



Faster Payments: Improvement Opportunities and Alternative Paths

Carol Coye Benson

Chicago Payments Symposium
September 2013

Immediate Funds Transfer?

Should
We?



How?

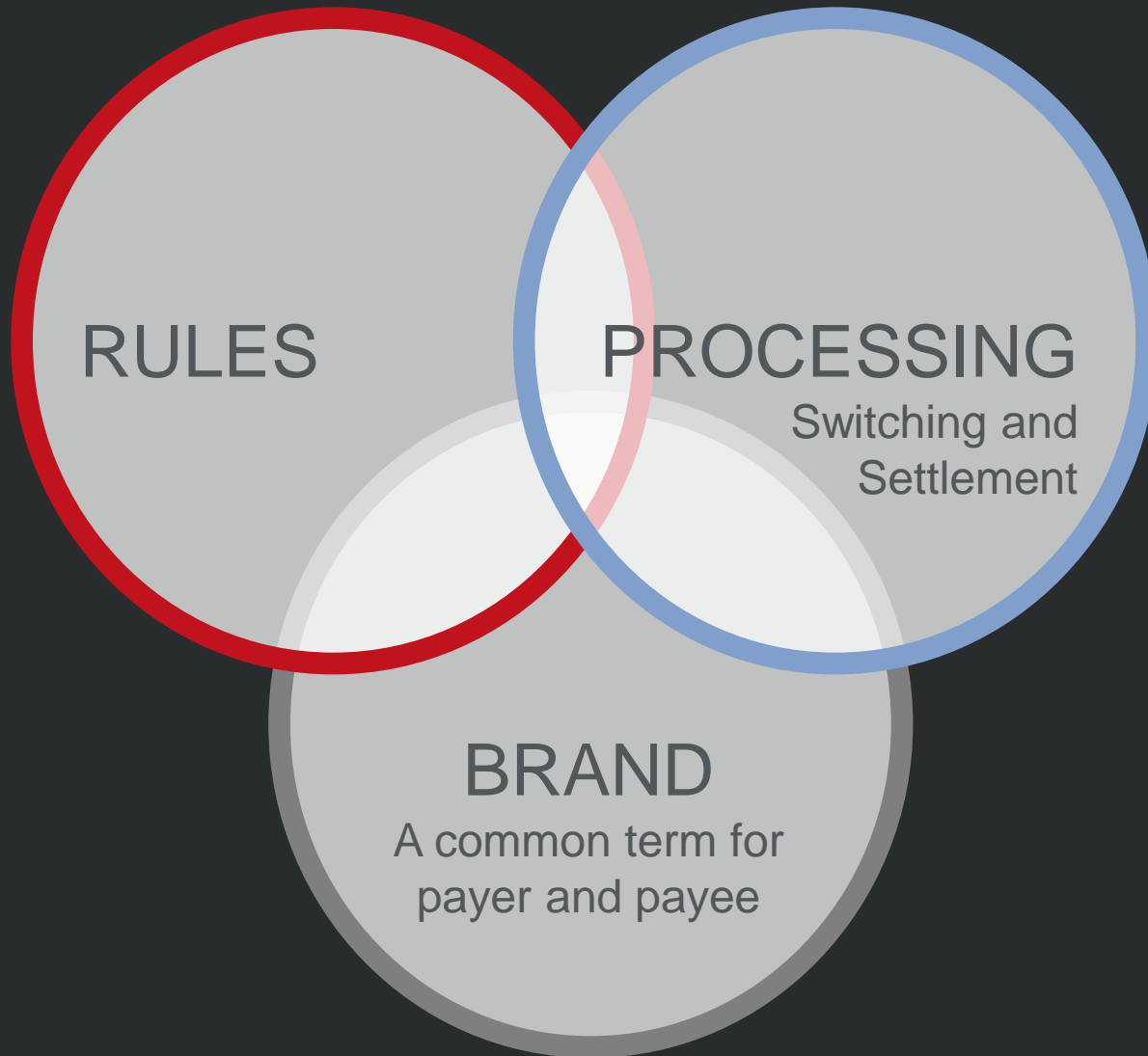
When?



Challenge # 1

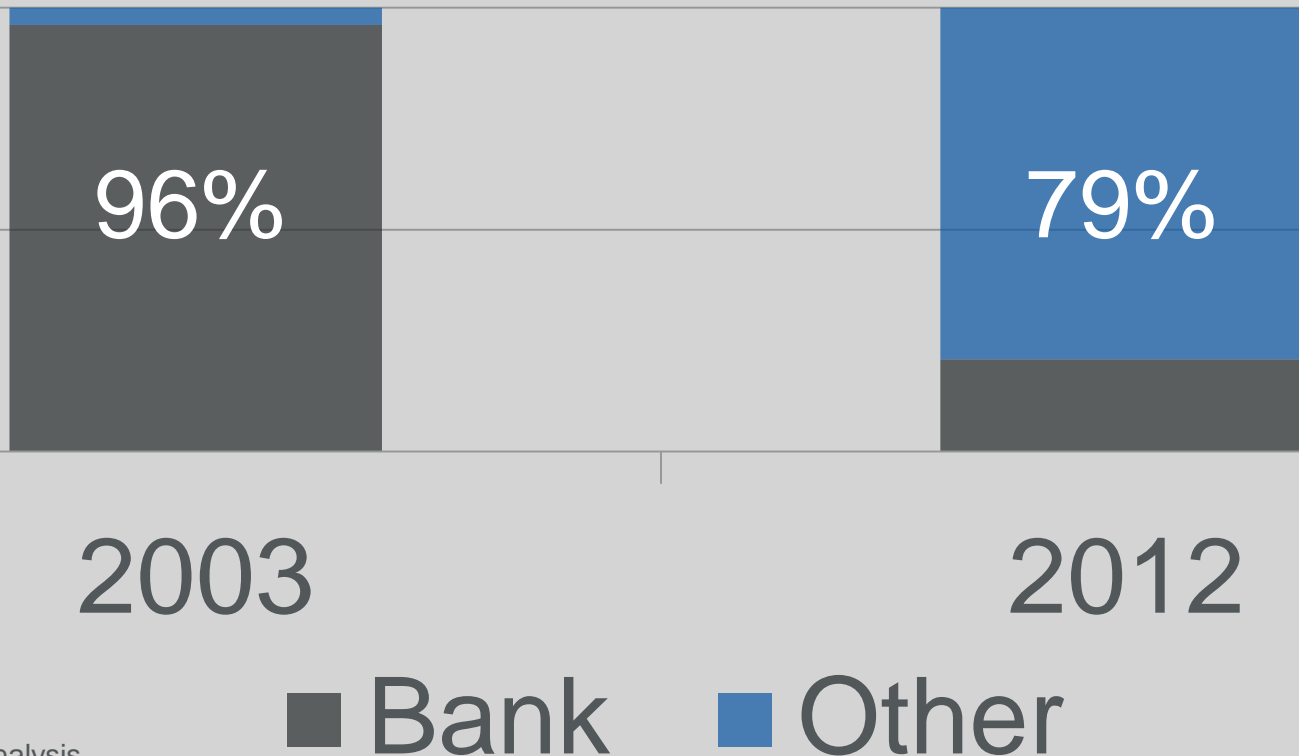
Rules

What Does a Payments System Do?




Who Makes the Rules?

U.S. Consumer Payments, Count Basis,
By Direct Control of Network Rules



Source: Glenbrook Analysis



Challenge # 2 Interoperability

What the Phone Companies Avoided....

“Gee, I wonder if
this will work...


What telephone
company does my
sister use?”



Might SEPA Be a Model?

“No distinction between cross-border and national payments within the euro area.....”

“Ensure that euro payments, whether domestic or cross border, are handled with the same level of service and at the same price...”



It *isn't* interoperability if
“off network” transactions are
slower or more expensive!

A nighttime photograph of a city skyline, likely Chicago, with numerous skyscrapers illuminated against a dark sky. The city lights create a dense pattern of yellow and white dots across the lower half of the image.

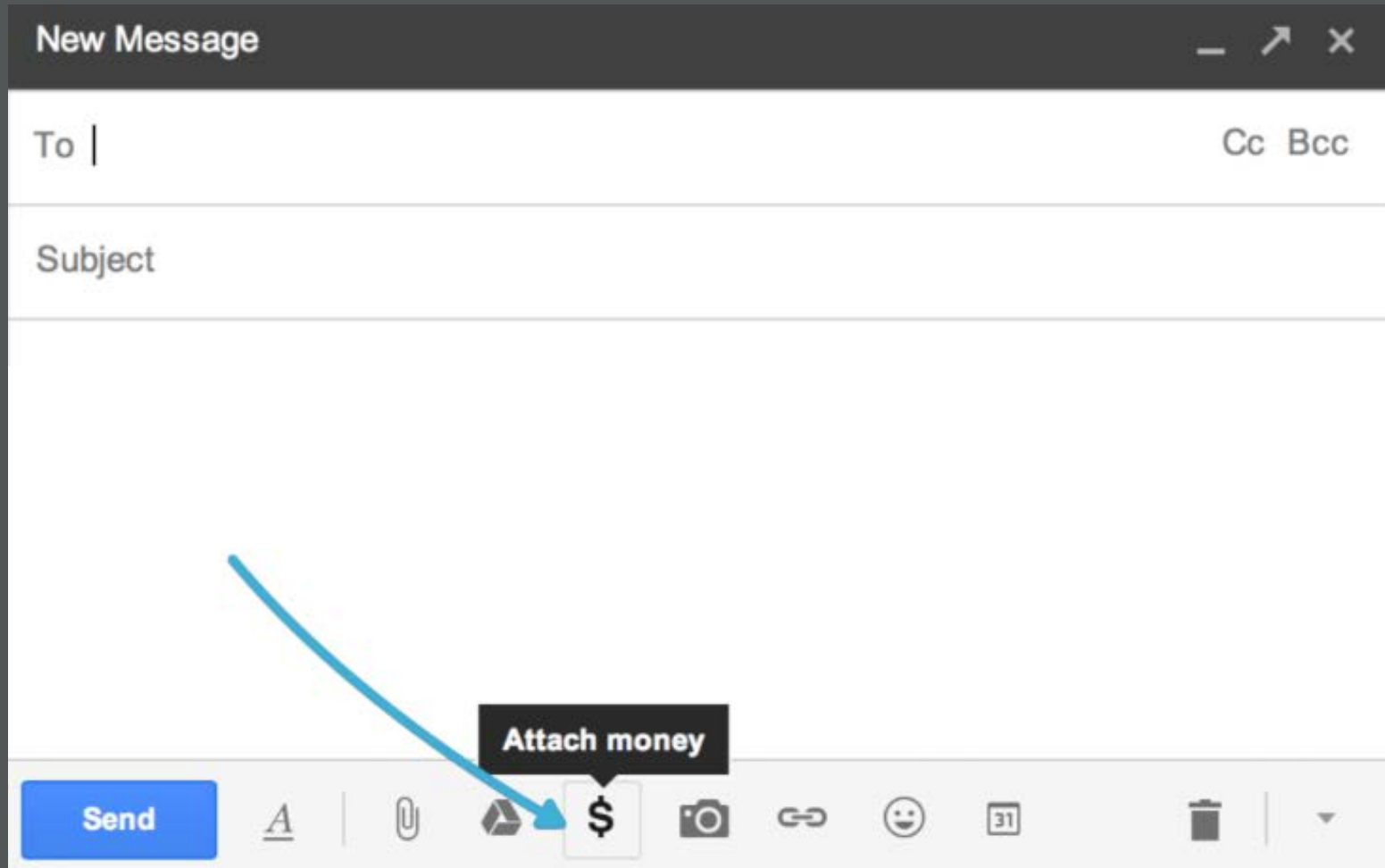
Challenge # 3 Business Model

AOL IN 1995?

“Steve, our customers are going to LOVE email.
It is so much faster and cheaper than using the post office!

I think we can charge at least 25 cents an email.....or if that
doesn't work, maybe we could hold back delivery on 'standard'
emails and just charge for 'immediate' ones?”

Keep in mind the competition....



And the Conversation That's *Not* Happening:

“This looks like a great way to finally make some money!”

“Yeah!”



And Keep A Long Term Perspective...

Today's P2P transfer...



Might become tomorrow's “push” payment at the POS – let's make sure the economic model works!

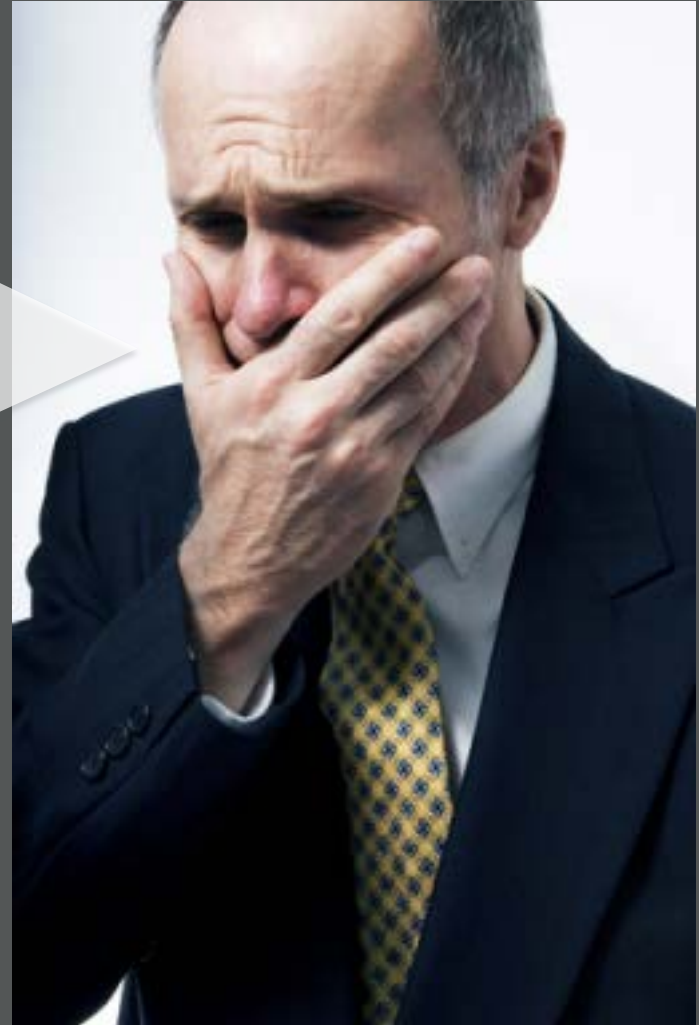
A nighttime photograph of a city skyline, likely Chicago, featuring several illuminated skyscrapers. In the foreground, there is a park area with trees and a walkway, also lit up. A semi-transparent black box with a red border is overlaid on the right side of the image, containing the title text.

Challenge # 4 Risk Management

Aren't We Supposed to be *Good* At This?

“That looks risky.
We better not do it – or
else put a lot of
controls in place.

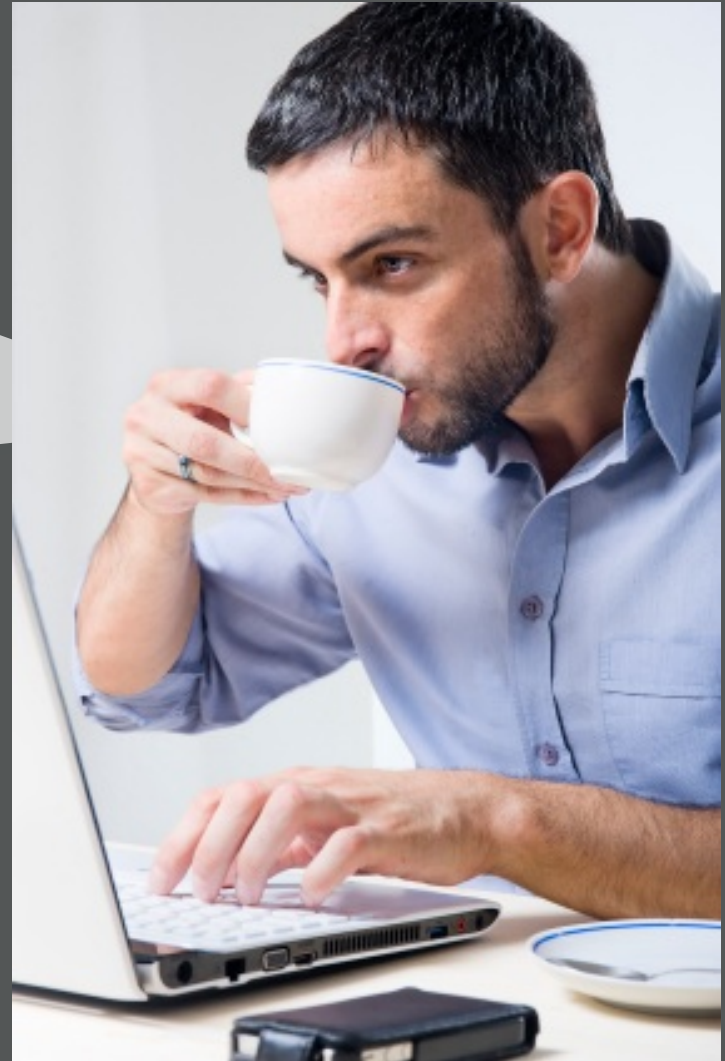
The controls may make
it harder for our
customers to use our
system, but they will
reduce our risk.”



So Why Are They Doing a Better Job?

“That looks risky.

How can we do it and
manage the risk?”



A Goal for Faster Payments?

A grayscale background image of the Chicago skyline at night, with the city lights reflecting on the water. The text is overlaid on this image.

Make it **easy** for our customers to
use their money
quickly and **safely**...

Make sure they can **tell** the other
party how they're being paid!



GLENBROOK

Carol Coye Benson
carol@glenbrook.com

www.glenbrook.com
www.paymentsnews.com



Faster Payments

Improvement Opportunities and Alternative Paths

René M Pelegero

Retail Payments Global Consulting Group LLC



Remember When...



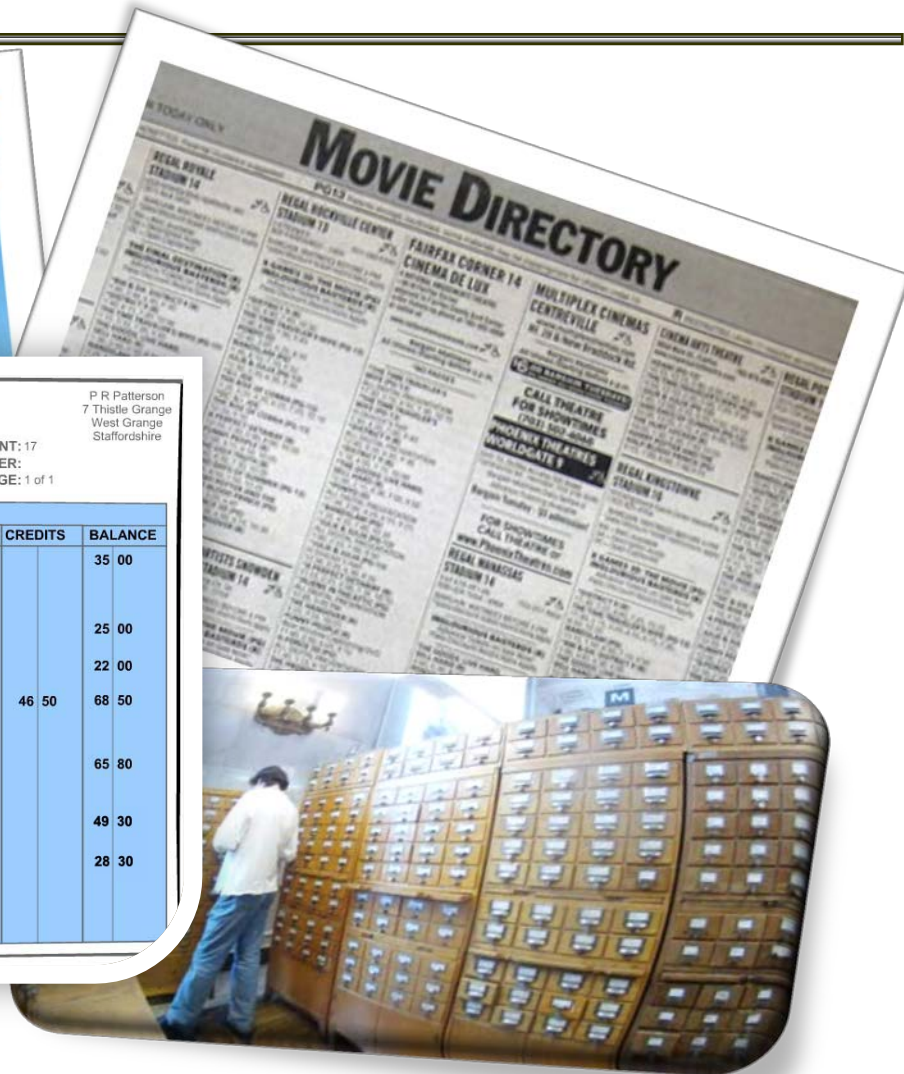
ANY BANK
PO BOX 876, LEICESTER,
LE76 7JH

P R Patterson
7 Thistle Grange
West Grange
Staffordshire

ACCOUNT NUMBER: 10045321
SORT CODE: 90-99-19

STATEMENT: 17
NUMBER:
PAGE: 1 of 1

TRANSACTION DETAILS					
DATE	DESCRIPTION		DEBITS	CREDITS	BALANCE
Balance brought forward					35 00
6 May	CD07	High St	10 00		25 00
8 May	DC07	Pet Care Plc	3 00		22 00
11 May	BACS	Regular Times		46 50	68 50
19 May	CH007		2 70		65 80
19 May	DD	Gas & Co	16 50		49 30
22 May	S0	TV Licence Company	21 00		28 30





Today...



The collage features logos for various digital services: The Weather Channel, WeatherBug, Fandango, movie tickets.com, The Movies, Netflix, Hulu Plus, Google, Ask.com, and Yahoo!. In the center is a laptop displaying a 'Statement of Account' for Polish & Slavic Federal Credit Union. The statement includes a table of transactions:

DATE	TRANSACTION DESCRIPTION	AMOUNT	BALANCE
09/01	Beginning Balance		15308.40
09/11	Withdrawal at ATM #005374 ATM POLISH & SLAVIC 9 LAW DRIVE FAIRFIELD NJ	100.00-	15208.40
09/12	Withdrawal at ATM #005389 ATM POLISH & SLAVIC 9 LAW DRIVE FAIRFIELD NJ	60.00-	15228.40
09/22	Withdrawal at ATM #005517 ATM POLISH & SLAVIC 9 LAW DRIVE FAIRFIELD NJ	60.00-	15168.40

...we live in a world where instant gratification is the norm...



...Well, Except for US Payments

“...the US payment system is not keeping with the rest of the digital economy in providing new methods of payment that give Consumers immediate access to and use of their deposits held in accounts and other deposit-taking institutions”

“Facilitating Consumer Payment Innovation in the U.S. through Changes in Clearing and Settlement: A Public Policy Perspective”,
Bruce J. Summers, former deputy director at the Board of Governors for payment system policy and oversight
of the banking services and information technology activities of the 12 Federal Reserve Banks , March 2012

There is an increasingly compelling need for US payments to deliver a real-time or near real-time payment capabilities



Many Unmet Needs

Retail Payments Cash Management

Corporate B2B Payments

Payday loan Disbursements

Insurance Claims Disbursements

INTERBANK TRANSFERS

P2P Payments or Money Order Replacement

Instant Rebates

Corporate payouts and disbursements (B2C)

Expedited Bill Pay

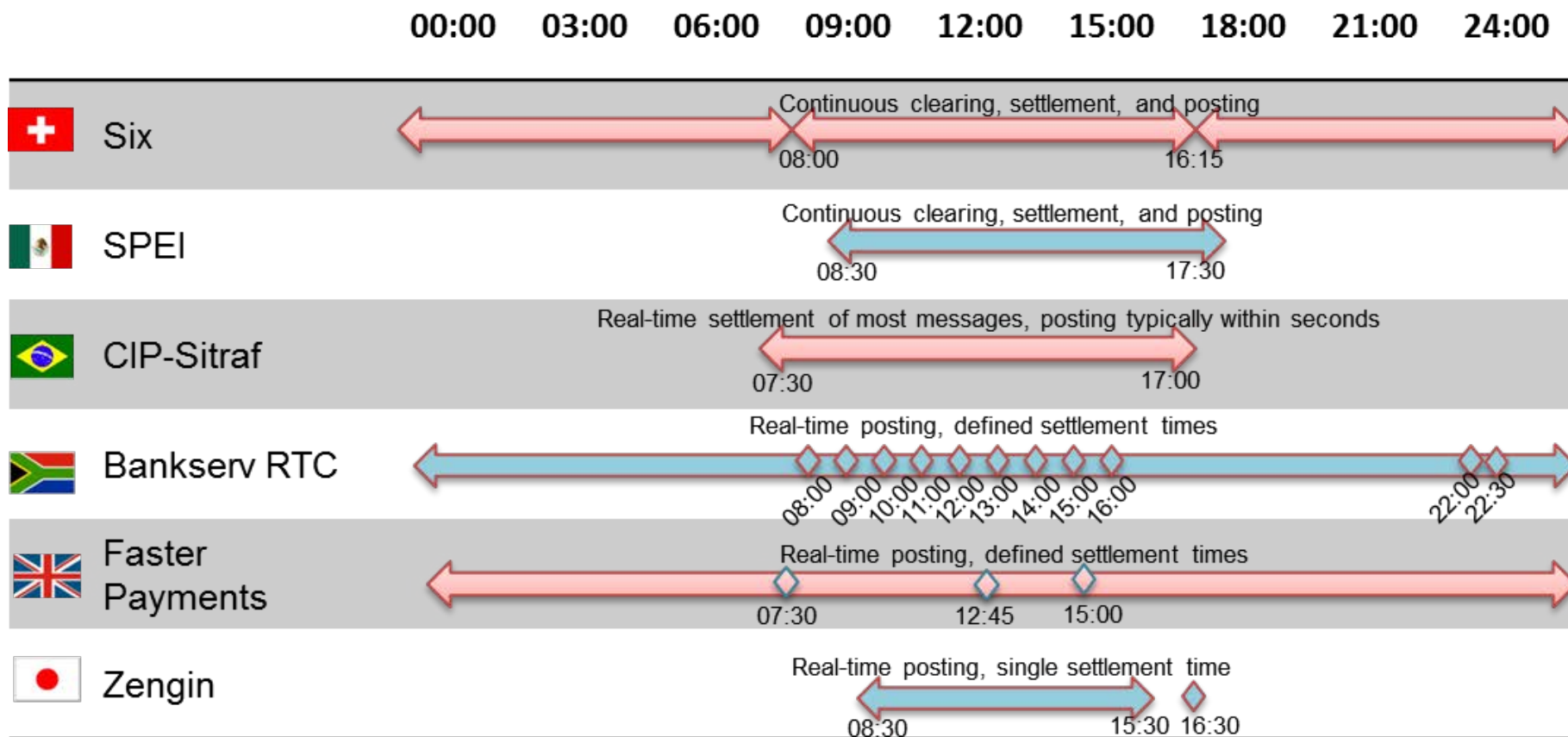
Pre-Paid Cards / Top Up Balances

Legal or Escrow Payments

Government Disbursements & Collections (G2P/G2B - P2G/B2G)



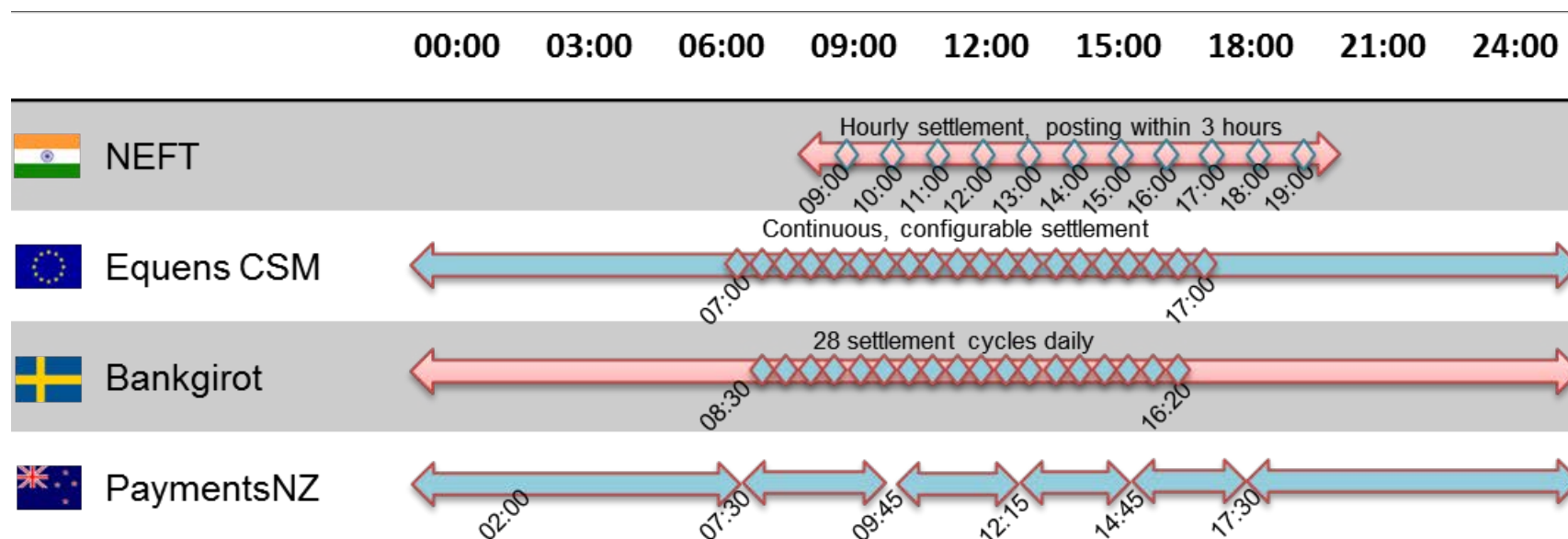
Sample Real Time CSM Globally



Source: Lipis & Lipis



Sample Fast Batch CSM Globally

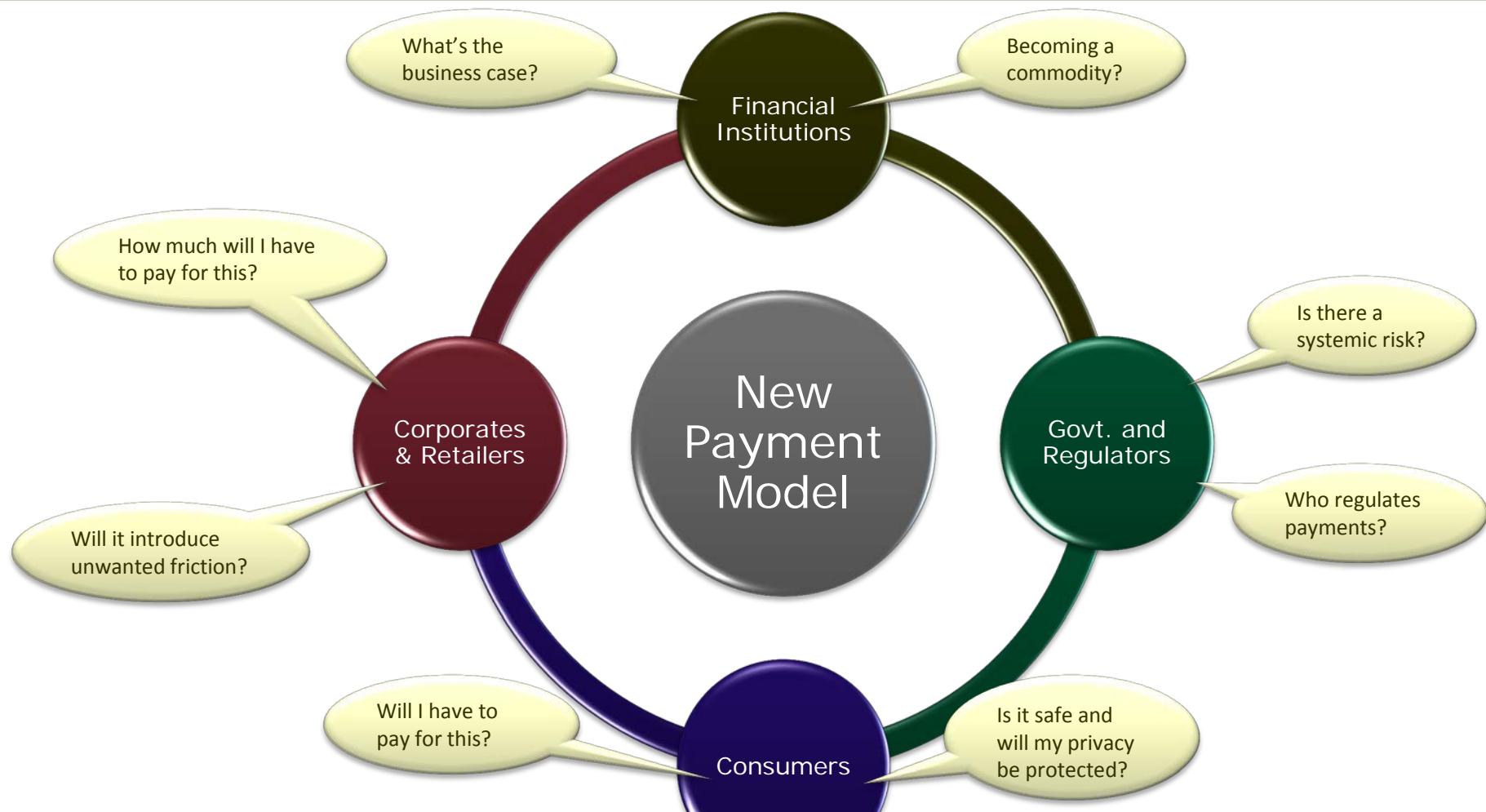


Source: Lipis & Lipis

The problem is not technical in nature. It is a business model problem and a lack of courage problem.



Many Stakeholders, Many Concerns



“A journey of a thousand miles must begin with a single step.” – Lao Tzu



Going Forward

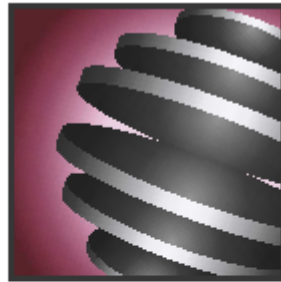
- Recognize the problem
 - Understand the needs of the new world
 - Shed the “baggage”, get ready to act
- Get organized
 - Leaders need to stand up (Regulators, FIs, Corporates, Retailers, Consumers)
 - Develop a vision for their respective constituencies
 - Break problem down (e.g. CSM, DDA real-time posting, security, account credentials, etc.)
- Create a Framework for discussion
 - Working Groups exploring areas of expertise
- Debate the issues, for example
 - Continuous Settlement vs. Fast Batch
 - Business models (who pays how much and why? where is the value in payments?)
- Think “outside the box”
 - Go beyond existing payment networks and business models



No longer a matter of IF, but a matter of WHEN and HOW



Contact Information



RPGC
GROUP

15805 212th Ave NE
Woodinville, WA 98077, U.S.A.

Phone: +1-425-788-0500

Email : renep@rpgc.com

Web: www.rpgc.com

Immediate Funds Transfer – the case for a roadmap

Jim Mortimer
Head of International Propositions

Do we need Immediate Funds Transfer?

The case for IFT is becoming more and more compelling. We see more countries implementing or planning real time services and the list of payment types and use cases that are benefitting from real time is growing all the time.



UK



Poland



Mexico



Sweden



Australia



Singapore



Denmark

Real time payment types and use cases



Insurance payouts



Small business invoice
and request for payment



Government benefit payments



Daily/weekly wages



P2P payments



Electronic bill presentment
and payment



Short term loans



Pre paid top ups

Emerging services

Real time is delivering a growing number of benefits to:

- Banks
- Consumers
- Merchants
- Corporations
- Government

In the UK, we expect to see new services being launched next year, that will use FPS to transform:

- E:commerce
- M:commerce
- Point of Sale

These new products will put the banks at the centre of digital payments and will enable them to offer a range of fantastic customer propositions

The benefits of a roadmap

The route to immediate funds transfer and the achievement of all the associated business benefits is potentially complex and costly

In the UK, FPS was developed and launched without medium or long term plans or objectives

While we are getting there in terms of launching value added services, we are encountering some challenges that with hindsight, could possibly have been avoided

I would strongly recommend that when embarking on an initiative such as FPS, a roadmap is prepared at the outset that lays out the key objectives, milestones and deliverables that all stakeholders can buy into

The roadmap may and probably will be adjusted en route, but at least all parties will have entered the process with a clear vision of what is to be achieved and by when

Moving to IFT

If the US were to introduce immediate funds transfer, I would suggest there are a number of key steps to be taken in turn:

1. Define the rules and features that will shape the new services

- Governance
- Participation
- Settlement/risk
- Standards
- Commercial frameworks

2. Develop a plan

- Broad consultation with industry stakeholders
- Clear objectives
- Realistic but challenging milestones and timelines

Moving to IFT Cont'd

3. Implement the core infrastructure components (the rails) that provide the basic inter-bank real time funds transfer:
 - Collaborative, not competitive. Investment for the “greater good”
 - Overseen by a public authority / payment regulator
 - Should be designed to provide open access and wide reach
 - Should deliver real value through the more straightforward use cases
4. Introduce value added customer facing products that leverage the core infrastructure
 - Market driven
 - Competitive - banks and suppliers able to differentiate their offerings
 - But still standards based and interoperable

Collaboration vs competition

I believe that to achieve the full benefits of real time, you need a combination of both

- Steps 1 and 2 should be driven by a regulator or public authority
- Step 3 should be collaborative
- Step 4 should be driven by competition and market forces (with a degree of oversight to ensure the plan stays on track)



VOCALINK
safer payments, smarter partner

Real Time Payment

Ricky Lim

Managing Director

BCS Information Systems

24th September 2013

Singapore demographics



5.3 million **TOTAL**
POPULATION
as of end June 2012



5 local banks
27 foreign full banks
53 wholesale banks
37 offshore banks

Payments by volume of transactions in million,
total for the year (2011)

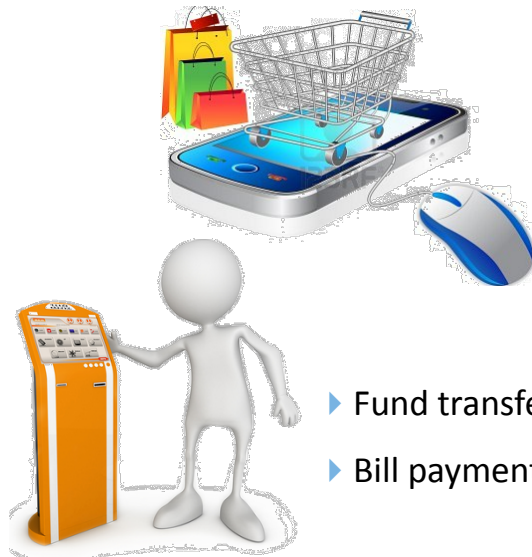
Cheque (SGD + USD)	76.78	↓ 2.74%
eGiro	92.67	↑ 3.2%
MEPS+	4.40	↑ 6.04%
Card Payments (CR)	198.00	↑ 8.89%
Card Payments (DR)	221.74	↑ 2.64%

Growth / Decline
over the last 3
years
2009, 2010, 2011

Source: BIS report & Monetary Authority of Singapore

Current Situation – Low Value Payments

Bank Channels



- ▶ Fund transfers
- ▶ Bill payments



ACH



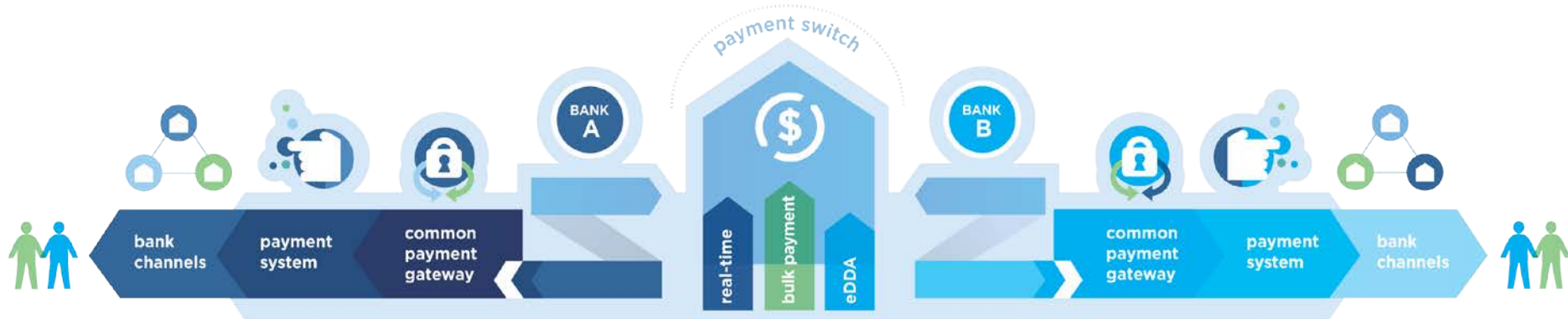
Result



- ▶ Batch-oriented
- ▶ Up to T+2 clearing
- ▶ Proprietary message format
- ▶ Lack of payment information in statements
- ▶ High cost of manual handling of transactions

The Real-Time Payment Solution

BCSIS **REAL-TIME**
PAYMENT SOLUTION



1 BENEFITS FOR BANKS



Happier Customers
Enhance customer loyalty with cutting edge solutions and service levels



Open Untapped Revenue Streams
Regain customer segment from non-bank providers

2 BENEFITS FOR CONSUMERS



Instant Funds Transfer
Immediate confirmation of funds availability



Anytime, Anywhere Convenience
24/7 access to payments on the go

3 BENEFITS FOR COUNTRY/ECONOMY



Energise Cash Flow
Encourage increased business transactions in the marketplace



Advance Cashless Society Goals
Empower paperless payments



Accelerate Commerce
Facilitate a more agile and expedient environment for businesses and consumers

4 BENEFITS FOR BUSINESSES



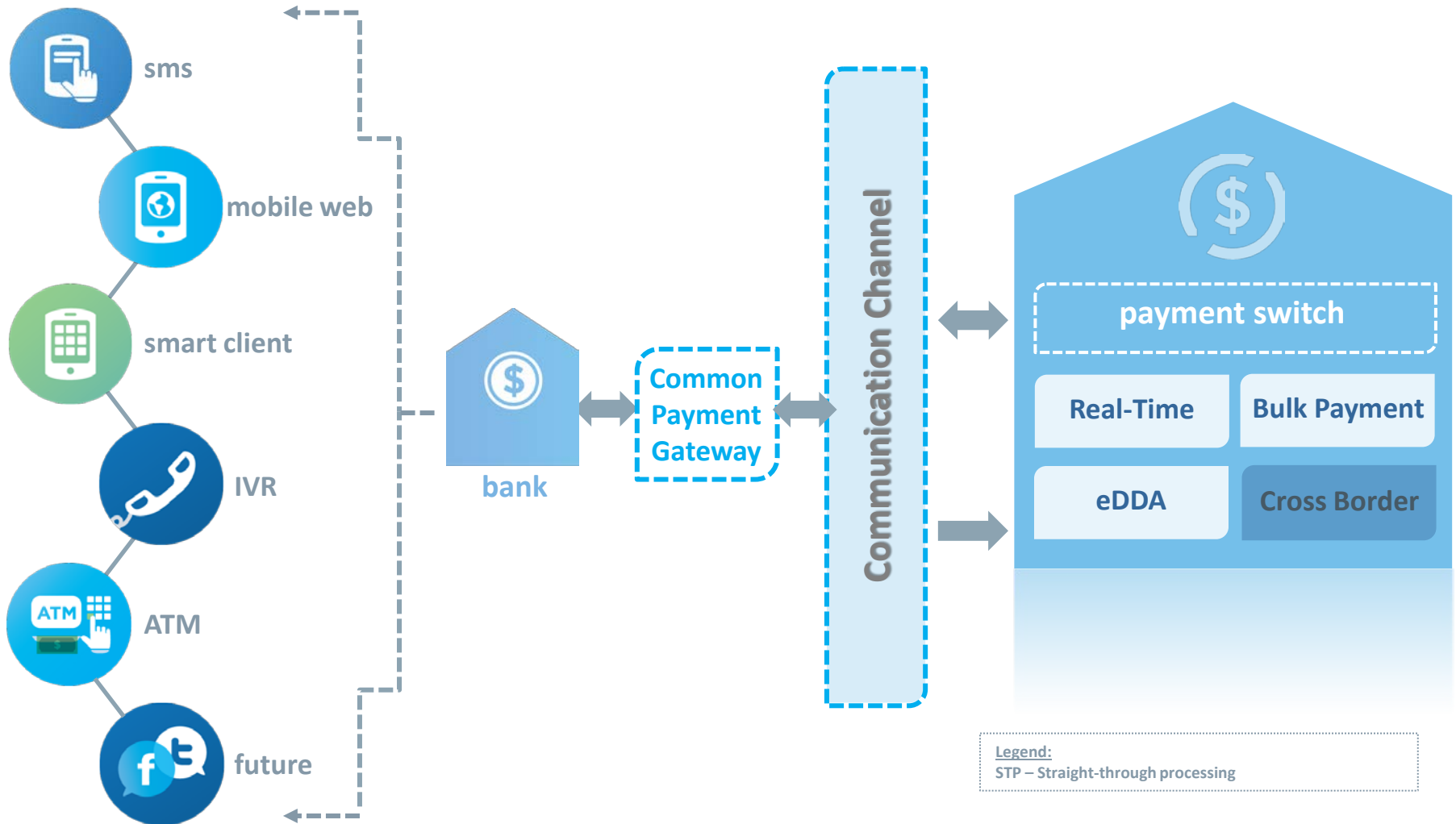
Boost Customer Loyalty
Improve customer retention with 24/7 transaction facilities



Expedite Settlements
Reduce risk and accelerate payment settlements

A closer look at the solution...

banks' multi-channel access



Critical success factors

- ▶ Industry participation and buy-in
- ▶ Open standards and infrastructure
- ▶ Give sufficient time for acceptance
- ▶ Early marketing to the general public
- ▶ Legal, risk management and regulatory framework
- ▶ Payment innovation is still key