

Faster Payments

Tracker™

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Faster Payments, Happy Consumers?



80 percent of surveyed banks expect to see steady growth in **Same Day ACH** usage in 2017



B2B payments valued at **\$8.8 billion** account for **32 percent** of Same Day ACH volume



The ability to move money in real time is consistent with our expectations around how quickly I can access music, content, videos, etc.



George Evers, director of immediate payments, VocaLink, on faster payment expectations

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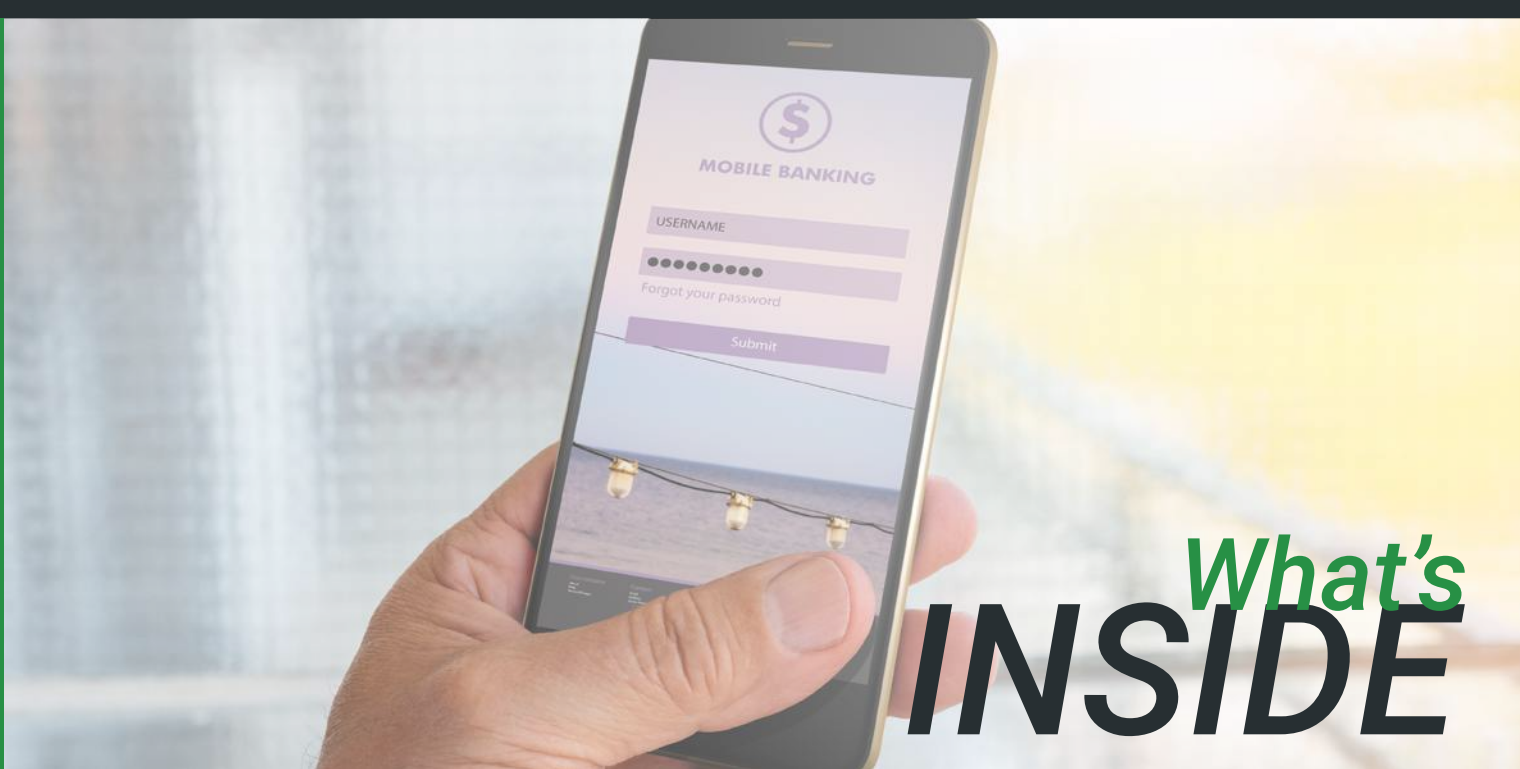
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What's INSIDE

Like March winds, faster payment solutions are rushing into the world of commerce with a strong show of force.

Banks, tech companies and FinTech providers from around the world are finding ways to offer faster payment solutions for customers and clients. At the same time, policymaking agencies in several nations are looking at how to make faster payment systems and networks operate more effectively and securely.

The last month saw many European banks and FinTech companies move forward with plans to adopt faster payment solutions. In the U.K., for example, a digital-first bank became the first non-traditional financial institution to join the U.K.'s Faster Payments Scheme. Meanwhile, other moves by FinTech providers are making it easier for banks to join both the U.K.'s and the EU's faster payment networks, while others are turning to the potential of blockchain to send money across nations.

Despite the advancement of these faster payment solutions, some problems with the systems remain. For example, some users may be reluctant to share sensitive personal information with third-party financial applications or have difficulty inputting passwords. To help address these issues, some companies are turning to proxy payment solutions to send money from one party to another. For the March Tracker feature story, PYMNTS spoke with George Evers, director of immediate payments for VocaLink, about how proxy services are changing the way consumers and businesses exchange money by removing some of the friction.

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

According to a recent survey, the demand for faster payment solutions is going to be strong, so companies and banks should prepare to keep pace.

The survey of 23 banks, conducted by NACHA, showed that 90 percent of institutions found the volume of origination of Same Day ACH services was either on par with or higher than what the banks had expected. The survey also found 83 percent of responding banks said the same about the volume of Same Day ACH transactions they received. NACHA's findings indicated a wide range of uses for Same Day ACH, with B2B payments alone valued at \$8.8 billion during the system's first three months of operation.

With this much money on the line, it's little wonder several companies and agencies in several continents are looking to improve the delivery of funds. Here in the U.S., digital payments provider Dwolla became the latest company to share their proposal made as part of the Federal Reserve's Faster Payments Initiative. Over in Europe, EBA Clearing began testing its own real-time payment service and later this year plans to expand its services to allow real-time payments to be accessed across the EU 24/7.

Other companies are looking to blockchain solutions as a means of offering real-time payments across borders. For example, PayCommerce completed its first real-time cross-border B2B payment between the U.S. and India using a blockchain solution. Meanwhile, in the Middle East, the National Bank of Abu Dhabi teamed up with distributed ledger provider Ripple to become the first bank in the region to offer real-time cross-border payments.

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

FIVE FAST FACTS

NACHA survey: 90 percent banks report higher Same Day ACH origination volume as higher than or on par with expectations.

B2B payments made up 32 percent of Same Day ACH volume — 4.1 million transactions totaling \$8.8 billion.

Same Day ACH handled 1.8 million P2P payments totaling \$1.2 billion.

The global blockchain technology market is expected to grow at a CAGR of almost 62.1 percent over the next decade.

Fiserv: 81 percent of surveyed respondents ranked security over convenience for payment methods.

“The proxy server is really a way of **simplifying access** to those payment systems and **making it easier** for people to identify a destination account for them to send money.”



Faster Payments, Happy Consumers?

It would appear that simplicity is a concept that is valued worldwide.

The ability to send money between parties quickly is gaining popularity. Across the pond for example, the [latest statistics](#) from the U.K.'s Faster Payments scheme indicate 129.7 million payments – totaling £112.6 billion (\$141.3 billion) – were processed in January alone, a 23 percent spike from the amount processed in January 2016.

As new faster payment infrastructures arise, some payment providers are turning to proxy services to distribute funds. These proxy services aim to make the payments progress smoother by eliminating the need for users to exchange information such as bank account details, like they do with checks, and to instead rely on mobile phone numbers or email addresses.

By providing consumers a proxy option to share their money, companies are not only trying to offer consumers a more convenient way for users to deliver funds to family and friends, but the services also reduce the anxiety some users have about sharing personal financial information with others.

For the March Tracker feature story, PYMNTS caught up with George Evers, director of immediate payments for U.K.-

based [VocaLink](#), the 2016 recipient of [NACHA's Payments Award](#) for innovation, expansion, and development of products supporting faster payments to increase payments access, efficiency and security across the globe. Evers discussed the company's faster payments work with proxy services and why these solutions are important steps toward banking modernization.

Faster payments with proxy services

A proxy service is a directory of information that allows user information to be stored and accessed independent of associated financial applications.

The feature allows users to send money to their contacts without revealing their bank account information or requesting the recipient's account information. Evers noted that these solutions help make faster payments simpler for consumers.

“One of the challenges for people using payment systems historically has been the need to know a sort code or an account number,” he said. “The proxy server is really a way of simplifying access to those payment systems and making it easier for people to identify a destination account for them to send money.”

By removing the requirement to store, remember or input bank account information, Evers said, proxy services are alleviating some of the friction involved in faster payments and changing the way consumers and merchants exchange funds. Additionally, these services could ease the hesitation users may have around sharing their personal finance information and eliminate the need to carry cash.

Instead of using bank account information to authorize payments, customers send money using common communication and identification methods such as mobile phone numbers, email addresses or national ID numbers. Using this information rather than bank account details provides an effective way to identify payment recipients because these tools are already widely utilized, said Evers.

“Use of those identifiers like a mobile number or an email address are consistent with the way we communicate and connect with other people,” he said.

In addition to offering users a simpler and potentially safer method of identifying payment recipients, some proxy solutions also offer a messaging service related to payment transactions. These messaging features can act as an invoicing tool to help users identify the purpose of a funds transfer or a request for payment.

Put together, Evers said proxy services and payment messages can offer businesses and consumers faster access to money and greater data on how and why money is exchanged.

“Those two things combined suddenly create a ton more value in payment infrastructure,” he said.

Testing faster payments in foreign markets

Beyond the U.K., other global markets are showing an interest in offering faster and simpler payment solutions to local merchants and consumers.

As VocaLink’s director of immediate payments, Evers said one part of his job often involves bringing the company’s payment solutions to new global markets while also researching payment innovations in those markets and evaluating if they should be brought back to the U.K. market.

Exploring payment innovations from different parts of the world allows financial service providers in different markets to learn from each other as they work to modernize their own local payment infrastructures, Evers said.

He pointed to an example of a proxy service the company introduced in Thailand, called PromptPay, which uses VocaLink’s Multi Proxy Platform and Immediate Payment Solution to help bring a faster payment infrastructure to that country. Evers explained that PromptPay acts as a proxy database, allowing users to store a mobile phone or national ID number to authorize sending money from one party to another.



**[Proxy services and payment messages]
combined suddenly create a ton more value
in payment infrastructure.**



UNDER THE HOOD



How do proxy services facilitate the exchange of money?

"A proxy service is a directory that allows individuals or businesses to associate an identifier with their underlying bank account. For example, my mobile phone number is associated with my current account through a service called Paym. This allows other participants to send money to my account using my mobile number.

"The benefits are that these identifiers are more trusted and less complex than account numbers and sort codes. It also means that bank account details do not get exposed in financial transactions. These directories are accessed by customers via their banking applications. The data is secured and managed by a company like VocaLink."

George Evers, director of immediate payments, [VocaLink](#)

With the PromptPay proxy service now in place, Evers believes Thailand's consumers and merchants will be able to enjoy the benefits of real-time payments.

But Evers also said that Thailand's success with faster payment innovations can offer lessons back in the U.K. market.

"When the U.K. gets to the point where it's going to refresh its infrastructure or start its own modernization program," he said, "then we have a brand new and proven platform that has been built with input from payments participants around the world."

Keeping faster payments in line with expectations

Evers expects the adoption of faster payments will progress at an increasingly rapid rate and that the demand for faster access to money will mirror the easier access consumers currently have to digital media.

"The ability to move money in real time is consistent with our expectations around how quickly I can access music, content, videos, etc.," he said. "I think there's an alignment there."

The demand for faster payment solutions could greatly increase as more millennials come of age and become consumers. According to newly published [research](#) by VocaLink on how millennials will impact the future of payment industries in Europe, 75 percent of U.K. millennials said they like technology that allows them to tailor things to suit their specific needs.

As more millennials open their own bank accounts and enter the digital payment space, Evers recommends communities recognize the value of offering effective real-time payment systems that meet consumers' expectations around sending money quickly and that they take the necessary steps to drive the adoption.

Evers hopes that the real-time communities work quickly to adopt data-rich, faster payment systems so that their consumers and merchants can enjoy the efficiency and inclusiveness that they provide.

"In more developed economies, the benefits associated with a new set of payment messages and data sets will be a powerful asset to business, governments and financial institutions," he said.

News & Trends

Faster Payments traffic reports

Survey finds higher-than-expected Same Day ACH origination, fewer fraud instances

According to [new survey data](#) from NACHA, 90 percent of surveyed financial institutions have reported that the volume of origination of Same Day ACH services has either fallen in line with or exceeded expectations. Another 83 percent of responding institutions said the same about the volume of Same Day ACH transactions received. The survey of 23 financial institutions also found that 80 percent of respondents expect to see steady growth in Same Day ACH usage in 2017.

Additionally, the survey revealed a wide range of reasons for using Same Day ACH, from making emergency payments such as payroll to making regularly scheduled payments for paying hourly employees and one-time payments. One of the more interesting findings of the survey is what wasn't found. As either an originating or receiving institution, no respondents reported an increase in fraud as a result of Same Day ACH.

Feds issue progress report for U.S. payment system

In addition to NACHA's survey, another [report](#) from the Federal Reserve was released that called attention to ways to improve the U.S. payment system. The report highlighted the accomplishments of the Fed's Faster Payments Task Force, including commissioning an independent assessment of 22 faster payment solution proposals, analyzing potential roadblocks to successful faster payments implementation and publishing the first of two reports that offer a high-level overview of the payment landscape. In January 2015, the Federal Reserve released its plan to improve the speed, efficiency and security of the U.S. payment system from end to end. This most recent progress report is intended to highlight the steps toward achieving its goals. The second progress report will be published later this year.

Dwolla submits proposal to run on Fed's Faster Payments network

Speaking of the Federal Reserve, digital payments firm Dwolla is the latest to enter the Fed's [Faster Payments initiative](#). The

FinTech company is one of 19 to submit proposals on how to run part of the Fed's real-time payments network. The Federal Reserve of Chicago, which houses the Faster Payments Task Force, accepted and reviewed the proposals along with experts from McKinsey. The news of Dwolla's proposal comes just months after the company announced a \$6.85 million funding round led by the Foundry Group and Union Square Ventures. In November, Dwolla shifted its focus from apps to developing its own APIs to support bank transfers via ACH.

Moving money across Europe

Starling Bank joins UK's Faster Payments scheme

Several European financial institutions and FinTechs recently took steps to get in on the faster payments game. Digital-only Starling Bank became the first [challenger institution](#) to join the U.K.'s Faster Payments Service. On its [website](#), Starling's COO, Julian Sawyer, described the Faster Payments scheme as an "essential" way to offer the company's customers with faster payment options. Sawyer said the company's app users have shown "huge interest" in getting real-time insights into faster payments and being able to deliver money faster to friends and set up regular payments. Sawyer also said the partnership makes sense because the Starling's digital-first customers will appreciate the convenience of being able to move money faster. "Given our users are all people who happily manage their lives on their phone, this partnership is a huge step in helping them to better manage their money through our app," he said.

Bottomline implements NCR's Faster Payments network

Meanwhile, Bottomline Technologies took a big step of its own that could make it easier for other banks to join the U.K.'s Faster Payments network. Omnichannel solutions provider NCR Corporation announced that Bottomline Technologies has integrated Authentic, NCR's intelligent transaction processing platform, into its Direct Faster Payment Service (FPS) solution. The [technology](#) allows other U.K.-based financial institutions to connect securely to the Faster Payments network. Bottomline offers its customers domestic and international payment solutions, cash management tools, automated workflows for payment processing, fraud detection, and other services.

Bottomline built its FPS using its own payment technology linked to Authentic to implement a real-time, future-proof solution that will be scalable as demand grows, complementing the company's range of services. It can process 10,000 transactions per second from a full range of payment sources, such as mobile and internet banking and ATM and POS devices.

Getting ready for SEPA Instant Credit Transfer

Bottomline's partnership with the NCR Corporation was not the company's only recent move toward faster payment solutions. In February, Bottomline was [selected](#) by EBA Clearing to be one of the first payment service providers to support the pan-EU EBA SEPA Instant Credit Transfer Scheme. The selection by EBA means that Bottomline's banking clients across Europe will be among the first to have access to the instant credit transfer technology that they can then offer to their corporate and consumer clients. Bottomline will provide its banking clients with access to real-time credit transfer capabilities via its Universal Aggregator service, which supports multiple payment types for various payment service providers, including the Faster Payments Service, the company said.

D+H has EBA Clearing banks' backs

In other EBA news, financial technology provider D+H became one of the "frontrunner service providers" that offer [support services](#) to banks that join EBA Clearing's instant payment service. As a "frontrunner service provider," D+H will help European banks identify service providers that are able to assist early adopters with connecting to EBA Clearing's pan-European real-time payment system. The system will be a 24/7 service and is based on the SEPA Instant Credit Transfer Scheme. It is being implemented with the help of 39 financial institutions and is expected to launch by November 2017. D+H will also provide banks with connectivity to the network, either as an on-premise or hosted solution, through its global payment hub.

EBA Clearing puts its real-time payment tool to the test

For its part, EBA Clearing has officially begun testing its own [real-time payment service](#). The pan-European payment infrastructure company has plans to launch the technology across Europe later this year. EBA Clearing said in a statement its service is compliant with the European Payments Council's (EPC) SCTInst Scheme and is aligned with ISO 20022 messaging standards. Once activated, EBA Clearing said its technology will enable real-time payments across the EU 24/7. The company expects the technology to officially go live in November as more payment service providers get on board.

Making real-time payments safer, smoother

CONIX introduces real-time support for products

As financial companies and consumers seek faster payments of funds, some companies are stepping up to help funds get [delivered smoothly and safely](#). One of those companies, payment processing solutions provider CONIX Systems, announced it will support real-time transaction processing for its Detective Suite and TCMx solutions. TCMx is the company's bank settlement solution, which aims to help banks with the complicated settlement process. The Detective Suite solutions are designed to help financial companies and include solutions that can help identify fraudulent payments, duplicate payments and risk evaluation tools and detect fraudulent and duplicate payment information across other banks.

The tools offer banks real-time inquiry solutions that allow institutions to inquire about the status of a transaction at any point in time and take appropriate action. The solutions could offer banks that are not yet able to accommodate real-time payments the ability to make more informed decisions by helping them accurately identify fraud.

Guardian Analytics unveils real-time payment fraud solution

Elsewhere, other companies are showing off their own fraud prevention chops. At the 2017 RSA Conference in mid-February, [behavioral analytics solutions](#) provider Guardian Analytics demonstrated its real-time fraud detection solution. The company's product, known as Real Time Payment Fraud Solution, can help banks detect bank wire fraud, such as business email compromise, and safely roll out Same Day ACH. The company also unveiled its Omni-Channel Visual Analytics solution, which offers financial institutions insights into customer fraud risk behavior and a cross-channel view of criminal activity.

Untangling the cross-border web

PayCommerce taps blockchain to deliver cross-border payments

Several companies are working to make it easier to deliver money across international borders. For starters, PayCommerce announced it completed its first real-time, [cross-border B2B payment](#) using blockchain technology. The company, which operates as an open cross-border payments network, revealed it had completed the first phase of its initiative, facilitating multiple test payments between the U.S. and India.

PayCommerce said it plans to commercialize the real-time global payment offering by the end of the year's second quarter. The real-time payment solution uses the PayCommerce Federated Ledger system, a blockchain platform, which is integrated into its existing framework.

In an [interview](#) with PYMNTS, PayCommerce founder and Executive Chairman Abdul Naushad said payments for business can take one to four days to settle in a bank account. Naushad told PYMNTS the use of blockchain helps secure payments, ensure transparency and guarantee that communication is not dropped between parties. In countries, he said, "... faster payments are focused domestically," with an eventual need to move to a more international scope.

Ripple to bring cross-border payments to Middle East bank

Other financial institutions are turning to blockchain's potential to bring [cross-border payments](#) to the Middle East. The National Bank of Abu Dhabi has partnered with distributed ledger provider Ripple to become the first bank in the region to offer real-time cross-border payments to its customers. Ripple said using blockchain offers bank customers a more secure and reliable channel to make immediate international remittances and payments in international markets. The Ripple solution offers NBAD customers E2E visibility of transactions and offers the instant transfer of funds. The World Bank Migration and Remittances Factbook reports that the United Arab Emirates is the fourth highest remittance-sending nation in the world, accounting for \$19 billion in transactions.

Executive Insight

How are the deployment of faster payment solutions altering consumer expectations?

Today's faster payments solutions aren't altering consumer expectations; they are finally meeting the expectations consumers have had around sending and receiving money for some time. Consumers can send messages instantly and download movies and files quickly. It is only natural that they have come to expect the same for payments. But in addition to speed, consumers also want to be able to send their money to anyone — they also want ubiquity with respect to payments. Consumers do not want to enroll in, download or set up accounts with multiple solutions or payments platforms to make a payment to or receive funds from someone else. The ability to send a payment to anyone leveraging a single platform or solution — and send it quickly — is the nirvana for today's consumer. It is not just about speed, but also convenience and efficiency. Ubiquity adds the elements that provide real value for consumers. And solutions and platforms that provide for ubiquity, such as those that leverage the ACH Network, will be the frontrunners among today's faster payments offerings.

Janet O. Estep, president and CEO of NACHA

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