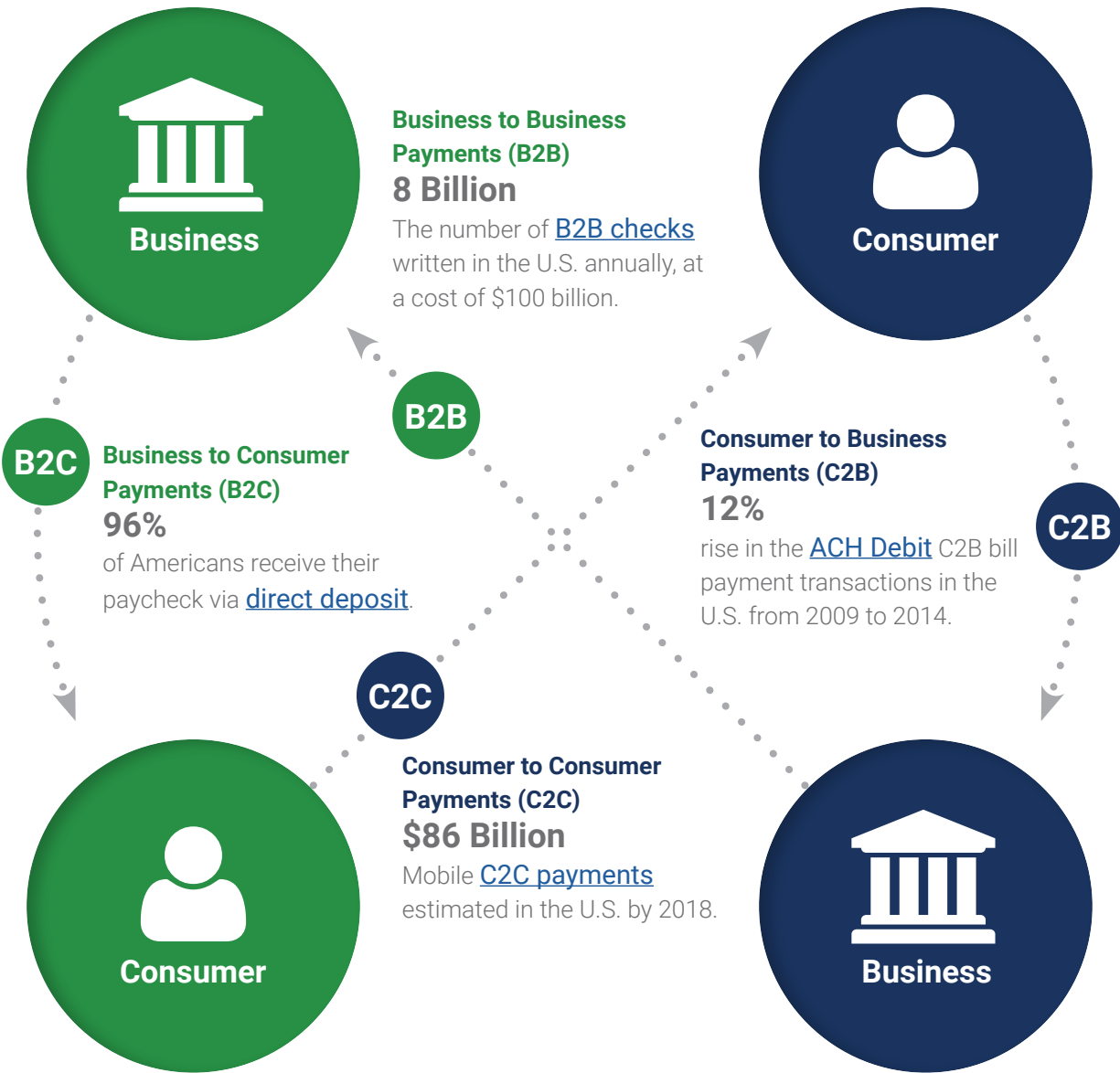


# Faster Payments Tracker

Powered by  **NACHA**  
The Electronic Payments Association



# Faster Payments Tracker™

## Cover Story

### Who Benefits The Most From Faster Payments?

As the rollout and adoption of Same Day ACH in the U.S. begins this year, the tangible changes and benefits across the payments landscape will, in turn, become increasingly apparent. Yet, there continues to be questions about who really benefits and who really wins. The underserved/unbanked, for one, says Joe Proto, a 30-year veteran of the payments industry and current CEO and Chairman of [Transactis](#).

#### Use Cases

The shift to same-day and faster payments, in general, Proto said, is the most significant endeavor he's seen in his 30 years in the industry. "Same-day and faster payments will give us a lot of the same benefits that we get by handling card transactions, without using the card rails. That's revolutionary," he said.

The reason faster payments is so important, Proto said, is because the four major quadrants of the payments industry – P2P, B2B, B2C and C2B – are all beneficially impacted when it comes to the expedited movement of money and data.

#### P2P

When it comes to P2P payments, Proto pointed to a shifting consumer mindset and, in turn, adoption. For example, he said, Venmo just recently announced that January was its [first billion-dollar month](#), so users are clearly finding and using the service more (and telling their friends). And, he said, that's powerful. "We're moving to a user mentality that, if I'm going to send you money, you know you've got it pretty much at the same time that we've transacted together," he said. "So whether we're two friends who went out to dinner and I owe you for your half, or whether I'm buying something from you or I owe you something, being able to have that confidence that the timing is significantly connected to when I initiate, is very powerful. And the surety that you're going to receive that payment – you extend that now from timing, when I initiate, is very powerful."

#### C2B

This is the area, Proto said, that's a "really, really big game changer," especially for the unbanked and underbanked. He explained: "That single mom, who's working for near-minimum wage, the only way she's (now) going to keep insurance or her utility on is to pay an expedited fee to get that payment surety through. That can change now. We can serve that [unbanked] and underbanked community in a way that is so much more efficient and so much less costly, and take away that expense for the part of the bill payer population that, quite frankly, can't afford it." So, he said, with faster payments, the customer saves convenience fee expenditures while the industry serves up a better consumer experience. It's a win-win ...

... Win. Proto said he sees the benefit to the bill payer as an industry “opportunity to serve” the unbanked and the underbanked. “I believe that this will help democratize payments in a way that provides for lower costs for everyone. There’s no loser here. The consumer, the business, and the processors in between – banks as well as technology companies – I think everyone wins.”

## **B2B**

When it comes to businesses paying other businesses faster, Proto said, with Same Day ACH there should be a noticeable improvement when it comes to supply chains and distribution in general. Less likely will a truck be unable to deliver supplies to a market due to delayed payment, for example. When the supplier has surety of payment, he said, “now faster payments is going to unlock the timing around which those things can happen.” And the obvious ripple effects that lack of payment can have on the supply chain itself will smooth out.

And jobs themselves are less likely to be delayed due to payment. Proto gave an example of a bulldozer sitting at a golf course development site because the supplier doesn’t have surety of payment.

“Now faster payments is going to unlock the timing around which those things can happen,” he said. Faster payments will, in turn, mean faster job completions.

## **B2C**

Proto said he sees the biggest impact in B2C faster payments taking place in instances such as insurance disbursements. “God forbid my house burned down,” he said as a worst-case example. “I don’t have anything. And my insurance agent comes and how are they going to help me in that moment? Writing a check is not going to help. Putting something on my card may not help. I might not even have my card. Being able to do a faster disbursement, so that now I’ve got access to those funds and do it in a way that is frictionless,” – that, he said, can make people’s lives better in tumultuous times.

## **Keeping the dollars and data together**

The key to all faster payments transactions, Proto said, is “keeping the data and dollars together.” With the less exception handling created by the straight-through processing of Same Day ACH, he said, there’s less time-consuming, labor intensive manual processing. As a result, he said, “we solve so many customer service issues, [save] so much cost in the system and take advantage of all the good things that the ACH world has represented, and now accentuate and advance the ACH movement of money.”

Another key to the success of faster payments is user demand and expectation. Millennials, Proto said, drive adoption and push innovation. He pointed to millennials being used to “single-button” capabilities. “And when that button is hit,” he explained, “they know their transaction is complete.” Proto said it’s this expectation that will drive the continued evolution of one-touch ability into consumer bill pay, because ease of use drives adoption.

Millennials will also drive change that hasn't been anticipated yet, Proto said, because they are driving the, "I-want-content-to-find-me-when-and-how-I-want-it, and-I-don't-want-to-have-my-day-or-life-disrupted' mentality." If it's easy, he said, millennials will adopt it. If it becomes difficult or cumbersome or time-consuming, he said, then they'll abandon it.

And it's not because they don't care. Millennials, he said, want safety and security like everyone else, but they are simply unwilling to have their day disrupted to ensure it. They know what they need and want. Faster payments, Proto said, gets them there.

To this end, Proto envisions a day where paper itself will be entirely removed from the payments equation and everything, including invoices, bills, and bill payments, will all live in one place. "I think we will see – and I think faster payments will help drive, finally – what everyone's predicted but nobody's succeeded at: a digital consumer mailbox, where we will be able to have everything stored in one place, smartly sorted, when and how we need it, essentially forever."

This means, he said, the days of physical mailboxes and metal file cabinets in basements and attics are numbered. In turn, Proto said he thinks Same Day ACH will benefit the digital consumer mailbox the same way that billers and their customers are going to benefit from Same Day ACH.

Everybody wins again, he said. With one likely exception, he noted: The United States Postal Service.

### **It's go-time for faster payments in the U.S.**

The U.S., unlike some other places in the world, hasn't quite gotten there with faster payments yet but, as Proto pointed out, each individual country in the E.U., for example, has very few financial institutions compared to the U.S. "We want to be all-inclusive. We want all the banks to be able to participate and by having that inclusive spirit, things take a little bit longer."

We're going to get there, he said. "And, by the way, when we do get there, I think we will come up with improvements that the rest of the world will look to. And I think we'll start to see international faster payments, at a lower cost, with surety. And that whole part of the financial ecosystem will benefit and be improved as well."

Proto, overall, said he is feeling buoyed about the future of faster payments.

"[The industry is] doing the right things and we're going to do this right and I have a tremendous amount of confidence that we're all ready to make this happen," Proto said.

The PYMNTS Faster Payments Tracker™, powered by [NACHA](#), is your go-to resource for staying up to date on a month-by-month basis. The tracker highlights the contribution of different stakeholders, including institutions and technology coming together to make this happen.

In this month's tracker, we cover the latest news and developments in the Faster Payments world, including the most recent notable player forays with the blockchain.

**Here's a sampling of some recent Faster Payments news items:**

In mid-February, [IBM](#) announced blockchain-as-a-service in order to assist distributed ledger developers and enable blockchain usage industry-wide. The new cloud computing service will help programmers and developers build blockchain test networks.

In another push to accelerate the adoption of real-time payments technology, [Accenture](#) recently announced an investment and alliance with Digital Asset Holdings, a developer of blockchain technology. Together, they will collaborate to bring innovative solutions to financial institutions, among others.

And in other recent blockchain news, it turns out that [Bank of America](#) is filing for blockchain-related patents, in an effort to keep up to speed, if not ahead, with developments in the cryptocurrency space.

Clearly the investments and interest in blockchain technology is for real. What has yet to be determined is whether the blockchain itself will ultimately be the technology used as the foundation for a financial industrywide real-time payments solution. As **MPD Founder Dr. David S. Evans** put forth in [last month's tracker cover story](#), the blockchain itself likely isn't the solution. But clearly players, in the least, are finding lots of reasons to invest and research the technology.

We'll continue to follow the latest developments in upcoming trackers.

Enjoy the tracker!

## NACHA – The Electronic Payments Association

### **Payments Innovation Alliance Members Meeting**

NACHA's Payments Innovation Alliance is a group of 200 member organizations from the payments industry, which promotes dialogue and cooperation to improve the current payments capabilities available in U.S. and worldwide.

An [Alliance Members Meeting](#) was held Feb. 22-24 in San Francisco, with the aim of giving industry leaders the chance to exchange ideas and present their new innovative payment solutions. According to the meeting agenda, Alliance members participated in interactive discussion forums where the issues discussed included:

- Millennials and Payments: Thoughts, habits and preferences around e-billing, mobile and digital wallets, among other topics.
- Driving Innovation in Financial Services: Perspectives from Wells Fargo and Umpqua Bank.
- Instant Payments: Recent activities, announcements and impacts related to real-time, instant payments and relevant efforts in the U.S., Europe and Asia to reach faster payments.
- Mobile Wallets: Products, trends and recent strategies.

## The Federal Reserve Bank

### **Fed releases progress report on efforts to improve U.S. payment system**

One year after the release of its Strategies for Improving the U.S. Payment System, the Federal Reserve Bank has [released a report](#) outlining progress and highlighting the new instructions for moving forward with its initiative to bring real-time, efficient and more secure payments to the U.S.

Among the achievements from the Fed framework is the creation of two task forces with more than 500 members from the payments market. The task forces are focused on speeding up payment processing systems and increasing security. They have developed 36 criteria with the desired features of a faster payment system that will help to create efficient solutions. The criteria are grouped into six different categories: ubiquity, efficiency, safety and security, speed, legal, and governance.

Additionally, the Fed refers to its efforts to implement the financial messaging standard ISO 20022 for wire transfer systems and the extended Same Day ACH settlement. And collaboration among the Remittance Coalition, NACHA and the Fed has been a key factor in the adoption of the ISO 20022 international standard. During the last year, the Fed said it has used many strategies to keep stakeholders updated and to encourage the implementation of standards.

## Blockchain

### **IBM launches blockchain-as-a-service for developers**

IBM [recently announced](#) that it is seeking to help developers rapidly build distributed ledgers that can securely be used to make any kind of transaction. In order to speed up blockchain usage industrywide, IBM has announced blockchain-as-a-service, a new cloud computing service that will enable programmers and developers to build blockchain test networks where members can securely transfer assets instantly and automatically.

IBM cloud can be used on IBM mainframes computers through APIs to support new payment, settlement, supply chain and business processes.

The company has also launched an agreement with Japan Exchange Group, Japan's largest stock exchange, to evaluate how IBM blockchain resources can be used for trading and settlement in low transaction markets.

### **Digital Asset partners with Accenture, Broadridge and PwC to accelerate blockchain adoption**

The blockchain technology company Digital Asset [recently announced partnerships](#) with Accenture, Broadridge and PricewaterhouseCoopers to ensure the adoption of its distributed ledger solution by financial services companies. This agreement is also intended to help to accelerate blockchain technology deployment on a large scale and, as a result, enable faster transactions.

Accenture will offer consulting and system integration services, including feasibility studies, business case assessments, operating model design, and advisory services on systems architecture, cybersecurity, cloud implementations and full-scale systems integration. This is intended to accelerate blockchain adoption by helping banks and financial institutions implement the technology and enhance operational efficiency, security, customer service, and also unlock new revenue streams.

PwC will help Digital Asset clients to understand its technology, providing strategic and technical services from its blockchain portfolio. Additionally, the Broadridge partnership will help Digital Asset deliver its technology through Broadridge's services infrastructure and security features. Broadridge will also help drive adoption of business use cases of the blockchain technology.

### **D+H's global PAYplus solution to move money in real-time**

In early February, financial technology provider DH Corporation (D+H) [announced](#) it successfully integrated blockchain distributed ledger technology into its global payment services offerings.

The blockchain solution was developed as an extension of D+H's PAYplus solution. PAYplus is a global payments platform that helps financial institutions manage different payment types and currencies across national borders. According to the company's press release, integration will enable D+H's clients to use blockchain technology to connect bank networks, and process high value and instant payments. PAYplus can now process P2P payments in real-time, with more security and reduced risk.

### **Bank of America files blockchain-related patents**

As it turns out, Bank of America also wants to be part of the latest developments in blockchain technology. To that end, the company is [trying to patent](#) some of the technology use cases. Bank of America submitted 15 blockchain-related patents last year and as of last month was in the process of drafting 20 more.

Last December, the U.S. Patents and Trademark Office (USPTO) published a list of patent applications filed by Bank of America. The list showed proposals for a “cryptocurrency risk detection system” and “suspicious user alert system,” among others.

### **21 Inc.'s high-frequency microtransactions channel**

Bitcoin startup 21 Inc. has [launched a new payments system](#) that enables high-frequency bitcoin micropayments between devices, without the need to create hundreds of entries on the bitcoin blockchain.

The new bitcoin micropayment channel offers a wide range of capabilities. The main advantage of these features is to set up future payments. Users, for example, will be able to pay their services in real-time upon receiving them.

### **Align Commerce launches payments rail to China**

Align Commerce, a global payments provider that offers quick and secure transactions, has announced the opening of [its new payments “China corridor”](#) to enable businesses to send and receive payments to and from the country.

The company developed the multi-rail technology by combining the blockchain with traditional payments, simple invoicing and real-time payments tracking. The technology allows businesses to move money across borders almost instantly.

## DWOLLA

### **New bank transfer API released**

Dwolla, a payments network that allows users to send, receive, and request payments, has [launched the newest version](#) of its bank transfer API. The new API gives businesses and platforms better functionality, faster integrations and improved support for integrated payments, usage-based subscriptions or variable billing and seamless bank verification.

The new application programming interface is aimed at usage-based providers, such as advertising platforms or cloud-services companies, which need an easy and quick way to collect payments. The API will allow firm payers to authorize transfers from their bank accounts. The authorization is digitally provided to Dwolla during a one-time bank verification process which is supported by a Dwolla integration.

According to Dwolla, the previous version of the API, released last September, will continue to be supported.



## SWIFT

### **SWIFT putting the pedal down**

SWIFT, the global provider of secure financial messaging services, [recently announced details](#) of the new, extended services it intends to bring to market over the next 18 months.

This move, otherwise known as the SWIFT global payments innovation initiative, looks to uncover and promote a better payments experience tied to international transactions, focused on security, compliance and global reach. Announced last December to much fanfare, this initiative is SWIFT's acknowledgement that the status quo can no longer stand in a digital payments world increasingly crowded with options.

[Forty-five banks have signed on](#), which represents roughly 70 percent of the cross-border transactions that come from banks today.

## ACI WORLDWIDE

### **ACI to power TCH's real-time payments**

ACI Worldwide, the electronic payment and banking solutions provider, [recently announced](#) that it is partnering with The Clearing House (TCH), to support its real-time payments initiative in the U.S. As reported in its press release, the initiative will allow financial institutions to make payments instantly.

ACI has already taken part of the implementation of similar payments capabilities in key markets such as the U.K., Singapore and Australia. Based on its extensive experience, ACI points to ubiquity and fast onboarding as the two success factors that leverage faster payments.

TCH and ACI are working together to offer financial institutions the necessary features to provide their customers with immediate payments. Currently, they are designing and developing an access capability to be managed by participants or via a fully managed cloud-based service, which provides basic connectivity to stand-in processing, risk management and fraud prevention.

### **ACI launches UP Retail Payments**

ACI Worldwide [recently launched](#) its UP Retail Payments solution. UP Retail Payments is a combination between ACI's BASE24 and UP BASE24-eps retail payment platforms, and ACI's Universal Payments Framework, an end-to-end solution that offers a wide range of payments capabilities and orchestrates any payment type, channel, currency or network.

UP Retail Payments will enable faster introduction of new payment methods, adherence to new payment networks and integration with new partners. This will help banks address current and next-generation market needs regarding real-time payment environments.

## MORE FASTER PAYMENTS NEWS

### **EastPay conference: Same-Day ACH and Fed's faster payments framework to be featured in March**

The Federal Reserve Bank of Atlanta together with Cambridge Global Payments, EastPay Advisory Services, Affirmative Technologies, Digital Transactions and NACHA are sponsoring [EastPay's Information Interchange 2016](#), a payments industry conference taking place March 1-3 at the Caribe Royale in Orlando. The conference will address issues such as strategies to improve the payment process, as well as payment security and vital insights about electronic payment applications and their risks and benefits. Among others, the main topics to be discussed at the conference are the latest updates on Same Day ACH and the Fed's faster payments framework. Speakers include: Jan Estep, President & CEO of NACHA; Steve Ledford, SVP of Product and Strategy at The Clearing House; Nell Campbell-Drake, VP of the Federal Reserve Bank of Atlanta; David Peterson, Chief Strategic Officer of i7 Strategies; and Jim Stickley, CEO of Stickley on Security.

### **TransferTo partners with Vodafone to provide faster international money transfers**

Vodafone and TransferTo, two global money providers, [announced an agreement](#) to enable real-time international money transfers via M-Pesa. Consumers and organizations will now be able to send instant payments to M-Pesa accounts worldwide.

TransferTo offers an exhaustive solution which fulfills the relevant regulatory standards and connects M-Pesa users via a single connection. The partnership is intended to help speed up transactions and make them easier.

### **Payment Data Systems to provide expansion funding to new startup**

Payment Data Systems, a solutions provider of secure payments processing, [recently announced](#) an expanded partnership with its customer C2Go Inc., a technology startup. As part of the agreement, Payment Data Systems will finance C2Go's expansion of its B2B operations.

C2Go is an electronic payment systems provider with an online mobile-friendly platform that enables businesses to routinely pay group recipients and receive payments from different businesses. C2Go collects the required information, along with the recipient's tax information, and sends them payments in real-time.

### **MShift Inc. to expand AnyWhereMobile Mobile Payment Network**

Mobile payment solutions provider MShift Inc. and Team One Credit Union are [working together](#) on the expansion of the MShift AnyWhereMobile Mobile Payment Platform. According to a press release, the AnyWhereMobile payments network, integrated into Team One's mobile banking app, offers members an inexpensive mobile payment option that enables them to purchase in an easy, secure and quick way with participating merchants. Additionally, members can send real-time P2P payments to anyone.

According to MShift, AnyWhereMobile transactions are the same as real-time account transfers within the same bank or credit union. Merchants can receive payments automatically, secured by the customer's bank or credit union.

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