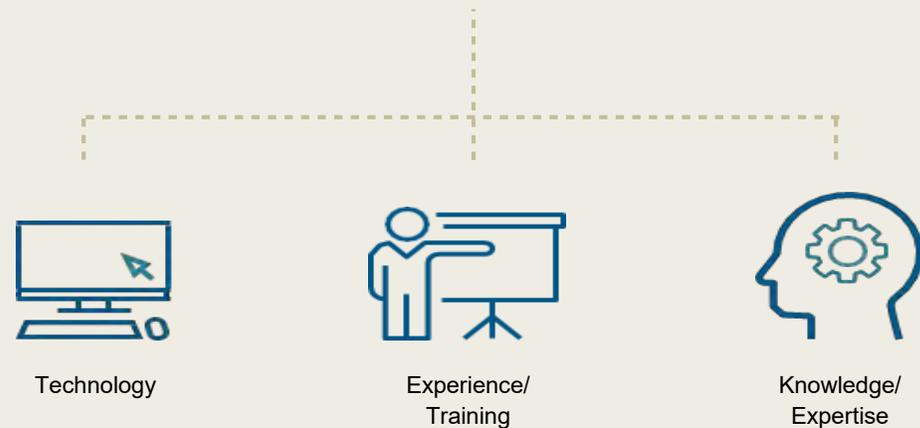
...the list continues to grow.

Respondents are focused on three primary themes:

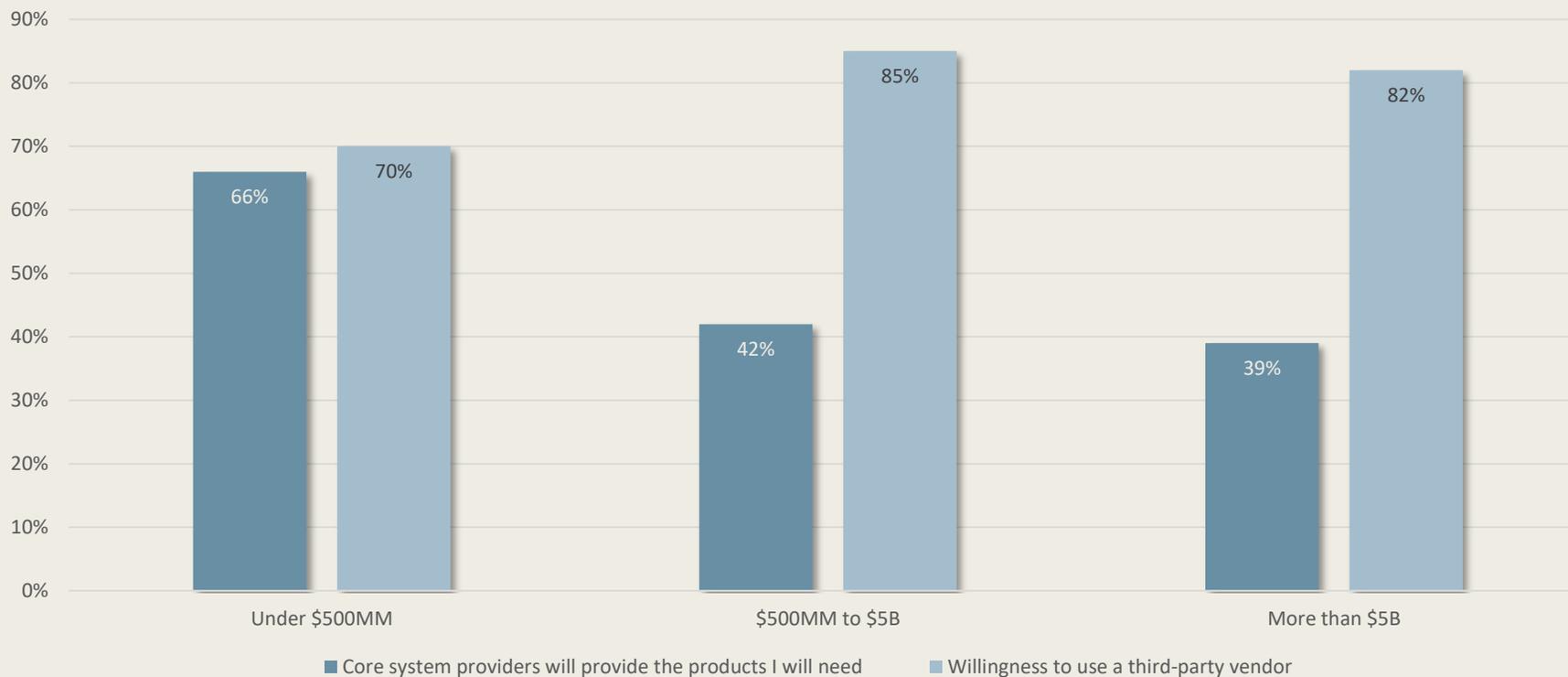
1. Securely Providing Faster Payments
2. Identifying the Optimal Speed of Transfers
3. Keeping Pace with Technology

# What is the Most Important Challenge Facing the Payments Industry?

Facing growing demand for faster payments by customers, respondents feel ill-prepared to keep up with the faster payments evolution—indicating a lack of:

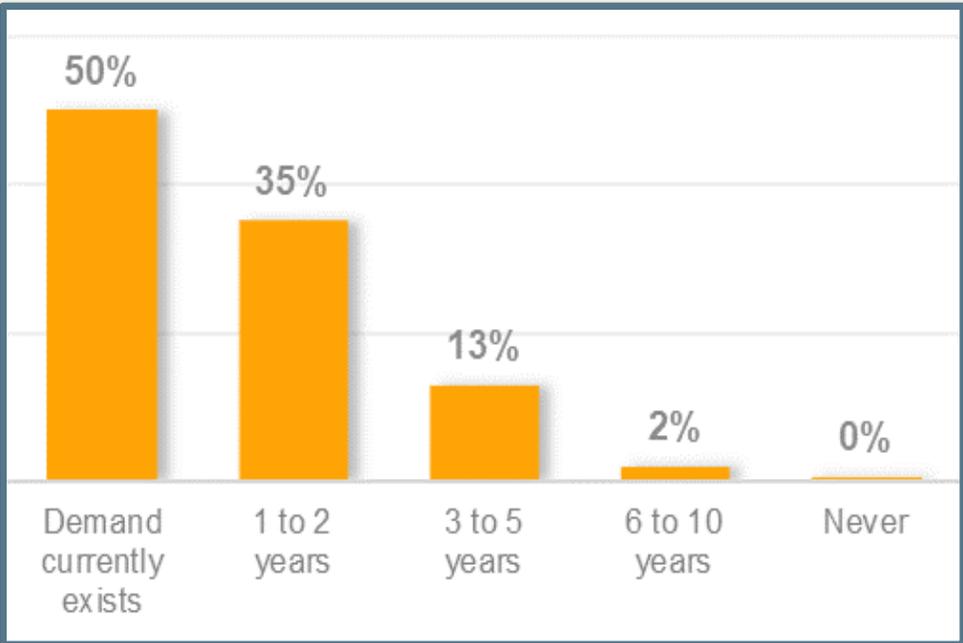


# Solutions

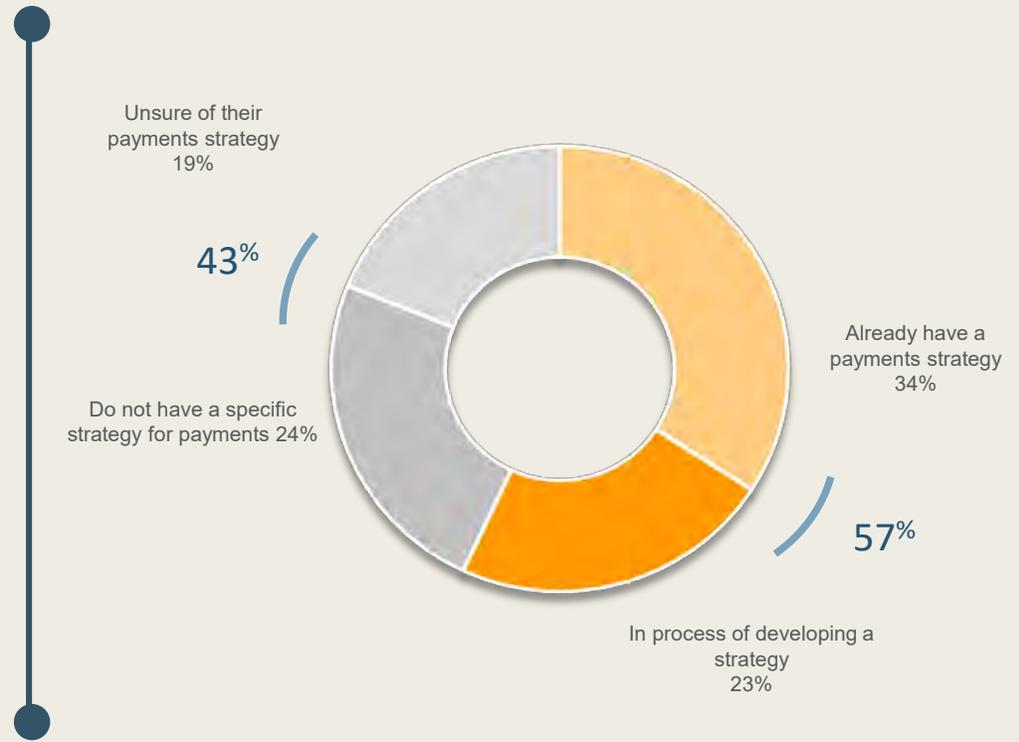


- Institutions over \$500 MM in assets are more willing to use a third-party vendor for their faster payments strategies over their core system provider
- Institutions under \$500MM believe their core system will provide them with faster payment products nearly as much as they are willing to use a third-party vendor
- Under \$500 MM have the highest level of confidence in cores – why?

# The Demand for Faster Payments is Here

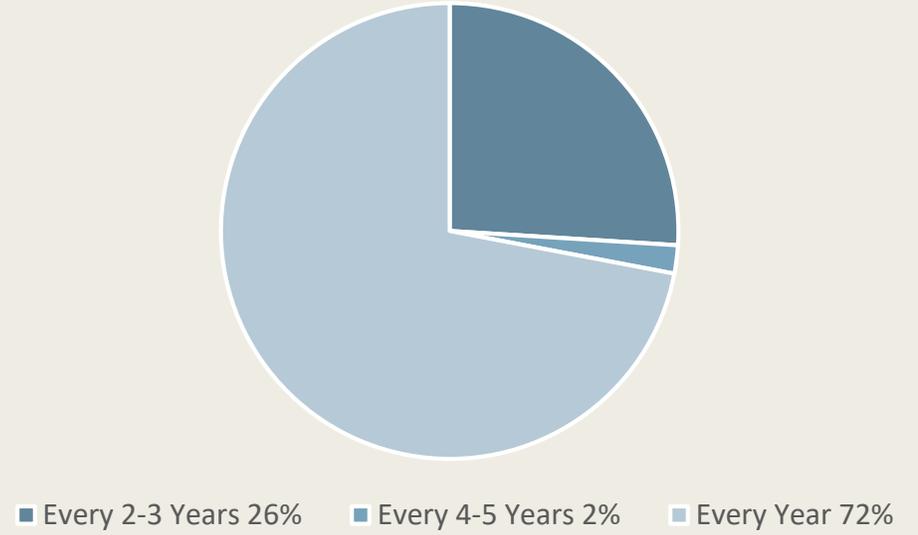


# Faster Payments Strategy

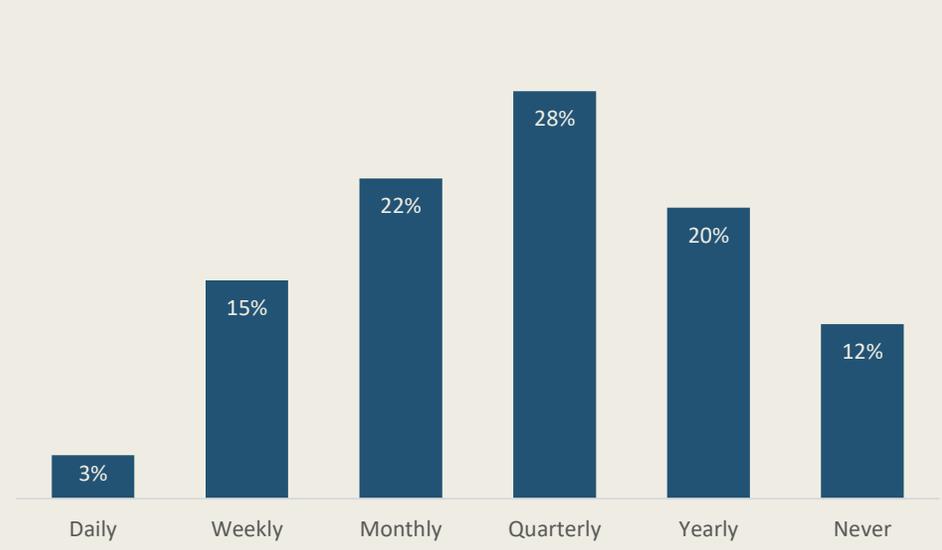


# Faster Payments Strategy is Here to Stay

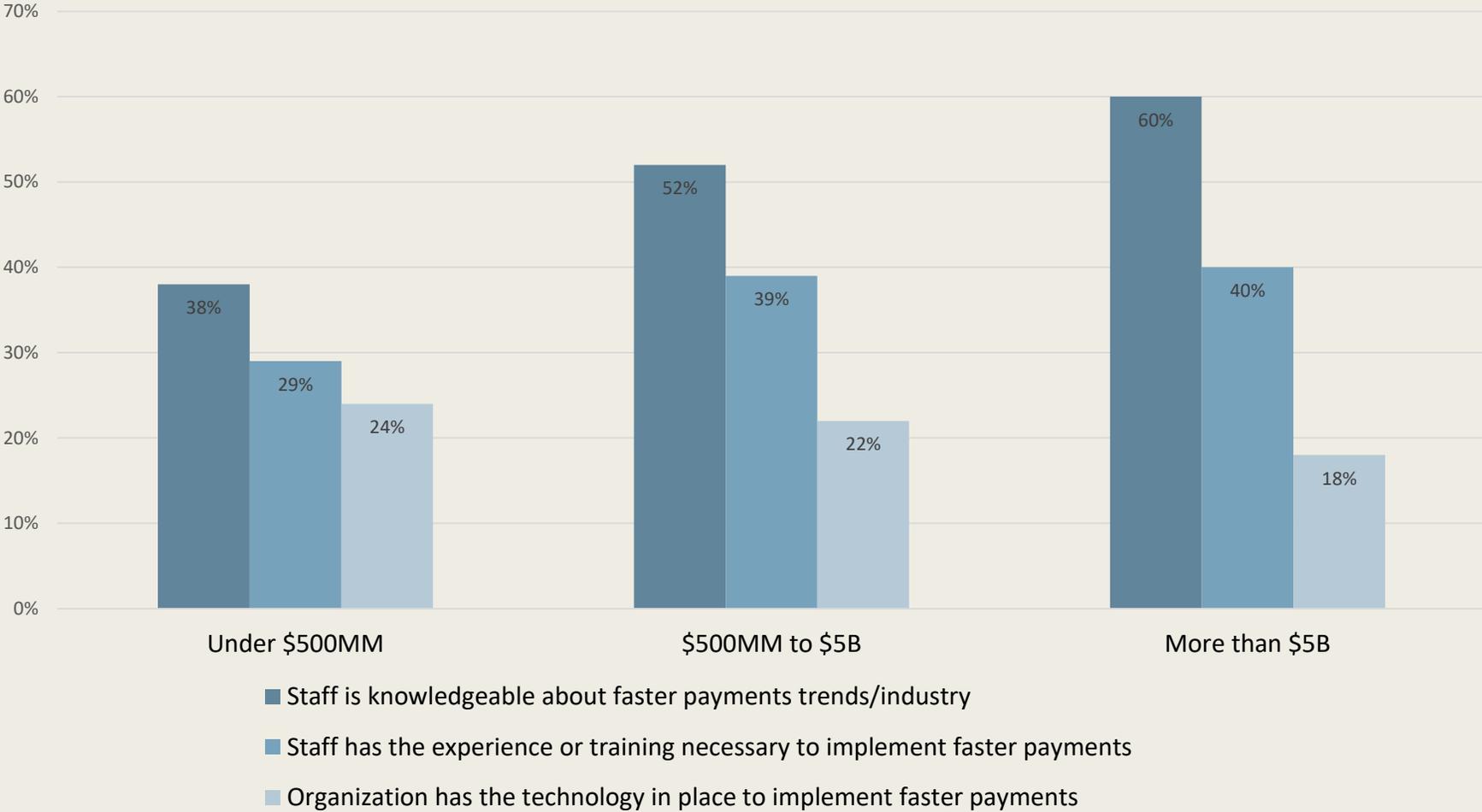
How often does an overall payments strategy need to be updated?



How often do you seek information about current developments in faster payments?



# Are You Ready?



# The Need for Speed is Real

## 80% CAGR

- According to Lipis Advisors, real-time higher education payments will grow at more than 80% CAGR from 2018-2022

## 82% of Corporations

- Say real-time payments resolve current payment challenges

## 70 +

- The number of countries that will have real-time payments systems in place by end of 2020

# Faster Payments are the Future

Driven by advances in technology, faster payments provide economic benefits



Better cash flow management for small businesses



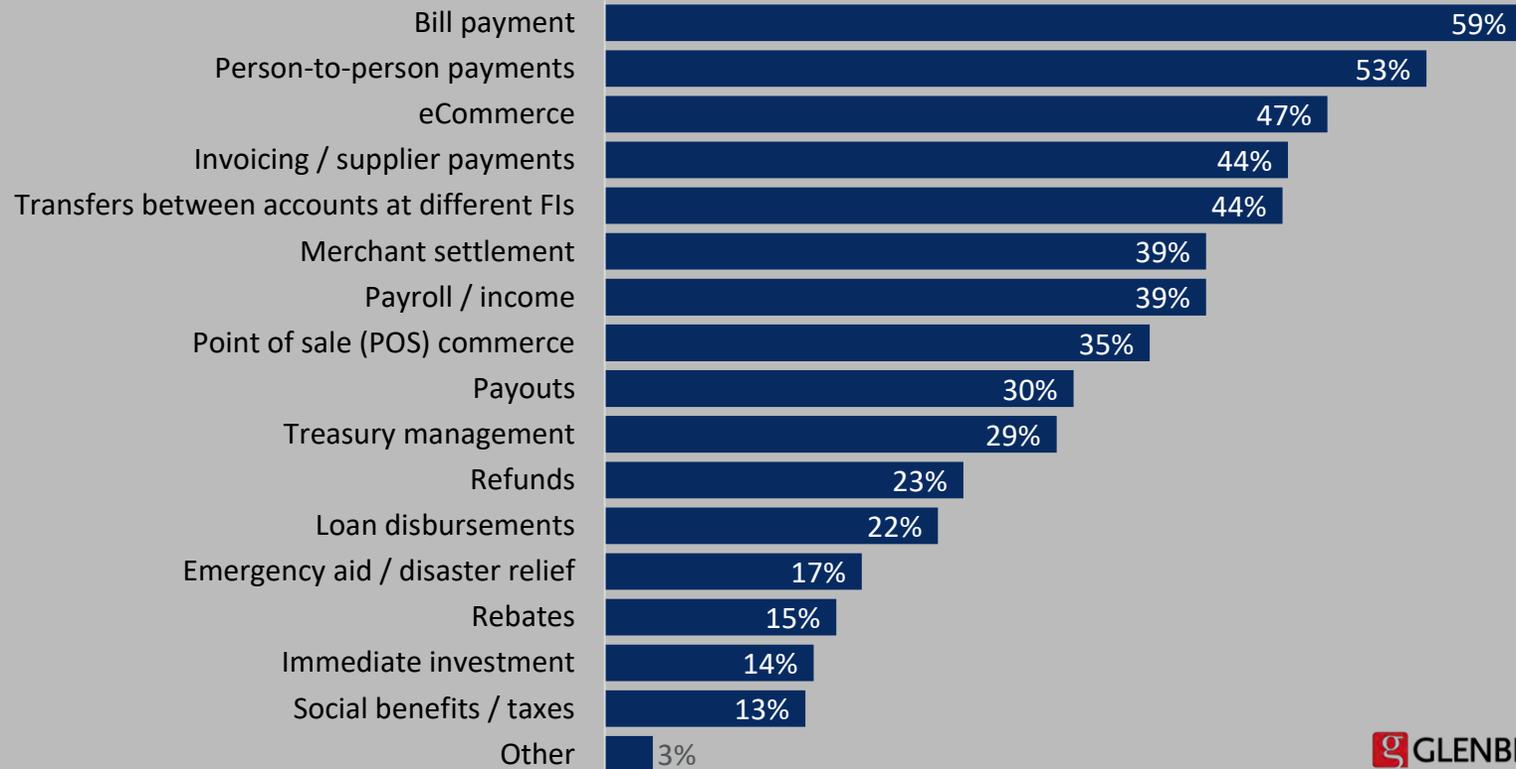
Allow individuals and businesses to make time-sensitive payments whenever needed



Final funds received in real-time for immediate use

# According to the Faster Payments Barometer...there is strong interest in diverse use cases solving “every day” pain points

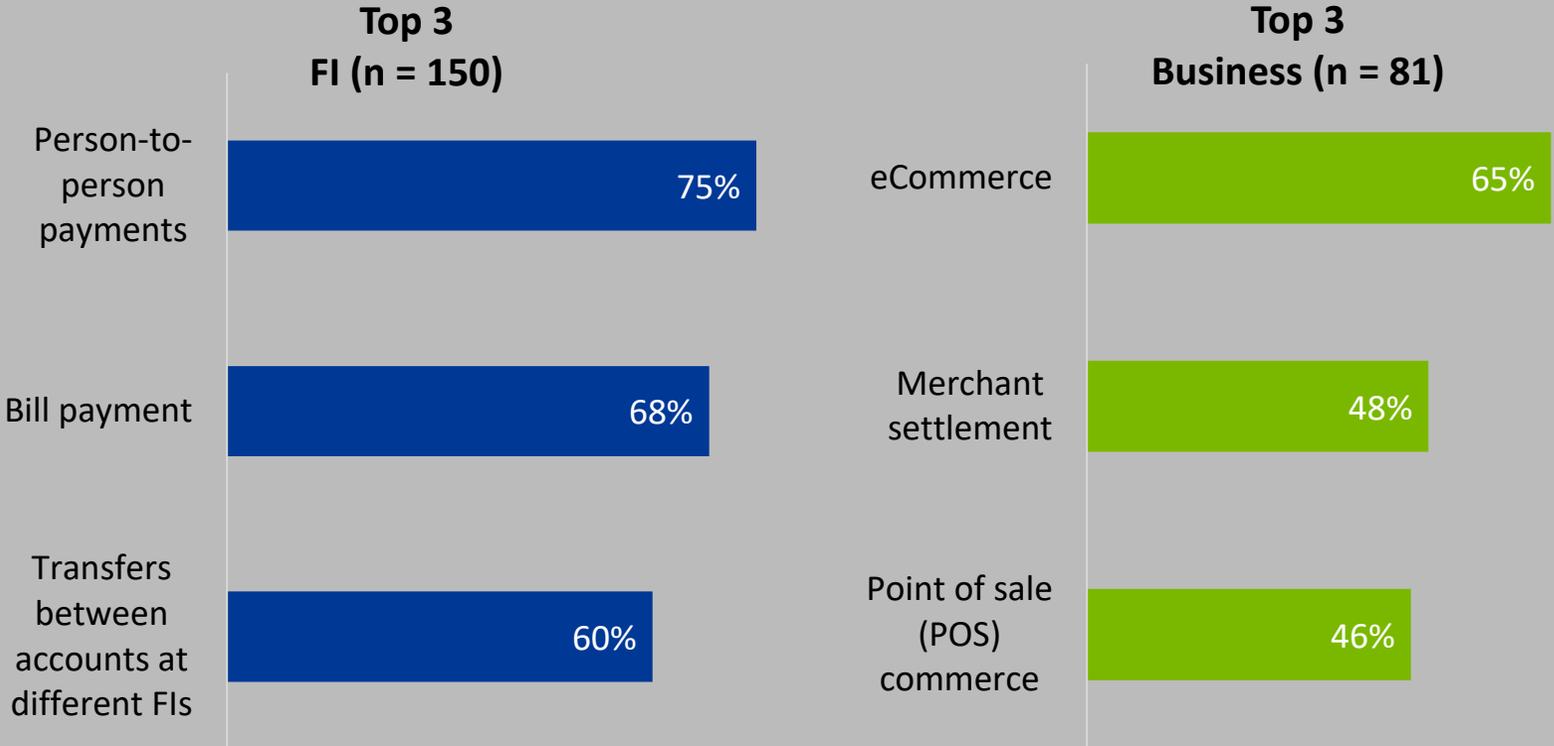
**For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.**



n = 548

# Faster Payments Barometer: FIs and businesses intend to solve different end-user needs

For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.



# What are the use cases for faster payments?

- Business to Business
  - Merchant settlements
  - Vendor payments
  - Utility payments
  - Cash on demand
  - Delivery services
  - Contractor payments in store
- Business to Consumer
  - Payroll (gig economy)
  - Insurance disbursements
  - Returns, refunds, rebates
  - Commissions
  - Gift cards
  - Clinical trials
  - Awards programs
  - Referrals

# Use Cases

- Consumer to Business
  - Paying rent
  - Point of sale/online purchases
  - Loan payments
  - Credit card payments
  - Bill pay, including “just in time” payments
  - Down payment on a vehicle
  - Cash on delivery
  - General services such as contractor, plumber, painter, etc.

# Use Cases

- Government to Consumer / Business
  - Tax refunds
  - Benefit payments
  - Education grants
  - Housing authority utility reimbursements
  - Military disbursements
  - Grants
  - Unemployment insurance payments
  - Worker's comp payments
  - Lottery

# Why “Faster” Tactical

- Business Value
  - Shorten receivables easier to manage working capital
  - Reduce back-office costs.
    - Efficiencies in exception management and improved posting and reconciliation of invoice-related information associated with the payment.
    - As ISO 20022 standards are widely adopted, businesses will be better equipped to integrate payment data with their enterprise resource management (ERP) systems for further treasury efficiency.
  - Information that flows with the payment transactions. Allowing straight-through processing and better data management to make operational decisions. Where’s the industry heading and how does it fit with your institution?
  - Improved security and fraud protection due to “push” transactions and tokenization.

# Why “Faster” Strategic

- How critical are payments to your institution?
  - Offense vs. Defense
- Millennials
- The FedEx / Amazon Effect
- Beware “wait and see” ----Blockbuster Video
  - “The one that enrolls is the one that controls”  
Richard Crone