



## Real-Time Payments Can Help Soothe Supply Chain Issues

payments RTP faster payments

**Summary:** Supply chain issues, lost luggage, and cancelled flights are miseries for consumers who want what they've paid for. Faster payment systems can help ease their unhappiness by delivering quicker refunds and compensation.

Is there anything more annoying than paying for an airplane ticket, only for the flight to be cancelled? Community financial institutions (CFIs) can't make a flight leave as scheduled, but they do have a real opportunity to help mitigate customer pain with real-time transaction processing.

Real-time refunds, rebates, and stipends can help ease the inconvenience of purchases that never materialize. In the case of cancelled or delayed flights, real-time payments can also give customers access to airline funds provided to assist with meals or lodging.

When a customer's connecting flight gets delayed, for instance, *"the airline may issue funds to be used to defray the costs of an overnight hotel stay, meals and other amenities,"* says a director at the Mercator Advisory Group. *"This is where the speed of a real-time payment improves the traveler's experience."* Unfortunately, there's a lot of experience to improve. More than half a million flights were delayed and 88K canceled in the first five months of 2022 in the US.

The ability to clear and settle payments in real time provides customers with money management flexibility, the ability to make timely payments, and full access to immediate funds, which is crucial when supply chain issues and other unexpected headaches, such as a cancelled flight, make life more difficult.

### Getting up to Speed

To process real-time payments, CFIs will need to start educating themselves about the different payment options available. While possible, it would be difficult to offer every choice available, so learning about each option is critical in identifying which platform(s) you want to pursue first.

You'll need to ensure that your core systems are able to handle real-time payment processing. Older or less common systems sometimes find this difficult. Talk to your core system provider now to work out a strategy that gives your CFI what it will need. Your system will need to accept [ISO® 20022](#) data-rich messages, which is the ISO standard for data interchanges between financial institutions, and also provide real-time fraud monitoring.

CFIs that offer real-time payments must manage liquidity more robustly than was necessary with batch processing. Most CFIs will leverage their correspondent to manage liquidity and settlement, as they don't want to staff 24/7 to support it, so be sure to involve them in your discussions prior to deciding on what solution to implement. While the customer-facing experience might be the same, the settlement and liquidity management processes are very different for each option, so there will most likely be different pricing and support options from your correspondent. You'll want to factor all of these pieces into the equation as you decide.

## Faster Payment Options

CFIs that pursue real-time payments to enhance their customers' experiences have a variety of platform options to choose from, including:

- **FedNow**, a new instant payment service from the Federal Reserve Bank, which is expected to launch in 2023. Accountholders of financial institutions will be able to send and receive instant payments 24/7/365. [PCBB is a pilot bank](#), helping the Fed by working on functionality and improving the user experience. In an upcoming article, we'll discuss what you need to know about FedNow in more detail.
- **Same-day ACH**. Usage on this platform has boomed, [going up nearly 74% YoY from 2020 to 2021](#). ACH reaches every financial institution in the US, and its usage across multiple business sectors dramatically increased after the onset of the COVID-19 pandemic.
- **The Clearing House (TCH) RTP® network**, [which reaches 61% of US demand deposit accounts](#). It debits and credits sub-accounts at the Fed in real time, though on a different payment system than ACH.
- **Push-to-card payment services**, such as Visa Direct and Mastercard Send, let money move between cards in real time from the consumer's perspective.

Although the implementation of real-time processing may be a logistical challenge in the beginning for some CFIs, the convenience it provides to your customer base is unparalleled. Being able to make important payments and have access to funds when you need them the most can be the difference between a salvaged vacation and the worst travel experience of someone's life.

## QUESTIONS ABOUT FEDNOW? ASK PCBB!

FedNow Service is launching in 2023. As part of the pilot program, and a liquidity and settlement provider for the service, PCBB [can answer your questions](#) about how to implement and manage the service for your institution. [Contact PCBB](#) to find out more.

## ECONOMY & RATES

Rates As Of: 12/16/2022 06:39AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	4.34	-0.03	4.28
6M	4.70	0.00	4.51
1Y	4.61	-0.10	4.22
2Y	4.24	-0.08	3.50
5Y	3.66	-0.08	2.40
10Y	3.52	-0.09	2.00
30Y	3.57	-0.17	1.66
<b>FF Market</b>	<b>FF Disc</b>	<b>IORR</b>	
3.83	4.50	4.40	
<b>SOFR</b>	<b>Prime</b>	<b>ORER</b>	
4.32	7.50	3.82	

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