



Getting Real With Faster Payments

🔗 technology payments

Summary: The private and public sectors are working separately to ensure that all financial institutions will have access to faster payments settlement. We give you the latest update.

Since it is Valentine's Day, we thought you would be interested to know: over 50% of Americans celebrate this day, coughing up about \$19.6B per year! Women spend about 19% of what men do or about \$64 vs. \$338.

With that kind of spending, faster payments will make celebrating easier for those that procrastinate, to be sure. But, going "real-time" with payments has been an issue for banks. While the Fed will offer a real-time payments option in the future, in the form of "FedNow", other alternatives are emerging too. Here is an update.

The Clearing House (TCH) is owned by the nation's 25 largest banks. TCH and the Fed combined have served 11k financial institutions (FIs) nationwide with check clearing, ACH and wire transfers. Both the private and public sectors (through the Fed) are working separately to ensure that all FIs will have access to payments settlement, while providing competition and resiliency.

The hope is that the Fed and TCH eventually will run interoperable real-time payments systems, which will result in a foundation for greater innovation as well. The Fed already serves as an operator in existing payments systems, which has enabled FIs to introduce network innovations from remote check deposit to same-day settlement, and beyond. The Fed previously announced that it is developing its new service called FedNow, which will allow all FIs in the US to offer 24/7 real-time payment services every day of the week.

While Venmo, Zelle and other online payment applications allow users to transfer money instantly to one another, the Fed described services like those as a "closed loop," because both parties need to be on the same platform in order to transfer money, and they can only be linked to accounts from certain FIs. However, FedNow (announced in August), will be a universal infrastructure enabling all FIs to do real-time payments.

The Fed believes faster payment services have the potential to become widely used and to yield important economic benefits for both individuals and businesses. Such services enable the near-instantaneous transfer of funds day and night, on weekends and weekdays. These faster payments would provide more flexibility to manage money and make time-sensitive payments.

While consumer demand has prompted faster payments, merchants may eventually push harder for real-time payments too. In fact, in 2018 Delta Airlines realized that it could save \$600mm annually if it received payment through real-time payment vs. credit cards.

We don't have a crystal ball for the future of faster payments, but there is definitely a lot of activity going on. So, we will continue to keep you updated on all of this.

COME JOIN US IN ARIZONA!

The [WBA Annual Conference](#) (2/29-3/3) in Scottsdale promises to be an engaging event focused on successfully managing industry challenges. We hope to see you there!

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