



Three Steps To Get Ready For Faster Payments

payments core provider fintechs

Summary: Discussion over the rules governing faster payments is still ongoing at a federal level. Meanwhile, customer adoption of existing real-time payment solutions continues to increase, with many new products on the horizon. Community financial institutions have a lot to think about before providing faster payment capabilities. Here are three steps to get you ready.

On March 30, 1867, Secretary of State William H. Seward agreed to buy Alaska from Russia for the bargain price of \$7.2MM. However, opposition in the House of Representatives delayed the historic deal. It took another year to get the money appropriated and complete the purchase. It probably took a while to cash a check that big too!

Community financial institutions (CFIs) won't have any customers willing to wait a year for a payment to be processed. In fact, customers increasingly want payments in real-time. While the Faster Payments Council — comprising consumer groups, merchants, and financial institutions — continues to work through issues to create faster payments, real-time payment products are available through other channels. Yet, there are many considerations before jumping in. We provide some of the current faster payment options, along with some suggestions to help your institution prepare for whichever is best.

Faster payment options

1. **Same Day ACH.** Reaching all financial institutions (FIs) across the US, Same Day ACH is the most readily available faster payment solution for CFIs today. Almost [604MM Same Day ACH payments took place last year, an increase of 73.9% compared to 2020](#).
2. **The Clearing House (TCH) RTP network.** This network was launched in 2017 and “currently reaches 61% of demand deposit accounts,” according to its website. While big banks were the initial users of this network, other FIs have joined since. This product is on a different payment rail than ACH. It uses a joint account at the Fed where participants have sub-accounts that are debited and credited in real time; money never moves other than on the ledger.
3. **Push-to-card payment services.** These services, such as Visa Direct and Mastercard Send, have also become available. These services allow funds to be moved from a card to another card, such as a debit or prepaid card, in real time. They are available for P2P, B2B, B2C, or G2C.
4. **FedNow.** The Federal Reserve's FedNow service is expected to launch in 2023. As a pilot bank, PCBB is helping the Fed by working on elements of functionality and user experience. If you are a CFI and would like to partner with PCBB for this pilot, please let us know. We're looking for a few partners.

CFIs have plenty to think about before opting to provide some of these faster payment capabilities. Here are **three key steps** to take as you get ready.

1. **Get up to speed.** Understanding the challenges and opportunities of faster payments is an essential place to start. The Faster Payments Council provides a wealth of information on the choices available for FIs, what the future might look like, and why they have a vested interest in the success of faster payments. Peer groups

like the Independent Community Bankers of America also offer market trends and analyses. [Our library of BID articles on faster payments](#) is also always available to peruse.

Of course, CFIs should gather insights from a customer perspective. There are multiple ways to do this, but the most direct would be to ask your customers. A short survey may be all you need to find out what their faster payment needs are.

2. Talk to core providers. Irrespective of the faster payments options you’re considering, you’ll first need to ensure your core banking systems provider is capable of supplying the necessary solution.

For example, older or less common core banking systems might not work, if your CFI is going to process transactions in real-time, release new features frequently, and scale — whether up or down — your infrastructure needs.

But switching core providers can be a time-consuming process. This is one of the primary reasons why three out of four community banks choose to stick with their existing core provider. So, share your strategy with your core provider, as soon as you can to ensure they understand your needs and can deliver the right functionality.

3. Create a partnership strategy. As CFIs adopt faster payment systems, they’ll need to decide whether they want to process these payments for other businesses, such as fintechs. This strategy can provide fee income opportunities. Other benefits to this approach could include access to new markets and high-end technology, and an overall banking proposition that gives you an edge against other CFIs.

In fact, according to a recent report, the current trend across the wider banking community certainly appears to be one of collaboration. Nearly [9 out of 10 financial institutions regard fintech partnerships as important to their business](#) — up from 49% in 2019. Overall, 65% of banks and credit unions entered into at least one fintech partnership between 2019 and 2021.

However, only a few FIs report that these collaborations have significantly increased revenue from new products and services. Technology integration currently remains a big challenge for bank-fintech partnerships.

Clearly, there’s still much to think about in terms of faster payments. If you’d like to learn more about this important topic, listen to our Banking Out Loud podcast episode, “[The Evolution of Real-Time Payments: Part 1 - Then and Now](#).” This podcast features Allen Sztukowski, SVP, Operations at PCBB. He was a part of the Federal Reserve’s Faster Payment Task Force from 2015 to 2018 and represents PCBB as a founding and continuing member of the Faster Payments Council. Part 2 episode will be coming soon.

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PCBB is integrated with Fiserv’s Payments Exchange: Foreign Exchange Services platform and offers Fiserv customers access to sophisticated international wire services, including straight-through processing. Through PCBB, Fiserv customers will also get access to innovative enhancements, such as Canadian check imaging, SWIFT gpi payments, and tracking. Learn more about our [Fiserv integration](#).

ECONOMY & RATES

Rates As Of: 03/10/2022 08:30AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	0.38	0.03	0.32
6M	0.75	0.06	0.56

1Y	1.19	0.19	0.80
2Y	1.73	0.30	1.00
5Y	1.93	0.23	0.68
10Y	2.00	0.18	0.50
30Y	2.38	0.23	0.49
FF Market		FF Disc	IORB
0.08		0.25	0.15
SOFR		Prime	ORER
0.05		3.25	0.07

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