

# Realizing A Vision for Improvements In Trust and Convenience:

Interoperable Directory Tools

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# The Challenge is Clear, Doesn't Need Restating

- Greater electronic payments.
  - **“Check writing persists because checks have important attributes**, including ubiquity and convenience, which are not well replicated by electronic alternatives for some transactions. Many receivers of checks prefer other forms of payment but exercise little control over the sender to request a preferred form of payment. “
  - **“Most recent payment innovations have yet to gain significant market penetration** and are still limited-participation systems where both sender and receiver must join. Legacy payment systems tend to be more ubiquitous, making them efficient and accessible for those who already maintain a transaction account with their bank (payers and payees of any transaction).”
  - **Some features that are desired increasingly by end users are generally lacking in many legacy payment systems**, such as –
    - o A real-time validation process assuring the payee that the payer's account exists and it has enough funds or available credit to cover the payment;
    - o Timely notification to the payer and payee that the payment has been made;
    - o Masked account details, eliminating the need for end users to disclose bank account information to each other.

# The Problem

Is not lack of innovation. It is lack of *interoperability*.

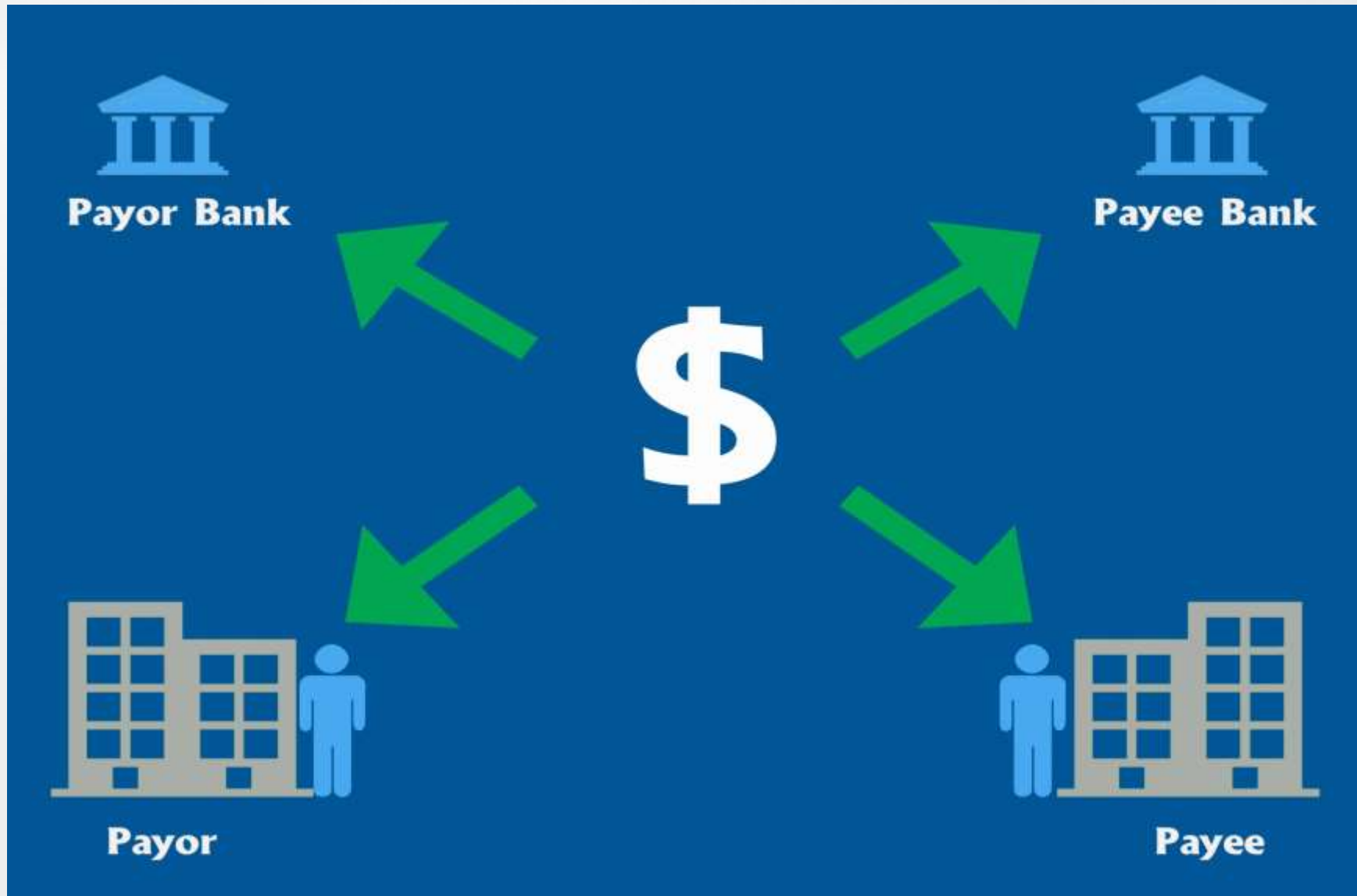


*The current system is not connected to its full potential. Leaving institutions, providers and end users wrestling with sub-par solutions.*

*But more importantly the U.S. market is exceptionally well positioned to realize meaningful improvements soon. We know change will not be easy.*

*The need of a shared vision; commitment; and action.*

Is Interoperability synonymous with Costs and Benefits? Don't we all need to share in both?



# North American Banking Company

- Have participated as a NACHA board member, UMACHA board member, various industry work groups and Faster Task Force.
- Have committed our resources to not only participate, but to help define, demonstrate, test and evaluate what it would take.
  - Have funded created our own payments app using a mobile phone
  - Have partnered with institutions to use FRB's same day service
  - Partnering with FI's, corporations and providers to advance this vision
    - To do it at low cost
    - To do it in a way that gives end users access to the same trusted service levels they have come to expect over the last decades
    - To do it fairly quickly
- I believe it can and will be done.
  - Respect that there are different goals, different experiences
  - We need to account for those and be sensitive to them.

## My View of the Goal

**Making payments as simply and confidently as if customers were moving money between two accounts at the same institution. The lowest cost for an FI.**

**Financial institutions and providers have critical relationships and can help bring improved service levels to many users quickly, efficiently, and in a trusted way.**

# Key Ideas

## Addressing the core industry and end user need

Solution must make meaningful contribution to addressing interoperability (convenience, cost and end user) challenge for the benefit of end users.

Aim for payment agnostic approaches and User/FI Choice

## Performance

Solution must be highly reliable

High functionality

Software must be highly scalable in both directions

## Value and Flexibility

Employ commercial software when possible

# The Need for Ubiquity

## Starting Point

Leverage national and regional relationships and expertise's to discuss the possibilities for the future and what we would like to see.

## Insights

Speed and service level to end customer.

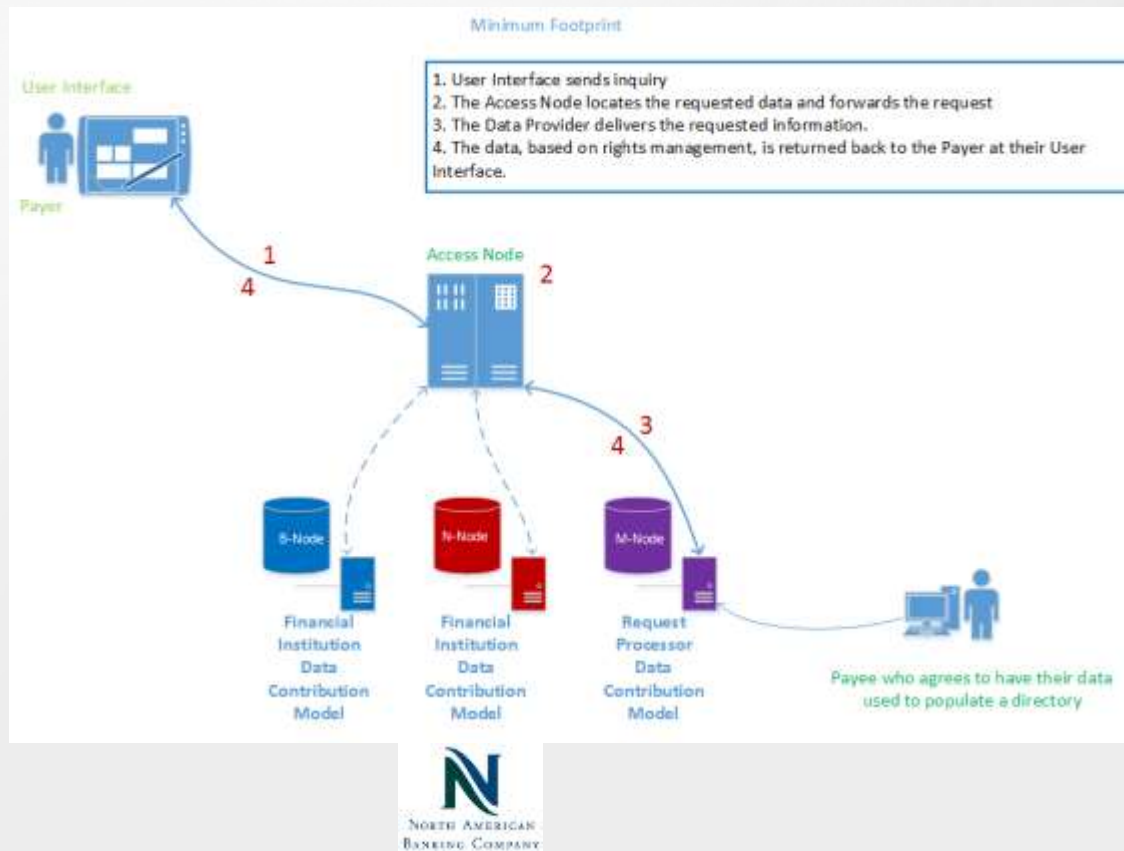
Limitations on innovation and ability to protect consumer.

Costs to implement and user affordability.

Common provider would be essential.



# How Will NABC Fit In?



1. Complete due diligence and Update account agreements and Make available to customers
2. Maintain and protect information using appropriate and agreed on standards
3. Leverage within tools we make available to customers today and manage process as today with better information

**Reminder: This is not a payment system**

# How Will NABC Fit In?

**Basic Payee Inquiry**

Public ID:

Payee Data Display Area

**Advanced Payee Inquiry**

Type:   Value:

Type:   Value:

Payee Data Display Area

# Use Cases/Workflows Being Explored

- Requests

- B2B
- P2P
- P2B
- Known Receiver
- Unknown Receiver
- Simple payee data lookup
- Complex payee data lookup

- Automation Tools

- Multiple Accounts
- Receiver not in Directory

- Multiple Domains

- Single and multiple directories
- API that allows multiple to participate

- Exceptions (in payment channel)

- Wrong Email
- NSF
- Other exceptions the industry wrestles with each and every day

# Lessons Learned From NABC Work To Date

- User level experiences
- We can implement usable tools based on current technologies and payment rails
  - Handle individuals not in directory
  - Multiple accounts within a bank and across banks
  - Exceptions
- Using legacy payment rails doesn't change processing day one or exceptions
- Availability of data from data contributors, like FI's

# Why? Back to Basics on The Benefits

**Bring together financial institutions, providers, FI customers, and corporate interests** to help advance open and connected solutions that can help move money as securely and smoothly between customers as if the customers were with the same bank.

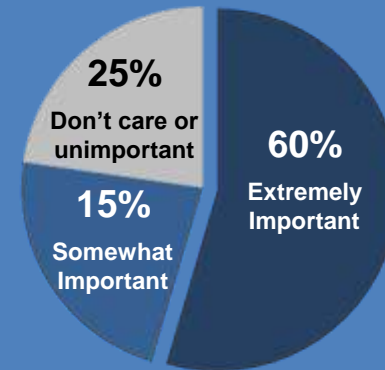


# Why: Need for Security and Improved Service

## Customers increasingly attuned to security



Q31: When making payments, how important is not having to give your bank account number to the receiver?:



Source: quantitative internet study, Phoenix Marketing International, Nov. 2013, n=1200

# Next Steps

- Our bank has completed initial testing internally with our staff and preparing to be ready to support the next phase of the Proof of Concept and believe it will demonstrate benefits to many stakeholders
- We'll be testing with a small group of FI's, corporates, and service providers in tightly controlled environment
- Opportunity to engage others once we get further in the process.
- Our focus is to do it right, to help learn as much as possible, and do it in a way that can help many who need to engage as they can become ready.