

# Faster Payments

Tracker™

PYMNTS.com

FEBRUARY 2017

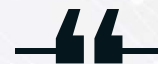
## Can Faster Payments Deliver a Sledgehammer To Construction Bureaucracy?



Same Day ACH transactions generate credit transactions valued at **\$17 billion** in first 3 months



National Bank of Hungary develops instant **money transfer** framework for payments of up to **10 million forint**



Someone who does 100 homes at a time, that can result in 800 to 1,000 lien waivers.



lienwaivers.io CEO Geoff Arnold on how faster payment solutions address construction paperwork

## Table of Contents

### 03 What's Inside

How companies are making efforts to adopt faster payment solutions and conducting experiments to explore their potential.

### 04 Feature Story

Can Faster Payments Deliver A Sledgehammer To Construction Bureaucracy?

Geoff Arnold, CEO and founder of lienwaivers.io, explains how new payment solutions are helping contractors get paid by removing red tape.

### 07 News and Trends

Check out the latest headlines from around the space.



# What's **INSIDE**

**T**here's a certain romance-themed holiday that occurs every February 14 that will send some folks scrambling for the nearest florist. But even when it's not Valentine's Day, several companies are already showing their love for [faster payments](#) and are scrambling to get on board to deliver money at a smoother, faster pace.

Financial institutions are implementing or researching ways to implement new methods to speed up the process of exchanging money. Across the globe – from the U.S. to Europe to India – faster payment solutions are undergoing a rapid rise as companies seek ways to adopt the solutions. These solutions include real-time payments, B2B transactions and blockchain, among others.

The availability of these faster payment solutions is offering certain industries to innovate and allow money to exchange hands more quickly. For the February feature story, PYMNTS spoke with Geoff Arnold, CEO and founder of [lienwaivers.io](#), about how his company is helping businesses and workers in the construction industry clear hurdles and get paid faster.

## Here's what's happening around the world of Faster Payments:

In recent weeks, many companies have notably made efforts to either adopt faster payment technologies or demonstrate what these solutions are capable of delivering.

Adopting newer payments technology can be an intimidating concept for banks, but some companies are trying to give these institutions a taste of what faster solutions can offer by allowing companies to conduct their own experiments with it. D+H Accelerates, for one, is offering banks a cloud-based testing environment to provide simulated connectivity to realize the potential of real-time payments. In another experiment, SWIFT is

launching a proof-of-concept test to investigate how banks can use blockchain technology to for cross-border payments and settlements.

Internationally, several companies are turning to blockchain and other solutions to make cross-border payments. In India, Axis Bank is using Ripple, a blockchain-based payment network, to allow cross-border transactions. Meanwhile in Europe, Siirto, a real-time P2P service and cross-banking mobile payments platform that works without a credit or debit card, made its debut in Finland.

Check out the Tracker's News section for the latest updates from across the Faster Payments landscape.

## FIVE FAST FACTS

**\$17 billion in credit transactions processed during 2016 using Same Day ACH**

**Nine out of 10 European, Canadian commercial banks exploring use of blockchain technology**

**35 countries have implemented or are developing immediate payment schemes**

**U.S. goods and services trade with China accounted for over \$659 billion in 2015**

**India's Axis Bank becomes nation's third lender to use blockchain solutions**





“ You’re seeing roofers who grew up with the internet nowadays ... They have this expectation that money moves fast. ”

## Can Faster Payments Deliver a Sledgehammer To Construction Bureaucracy?

**A** construction worker’s tool belt can carry a host of important instruments necessary to get the job done. So why not add a tool that can cut through red tape and paperwork more efficiently?

For all the tools available across the construction trade, faster payments solutions are not among the most utilized by employers. However, recent advancements in payment solutions are helping employees and contractors in the construction trade get paid more quickly for their work by expediting the necessary exchange of paperwork, specifically related to lien waivers.

In an effort to ensure workers (which include contractors or subcontractors) are paid for their services and materials, they can place a lien on a property until their payment is collected. When the project is completed, they sign a legal document, known as a lien waiver, acknowledging that they have been paid for their services and are relinquishing their legal right to file a lien.

While the arrangement is aimed at protecting both the rights of property owners and the ability of workers to get paid quickly, it can sometimes lead to complications, partly because the contracts often come in paper form. So what can an old-school industry do to innovate and speed up the process of payment exchange? For the February feature story, PYMNTS spoke with Geoff Arnold, CEO and cofounder of [lienwaivers.io](http://lienwaivers.io), a company that offers a faster payment solution for the construction trade.

### Construction’s “chicken or an egg problem”

According to Arnold, physical paperwork is still the predominant form of data exchange in the construction industry, with most payments still executed by check. The required lien waiver documents can complicate the payment process, he said.

“Really, it’s like a chicken or an egg problem,” Arnold said. “Payees do not want to release their lien rights until they’ve been paid, and payers are often required to collect these documents to protect themselves and also provide them back to whoever is financing the project.”

He gave an example of a roofer who completes a project for a client. The roofer sends an invoice to the client, and the client produces a check and drafts a lien waiver for the roofer to sign. But the roofer must physically go to an office to sign the lien waiver before they can collect their check or before the check is put in the mail.

"Often it doesn't happen in a timely manner," Arnold said.

Arnold believes his company has introduced a solution for companies in the construction field by speeding up the process for both construction employees and employers. He describes the company's solutions as a "third party" that enables the smooth exchange of paperwork and payments between contractors and employers.

"Essentially our system kicks in, generates that lien waiver and sends it out for electronic signature or notarization," he said. "At the same time, we take the payment and hold that payment in escrow. So we initiate an ACH transfer, we pull those funds into a trust account and there they sit."

After the necessary signatures are submitted, the contractors can get their money at a much faster rate than by visiting an office or waiting for the mail, he said.

"Once that lien waiver is signed ... we then move those funds that we've held in escrow into the contractor's account," Arnold

said. "And once we receive confirmation that the money has moved, that lien waiver becomes available to the [employer]."

Arnold points out that getting that paperwork processed quickly can come as a relief to employers because a single project can require multiple lien waivers.

"You've got to understand that even a midsize homebuilder in the U.S., someone who does 100 homes at a time, that can result in 800 to 1,000 lien waivers being exchanged per month," he said. "We see this as an opportunity to go in and say, 'There's a better way.'"

### **Building a better construction payment solution**

In early February, the [U.S. Census Bureau](#) reported that \$1.18 billion was spent on construction in December 2016. Meanwhile, the most recent data available from the [Bureau of Labor Statistics](#) indicates that the U.S. construction trade employed roughly 6.7 million workers in December 2016.

With so much money on the line and so many workers in the trade, Arnold says the construction industry is ready for innovation.

"Construction is booming in the U.S., and you're seeing more and more builders come onto the market," he said.



**Essentially our system kicks in, generates that lien waiver and sends it out for electronic signature or notarization.**

## UNDER THE HOOD



### How do faster solutions for escrow payments work?

“Speed and geography are big challenges when processing escrow payments. Often, buyers and sellers — or, in our case, general contractors and subcontractors, vendors or suppliers— are located in different parts of the country, which presents a coordination challenge. Documents that substantiate important legal rights are being exchanged for payments, and both sides need to be satisfied before releasing money or liability.

Software-as-a-Service solutions that focus on electronic signature, electronic notarization and electronic payments aim to simplify this problem. These SaaS tools are able to coordinate the entire process by enabling the software to hold the relevant documents and keep the funds in escrow until both sides meet their requirements.

Here’s how it works. A general contractor uses the system to send a lien waiver to a subcontractor, vendor or supplier via email, and the system initiates an ACH transfer to secure the funds in an escrow account. The recipient signs the document using their finger or keyboard, and the signed document is stored in the solution’s platform. If notarization services are required, the solution connects the recipient to a real-life notary over video chat to verify the signer’s identity. Once the necessary documents are transmitted, the solution initiates an ACH transfer from the escrow account to pay the recipient for their services.

These solutions give payees and payers confidence that they’re not going to jeopardize their side of the transaction, while vastly reducing time, error and uncollected receivables.”

Geoff Arnold, CEO of lienwaivers.io

As more people join the construction workforce, Arnold said, older attitudes on how business in the construction industry is conducted are starting to shift. This is because the construction workforce is attracting employees who are more tech-savvy and have a better understanding of available payment solutions.

“You’re seeing roofers who grew up with the internet nowadays,” he said. “They have this expectation that money moves fast.”

Arnold anticipates that builders, contractors and subcontractors will turn to payment solutions to help reduce their back-office costs. Smaller companies will be especially interested in finding efficient solutions, he said.

“We work with a customer who has no back office,” he said. “They do a significant amount of business per year with eight employees .... And they’re doing that by leveraging technology.”

He believes introducing faster payment options to the industry can pay off for both the employer and the employee.

“Construction is very relationship-based, so [employers] are eager to please their subcontractors as long as it doesn’t add a bunch of overhead on their part,” said Arnold.

With these solutions in place, Arnold believes lienwaivers.io has provided a valuable new instrument that was previously missing from the construction industry’s tool kit. Beyond the construction industry, Arnold believes the solutions offered can be applied to other industries that are interested in streamlining the payment process.

“We do see opportunity anywhere where documentation needs to be exchanged for payment, and there is essentially this timing issue,” he said. “Between ensuring that the documentation is returned before the payment is made and vice versa, we do see an opportunity there.”

# News & Trends

---

## Life in the faster payments lane

### NACHA releases Same Day ACH stats

NACHA just released the [findings](#) from Same Day ACH transaction data collected between September 23 and December 31, 2016. NACHA's Same Day ACH system is an industry initiative aimed at helping speed the adoption of faster payments. In a statement, NACHA president and CEO Janet O. Estep said, "In its first three months of operation, Same Day ACH has proven that it is a valuable faster payment solution for a variety of users, including businesses, consumers and financial institutions." According to NACHA's data, Same Day ACH was responsible for more than 13 million credit transactions with a combined value of about \$17 billion. The data also found B2B payments made up 32 percent of Same Day ACH volume. NACHA plans to further explore how faster payment solutions impact the speed of business and the payments ecosystem in April when their [PAYMENTS conference](#) kicks off in Austin, Texas.

### Peering into B2B payments' (near-term) future

NACHA's data points to encouraging trends in the B2B space. But what does the future hold for [B2B payments](#)? Without a crystal ball, it's difficult to say. Fortunately, PYMNTS recently spoke with Dave Yohe, vice president of marketing for BillingTree, to get a sense of what lies ahead for payments and B2B in 2017. According to Yohe, the overarching theme is "to reduce the friction or the delay in payments." One boon could come from the movement away from standard ACH activity and the recent emergence of the Same Day ACH initiative. Same-day ACH can help B2B transactions move smoothly, Yohe said.

### ACH faster payments are putting fraud protection to the test

As payments get faster, [security](#) is becoming a growing concern. Banks are having a difficult time keeping pace, which is making it tough to fight fraud. Andrew Davies, a vice president at Fiserv, confirmed to American Banker that ACH fraud is growing and money is difficult to recover if it is stolen in this manner. With credit-based ACH payments now being

settled within the same day, many financial institutions are unable to analyze suspicious transactions in such a shortened timeframe. Davies noted that banks are seeing an increase in cases of malicious software impacting ACH files to perpetrate fraud.

## Keeping it real-time payments

### D+H Accelerates gives banks a taste of real-time payments' potential

Some banks have reservations about delving into real-time payment solutions. In an effort to help banks without them realize what they're missing, D+H Accelerates is offering institutions [simulated connectivity](#) using a cloud-based testing environment. The environment simulates connectivity to The Clearing House's Real-time Payments System and is meant to offer banks a glimpse of executing and clearing payments on the network. In a press release, Steve Ledford, senior vice president of Product and Strategy for The Clearing House, said the company is "committed to making real-time payments a reality in the United States."

### ACI Worldwide expands access to immediate payments schemes

Other companies are also aiming to increase access to [real-time payment tools](#). To that end, ACI Worldwide announced a new version of its UP Immediate Payments solution. The new version includes several updates designed for the management of real-time payments and is expected to deliver connectivity to the pan-European SEPA Instant Credit Transfer Scheme (SCT Inst) and the TCH Real-time Payments in the U.S. Both these systems are expected to be launched later this year. In a statement, Barry Kislingbury, director of solution consulting for ACI, said, "2017 will be an exciting year for immediate payments in Europe and the U.S." but added that it is "crucial" that payment providers and institutions participate in the schemes.

## Around the blockchain

### SWIFT prepares to take a chance on blockchain for cross-border payments

Will banks come to stop worrying and learn to love blockchain? Some companies believe the answer is yes, but only if these institutions understood the technology's potential. To that end, SWIFT announced plans to launch a [proof-of-concept test](#) to explore the use of blockchain technology for cross-border payments and settlements by banks. The move is part of its overall global payments innovation initiative, which explores innovative technologies to streamline and accelerate interbank payments used to move money across borders. However, SWIFT cautioned that there is no guarantee that a functional application using blockchain for cross-border payments will emerge from the experiment.

### Unblocking faster cross-border payments with blockchain

Other companies are already convinced of blockchain's potential and have taken steps to implement solutions and get payments delivered across borders faster. In this regard, Align Commerce recently announced a new [blockchain-powered payment rail](#) between the U.S. and the U.K. to help British merchants deliver money faster. Align's CEO Marwan Forzley recently told PYMNTS that the company aims to create an "express lane" between parties for cross-border payments. Forzley also said greater regulation is needed to help build consumer trust in blockchain technology.

## Faster Payments news around the world

### UK Faster Payments scheme eases access for developers

One of the issues with delivering faster payment solutions is how smoothly the transactions are completed. To address these problems, U.K.-based Faster Payments reached out to financial service providers in an effort to ease the [friction](#) these providers encounter with joining its scheme. A report by key stakeholders found that some key requirements, such as building the technology and maintaining it, can be burdensome for those seeking to join the scheme. The group rolled out a resource for developers who create solutions for financial service providers and FinTech innovators to help these businesses link customer accounts to Faster Payments. The scheme offers real-time credits for payments made online or by mobile device that are valued at \$300,000 or less.

### EU sets goal of half-cent cross-border transactions

Moves to adopt [faster payment solutions](#) are also being seen in the rest of the European continent. For example, the European Central Bank (ECB) is ramping up its effort to develop a real-time cross-border payments system across the EU and is looking at 2017 as a critical moment in that trajectory. The ECB estimates that cost per transaction won't exceed one Euro cent and has a goal of having financial service providers settle cross-border transactions for a half-Euro cent. The ECB will decide whether the service will be developed by June.

### Hungary wants to introduce instant payments by 2019

Elsewhere in Europe, the National Bank of Hungary revealed it is working on plans to create a domestic [instant money transfer framework](#) that would build on the EU's revised Payment Services Directive and the SEPA credit transfer (SCT) standard. The bank said the new system will enable payments of up to 10 million Hungarian Forint 24 hours a day in an effort to create a more competitive environment. While Hungary's economy has been largely cash-based, the county has seen an increase in contactless card activity. Details related to the operation and development of the infrastructure are expected to become available early this year.

### Siirto helps Finland move forward with real-time payments

Other European nations are already ahead of their neighbors in terms of adopting faster payment technologies. Siirto, a real-time P2P service and [cross-banking mobile payments platform](#), has debuted in Finland. The platform works without a credit or debit card and allows consumers to use real-time payments and make instant money transfers from their smartphones and between different banks. Siirto was created through a collaboration between software-as-a-service company Tieto, Finnish ATM operator Automatia and Finnish banks.

### Axis Bank pulls Ripple into cross-border payments efforts

Faster payment adoption is not just a trend being seen in European nations. In India, Axis Bank has announced it will use Ripple's [blockchain-based payment network](#) to enable cross-border transactions. According to reports, the move means Axis Bank can provide real-time settlement of those payments. India has become a hotbed for cross-border blockchain-based transaction by tapping Ripple, and Axis Bank is taking its international payments initiatives to into a new realm for cross-border transactions. Ripple's CEO Brad Garlinghouse described India's economy as a "very important market that is ripe for payments innovation."



## Executive Insight

What steps are necessary to remove roadblocks for businesses seeking to adopt faster payments solutions?

Many businesses – of all sizes – rely on the support of payments service providers and processors to manage many payments processes and functions. Without provider and processor adoption of currently available faster payments solutions, many businesses are unable to even implement faster payments options, let alone reap the benefits faster payments can provide. Continued adoption of solutions, such as Same Day ACH, by the processors and providers servicing the business community will help ensure that businesses can realize the costs savings and efficiencies that offerings like Same Day ACH provide. And the continued education around faster payments and promotion of these initiatives can help both providers and the business community grow to understand the capabilities of these offerings to further and accelerate adoption and implementation.

Janet O. Estep, president and CEO of NACHA

# Disclaimer

The Faster Payments Tracker™ may be updated periodically. While reasonable efforts are made to keep the content accurate and up-to-date, PYMNTS.COM: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.

You agree to indemnify and hold harmless, PYMNTS.COM, its parents, affiliated and related companies, contractors and sponsors, and each of its respective directors, officers, members, employees, agents, content component providers, licensors, and advisers, from and against any and all claims, actions, demands, liabilities, costs, and expenses, including, without limitation, reasonable attorneys' fees, resulting from your breach of any provision of this Agreement, your access to or use of the content provided to you, the PYMNTS.COM services, or any third party's rights, including, but not limited to, copyright, patent, other proprietary rights, and defamation law. You agree to cooperate fully with PYMNTS.COM in developing and asserting any available defenses in connection with a claim subject to indemnification by you under this Agreement.