

Payments modernization: What is the state of business payments today, and where are we going?

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Today's Payment Methods



According to the AFP's 2019 ePayments Report, while a vast majority of businesses report using checks to pay their major business suppliers (97%), they report using other methods as well, including



ACH credits (90%)



Domestic wire transfers (77%)



ACH debits (54%)



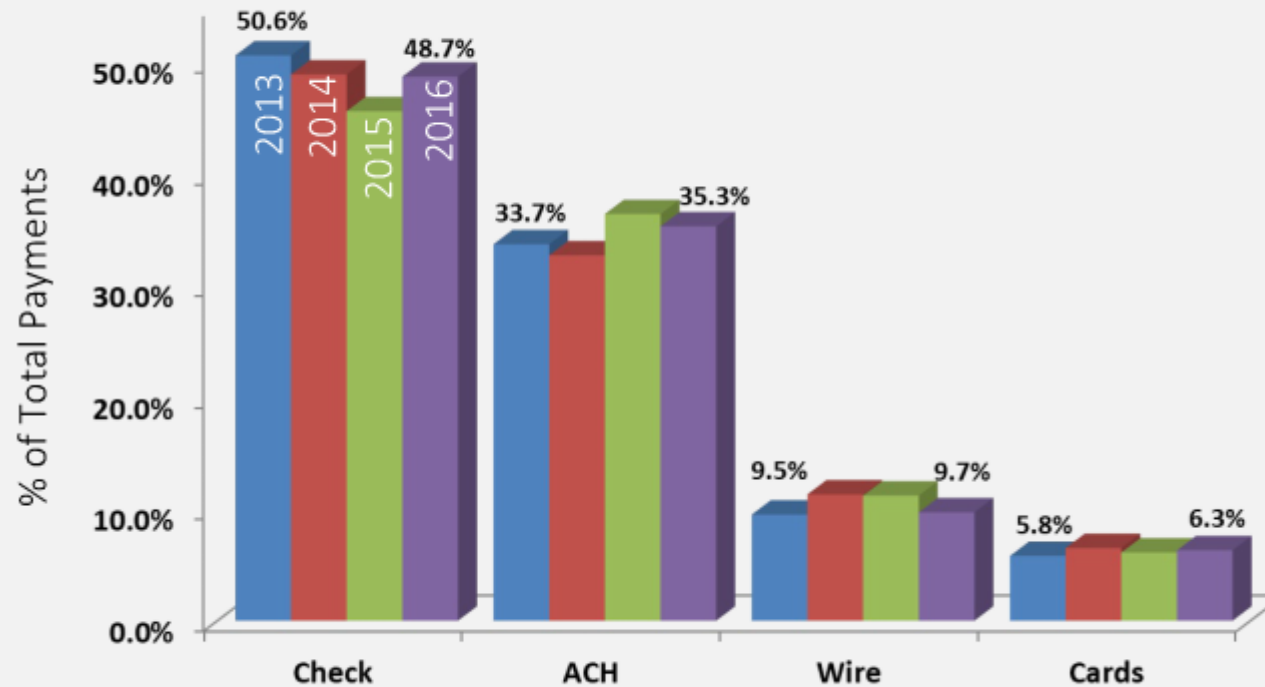
Physical cards (40%)



Virtual cards (29%)

Payments in Large Corporations

Large Corporate Segment (>\$500 MM in Sales) 2013-2016



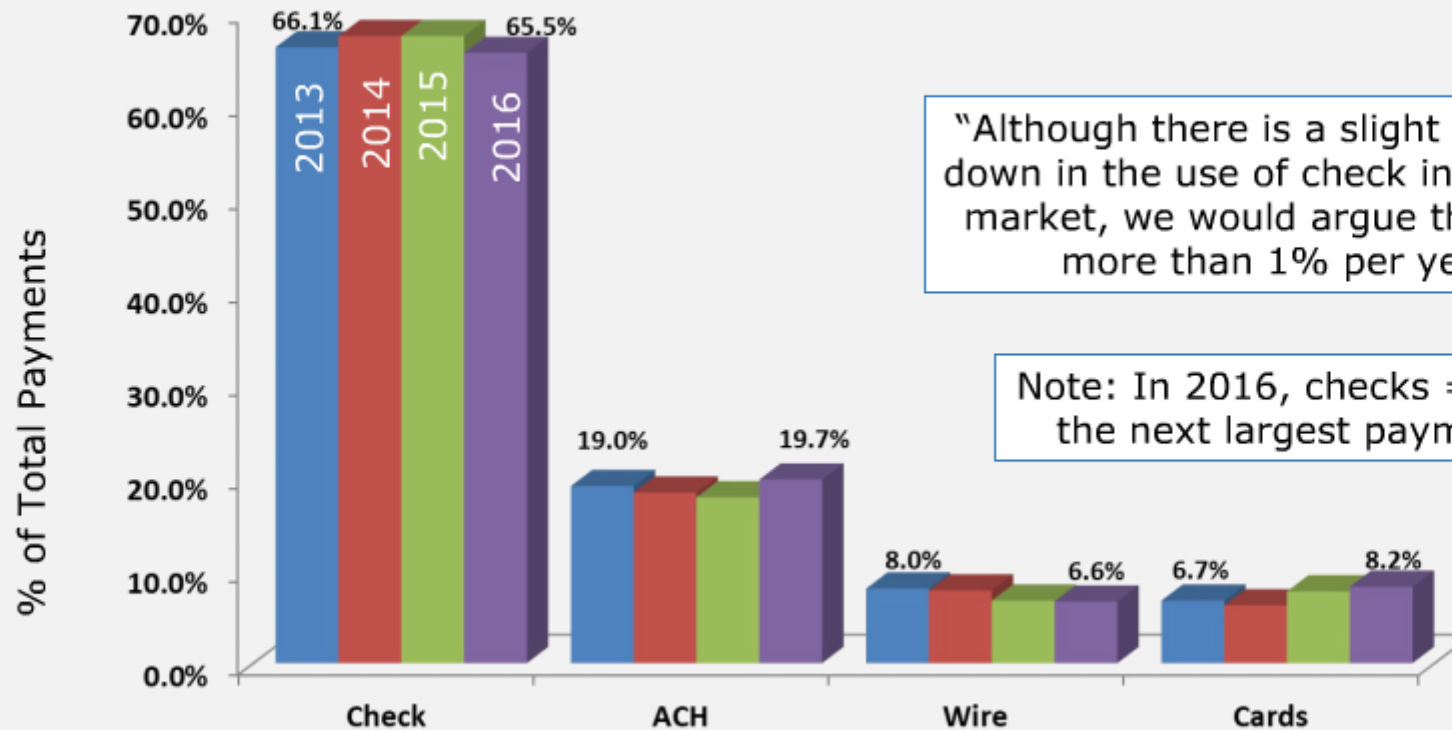
Source: Phoenix-Hecht 2016 Treasury Management Monitor

"The documented trend of little or no contraction in B2B check usage over the past three years may continue into the future."

Note: In 2016, checks = 1.4 times the next largest payment type

Payments in Mid-Sized Companies

Middle Market Segment (\$20 - \$500 MM in Sales) **2013-2016**



"Although there is a slight movement down in the use of check in the middle market, we would argue that it is no more than 1% per year..."

Note: In 2016, checks = 3.3 times the next largest payment type

Source: Phoenix-Hecht 2016 Treasury Management Monitor

Faster Payments are the Future

Driven by advances in technology, faster payments provide economic benefits



Better cash flow management for small businesses



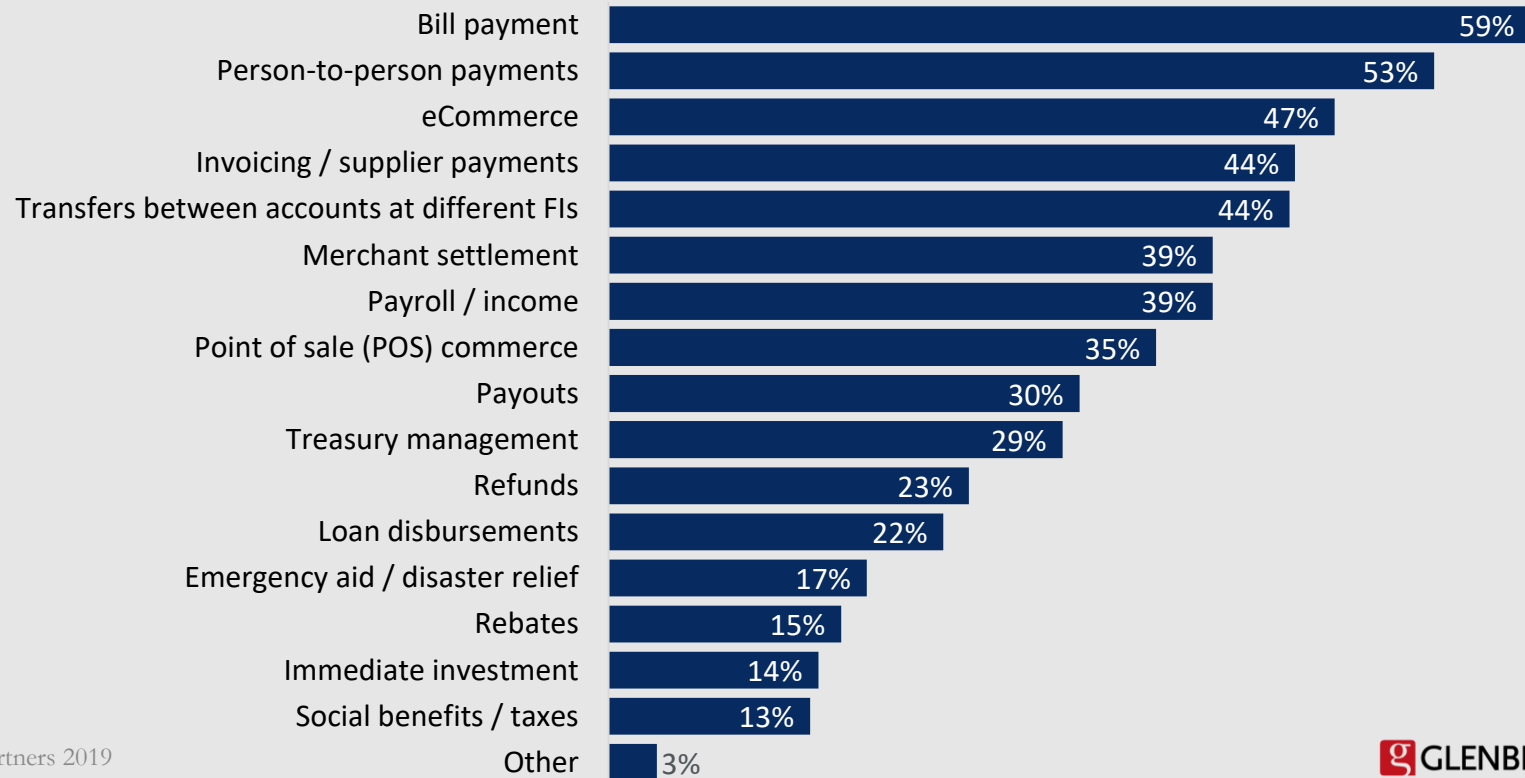
Allow individuals and businesses to make time-sensitive payments whenever needed



Final funds received in real-time for immediate use

According to the Faster Payments Barometer...there is strong interest in diverse use cases solving “every day” pain points

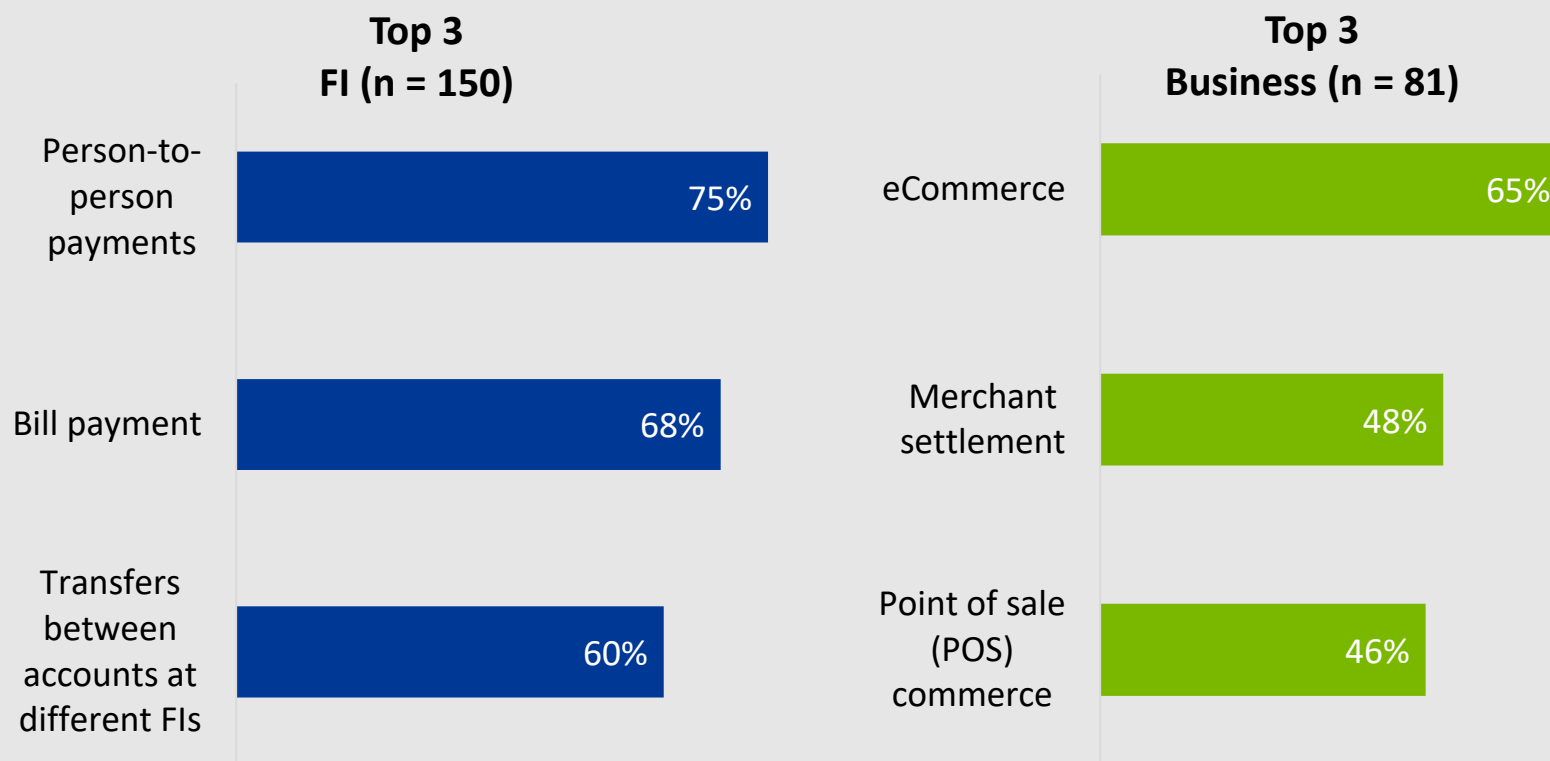
For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.



n = 548

Faster Payments Barometer: FIs and businesses intend to solve different end-user needs

For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.



What Faster Payments Solutions Are Available Today?



NACHA Same Day ACH



The Clearing House RTP® Network



Early Warning Zelle®



Visa Direct



MasterCard MoneySend



Shazam Network



ExcheQ

And tomorrow? Introducing the FedNow Service



The FedNow Service is a new interbank 24x7x365 real-time gross settlement (RTGS) service for faster payments with integrated clearing functionality



The service will

- Enable financial institutions across the country to offer real-time payments to their customers
- Operate alongside private-sector services
- Provide a modern payment infrastructure for safe and efficient faster payments that allows innovation and competition to flourish



Determining factors

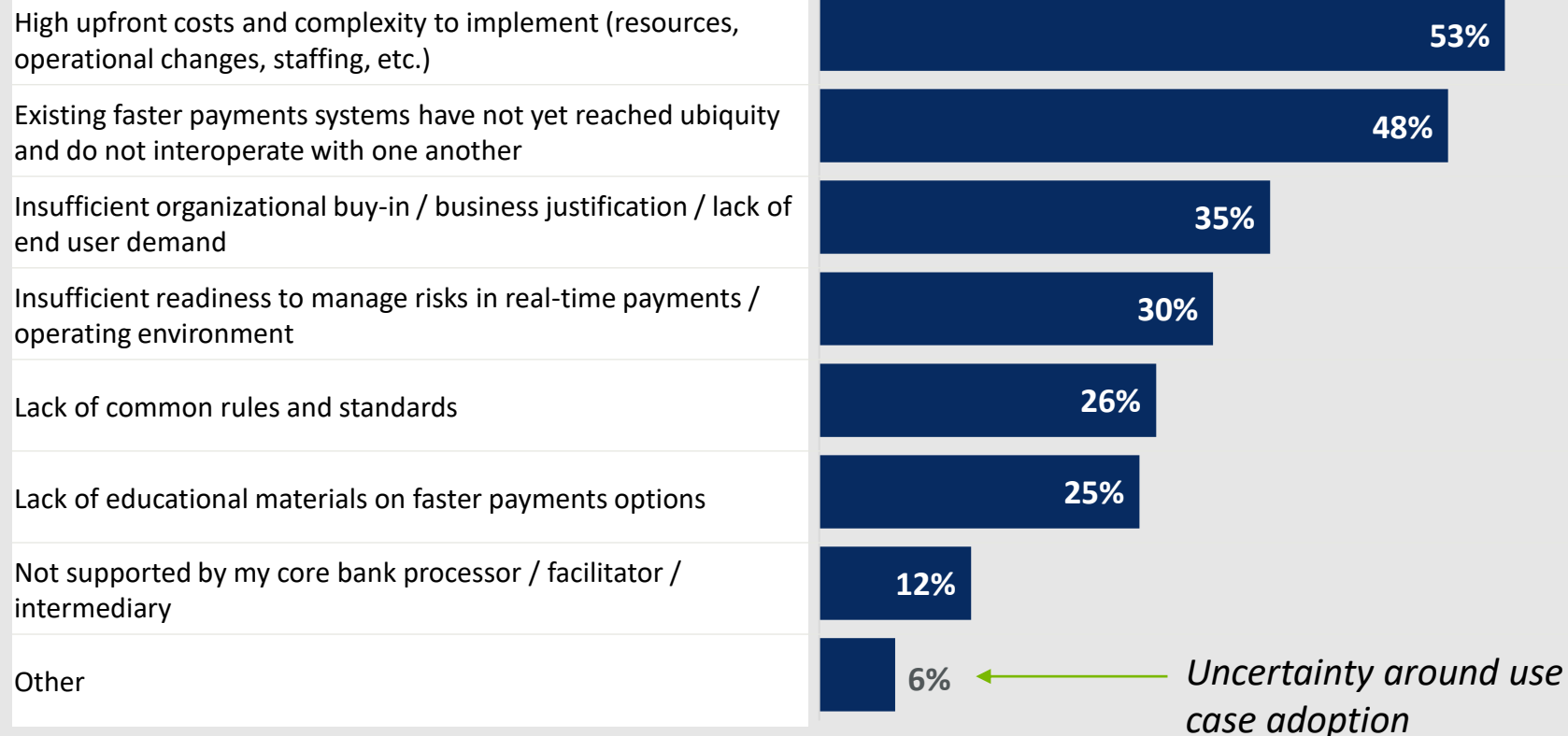
- Analysis of public comments received in response to the 2018 request for comment
- Board's policy assessment that such a service would meet the requirements of the Monetary Control Act and the Board's criteria for new or enhanced Reserve Bank payment services

Objections

1. The technology is too complicated.
2. I can't justify the cost of making this change.
3. I don't want to give out my company's account number.
4. I don't want to overhaul my processes.
5. I'm concerned about losing remittance information.

Magnitude of change and lack of ubiquity are leading challenges

Which of the following challenges to faster payments adoption are most relevant for your organization? Select up to three.



n = 548

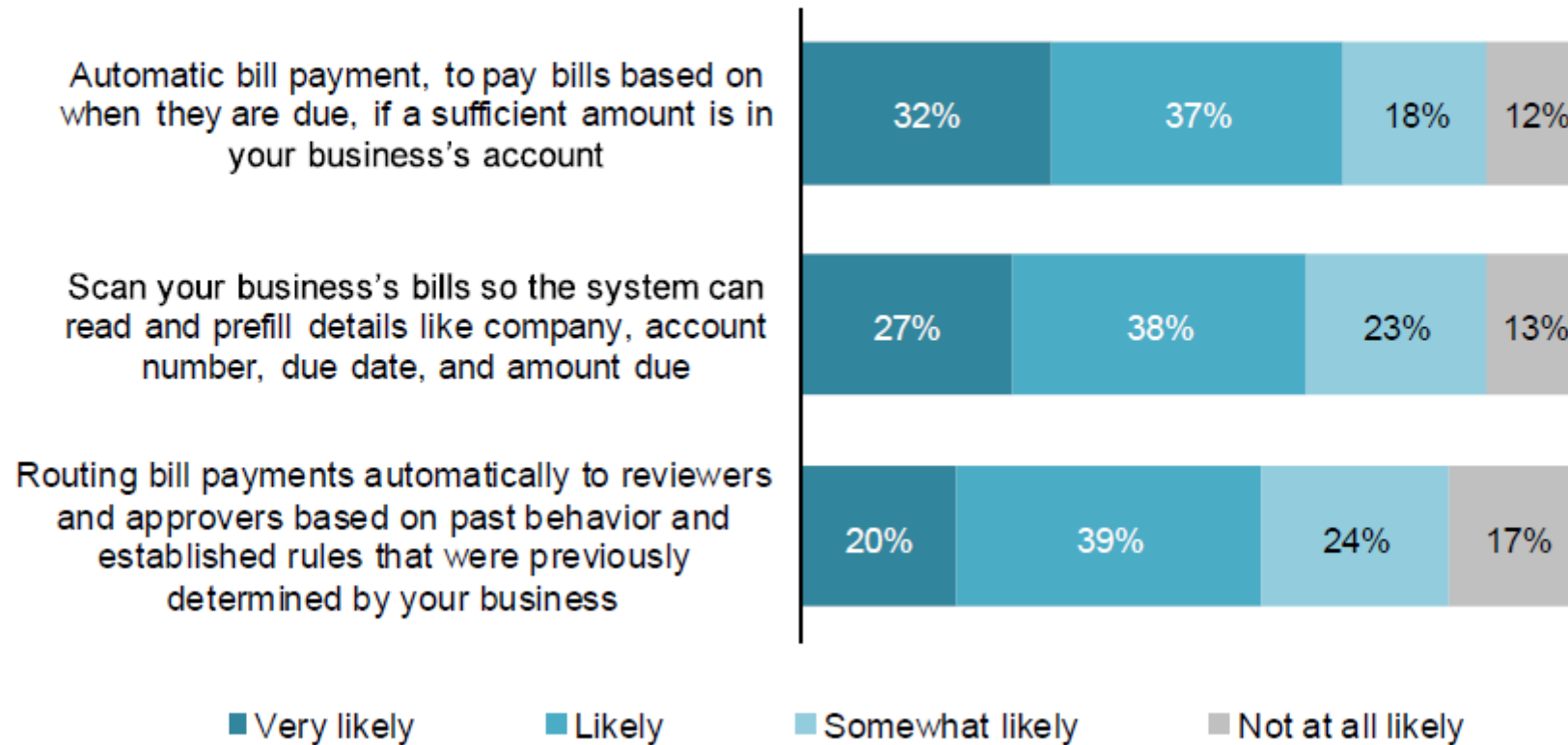
Payments are not just about speed - it's also about communication

Payee to payer and Payer to payee

- Supports traceable, secure real-time “conversation between parties”
 - Ability to ask quick questions and receive quick responses
- Creates stronger tie between a payment and its reconciliation
 - Integration of remittance and payment info
- Confirmation of payment receipt
 - Not bank to end-user but end-user to end-user

...It's also about intelligence

Q. If offered by its primary financial institution, how likely would your business be to use a tool that automated/streamlined each of the following processes using computerized learning or problem solving (i.e., AI or machine learning)? (N=1,008)





How do we solve those objections?

- Make it Easy
- Make it Understandable
- Make it Safe
- Make it Comfortable
- Make it Customer-Centric
- Make the Business Case

Takeaways

Faster Payments is coming

- RTP
- FedNow
- Visa Direct
- And many more...

But it's not here yet

- Checks still rule business
- Speed isn't enough

We need to work together to bridge the last mile

- Solve real problems
- Meet real needs
- Meet users where they are

What we do now shapes the future

- Rapidly evolving landscape
- New paradigm in payments
- Now's the time to be part of the efforts that will shape the future of payments.

www.fasterpaymentscouncil.org

