

Faster Payments Tracker™

The Fed On Finding

A Clear Road To Getting Faster



I think it's critically important to work together to build a framework that's adaptable and not rigid.



Connie Theien, SVP of the FR



R3 partners with 22 banks for faster payments using blockchain



The Federal Reserve announces a timeline for ISO 20022 migration on its real-time gross settlement system, Fedwire Fund Services

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WHAT'S INSIDE

They say there's a first time for everything, and that saying, of course, also holds true for faster payments.

Several faster and real-time payments technology providers recently celebrated first-time milestones in the space. In fact, financial services players are seemingly running to release new faster payments networks, systems and capabilities these days – whether an economic giant arriving fashionably late to the faster payments party or technology providers unveiling their latest and greatest solutions.

Perhaps most interestingly, though, is that recent debuts have not been limited to one country or continent. Instead, it appears the instant payments capabilities appetite spans the globe, with both governments and companies looking to get in on the faster payments action.

The December Faster Payments Tracker highlights several of these notable debuts and developments.

The Fed's plan to get faster

The U.S. economy, like many others around the world, is rapidly changing as technology providers race to debut and develop new capabilities that make exchanging funds faster, easier and safer. To ensure that transformation goes as smoothly as possible, the Federal Reserve is again bringing stakeholders together with a focus on an industry-designed governance framework that can support faster payments technology development.

EXECUTIVE INSIGHT



Is 2020 a reasonable goal for faster payments ubiquity in the U.S.? What is the biggest hurdle and/or what is crucial for success?

“Although aggressive, the 2020 goal for faster payments ubiquity in the U.S. can be achieved if organizations across our payments ecosystem come together. All of the recommendations and goals put forth by the Faster Payments Task Force were not only thoughtful and well considered, but [also] deliberate – and the goal of faster payments ubiquity by 2020 is no exception.

Setting goals is a clear way to set direction, and in this way, the Faster Payments Task Force has set the direction for the U.S. payments system of the future. Through the important work of the Governance Framework Formation Team, the U.S. will steadily get closer to its goal.

But, it will be no easy task. To ensure success, the Formation Team and the industry as a whole need to be focused and disciplined. We'll need to concentrate efforts on the most critical areas in which agreement is needed and, once defined, we must ensure those in a position to enable ubiquity are in sync with those critical areas.

Janet O. Estep, President and CEO,
[NACHA-The Electronic Payments Association](#)



This time, that effort is taking the form of the Governance Framework Formation Team. The group was formed by the previous Faster Payments Task Force, and is designed to help foster a ubiquitous, secure, faster payments ecosystem by 2020.

In this month's Faster Payments Tracker feature story (p. 6), Connie Theien, senior vice president of industry relations at the Federal Reserve, and Janet Estep, CEO of NACHA – The Electronic Payments Association, discuss the goals of the Fed's new Governance Framework Formation Team.

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

After spending years behind the faster payments times, the U.S. has completed a [successful initial run](#) with its first new payments system in 40 years.

According to an announcement, the Real-Time Payments (RTP) system, set up by The Clearing House (TCH), was used for the first time to transfer a small sum between two financial institutions (FIs) – U.S. Bank and BNY Mellon. The transfer took just three seconds. The new, speedy system will help the U.S. catch up to the U.K. and other nations that have already embraced instant payment capabilities.

Meanwhile, across the Atlantic, Visa debuted its Visa Direct real-time [international payments platform](#) in Europe. In a press release, the company

noted the offering enables person-to-person (P2P), business-to-consumer (B2C) and business-to-business (B2B) money transfers, and said it would work with service providers, FI clients and strategy partners to roll out additional services.

Same Day ACH debit [also celebrated](#) its achievements during its first 11 days in operation. According to data released by NACHA, nearly 2 million Same Day ACH debits were made in its short life, and more than 178,000 transactions were processed per day on average.

What's more, those nearly 2 million transactions accounted for a total of \$1.5 billion transferred by Same Day ACH debit, comprised of an average \$650 per payment.

For a roundup of the latest notable faster payments headlines, check out the Tracker's News and Trends section (p. 9).



FIVE FAST FACTS

66%

Portion of FIs that make Same Day ACH funds available by 5 p.m. local time.

44%

Percentage of corporate treasurers who say they want access to instant payment capabilities.

17.5 BILLION

Volume transferred via Zelle through Q3 2017.

\$9 BILLION

Volume transferred via Same Day ACH payments in October 2017.

43%

PERCENTAGE OF FIs THAT ALLOW BUSINESSES TO USE SAME DAY ACH CREDIT.



The Fed On Finding A Clear Road To Getting Faster

Whether it's piloting a high-powered sports car or a super-charged payments system, going faster can be complicated. To minimize risk of a disastrous end, those in the driver's seat need to know both where they're going and the rules of the road they must take to get there.

The U.S. economy, like many others around the world, is rapidly changing as technology providers race to debut and develop new capabilities that make exchanging funds faster, easier and safer. To ensure that transformation goes as smoothly as possible, the Federal Reserve is bringing stakeholders together to design a framework that can support faster payments technology development.

The Fed's first framework effort came in the form of the Faster Payments Task Force. The group, comprised of payments industry executives and stakeholders, was assembled by the Federal Reserve and completed its work this summer after issuing its final report, "The U.S. Path to Faster Payments." The report laid out strategies for fostering and furthering the technology's development.

As part of its recommendations, the Task Force established the Governance Framework Formation Team to continue its efforts. According to Connie Theien, senior vice president of industry relations at the Federal Reserve, the group is focused on developing a framework for faster payments technology in the U.S. and implementing the work of the initial Task Force.

Theien worked to bring the 27 members of the Formation Team together and is helping to design the faster payments tech framework. In a recent interview with PYMNTS, she noted the group's end goal is simply to push the industry forward in the U.S.

"It was critical to create a group that could shepherd the development of a faster payments ecosystem," Theien said. "The vision is that this will service as a mechanism to [guide] the ecosystem to be effective, and be a stepping stone to help the rest of the recommendations be advanced."

Putting changes in place

The recommendations Theien and the group will be working to implement have been divided into three categories – rules and governance, infrastructure and sustainability – which were placed in list form based on their scope and the priorities of the Formation Team, Theien explained. Rules and governance, along with infrastructure, are considered the most immediately pressing needs.

The creation of directory models to unlock interoperability and enable new solutions, followed by designing settlement capabilities to support 24/7/365 enrollment, were also included in those highly prioritized infrastructure and governance categories.

"Those directory models are key to unlocking all of these solutions, and [they] have been prioritized and we're kicking those off first," Theien said.

In a separate interview with PYMNTS, Janet Estep, CEO of the National Automated Clearing House Association (NACHA) – the Electronic Payments Association, and a member of both the initial Faster Payments Task Force and the new Formation Team, noted that prioritizing and acting swiftly to implement were founding principles of the new group.

"As the last Task Force report was being finalized, the participants really felt that some of the recommendations should be addressed sooner rather than later," Estep said. "And I think it's going to be very important that the Formation Team is flexible and efficient in that."

Combatting challenges

While the Formation Team's focus and end goals may be clear, its efforts are not without their fair share of challenges.

Most notably is that while the current payments systems in the U.S. are not active every minute of the day, they still offer "extensive availability," and are online 21 hours a day, Theien said. As a result, creating a system that can be online 24 hours is not quite the concern it would seem.

"Our greatest challenge is not in designing a 24/7/365 system," she said. "It's how do we migrate such critical infrastructure to that overtime while [also] ensuring the safety and stability and availability that underpins all these payments systems."

Theien pointed out that the nature of creating a governance framework is complicated. A group consisting of 27 members means a wide array of providers and participants are involved, and different standards may need to be created to satisfy all parties.

Estep shared similar sentiments during her interview, saying the varying situations of the dozens of different players in the faster payments ecosystem means that very different organizations need to collaborate.

"Not all entities have the same needs," she said. "Not all of them have the same level of engagement."



By setting that goal, they've created a real sense of urgency to drive momentum and get this done



Some of them don't have the same focus on specific topics and the environment can change around us over time, as well. So, I think it's critically important to work together to build a framework that's adaptable and not rigid."

Meeting deadlines

The group's biggest challenge, though, may be self-imposed. A [press release](#) announcing the creation of the Formation Team included a deadline to achieve what it refers to as "ubiquitous faster payments capabilities in the U.S. by 2020."

Theien called the 2020 deadline an "ambitious but achievable goal," and noted that the group was highly motivated to meet it.

"By setting that goal, they've created a real sense of urgency to drive momentum and get this done," she said. "So far, it's really led to a very positive outcome in terms of Task Force recommendations and the road map for the future. Now we're really getting to the point where the rubber hits the road and the industry can collaborate and make some concrete decisions."

And with that metaphorical rubber hitting road, it's seemingly time to set the navigation and buckle up.



UNDER THE HOOD



The Federal Reserve's Governance Framework Formation Team has a goal – faster payments ubiquity – and a deadline – the year 2020. In a recent interview, Connie Theien, senior vice president of industry relations at the Federal Reserve, told PYMNTS about her goals and hopes surrounding the project.

"My hope is that we continue to see really incredible passion, commitment and collaboration from industry participants. With 320 payment task force members from every part of the industry, every level of engagement with payments, and every level of expertise, it really has been incredible to see how all of these parties have engaged and brought value to the faster payments systems. That has really helped us understand the broader needs and perspectives of all the different participants and, really, led to a very positive outcome in terms of Faster Payments Task Force recommendations and the road map.

Now we're moving much more into the design phase. That's when you think about the governance work, directory models and rules and standards. It's where the rubber hits the road, and the industry is really collaborating and making concrete decisions. We hope, expect and think it's really critically important that we continue to see that same level of collaboration and investment from all of our stakeholders. I think it's key to our success, because everyone has a piece in driving to this ubiquitous adoption. It's important that they are all part of the creation of the system"

Connie Theien,
SVP of the Federal Reserve



News & Trends

WHAT'S TRENDING

FASTER PAYMENTS FIRSTS

Real-Time Payments system passes trial run

The first new [payment system](#) in the U.S. in four decades has a green light after completing its first successful test drive. At just a few seconds before 5 p.m. on Nov. 13, the Real-Time Payments (RTP) system, set up by The Clearing House (TCH) was used to make a \$3.50 transfer between accounts at two different banks.

In addition to moving funds, the first transaction also carried data in an invoice-like fashion to accompany irrevocable requests for payments. The additional transactional data will make it easier for businesses of all sizes to more quickly and inexpensively reconcile accounts.

The transfer between [U.S. Bank and BNY Mellon](#) took just three seconds to complete. The new system will help the U.S. keep pace with countries like the U.K. that have had real-time payments infrastructure up and running for nearly 10 years.

In other nations, including much of Europe, faster payments plans received more traction after banks were government-ordered to speed things up — but in the U.S., progress has been noticeably slower.

ACI announces support for RTP

BNY Mellon and U.S. Bank weren't the only companies to show support for TCH's RTP system, according to an announcement from real-time electronic payment and banking solutions provider ACI Worldwide. In news released the day after the [successful](#)

[trial run](#), ACI said it had added support for the new instant payments system, including an extension of its existing UP Immediate Payments offering. The Immediate Payments extension will use the company's Start UP platform and be known as ACI RTP Start UP.

WA Proctor, vice president of ACI Worldwide, said the inclusion of RTP would provide a quick onboarding tool for FIs looking to add real-time payments capabilities, including software for transaction sending, transaction receiving and security. The platform is built for use on-site or via the cloud, and includes real-time payments training and use case education tools.

Federal Reserve offers timeline for Fedwire Fund Service

Federal Reserve observers now have a new timeline to guide real-time settlement expectations. The Federal Reserve Bank [recently announced](#) it would migrate to the ISO 20022 standard for its own real-time gross settlement system, known as Fedwire Funds Service, by the end of 2023. The Fed's move to adopt the ISO 20022 standard falls in line with one of the recommendations outlined by the Faster Payments Task Force in its September report.

The announcement provides clarity for the agency's plans in the coming year and will support the boosting of both domestic and cross-border payment efficiency. The Fed said it would opt for a slow implementation process for the new format, installing it in three phases beginning in November 2020 and ending within roughly three years.

Richard Dzina, executive vice president at the Federal Reserve Bank of New York and product director for the Federal Reserve Banks' wholesale financial services, said the organization collaborated with "customers and the industry at large" in designing how the format would be used to improve the efficiency and enhance the information carried in Fed-Wire messages. He also noted that in the coming months, Federal Reserve Banks will take on a training and education efforts to help prepare for the change.

BANKING BULLETINS

Zelle's partner parade

Instant payment network Zelle has been busy, recently announcing a trio of new partnerships with FIs and FinTechs. First, it reported a deal with digital banking platform provider D3 Banking Technology. FIs using the D3 platform will now be able to offer [real-time transfers](#) via a Zelle API, which is designed to allow consumers to digitally transfer money via smartphones using a recipient's email address or mobile phone number as a personal identifier.

Zelle also announced it will partner with technology provider IBM and the company's Watson AI program. As part of the [new agreement](#), Zelle will use IBM's Financial Transaction Manager to give more banks and FIs access to instant payment capabilities. According to IBM, the integration will provide banks with a solution to support the full lifecycle of P2P transactions.

Finally, Zelle is entering a new frontier in the B2B space via an [integration](#) with U.S. Bank. The company announced it is rolling out two new corporate payment solutions, one of which is Disbursements via Zelle which enables corporate bank clients to use Zelle to disburse payments to individuals. The solution supports real-time messaging and real-time or next-day P2P payments.

Mastercard merchants, bank partners get new API access

Payments giant Mastercard wants its partners to get on the blockchain bandwagon. The company [recently released](#) a new blockchain application program interface (API) for partner banks and merchants to provide new payment solutions for FIs and their customers.



According to Mastercard, the API has been tested and validated to address challenges in offering faster payments, including speed, transparency and cross-border payment costs. It is also designed to complement the company's virtual card, Mastercard Send and Vocalink capabilities.

In the announcement, Ken Moore, executive vice president of Mastercard Labs, said the solution features a combination of Mastercard blockchain technology and settlement networks. It allows B2B payments, trade finance and other non-card payment transactions to be completed more quickly and with less risk.

R3 teams up with banks for blockchain-based payments

FinTech firm R3 is finding strength in numbers. The company announced it collaborated with 22 banks from around the world to [design and develop](#) a new international payments system. The result is a network to allow both existing central bank currencies and new digital ones to be exchanged via blockchain. It also provides real-time updates regarding payments information and processes, and settles and completes transactions within only a few minutes.

The nearly two dozen banks working with R3 on the project – which include Barclays, Commerzbank, HSBC and Natixis, among others – said they planned to release the prototype by the end of this year.

R3 is not the only company to believe in the potential impact of blockchain on international transfers, however - despite skepticism from many of the space's biggest players like the European Central Bank, the U.S. Federal Reserve and the Bank of Japan. UBS Wealth Management recently released projections that blockchain could contribute \$400 billion to the global economy within a decade.

INSTANT PAYMENTS GO INTERNATIONAL

Visa debuts Visa Direct in Europe

Payments processor Visa [recently unveiled](#) its Visa Direct real-time international payments platform in the European Union.

In a press release, the company noted that Visa Direct enables P2P, B2C and B2B money transfers. Funds can be transferred into a recipient's Visa account quickly and securely through the service, providing instant access to money and the ability to make purchases with 44 million merchants around the globe.

Visa said it is working with service providers, financial institution clients and strategy partners to roll out other services using Visa Direct. Partnerships include one with payment processing technology provider Worldpay, which was tapped to accelerate the availability of Visa Direct in Europe and eventually the world. In addition, Visa noted that once recipients' banks make the changes necessary to their systems, its offering will enable Worldpay's merchants to send real-time international payments to consumers.

ACI adds access to European instant payments schemes

Elsewhere in Europe, ACI appears to have its payments passport ready. The company [recently announced](#) it will provide support and access for the European Payments Council (EPC) SEPA Instant rulebook standard within its Universal Payments (UP) solutions portfolio, including UP Immediate Payments and UP Real-Time Payments. This will allow ACI payment service providers to work with domestic and pan-European EPC-based payments schemes.

According to a company announcement, the support software will offer a multi-scheme solution that



can be modified to suit an individual FI or payment service provider (PSP)'s needs. ACI recently certified for SIAnet network services, which are used to connect to various European payments schemes.

NACHA NUMBERS GAME

Same Day ACH debits debut, hit \$1.5 billion in opening days

Same Day ACH debits [went live](#) in September, and they got off to a fast start. According to data released by NACHA - The Electronic Payments Association, nearly 2 million Same Day ACH debits were made in just the first 11 days the service was live. That means that, on average, more than 178,000 transactions were processed per day during the service's first week-plus online.

According to the data, those nearly 2 million transactions accounted for a total of \$1.5 billion transferred with an average value of \$650 per payment. Nearly 95 percent of transactions were C2B debits during that period, and B2B payments made up the other roughly 5 percent. In a statement, Jane Larim-

er, NACHA chief operating officer and general counsel, said the organization was "pleased with the initial transaction volume and value data."

NACHA reports 10 million transactions in October

Same Day ACH debits weren't the only item on NACHA's docket recently. The organization [also released](#) transaction volume and value data for all Same Day ACH payments made during October, finding payment volume grew to 10 million transactions over the month — a 140 percent increase over August figures. In addition, more than \$9.1 billion in value was transferred via Same Day ACH payments in October.

Same Day ACH credit payments are largely used for B2C payments, such as payroll payments and claims disbursements, and for B2B and P2P transactions, according to NACHA's data. October's numbers bring the total number of ACH credit transactions to more than 57 million since the system's debut in September of 2016.



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