



## Real-Time Payments - Myths & Facts

payments automation

**Summary:** Several community financial institutions don't believe that they need real-time payments. Some myths around these payment systems make them sound like more work than they are worth. We review five big myths around real-time payments and explain the facts to help you better determine your payment strategy.

Greek mythology is ripe with stories of heroism, love, and tragedy. Some of the most popular tales include Pandora's box, Theseus and the Minotaur, King Midas and his golden touch, and Icarus. While some myths provide entertainment or even valuable lessons, others can sway decisions based on incomplete information.

Certain real-time payment myths are leading some community financial institutions (CFIs) to think that real-time payment services aren't for them. They see a choice between the expense and disruption of a big technology switch and the risk of losing account holders by not making a change, and then make the easiest choice: They do nothing.

In fact, misconceptions about real-time payments can make them seem like an unnecessary headache with small benefits. Consider these five myths (and the facts) around real-time payments as you make decisions for your institution.

### **Myth #1: Real-time payments mean more potential fraud**

**Fact:** It's certainly true that any new technology attracts people who are eager to exploit its vulnerabilities. But when real-time payments first came to Britain, the initial increase in fraud quickly disappeared.

In the US, real-time payment networks are designed to be extremely secure. Safeguarding features include credit push, which means that senders have to push money out of their accounts and into someone else's account. Pulling money from an account is impossible. Customer education, tools to prevent and detect fraud, and transaction limits also help keep payments safe.

That being said, CFIs will need to invest in real-time transaction monitoring functionality that is supported 24x7. CFIs will no longer have the luxury of reviewing items at their convenience, as they currently do for wires. Real-time payments are also irrevocable, unlike ACH, which enables fraudulent payments to be recalled.

### **Myth #2: Real-time payments are too expensive**

**Fact:** Older, on-premise solutions were indeed quite expensive to operate but newer, cloud-based systems are not. To limit expenses further, a CFI could sign up for just the "receiving" capability instead of the ability to both send and receive. However, CFIs will need to partner with a technology provider, most likely their core, to provide the real-time payment product. So, asking the right questions from the beginning, about transaction fees, upfront fees, payment network fees, etc., will prepare you for the overall cost.

### **Myth #3: Financial institutions should upgrade their core systems before adopting real-time payments**

**Fact:** It's true that real-time payments work best on a modern core processor, one that supports both constant processing availability and processing speeds of 15 seconds or less. Core systems that rely on batch processing aren't up to the job. Gradually, core providers will do the programming to support real-time payments. In the meantime, CFIs with outdated core processors can use a proxy service to bridge the gap between core capacity and real-time payment.

#### **Myth #4: Most customers don't yet want real-time payments**

**Fact:** Same-day ACH grew 80% between 2019 and 2020. As of February 2021, nearly half of The Clearing House could (at a minimum) receive a real-time payment transaction. Real-time payments for merchant funding and payroll are particularly popular. Peer-to-peer (P2P) real-time payments through apps such as Venmo, PayPal, and Zelle have been around for about 10Ys and according to Insider Intelligence, the [expected growth in 2021 is 37%](#). Not only is there interest, but there is also growing adoption of real-time payments today.

#### **Myth #5: Financial institutions should wait to see which real-time payment system becomes dominant**

**Fact:** We can't know what system might ultimately prevail. CFIs could look for the best fit for their clients and existing technology infrastructure today. Or, they could wait until [FedNow becomes available in 2023](#). The Fed is working with other payment players to ensure a payment ecosystem, not just separate payment processes.

So, it may be prudent to wait until FedNow is further along to compare options before any decisions are made. We will also continue to give you updates on the FedNow progress to keep you in the loop along the way.

Real-time payments are here and customers want to use them. Using the myths and facts around real-time payments should help you determine your payment strategy and get you positioned for the best option for your institution, whether it is in the near term or farther down the road.

## **PCBB SELECTED FOR FEDNOW PILOT**

PCBB has been selected as a pilot bank for the Federal Reserve's FedNow<sup>SM</sup> instant payments service. We're honored to assist in the development of the functionality and user experience, with our community financial institution customers in mind. Read the [press release](#) for more information.

## **ECONOMY & RATES**

Rates As Of: 07/08/2021 08:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.05	-0.01	-0.04
1Y	0.07	-0.01	-0.04
2Y	0.20	-0.05	0.08
5Y	0.75	-0.15	0.38
10Y	1.30	-0.17	0.38
30Y	1.92	-0.17	0.27

FF Market	FF Disc	IORR
0.10	0.25	0.15
SOFR	Prime	QIBR
0.05	3.25	0.08

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