

# Speedy, Safe, Secure, Smart: Which faster payment is the right one for you?

Presented by:

**Macha/PAR – Everything Payments - Everywhere**

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# Agenda

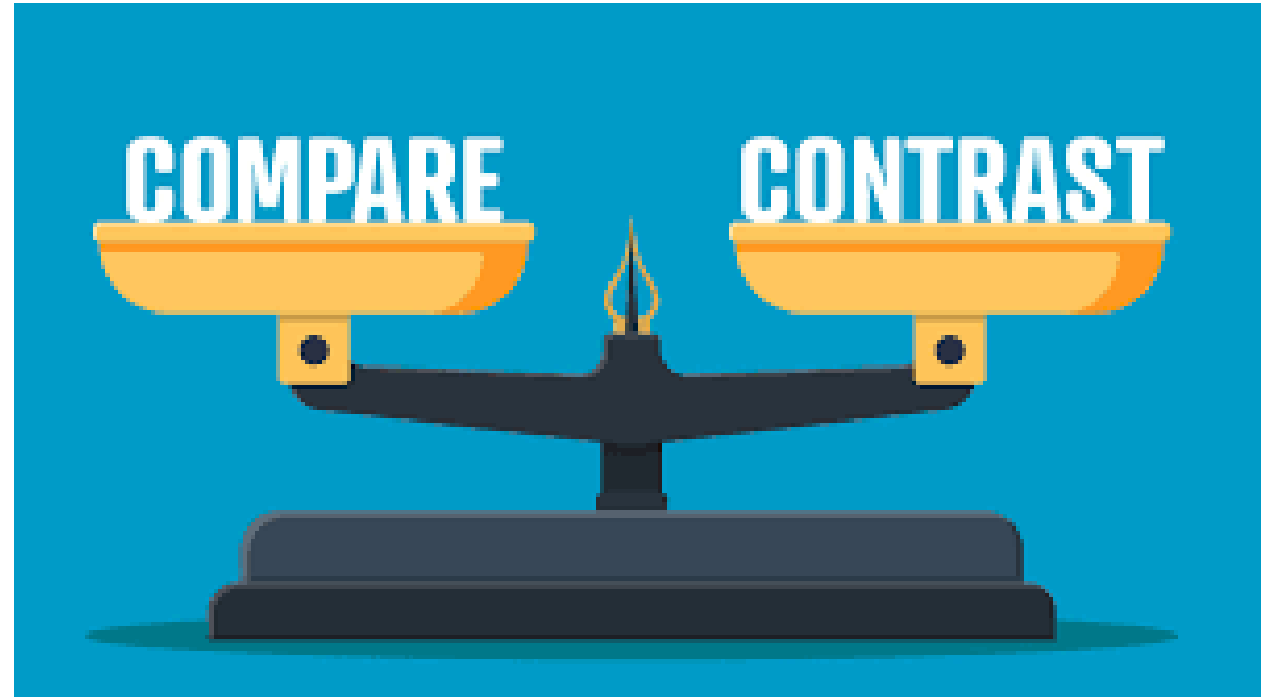
Faster Payments: Compare and Contrast

Instant Payments Readiness Checklist

Combatting Instant Payment Fraud

Instant Payments Use Cases

# Faster Payments: Compare and Contrast



# Faster Payment vs. Instant Payment

## Faster Payments:


- Transfer of final funds occurs after the payee's financial institution has made the payment available to the payee
- Settlement can take a day or more
- Credit risk
- Examples: Visa Direct, Mastercard Send and Zelle\*

## Instant Payments:

- Transfer of final funds occurs with transmission of the payment message and just seconds before the payee's financial institution makes the payment available to the payee
- Settlement happens immediately
- No credit risk
- Examples: RTP, FedNow and Zelle\*

# Core Faster Payment Network Rails

This represents a sample of the faster payments solutions in the marketplace as of November 2022.

Funds Availability:  Real Time  Same Day

	 <b>Payment Type</b> (Includes only monetary transactions)	 <b>Dollar Limits</b>	 <b>Payment Messaging Standard</b>	 <b>Amount/Type of Information with Payment</b>	 <b>Settlement Timing</b>
<b>Same Day ACH</b> 	Push, Pull	\$1,000,000	Nacha, ISO 20022, XML, ASC X12 820, ASC X12 835, ASC X12 Data Segments, UN/EDIFACT, Nacha-endorsed banking conventions	Up to 799,920 Characters	Same Day
<b>RTP® Network</b> 	Push	\$1,000,000	ISO 20022	Unlimited Characters via Extended Remittance	Immediate 24/7/365
<b>FedNow™</b> 	Push	\$500,000	ISO 20022	4,000 Characters	Immediate 24/7/365
<b>Visa Direct</b> 	Push	\$50K per OCT transaction \$100K/day (150 txn limit) \$250K/week (250 txn limit) \$500k/month (750 txn limit)	ISO 8583	Varies by Case	Same Day or Next Day
<b>MastercardSend</b> 	Push	P2P: \$10,000 A2A: \$25,000 B2C: \$50,000	ISO 8583	Varies by Case	Same Day or Next Day



# Instant Payments

## Instant Payments:

- are credit push only
- use real time gross settlement
- enable both payer and payee to see the transaction reflected in their respective account balances immediately
- offer immediate funds availability to the payee
- are final and irrevocable





so, how  
does it  
work?

# Janice pays Frank \$300



## Initiation

Janice connects with her FI and initiates the payment



## Authorization

Janice's FI authorizes the transaction



## Transmission

Frank's FI receives/validates the message and verifies his account



## Acceptance

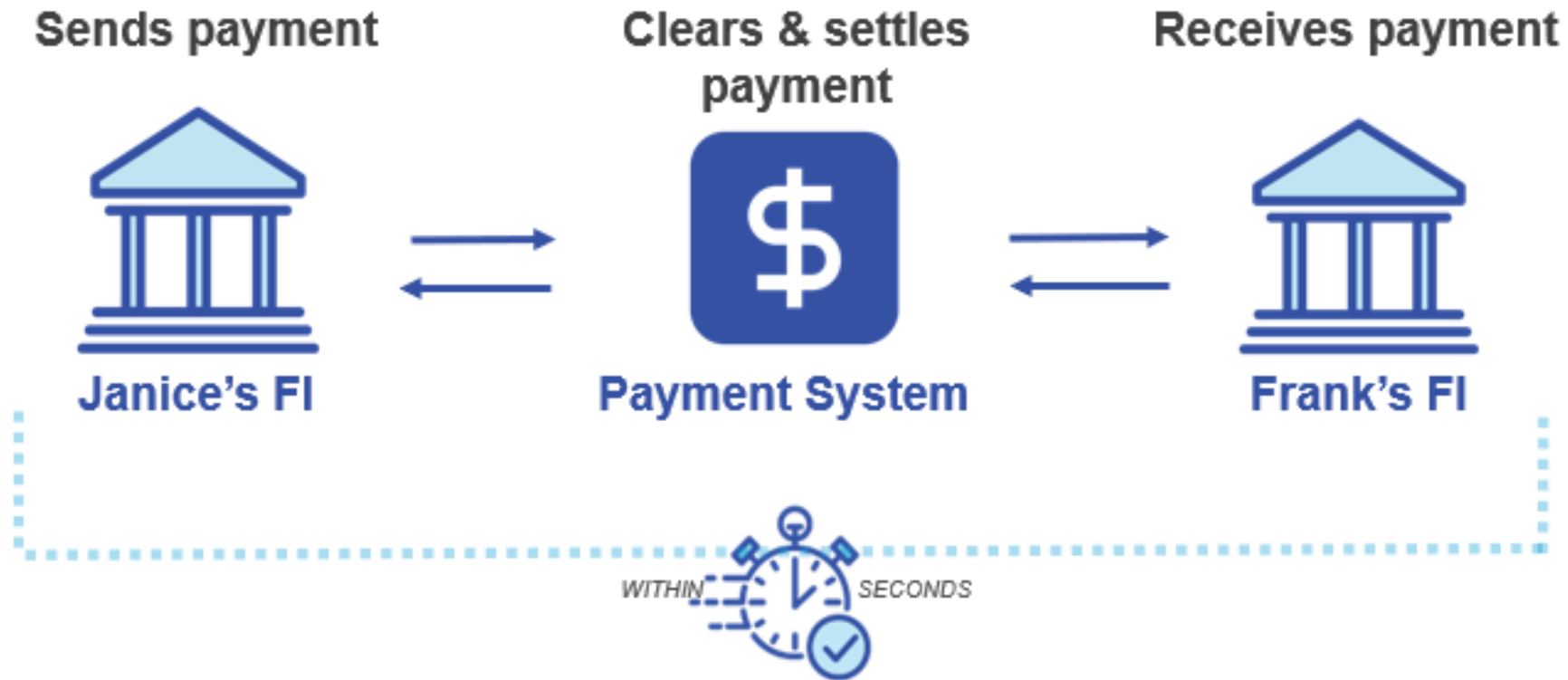
Frank's FI notifies Janice's FI that it accepts the transaction -- through an instant payments network -- and credits Frank's account \$300.



## Receipt

Janice gets notification from her FI the payment is complete. Frank gets notice from his FI that he has \$300 in his account.

# How the money moves



# Instant Payments Readiness Checklist



# What is your strategy?

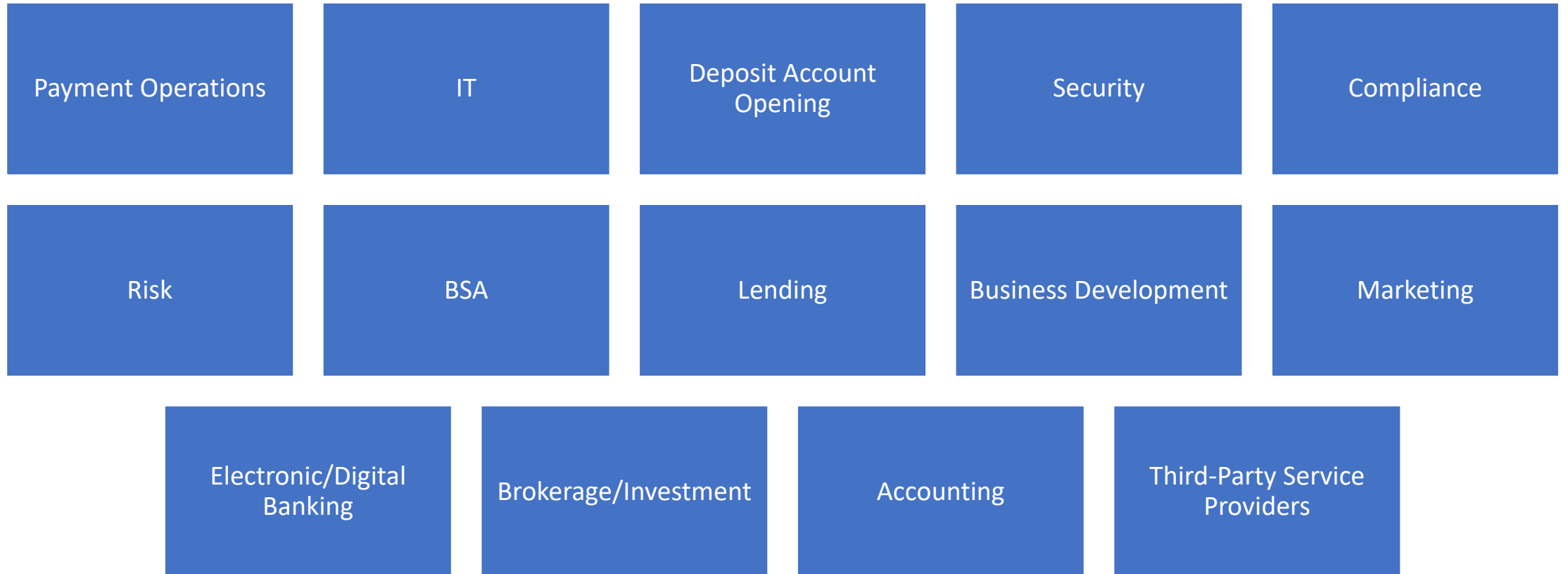
- What are your payment goals?
  - How can faster payments help to achieve current goals?
  - How can faster payments create new goals?
- What do you need?
  - Demand/Use Cases, Technology/Infrastructure, Training/Education
- What do you already have?
  - What partnerships/relationships can be leveraged?
  - What expertise do you have on staff?
- What will your investment be?
  - Will new or enhanced services be free? (Commercial vs Consumer)
- Which faster payments fit within your risk appetite?



# Readiness Checklist

- Gather your team
- Review current products and offerings
- Assess the marketplace and competitors
- Identify your instant payment opportunities
- Review your findings and agree on a plan
- Review technology
- Research your options
- Review, Refine, Implement

# Gather your team



# Review current products and offerings

- Compile data on current products and offerings
  - Usage: volume and frequency
- What payment rails are currently being utilized?
  - Each faster payment rail has unique qualities, requirements, limits, and applications
- Identify user pain points, inefficiencies, security issues
- Can this product be enhanced or replaced by instant payments?



# Assess the marketplace and competitors

- Develop a deeper understanding of how instant payments work and the opportunities they provide using industry resources
- Research current industry solutions/providers
  - Know what is out there
    - Bankers Banks/Corporate Credit Unions
    - Third-Party Service Providers (Fintechs, Core Processors, etc)
    - RTP vs FedNow
- What are other similar FIs offering?

# Identify your instant payment opportunities

- Identify your needs/goals
  - Improving accountholder experience?
    - Immediate funds transfers
    - Immediate notification/confirmation of payment
  - Offering premium value-added services?
    - Enhanced bill pay service
    - Premium instant payroll
  - Creating internal efficiencies and cost savings?
    - Streamline payables
    - Reduced checks
- Understand the demand by assessing accountholder behavior
  - FedACH<sup>®</sup> Services customers can use the FedPayments Reporter Service

Review your findings and agree on a plan

A green rectangular stamp with a thick border and the word "APPROVED" in bold, uppercase letters in the center.

# Review technology

- Can your technology infrastructure support a new payment system?
- What connection options are available for your preferred faster payment rail?
- What overlay service options are available for your preferred faster payment rail?
- Can you accommodate secure transmission of data?
- Can you accommodate secure retention of data?

# Research your options

- Speak to your peers
- Learn as much as you can by reading informative flyers, articles, blogs, etc
- Speak to representatives from different service providers
- Schedule to see demos and discuss pricing
- Ask for references

# Review, Refine, Implement

- Finalize selections
- Review and adjust timelines
- Create plans for:
  - Implementation
  - Training of staff
  - Sunsetting any terminated products
  - Marketing
  - Educating accountholders
  - New product or service launch
  - New policies and procedures

# Combatting Instant Payment Fraud



# Fraud and instant payments



## **Speed**

Immediate clearing and settlement minimizes the time frame to detect and stop fraudulent payments from processing



## **Finality**

Immediate final payment equates to immediate irrevocability, meaning the payee can withdraw funds right away



## **Always on**

Because instant payments operate on 24x7x365 basis, fraud detection must occur continuously, with controls in place to act quickly



# Combatting Fraud

- Think in terms of layers of safeguards
  - In addition to internal systems and processes, educating customer and leveraging security measures built into the payment network are important complements.
- Review fraud solutions and processes
  - Identify opportunities for improvement, particularly for those based on batch processing and manual intervention.
- Talk with vendors and technology partners
  - Discuss new approaches, including applying real-time fraud-detection capabilities and achieving a comprehensive view of transaction patterns across all payment types.
- Add suspicious accounts and aliases to a watch list
  - This will block potentially fraudulent transactions before funds leave your institution.
- Stay involved and informed
  - Join industry councils or conferences to keep apprised of developments in the fraud landscape and share insights with peers.



# Accountholder Education

<b>Explain</b>	Explain how instant payments are different.
<b>Raise</b>	Raise awareness about potential fraud risks.
<b>Provide</b>	Provide reminders of good security practices.

# Good Security Practices

## Consumer

- Never respond to suspicious emails, open attachments or click on links
- Adopt a zero-trust contact policy
- Use strong, unique passwords for different accounts
- Enable alerts for transactions

## Business

- Verify the source of a request for payment by calling to confirm using a phone number of record for the payee
- Implement dual approval for certain types of payments

# Network Security Tools

Understanding and leveraging safeguards provided by the network can be another component of a layered fraud prevention strategy

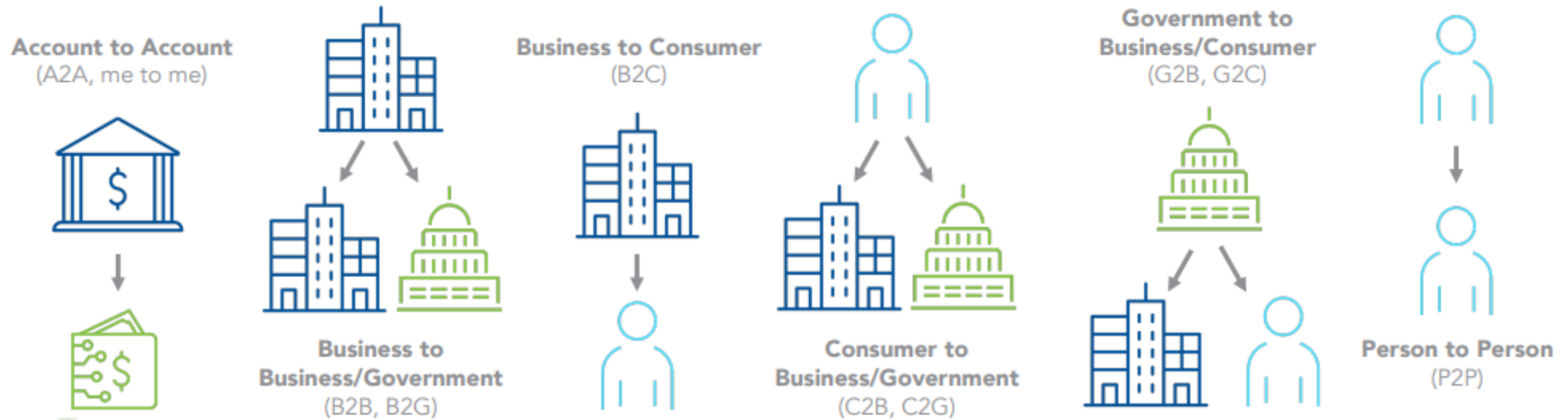
Tools to look for include:

- The ability to establish risk-based transaction limits
- The ability to set up a “negative list” to automatically block transactions to or from specified accounts
- Message signing to ensure message integrity
- Support for anomaly identification

# Instant Payments Use Cases

What's in  
it for me?

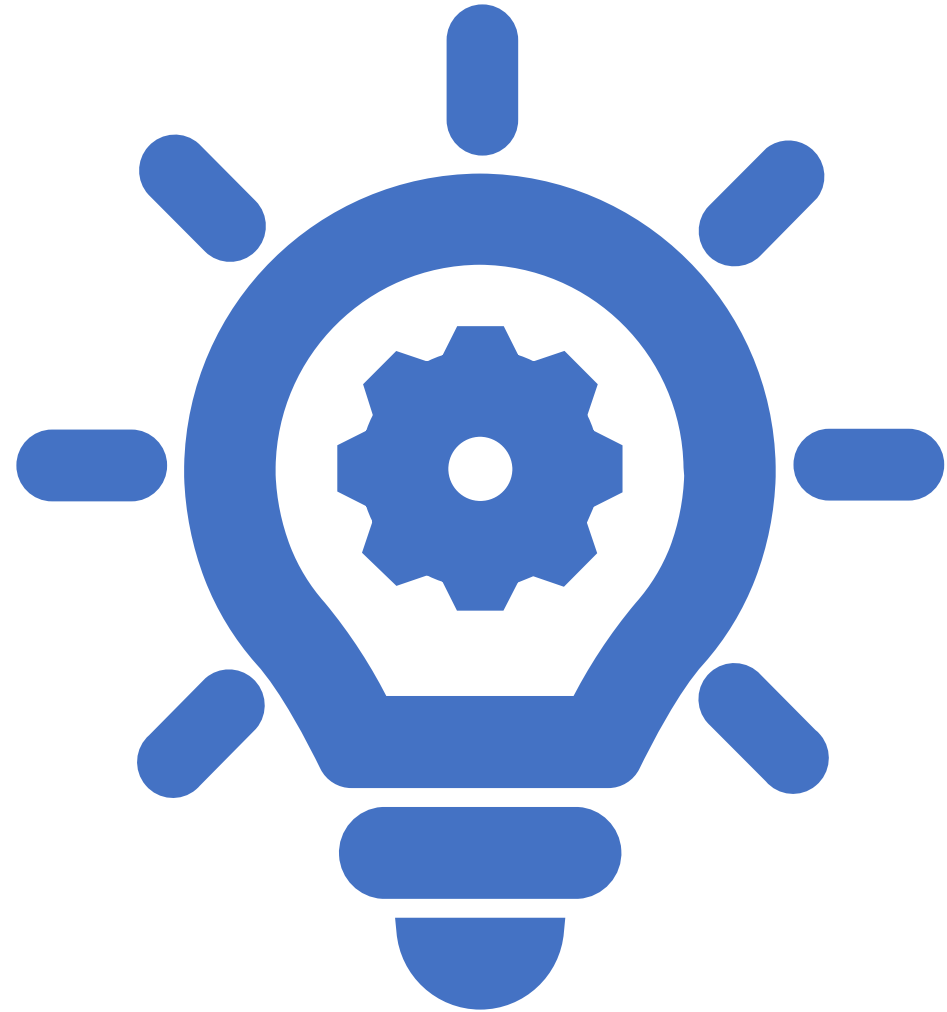
# Instant Payment Transaction Types



# Instant Payments Use Cases

- Use cases help inspire ideas, discussions, and adoption within an organization to identify direct and indirect value for the implementation of faster payments.
- Use cases are instrumental in driving adoption for organizations to highlight the key value proposition of faster payments to all stakeholders.
- The Use Case repository organizes use cases by Use Case Type, Function and Industry

<https://fasterpaymentscouncil.org/Use-Cases>



# Account to Account

Annuitization  
Payments

Bank to Bank  
account transfers

Investment  
purchase funds  
from non-  
brokerage account

Investment sale  
proceeds to non-  
brokerage account

Realtime transfer  
from digital wallet  
to account

Retirement  
account  
contributions

eWallet transfers  
in/out



# Business/Government to Business/Government

Cash on Delivery	Child Support Payments	Collections	Commissions	Fines and Fees
Insurance claim payment to healthcare provider	Insurance claim payment to service provider	Business Bill Payment	Legal Settlements	Lottery

# Business to Consumer

Cash Advances

Child Support  
payments

Commissions

Insurance  
claims  
reimbursement

On Demand  
Payroll

Expense  
Reimbursement

Real Estate  
Closing

Loan  
Disbursements

# Consumer to Business/Government

Bail

Bars and  
Restaurants

(Just in time) Bill  
Pay

Installment  
Payments/Loan  
Payments

Concession stands

Cross-Border Bill  
Payment

E-Z Pass/Tolls

Farmers  
Market/Farm  
Stand/Food Trucks

# Government to Business/Consumer

Recurring  
Benefit  
Payments

Child Support  
Payments

Emergency  
Disbursements

Financial Aid

Lottery

Military  
Disbursements

Stimulus  
Payments

Tax Refunds

# Person to Person

Bill Pay Share

Cash  
Remittances

Child Support  
Payments

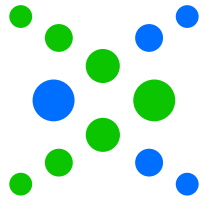
Personal  
Services

Real Estate  
Closing

Tips for  
Services

# Questions





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# Continuing Education Credits

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payment is the right one for you?**

**February 2023**

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(keep this slide for your records)