

Payments Executive Brief:

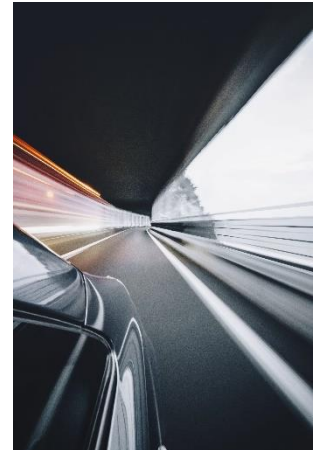
Faster Payments: An Overview of Options for Community Banks

Faster payments options are abundant, with new offerings emerging and launching regularly. While all faster payments options have one thing in common—moving money and information faster—there are often distinct differences or subtleties when comparing today’s various faster payments offerings. For community banks, recognizing and understanding these differences can be important when trying to determine or evolve your faster payments and digital payments implementation strategy.

Understanding Faster Payments

Faster payments is a term used to describe the faster movement of money and information, which includes faster funds availability. Faster payments can include same-day payments, instant payments, near-real-time payments, and real-time payments. To achieve faster payments in the U.S., the existing infrastructure or networks on which payments and information travel had to be enhanced and new networks had to be developed. The U.S. has done both—launching new networks and modernizing current networks to enable the faster movement of money and information.

With new and enhanced infrastructures, a host of faster payments products and platforms have emerged to meet the varying faster payments needs of community banks and the businesses and consumers they serve.

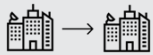


Faster Payments Use Cases

With the advanced infrastructure and the multitude of products and platforms, today’s faster payments options can support a variety of use cases. These include: account-to-account (A2A) payments, business-to-business (B2B) payments, business-to-consumer (B2C) payments, consumer-to-business (C2B) payments, and person-to-person (P2P) payments.



A2A: With faster payments, consumers or businesses can move money from one account to another to manage cashflow, savings, and investments.



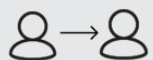
B2B: With faster payments, businesses can pay vendors quickly so that goods can be released and operations can continue without a delay.



B2C: With faster payments, businesses can make emergency payments to their clients or customers in the event of a disaster (i.e., insurance claim) or provide hourly or freelance employees their pay once the job is complete (and not two weeks later when payroll is processed).



C2B: With faster payments, consumers can pay a bill on the due date to avoid a service disruption.



P2P: With faster payments, consumers can quickly send funds owed to friends and family or send money to a loved one or friend in need.

Faster Payments Networks

Each faster payment network has its own set of attributes and capabilities providing banks with choice. In this way, banks can leverage the networks and solutions that best meet their individual needs and the needs of their customers. The chart below outlines the capabilities and use cases of new and enhanced networks that can enable faster payments for your customers.

Solution	Network	Predominant Payment Use Case	Funds Availability Timing	Transaction Dollar Limit
FedNow*	FedNow Real-Time Gross Settlement (RTGS) System	All	Immediate	\$25,000
Just-in-Time Funding	Card Networks	B2B, B2C, C2B	Immediate	Set by individual card issuers
MasterCard MoneySend	Debit Card Network	A2A, B2B, B2C, P2P	Immediate	Varies based on use case
Real-Time Payments (RTP) network*	RTP Network	All	Immediate	\$25,000
Same Day ACH	ACH Network	All	Same Day	\$100,000 ¹
SHAZAM Bolt\$ Network	Debit Card Networks	P2P	Immediate (if recipient is enrolled)	\$49,999
Visa Direct	Card Network	All	Immediate to up to 30 minutes	Varies based on use case

Payments Products and Platforms

With the launch and advancement of payments networks to enable faster payments, solution providers and fintechs are able to develop faster payments products that leverage those systems to support the needs of today's consumers and businesses. For instance, [ExcheQ](#) is a new faster payments product. It predominantly supports A2A and P2P transactions and leverages the ACH Network and Same Day ACH to allow consumers to make and receive payments same day or next day.²

[Zelle](#) is another new faster payments product. Zelle predominantly supports A2A and P2P transactions but can also support B2C payments. It leverages the debit card network and ACH Network to process payments, typically within minutes.³ (Note: Watch for an upcoming Executive Brief that provides more details on front-end products vs. settlement options.)

In addition to individual products, solution providers and fintechs have also been able to leverage the new networks to launch comprehensive payments platforms that allow community banks to provide their customers a host of faster payments offerings, among other services. For instance, the [linked2pay](#) Bank Centric Payments platform leverages the ACH Network and the RTP Network to enable same-day and real-time transactions, and [PayFi's](#) Branch99™ Real-Time Platform leverages the RTP Network to provide real-time payment offerings.

Advancing Your Faster Payments Objectives

There are a wide variety of faster payments options in the marketplace today. Determining what networks, products or platforms support the needs of your community bank, and how faster payments fit into an overarching digital payments strategy, is the challenge many institutions are currently facing.

To support your efforts, community banks can always consult their core providers to learn about the faster payments platforms and offerings they may provide. Additionally, community banks can use the [ICBA Bancard Digital Payments Strategy Guide](#)SM to help determine where and how faster payments fit into a digital payments strategy and how to advance that strategy to continue to meet the needs of customers into the future. And community banks can leverage Nacha and the U.S. Faster Payments Council's [Faster Payments Playbook](#), which helps organizations develop a faster payments strategy from concept to reality.

* Denotes new system

¹ Increased transaction value limit will become effective March 2020.

² Systems leveraged could evolve over time as real-time systems grow in availability. Funds availability could take up to three days if the recipient of the transaction is not enrolled in Zelle.

³ Systems leveraged could evolve over time as real-time systems grow in availability.