

Faster Payments Tracker



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Faster Payments Finds Its Future

NACHA reports same-day ACH payments valued at almost **\$5 billion** in October

19 US financial institutions sign on to Early Warning's instant payment network **Zelle**

A recent survey found **90 percent** of commercial banks considering **blockchain** technology for payments



What's Inside

Faster payments are living up to their namesake as October saw the first full month of same-day ACH transaction activity generate millions of dealings valued at billions of dollars.

The results were strong during the first full month of same-day ACH transactions. NACHA reported almost 4 million same-day transactions totaling close to \$5 billion using the ACH Network.

NACHA also released an ISO 20022-to-ACH mapping guide in an effort to offer financial institutions a tool to help them consistently support their business clients that want to integrate ISO 20022-formatted messages into the ACH Network.

With faster payments on the rise, several institutions are considering new approaches to enable the quick execution of new capabilities. This includes some unorthodox solutions like blockchain, which several banks have expressed interest in adopting. But institutions are also realizing payments have to be as secure as they are fast.

Here's what's happening in the world of Faster Payments:

Zelle saw a surge in popularity as 19 U.S. financial institutions representing 76 million consumers agreed to use the system. Meanwhile, Fiserv announced it would build upon its existing relationship with Early Warning to expand the availability of real-time P2P payments to several major banks and credit unions.

The move towards faster payments systems brings the need for heightened security. The Federal Reserve System's Secure Payments Task Force is seeking comments on how to bolster security for faster payment transactions in the future, while InAuth and Early Warning partnered to improve security of real-time payment services in the mobile landscape.

Several banks are looking into using blockchain services for real-time payments. Several banks, including Sweden's SEB, are considering using Ripple's digital currency for cross-border transactions. A survey of 10 commercial banks from the U.S., Canada and Europe found 90 percent of respondents are mulling blockchain technology for payments.

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

Learning Faster Payments lessons

This latest issue of the features a Q+A with Jan Estep, NACHA's president and CEO, about the busy year that was in faster payments, and what's still to come in the year ahead.

And, for this month's cover story, PYMNTS spoke with ACI's Barry Kislingbury, director of solution consulting, and WA Proctor, vice president and product line manager, about the first few months of faster payments in the United States and what lessons American banks and financial institutions can learn from Europe's experience with faster payment initiatives.

Q&A with Jan Estep, NACHA's president & CEO

It's been a busy year in faster payments, and 2017 is shaping up to continue on the same trajectory. NACHA President and CEO Jan Estep explains.

Looking back over the year, what were three of the biggest developments in the faster payments space, and how was their impact felt on the payments ecosystem?

JE: Overall, the strongest theme this year was about new faster payments solutions actually coming into the market and seeing how they are being put into production. How about if I list four big developments?

- True bank-to-bank real-time payments, like the clearXchange Zelle offering, with a new consistent, intuitive user interface for millions of users
- Greater use of distributed or intra-ledger technologies like Ripple being more widely used in a variety of applications
- Integration of payment APIs that help support end-users, not only with faster payments, but with information around the payments that support the payment process
- And, certainly, Same Day ACH (SDA)

The impact of these developments really has moved the industry from talk into action – being able to implement, offer and use new faster payments technologies.

Same Day ACH was obviously something NACHA put a lot of resources into. Take us behind the curtain and elaborate on the process that went on to bring SDA to fruition.

JE: Many may not be aware of the rule-making process for the ACH Network, but it is one that is deliberative, thoughtful and inclusive. We first raised up a proposal to move ACH faster a few years ago, but with more limited functionality than we are now implementing. The industry provided feedback that it did not go far enough, so we went back to design again.

The second time, we conducted detailed research to outline exactly where the industry would benefit from a faster ACH – and what changes were needed to support those industry needs. It was an interlinked process that resulted in the richer functionality that is now being brought to all users.

One of the key attributes of the ACH Network is what we call “ubiquity.” This means that there is 100 percent assurance that you can send an ACH payment anywhere to any bank account in the U.S.. By passing rules changes that are mandatory on the receiving side, tremendous value is brought to anyone who wants to initiate an ACH payment. As it applies to Same Day SDA, 100 percent of all financial institutions are now required to support SDA and make funds available to recipients of the payment effective that same day.

To help everyone move forward in this way, NACHA not only administers the rules, but also provides education and information to everyone in the industry. This ensures successful implementations like we had with phase I of SDA in September. And we are now also focused on education for phase II, which will be implemented in 2017.

From a secure payments standpoint, are there any worries about faster payments moving forward?

JE: We continue to stress that good risk management processes are required no matter what the speed of the payment. That includes making sure that proper authentication and controls are in place for anyone initiating a payment. Many risk processes are outside of the payment flow itself, so other parts of organizations – both financial institutions and corporations – need to assess the controls around access to payment initiation capabilities.

The benefit of implementing SDA this year is that it allows organizations to phase into faster payments. First credits on the ACH, then debits next year, then the option of moving to real-time payments – and all can benefit from any risk mitigation controls put in place for account authentication.

What were some of the more innovative use cases of faster payments over the past year?

JE: One set of innovative use cases is actually where the faster movement of the money may be almost invisible. This is the case with some of the new uses of Same Day ACH – for instance, merchant acquirers using SDA for faster merchant funding. Since ACH is the backbone for money movement of other payment types, it really can help the whole payments ecosystem.

Other uses of both SDA and real-time payments include giving tools to individuals and businesses that want to (or need to) pay their bills or invoices on the last day. Both ACH credits and real-time payment credits put the control in the hands of the individual making the payments – with a credit, they take their own money and send it to another individual or company. It requires a financial institution to provide a credit origination capability – which is why the user interface is so important to moving faster payments. This is a benefit versus cards or checks, which routinely debit accounts.

We know that phase II of Same Day ACH is coming up later in 2017, but what else does the payments industry have to look forward to in this arena?

JE: Speaking of debits, phase II of Same Day ACH will actually bring faster movement of debits to the market in September 2017. This will be a unique capability in the industry and a very important capability for consumers and businesses alike. Many bills are paid today by ACH debit, and this gives everyone the opportunity to pay those bills on the same day. For example, consumers will be able to be on the phone with their utility company, give their authorization for a payment that day and the company can then actually receive the funds that day – that provides greater benefit to a business than simply receiving a positive authorization – so it will help both the payer and the payee.

Q&A

In addition, I know that we will see more real-time payments, in a variety of forms, come to the market in 2017. The Federal Reserve Faster Payments Task Force is now reviewing 19 proposals that bring a variety of capabilities – some already in the market, some being developed and some operational in other countries.

We certainly will need to stay tuned to what is developing almost every week, if not every month, of the year. At the NACHA Faster PAYMENTS conference in April of next year, we plan to provide detailed education on the many types of offerings that are coming into the market. There is certainly a lot to look forward to across a broad array of real-time payments, in addition to both debit and credit same-day payments.

“In October alone, the ACH Network processed nearly \$5 billion in 3.8 million Same Day ACH transactions with an average transaction value of more than \$1,000, NACHA reported.”



Faster Payments Finds Its Future

Less than two months after its implementation, Same Day ACH, the ubiquitous faster payments initiative for the payments industry in the United States, is showing a significant impact on the market, but it still has plenty to learn from those across the pond.

In October alone, the ACH Network processed nearly \$5 billion in 3.8 million Same Day ACH transactions with an average transaction value of more than \$1,000, NACHA reported.

Whilst the numbers clearly reflect on the American appetite for faster payments, the U.S. still has faster payment lessons to learn.

PYMNTS caught up with ACI's Barry Kislingbury, director of solution consulting, and WA Proctor, vice president and product line manager, to get their thoughts on faster payments in the United States and around the world and the lessons that the U.S. must learn from its matured European counterparts.

Learning from a broad customer base

Proctor told PYMNTS that ACI's wide customer base has helped it learn lessons that can be useful for faster payment schemes in the U.S. and other countries around the world.

The company, one of the largest players in the U.K. scheme that supports 60 percent of the network's direct participants, recently struck a new partnership with Turkish Bank (UK), a small British financial institution that serves the Turkish and Cypriot community, to provide the bank's faster payments offering.

For ACI, supporting smaller banks like Turkish Bank (UK), alongside larger financial institutions, has fostered a diverse client base that demands solutions to faster payment problems for businesses big and small, which

need a diverse set of tools to be resolved — something that other faster payment schemes would need to incorporate to be successful.

“One of the key points of ACI’s offer is the flexibility in terms of how it can be packaged,” Proctor said. “It’s the same software that we would sell to a bank like Barclays or to a small bank like Turkish Bank (UK), but how it’s configured and how it’s packaged is different because they aren’t always interested in the same features.”

Under the terms of the partnership with Turkish Bank (UK), ACI will enable the bank to process all transfers to and from domestic bank accounts immediately through its newly established cloud-based European data center in Limerick, Ireland.

Kislingbury noted the importance of setting up a new data center to offer diverse data sets that are needed by both large and small businesses.

“We’ve had data centers in organizations owned by ACI for a while, but largely because of the demand for faster payments, we decided we should invest in a new data center in Ireland that was built from scratch,” he said. “With faster payments, you actually have to have two data centers, so this allows us to deliver a more reliable and secure network.”

“ One of the key points of ACI’s offer is the flexibility in terms of how it can be packaged.”

Learning to stay safe from experience

Along with its presence across the pond, ACI has been a significant player in the U.S. faster payments market, working with The Clearing House in support of its real-time payment system initiative in America.

The huge payment volume of same-day transactions transferred through the ACH Network shows the demand for faster payments in the United States, Kislingbury said. This growth is set to get even bigger.

As the real-time payments technology develops, it is set to have an impact on a broad range of businesses in the U.S. and around the world, including supermarkets and other large retail stores.

And as faster payments schemes gain wider adoption, Kislingbury noted, there were mistakes made by its forerunners in countries like England and around Europe that U.S.-based financial institutions should try to avoid.

“The U.K. has certainly learned some lessons that ... a lot of the rest of the world, including the United States,

is able to benefit from,” he said. “The banks didn’t necessarily realize how clever fraudsters were, but very quickly after that they all put in fraud and security systems, and I think other countries need to do that more quickly.”

Faster payments providers in the United States should look to protect some of the most vulnerable transactions, Proctor added, in order to keep fraudsters at bay while the technology develops and becomes more secure. Financial institutions also need to ensure that solid, proper authentication always proceeds payment initiation.

Learning to reach a wider audience

With the United States about to complete its first full year developing and using its faster payments network, its Same Day ACH payment volume is projected to get a lot bigger.

Much of this increased volume, Kislingbury said, is likely to come from the faster payment technology finding use cases in virtually every industry. A wider usage would likely appeal to consumers looking for a new form of payment when making everyday retail purchases, he added. Additionally, Same Day ACH is already showing that B2B payments, with the ACH ability to pass extensive payment information, will provide the foundation for new innovation for business payments.

Perhaps it won’t be too long before faster payments are embraced by consumers and businesses alike around the world.

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Same Day ACH Payments

NACHA: Same-day ACH payments close to \$5 billion in October

According to volume data from NACHA, 3.8 million same-day transactions valued at \$4.9 billion were [reported](#) across the ACH Network. October was the first full month of same-day ACH transaction activity since this new capability was implemented in late September. Jan Estep, NACHA's president and CEO, [spoke with PYMNTS' Karen Webster](#) about what types of faster ACH payments occurred during this first month, the wide variety of use cases of this same-day capability, and whether the roughly \$5 billion in transactions recorded in October met expectations.

linked2pay bridges banks to real-time payments

In order to help financial institutions support [real-time payments](#) features, linked2pay will collaborate with Push Payments to enable banks using its Bank Centric Payments platform to offer real-time and same-day ACH payments as a white-labeled solution. Linked2pay anticipates the service could be particularly useful in the B2B space by allowing real-time funds transfers to contractors and vendors.

Hiveage adds ACH to its invoicing and billing service

Online invoicing and billing company Hiveage, which offers services solutions for freelancers and small businesses, has announced it will [provide ACH](#) for its customers in the U.S. The service is being offered through eCheck.Net by Authorize.Net and allows users to directly debit their customers' checking or savings accounts instead of using credit cards and checks.

NMI offers real-time ACH, account updater features to FACe platform

Payments solutions provider NMI has announced its facilitator enablement (FACe) [gateway platform](#) will now offer real-time ACH and account updater services for small and medium-sized merchants. The traditional credit card processing combined with real-time ACH payments capabilities aims to give merchants faster payment options. It also offers account updater capabilities to ensure cardholder data is current and helps maintain positive customer relations.

NACHA publishes enhanced mapping guide for financial institutions

NACHA has released an [enhanced version](#) of its ISO 20022-to-ACH Mapping Guide that aims to help financial institutions deliver consistent ISO-to-ACH payments mapping for their business clients. The new guide includes information to help institutions map ACH debit and additional credit transactions, rejections and returns, and same-day ACH. Previously, it only offered instructions to map ISO 20022-formatted payments messages to ACH business credit and international transactions.

Federal Reserve

The Fed prioritizes security as payments speed up

In order to define the challenges that the payments industry is facing in terms of security, the Fed's Secure Payments Task Force has asked for [comments and participation](#) on an online survey that will explore areas such as identity management and data protection. The task force's main goals are to address potential issues related payment identity management, data protection and information sharing.

Early Warning

Nineteen financial institutions ready to use Zelle in 2017, says Early Warning

Early Warning has announced that [19 U.S. financial institutions](#) have signed on and are prepared to use its instant payment network Zelle in 2017. The [group](#) of financial institutions represent roughly 76 million mobile banking customers. Zelle will exist as both a standalone app and will be incorporated into the banks' mobile banking applications and websites.

Fifth Third Bank is one of the institutions that [plans](#) to join Zelle in early 2017. The service will be free for Fifth Third customers and will enable them to deliver real-time payments and send money using a recipient's mobile number or email address.

U.S. bank mobile and online apps are expected to feature some capabilities of the new Zelle instant payments network by the end of the year.

Fiserv plans to join Early Warning's Zelle network for P2P payments

Fiserv has [announced](#) that several major banks and credit unions, including Ally Bank, Bank of the West and BECU, plan to join Early Warning's Zelle Instant Payments Network as part of the alliance between the two companies. Fiserv and Early Warning announced their partnership in August to extend the availability of real-time P2P payments to thousands of financial institutions.

InAuth and Early Warning ink strategic alliance

InAuth, a device authentication company, and Early Warning have announced a [new agreement](#) that will enhance the security of real-time payment services within the mobile channel by leveraging the advanced device intelligence capabilities of InAuth's InMobile solution. The solution aims to cross-reference device attributes with mobile network subscriber data to look for patterns on how consumers use their phones and build confidence in the integrity of mobile transactions.

Real-Time Payments

SimplyTapp launches Gane mobile payments app

SimplyTapp, a mobile proximity payments technology company, has announced the [launch](#) of Gane, a new mobile payments app offering instant access to funds. According to SimplyTapp, Gane's enhanced real-time functionality moves the mobile payments industry forward compared to existing apps that take over two business days to fund payments.

New partnerships could amplify Visa Direct's range of capabilities

Visa has announced new strategic [partnerships](#) with FIS and Jack Henry & Associates, Inc., for P2P payments and Stripe, Hyperwallet and Ingo Money for faster B2P payments as well as government disbursements. The partnerships aim to leverage Visa Direct as a faster payments solution to deliver funds faster to over 200 million Visa debit card users in the U.S. and directly into customers' bank accounts without providing checking account or routing numbers.

Dovetail to launch real-time payments system in early 2017

Payments and liquidity management solutions provider Dovetail announced it will be ready to support The Clearing House's [Real-time Payment system](#) in the first half of 2017. The Dovetail solution will help financial institutions to take advantage of all of the benefits of the real-time payment system.

MyLumper unveils electronic payments platform for trucking industry

At the Connected Fleets USA Conference, MyLumper debuted its [electronic payment platform](#) engineered specifically for the trucking industry that enables faster and secure lumper fee payments to carriers, shippers and third-party logistics providers through the company's electronic system. The system allows all parties to view transactions and receipts online.

ACI, VocaLink seek to accelerate immediate payment solutions at global scale

ACI and VocaLink announced a [collaboration](#) to offer immediate payment solutions to domestic and regional schemes globally. PYMNTS spoke with WA Proctor, vice president and product line manager of UP Immediate Payments for ACI, about the strategy, integration, rollout and goals of this agreement and what regions he expects will demonstrate the highest interest for the service. The partnership is intended to deliver immediate end-to-end payments to financial institutions.

BLOCKCHAIN

Blockchain Tracker: SEB's New York bridge to Stockholm, credit cards and fraud prevention

The Swedish bank SEB reported that it intends to build a [blockchain channel](#) between New York and Stockholm to allow customers to make real-time transfers. The channel between the two cities is Ripple, the company offering enterprise cross-border solutions through a distributed network.

Survey: Several commercial banks weighing blockchain for payments

Nine out of 10 commercial banks from the U.S., Canada and Europe are considering using [blockchain technology](#) for payments, according to a recent survey from Accenture. The survey also found about 30 percent of banks are in the advanced stages of adopting blockchain technology for payments with many banks focused on intra-bank cross-border transfers, cross-border remittances, corporate payments and inter-bank cross-border transfers.

Visa announces new B2B payments using blockchain

Visa and Chain have announced that Visa B2B Connect, a [B2B payment platform](#) based on blockchain, will be piloted next year. With Visa B2B Connect, Visa wants to give financial institutions fast and secure processing of global B2B payments. According to a press release, the new platform will provide accurate costing, faster transaction times and a transparent process.

PayCommerce sees 10 percent network membership growth

PayCommerce has announced a double-digit expansion of its [network](#) membership, with CBW Bank, Kumari Bank in Nepal and IndusInd Bank in India among its newest members. With the expansion, PayCommerce's network now includes more than 95 banks in 75 countries.

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