



Faster Payments Tracker™

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Will Risk-Averse Banks Grow to Trust Faster Payment Solutions?

Wyre raises **\$5.8 billion** in funding, claims mantle of fastest cross-border blockchain

Mastercard, Wells Fargo unveil **new service** for faster domestic payments

“Every time there’s an innovation that comes out, there has to be great care in the way it’s doled out. Even with the best technologies, banks are still risk-averse by nature.”

linked2pay CMO **Richard McShirley** on faster payment experiences, pg. 5

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Table of Contents

03

What's Inside →

A closer look at how faster payment solutions are enabling businesses to overcome physical and bureaucratic obstacles to deliver money at a much quicker rate

05

Feature Story →

Will Risk-Averse Banks Grow to Trust Faster Payment Solutions?
Linked2pay chief marketing officer Richard McShirley explains why banks are reluctant to embrace faster payment solutions and how to confront that mindset.

08

News and Trends →

The latest headlines in the space

What's Inside

With a tip of the hat to Frank Sinatra, 2016 was a very good year for faster payment technologies, with more companies moving to adopt systems that quickly distribute funds to businesses and clients.

Policymakers are also starting to take notice of these new faster payment trends as well. In December, NACHA-The Electronic Payments Association briefed a group of congressional staffers, regulators and industry partners on usage trends and volume since the September implementation of Same Day ACH to demonstrate how markets are responding to faster payment innovations. In addition, the Federal Reserve published a research paper on the potential applications of distributed ledger technologies and how it could impact faster payments.

As Hyperwallet's VP of Strategy and Business Development Tomas Likar noted, several [emergent payment methods](#), including Same Day ACH and Visa OCT, have become more commonplace over the past year thanks in part to the rise of the gig economy. This emerging ecosystem has created greater incentives for companies to shift toward faster payment delivery methods in order to allow contractors and freelance workers to get paid, well, faster.

Beyond distributed ledger technology developments, several companies are

making moves that will make real-time payments and access to Zelle more readily available to their customers.

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

Several organizations are stepping up their efforts to expand access to faster payment services to customers using Early Warning's Zelle Network. Jack Henry & Associates and FIS Global both announced their own plans to use Zelle to offer faster P2P services to affiliated U.S. financial institutions. Zelle is expected to debut in early 2017.

Financial companies are also looking at options to offer consumers real-time payment solutions. Mastercard and Wells Fargo launched a new system called Mastercard Send that aims to boost the speed of payment deliveries between domestic customers. Meanwhile, The Clearing House plans to launch its real-time payments system, which includes sending and receiving credit transfers, in the U.S. in April.

Faster cross-border payments are also gaining steam overseas thanks to several startup companies' investments in blockchain networks. Stellar plans to offer quick, low-cost cross-border payments to financial institutions in Europe, Asia and Africa. Another startup called Wyre recently launched its blockchain-fueled payments platform in the U.S. and China.



What's Inside

While faster payment solutions might be gaining traction with companies, banks are still wary of adopting these solutions. For the January cover story, PYMNTS spoke with Richard McShirley, CMO of linked2pay, about how to get banks to trust these new solutions.

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



“ I think [faster payments have] found some of the pathways for its future. ”

Will Risk-Averse Banks Grow to Trust Faster Payment Solutions?

As faster payments solutions aim to offer financial institutions and banks a quicker means of exchanging money, a potential roadblock awaits their successful adoption. Namely, are banks ready to take the risk?

Not so much, said Richard McShirley, CMO of linked2pay, a provider of cloud-based payment solutions. PYMNTS recently spoke with McShirley to discuss the impediments in onboarding banks for adoption of faster payment solutions. To begin with, McShirley said, banks need to shed their long-held attitudes about taking risks on new products and ideas.

Getting to know the merchants

While providing a smoother and faster payment experience to customers through initiatives like Same Day ACH generates interest among merchants, their adoption is often difficult. McShirley pointed out that banks can be reluctant to offer faster payments solution if the client comes from a vertical that the banks view with caution.

“Every time there’s an innovation that comes out, there has to be great care in the way it’s doled out,” said McShirley. “Even with the best technologies, banks are still risk-averse by nature.”

As for faster payments, banks first want to fully understand the risk they are taking with a particular merchant before they invest in extending new offerings, McShirley said.

“Faster payments really start by knowing who that person is who wants those faster payments,” he added.

That’s where a bank’s enhanced due diligence protocols come into place. McShirley pointed out that linked2pay offers a bank platform with a built-in registration for merchants that helps banks review the compliance, security and fraud aspects to help institutions construct a profile of potential new clients and better understand their risks.

In November, linked2pay collaborated with Push Payments to add [real-time payments](#) to its Bank Centric Payments platform. The move allows financial institutions to offer real-time and Same Day ACH payments as a white-label solution and gives merchants more control over the speed of a payment’s delivery.

“That makes it so the bank knows what they need to know about the merchant to the extent where they can issue those services in a faster, more compliant manner,” he said.

While banks and other financial institutions are still becoming accustomed to faster payment solutions, McShirley

said the push to adopt these solutions is under way.

“I think [faster payments have] found some of the pathways for its future,” he said.

“**The savvy banker out there is going to look at this and say, ‘We need to be digital. We need to be in payments, or we’re not relevant.’**”

Leveling the playing field

McShirley believes banks should move forward with adoption at a rate they’re comfortable with. But he cautions that institutions that take too long to offer faster payment solutions risk getting left behind and alienated by merchants.

“The savvy banker out there is going to look at this and say, ‘We need to be digital. We need to be in payments, or we’re not relevant,’” said McShirley.

He believes that by incorporating a built-in risk-management mechanism into its banking platform, linked2pay is leveling the playing field by offering smaller banks a chance to stay competitive with their larger counterparts.

McShirley also believes the banking platform offers benefits for both sides of the banking relationship. Built-in risk management services allow banks to

“Everybody’s in the loop because it’s a single, relational database serving the bank, serving the reseller, the merchant and the customer all at the same time.”

build their own profiles of what type of risk certain merchants carry. It also offers consolidated services for merchants so that they don’t have to reapply when they want to add a new type of service, such as Same Day ACH or real-time payments.

“Everybody’s in the loop because it’s a single, relational database serving the bank, serving the reseller, the merchant and the customer all at the same time,” he said.

This consolidation of services in the banking platform can provide smaller banks with an incentive to offer faster payments. In addition to being able to create their own risk management profiles, the banks also get the added benefit of adding additional payment solutions without being forced to invest in new staff.

“Banks can scale up without bringing in a bigger back office,” he said. “The back office they have right now doesn’t

need to be increased for their revenue to be increased.”

A bridge to disruption

At the end of the day, McShirley believes banks must proceed with the adoption of faster payment systems based on their own comfort level. He said linked-2pay sees its solutions as less about being disruptive and more about offering banks a “stepping stone” to the next level of FinTech they want to pursue.

“I’m definitely not for the status quo,” said McShirley. “I’m for making it so there’s a bridge for the status quo to meet the disruptor level.”

But there shouldn’t be a rush to cross that bridge as fast as possible, he said. Instead, institutions interested in faster payment solutions should find a “pathway to the future” that works best for them.

In time, he believes more community banks will gain confidence in offering faster payment solutions as more early adopters demonstrate success.

“I think it’s going to be reached relatively soon because there’s a lot of pressure on community banks to manage their reputations,” said McShirley. “My hope is the early adopters get the experience and results they were hoping for.”

Same Day ACH Payments

NACHA briefs congressional staff on Same Day ACH

A group of congressional staffers, regulators and industry partners were invited by NACHA to a lunch-and-learn on faster payments to discuss [developments and innovations in the ACH Network](#) since Same Day ACH went into effect. Experts shared statistics on Same Day ACH and how the markets are responding and innovating to the faster payment options.

Startup aims to help contractors get paid faster

lienwaivers.io, a [construction payments platform](#), has added new solutions to its portfolio to help contractors receive faster payments for their work. The new solutions include electronic waiver notarization, SameDay ACH payments, automatic W9 collection with 1099 preparation and partner-ready API.

Federal Reserve

Federal Reserve publishes distributed ledger technology research

In a new research paper, the U.S. Federal Reserve explored the potential applications of [distributed ledger technology](#) and how it can be applied to payments, clearing and settlement. Another goal of the paper is to identify challenges and opportunities that financial institutions face in implementing the technology.

Early Warning

Jack Henry, FIS tap Early Warning's Zelle Network for P2P solutions

Jack Henry & Associates and FIS Global both announced plans to offer faster P2P payments services to customers using Early Warning's Zelle Network, which is expected to debut in early 2017. FIS plans to use Zelle to expand its [real-time P2P payments services](#) by allowing its partnered financial institutions access to solutions such as integration and alerts. Jack Henry will offer [faster P2P services](#) to customers with a U.S. bank or credit union account.

Real-Time Payments

Mastercard, Wells Fargo launch Mastercard Send

Wells Fargo and Mastercard have released a [new service](#) aimed at speeding up payments between domestic customers. Mastercard Send™ intends to increase the rate and security that funds can be sent for customers of Wells Fargo's Treasury Management and Merchant Services programs. The platform grants businesses, merchants, government agencies, nonprofits, financial institutions and other organizations the ability to digitally send money to consumers and smaller organizations that would otherwise use cash or check.

ECCHO exploring “strategic opportunities”

The nonprofit national clearinghouse, Electronic Check Clearing House Organization (ECCHO), has announced it is looking into potential [strategic opportunities](#) with other organizations. In a press release, ECCHO’s president said the key objectives of the strategic opportunity include improving ECCHO’s functions to its member organizations and the broader banking industry, including its rules, advocacy, educational and check resource functions. ECCHO has almost 3,000 depository member institutions.

The Clearing House to bring real-time payments to US in 2017

The Clearing House (TCH) will launch its [real-time payments system](#) for the U.S. by April 2017. TCH’s system will support sending and receiving credit transfers, requests, remittance advices and non-transactional messages across the network in real time and will be based on the ISO 20022 model.

PSCU, Glenbrook Partners outline future of payments in new white paper

Credit union service organization PSCU has collaborated with payment industry research and consulting firm Glenbrook Partners and released the second in a series of [white papers](#) that explores the future of payments and the implications for credit unions. The paper, titled Money in the Age of Now, explores strategies and technologies that enable faster money movements between accounts at financial institutions.

Convincing the naysayers of real-time payments’ potential

FinTech company linked2pay has introduced [real-time payments capabilities](#) for its Bank Centric Payments platform, built for financial institutions. The company believes the move will encourage more businesses to shift toward real-time payment systems while offering companies deeper data insights into transactions.

Blockchain

Stellar taps new partners for global payments

Blockchain startup Stellar has announced [new partnerships](#) with financial institutions across Europe, Asia and Africa to enable low-cost cross-border payments. Companies in the Philippines, India, Kenya, Ghana, Nigeria and Europe will be able to use Stellar’s blockchain network to move money directly between people as easily as sending an email.

Wyre claims fastest blockchain X-border platform

Blockchain startup Wyre has raised \$5.8 million in Series A venture capital funding and is now claiming to operate the fastest [cross-border blockchain payments network](#). The company said Wyre’s blockchain-fueled payments platform is now available in the U.S. and China. Wyre plans to use the Series A funding to expand its services into Europe and Latin America.

Peruvian financial services company Credicorp joins R3 consortium

Credicorp has become the first Latin American financial institution to join the [R3 blockchain consortium](#). Credicorp, Peru's largest financial services firm, and other consortium members will collaborate with financial institutions to develop commercial applications for the financial industry that utilize shared ledger technology.

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