

## BENEFITS OF OFFERING FASTER PAYMENTS

<b>Remaining Relevant</b>	Trend Setter; Competitiveness
<b>Maintain Customer Relationships</b>	Provide customers with the services they will use; Ability to reach upcoming generations; Cross-selling opportunities
<b>Faster Funds Availability</b>	Reduce unintentional overdrafts; Opportunity to successfully manage funds
<b>Decrease Cost</b>	Reduce Processing Costs; Increase fee income
<b>Reduce Risk</b>	Shortens the delay between payment initiation, clearing & settlement; Timely confirmation of good funds; Irrevocable
<b>Financial Institution</b>	Solutions may be available through existing service providers; Maintain a strong customer relationship and remain highly relevant ability to offer innovative new products; Ability to compete with non-financial institution competition
<b>End User/Corporate Customers</b>	Help large and small businesses to better manage cash flow; Improve invoice information, messages, and payment capabilities; Possibly lower interchange fees; May lead to innovative practices or services to stand out among competition.

## FASTER PAYMENTS RISK

### Planning for Risk

- OFAC
- KYC
- BSA/AML
- Fraud/Losses
- Settlement Risk
- Operational Risk
- Security/Cyber Risk

### Mitigating Risk

- Be aware of potential threats: Account Takeover, Phishing, Malware, Social Engineering
- Upgrade Fraud Detection Systems: Less time to review for suspicious activity, faster settlement
- Ensure Originators obtain proper authorization: Nacha Operating Rules and Guidelines apply to ACH transactions
- Review Policies and Procedures: including disaster recovery
- Set reasonable transaction limits; never rely on system defaults
- Faster Settlement: real-time or near real-time payments do not necessarily mean real-time or near real-time settlement
- Settlement Delay: any delay in settlement implies increased risk
- Settlement Speed: means less time to scrutinize transaction risk and can give occasion for fraud
- Robust Authentication: layered approach
- Monitoring, Monitoring, Monitoring
- Consumer Training

## FASTER PAYMENTS SOUND BEST PRACTICES

- Connect with your Core/Online Banking Provider to determine faster payments options
- Select the network(s) you will be using
- Understand the network and settlement process
- Educate staff on the benefits of faster payments
- Educate staff on the risks of payments – operations, front line, compliance, BSA, etc.
- Define the value of faster payments
- Educate customers/members
- Develop policies and procedures
- Develop risk tolerances and apply limits, know your liability
- Prepare operational environment
- Understand risk and get board approval to move forward
- Manage liquidity
- Understand the network rules and error resolution process for consumers and corporate
- What regulations apply to the chosen network
- Implement Fraud Monitoring

## REAL TIME OR NEAR REAL TIME

**Faster Settlement** - real-time or near-real-time payments provides faster settlement, but does not necessarily mean real-time or near-real-time settlement. This is determined by the institution's setup and the selected payment rail

### Increased Speed, Convenience, and Accessibility:

- **Immediate:** can be sent 24 hours a day, seven days a week, receives response to the sending bank within 15 seconds, confirming that receiving bank has already accepted or rejected the payment
- **Instant:** an electronic retail payment solution available 24/7/365, resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee's account with confirmation to the payor (within seconds of initiation)
- **Same Day:** can be sent 24 hours a day, seven days a week, receives response to the sending bank within 15 seconds, confirming that receiving bank has accepted or rejected the payment

Errors and Disputes	Responsibility and Procedures
Fraud - unauthorized payment made from an individual's account using comprised account information	Payments networks or financial institutions involved in the transfer may reimburse parties if appropriate procedures and notification timeframes are followed. Procedures will include research of fraud raised by the payer and it may be determined to reimburse the payer from a financial institution or the payment network. In other cases, no reimbursement will be received. Consumer liability will be limited according to Regulation E.
Financial Institution or Payment Network Error – usually due to software errors, duplicate payments, etc.	After error researched, the party responsible will reimburse the affected party.
Payment for Merchandise	Some payment networks will research If the transfer is related to payment due to merchandise being substantially different. Some will not research the disputed payment if commercial transactions are involved, because their terms specifically prohibit use of the network for commercial transactions. Many times, the only recourse for a payer is to contact the seller to seek restitution or pursue actions through legal channels.
Funds Transfer	If fraud was not involved, a payer can still dispute the transfer if there was an error. If an error is reported and proven to be a processing error, typically the party causing the error will reimburse the payer. If the payer caused the error, a misdirected payment, then some payment networks will not reimburse stating they carried out the given instructions. Others may reach out to the payee to ask for the return. If the payee does not contest, the funds will be returned. If the payee does contest, the funds will not be returned. Details of transfers should be reviewed prior to initiation.
Mistaken or Misdirected Payments – Payments for the wrong amounts can be initiated or payments can be directed to the wrong payee	<p>Payment networks and financial institutions handle these errors in several ways including:</p> <ul style="list-style-type: none"> <li>• Do nothing – since the payment occurred as specified by sender, they bear responsibility of the error and may contact the payee directly for reimbursement</li> <li>• Research – to determine if it is mistaken or misdirected and if so, reimburse the payer and is typically done by the payee financial institution to and if it is a legitimate error, if funds are available, it may return the funds to the payer's account</li> <li>• If payee does not contest a mistaken or misdirected payment, the payer is reimbursed – payer notifies financial institution of error, the financial institution notifies the payee financial institution who notifies the payee and payee does not contest, payer is reimburse; if payee contests the payer is not reimbursed and the payer may choose to seek outside of the network or through legal channels</li> </ul>

## FASTER & EMERGING PAYMENTS TYPES

**Digital Wallet (e-Wallet)** – Software-based system that securely stores users' payment information for numerous payment methods and websites. (Examples: ApplePay, Google Wallet, Samsung Pay, PayPal, Venmo, Walmart Pay, Dwolla)

**Real-Time Payments** – Instant or immediate payments as electronic retail payment solutions that are available 24/7/365. (Examples: TCH's RTP, FedNOW (Coming 2023-2024))

**P2P Payments** – A credit entry initiated by or on behalf of a holder of a consumer account that is intended for a consumer account of a receiver. (Examples: Venmo, PopMoney, PayPal, Zelle, TCH's RTP, FedNOW, Dwolla, Visa Direct, MasterCard Send, Shazam Bolt\$, Nacha Same Day ACH)

**A2A Payments** – Transfer of funds between two accounts owned by the same account holder at two different financial institutions. (Examples: TCH's RTP, MasterCard Send, Visa Direct, Nacha Same Day ACH)

**B2B Payments** – Payments made between two merchants/businesses for goods or services. These solutions make it faster to issue, receive, and process payments. (Example: TCH's RTP, MasterCard Send, Visa Direct, Nacha Same Day ACH, FedNOW)

**B2C Payments** – Payments made between a merchant/business and a consumer in exchange for goods or services. (Examples: Shazam Bolt\$, Nacha Same Day ACH, TCH's RTP, Zelle, MasterCard Send, Visa Direct)

**C2B Payments** – Payments made between a consumer and a merchant/business in exchange for goods or services. (Examples: Visa Direct, Shazam Bolt\$, Nacha Same Day ACH, TCH's RTP)

### PaymentsFirst Member Support

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