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## Readiness for Faster Payments in the U.S.

A 2019 Payments Study

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## Key objectives of the study:

- Identify key trends in the payments industry.
- Evaluate awareness of and participation with faster payments providers, products, services and working groups.
- Assess the current state of readiness for faster payments implementation.
- Explore opportunities to provide knowledge, assistance and support to member organizations.

Over 700 organizations completed the study, with 94% being financial institutions and 6% third-party service providers. Data was collected February 20 - March 8, 2019.

Research by



## Where do we stand today?

The payments industry continues to evolve with improvements to network functionality and the introduction of entirely new payment rails. Trends from around the world indicate that momentum for faster payments continues to increase and expand geographically. How are financial institutions in the U.S. responding to this global trend?

This study, commissioned by the Center for Payments, surveyed payments association members from across the United States to examine how financial institutions and others are planning or implementing a payments strategy and adopting new technologies, like faster payments solutions. A deeper dive into the survey responses demonstrated differences in financial institutions of various asset sizes.

### Payments Study Preview

Many of the organizations who participated in this survey indicated a need for guidance and assistance with payments strategy, including information on key players in faster payments and how faster payments work.

Many also expressed concern that they don't have the technology in place necessary to implement faster payments and that they are willing to look outside their core system provider for products and support.

### Why is this important?

Consumer and business payments in the U.S. are accelerating! The effort to understand, evaluate, plan and implement these changes is no easy task.

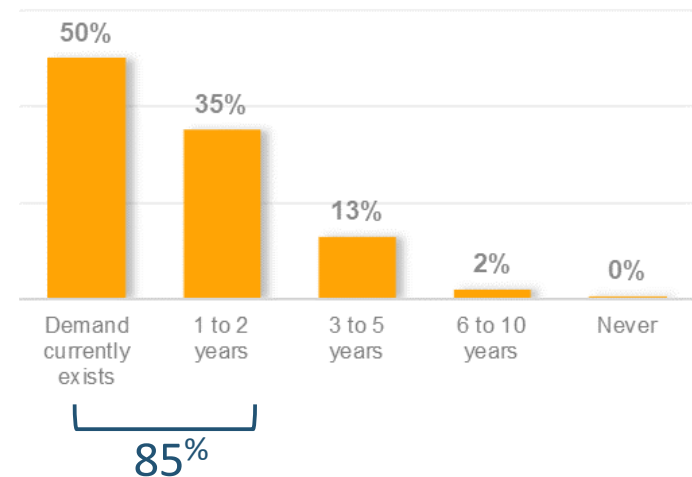
Read more to understand how you stack up among your peers from across the nation in tackling the faster payments revolution.

## When do respondents think account holders will demand faster payments solutions?

Sometimes thought to be the purview of only the largest banks, the demand for faster payments by businesses and consumers continues to grow for financial institutions of all sizes.

Consumers have become more comfortable with digital payments and increasingly consider faster payments to be a natural extension of the overall electronic payments landscape. This trend seems to be driven by widespread adoption of digital channels enabled by the internet and mobile telephones.

Similar to the evolution of mobile banking, from value-added service to the commodity it is today, faster payments solutions are a natural extension of the overall electronic payments landscape and may soon become an expectation of all financial institutions.



Demand for faster payments solutions by consumers and business already exists. 50% of responding organizations are currently experiencing demand for faster payments. Demand is expected to grow in the near future; 35% of respondents anticipate demand in the next 1-2 years. In the next few years, 85% of organizations expect a demand for faster payments.

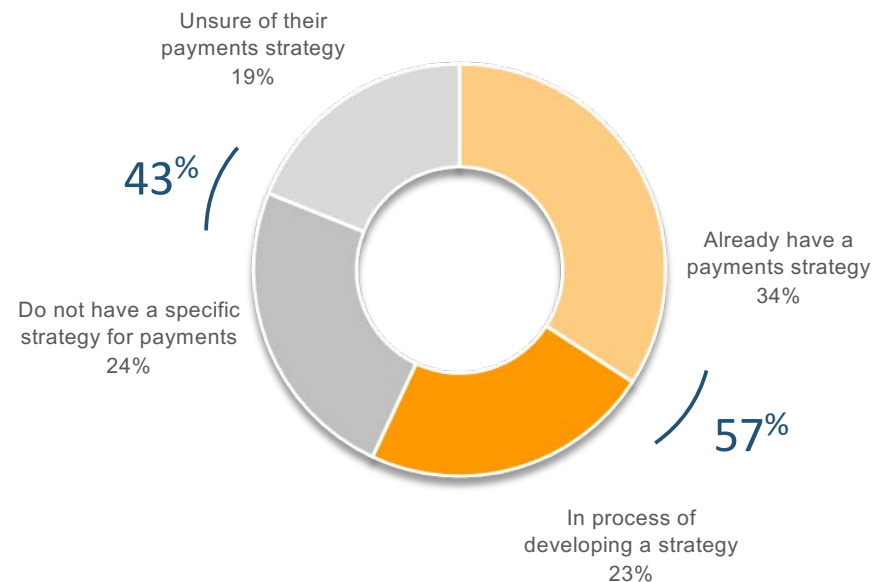
## Do respondents currently have a specific strategy for payments?

Almost half of the responding financial institutions have some level of a payments strategy and have begun developing and implementing specific policies that align with their overall strategic plan.

However, waiting to “hear the demand” from customers before developing a payments strategy means financial institutions may risk losing those customers to competitors already providing a suite of innovative payments services and products.

Despite the projected demand for faster payments, only 34% of respondents currently have a payments strategy in place.

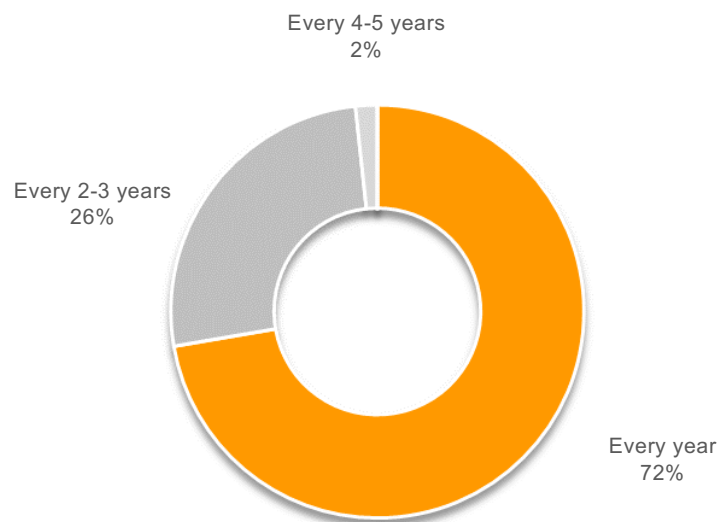
A large proportion (43%) don't have a specific strategy for payments or are unsure of their organization's payments strategy.



## How often does an overall payments strategy need to be updated?

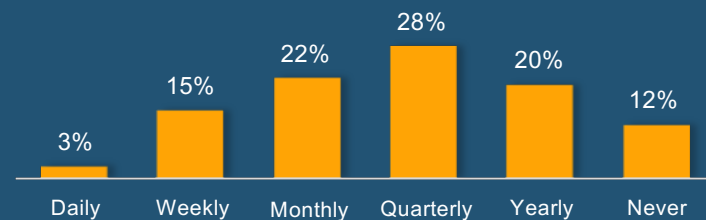
A majority of the respondents (72%) agree that a payments strategy should be updated on an annual basis. Of those financial institutions who are looking to update their strategy regularly, a large proportion expects to seek information about faster payments innovations, technology, and strategy.

Many organizations are still trying to understand how they can best implement a payments strategy that fulfills customer needs today and into the future.



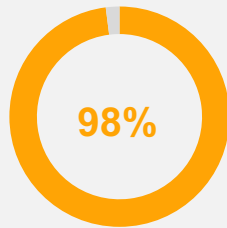
Nearly three-fourths of respondents feel a payments strategy should be updated every year.

When asked how often they seek information about faster payments, 40% said they look for new and updated information at least monthly.



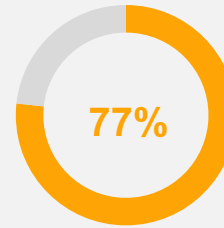
## Which faster payments solutions are respondents aware of? Of those, which solutions are being used?

### Aware of at least one provider



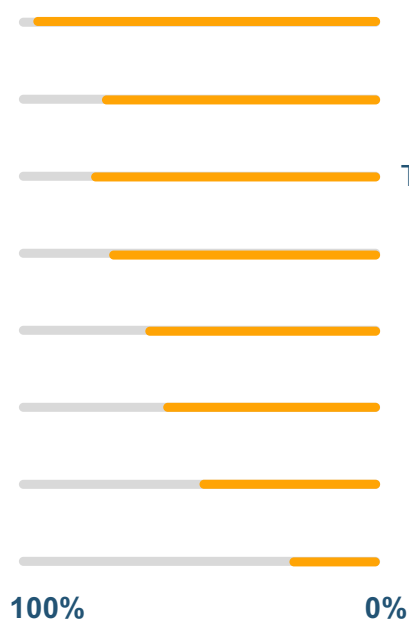
A vast majority (98%) of the respondents are aware of at least one faster payments solution.

### Uses at least one provider

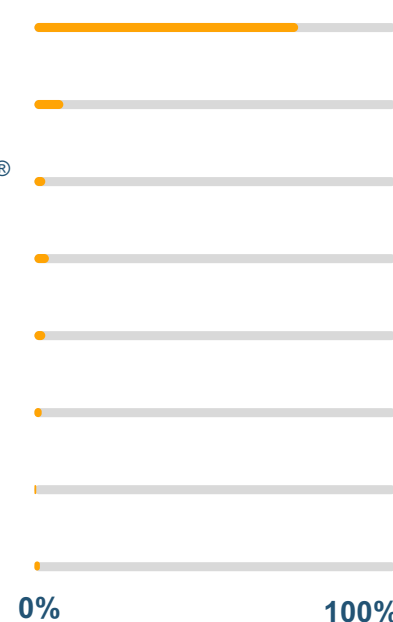


A majority (77%) of the respondents use at least one of the faster payments solutions represented.

### Awareness



### Usage



# What is the most important challenge facing the payments industry?

## Challenges

As financial institutions address faster payments, numerous challenges arise:

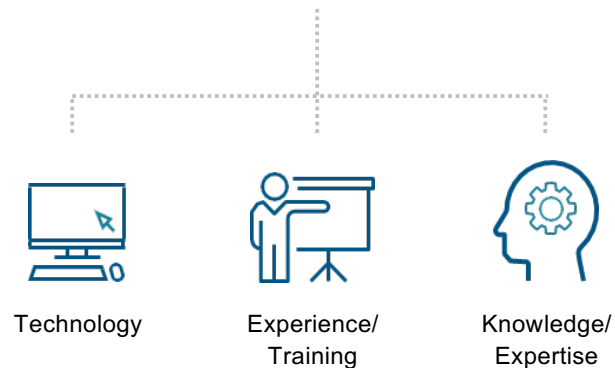
- Security/fraud concerns
- Technology stack requirements
- Operational strategies
- Performance measurement
- Training
- Identifying vendors

...the list continues to grow.

Respondents are focused on three primary themes:

1. Securely Providing Faster Payments
2. Identifying the Optimal Speed of Transfer
3. Keeping Pace with Technology

Facing growing demand for faster payments by customers, respondents feel ill-prepared to keep up with the faster payments evolution—indicating a lack of:





## How should financial institutions respond to the demand for faster payments?

Financial organizations have moved beyond the “why faster payments” question. Most are primarily concerned with the “who” and “what” for identifying the payments use cases best suited for their customers and members, and “how” to best execute. Organizations want to understand what is driving demand, how these impact the payments lifecycle, and to determine how best to prepare for real-time payments.

No matter their stage of faster payments adoption, financial institutions want access to reliable information, curated lists of the key faster payments players, the nuts and bolts of implementation, and access to training resources for both staff and end-users.

In addition, there is a real need for understanding how to balance customer expectations and provide optimal customer experiences throughout a faster payments transaction. If the user experience of the interface fails, or customer expectations are not met, they may move on to another institution for a better experience.

## What additional information or assistance do you need to implement faster payments?

Overall Results

Respondents are focused on four primary themes:

### 1. The Players

- What options are available
- Who provides what
- Associated costs
- Market share

### 2. How it Works

- How to implement faster payments
- How to integrate with legacy systems
- How to mitigate risks and secure payments

### 3. Best Practices

- Current policy developments
- Technology – in house, vendor, or combo
- Customer experience

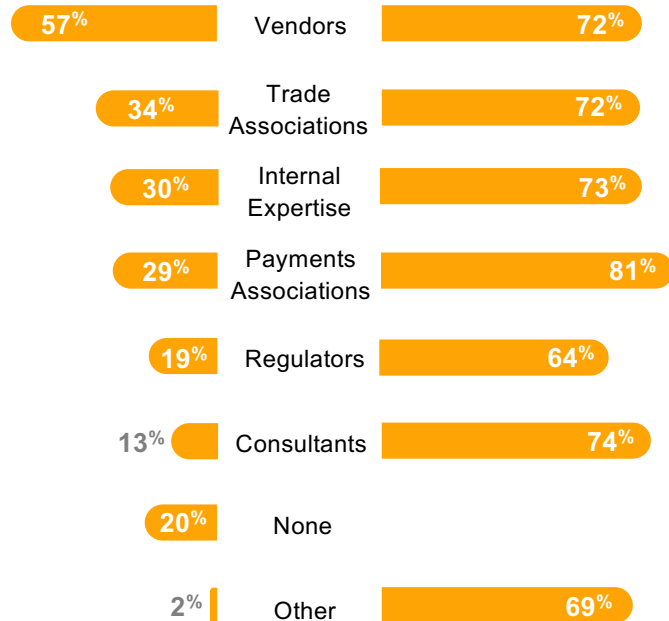
### 4. Training

- How to train staff (resources, training consultants)
- How to train end-users

# Who are financial institutions turning to for information?

## Sources

Of the respondents who turn to outside sources, 57% rely on vendors to help provide faster payments information and resources.



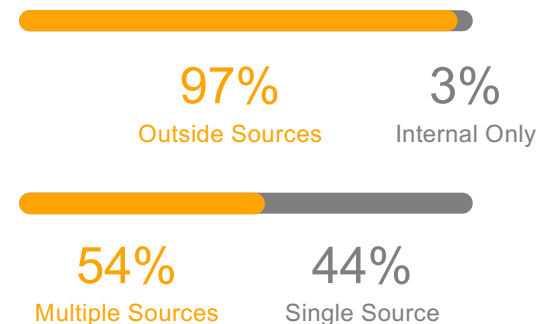
## Helpful

Although not the most widely used source for faster payments information, payments associations are rated the most helpful, trusted source.

Realizing they need faster payments information across a myriad of topics, from regulatory requirements, business use cases, technology, implementation, and training, financial institutions are turning to multiple sources

Payments associations are well positioned to meet these needs by offering thought leadership, market intelligence, emerging technology updates, regulatory advocacy, training assets, and vetted registers of suppliers of faster payments services and consulting.

Most organizations rely on outside sources for information as they implement or regularly update their strategy. In fact, only 3% of respondents rely solely on internal expertise, leaving 97% who use outside sources. Over half of respondents use more than one source to help drive their faster payments strategy.



## Are respondents confident in core systems providers?

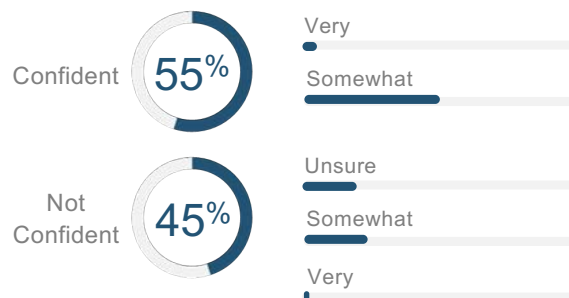
## Are respondents willing to use third-party payments solutions?

Without doubt, the core system provider is an important vendor relationship for many financial institutions. Historically, financial institutions are reluctant to change providers given the cost and operational burden associated with switching core systems. However, organizations of all sizes state a willingness to work with third-party solutions despite potential risks and challenges of integrating into their core systems.

The rapid evolution of the payments industry has placed pressure on core system providers to meet the growing demand for faster payments solutions. This study suggests core system providers stand to lose market share to third-party vendors if financial institutions turn to third-party solutions for products not offered by their core system provider.

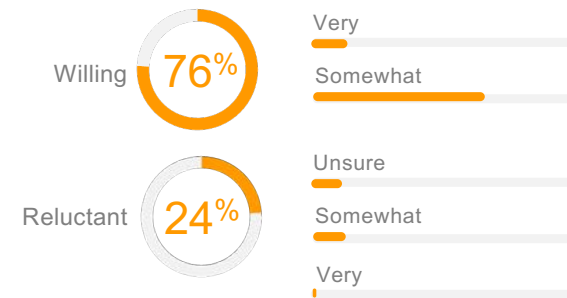
### Confidence is Wavering

There is not a high level of confidence that core system providers will stay on the cutting edge of the payments industry. Though nearly half of the respondents have some degree of confidence, the overall sentiment is essentially neutral.



### Willing to Use Third-Party Vendors

Most respondents are willing to use third-party products not offered by their core system provider.



# Breakouts by Asset Size

## How do you stack up with your peers?

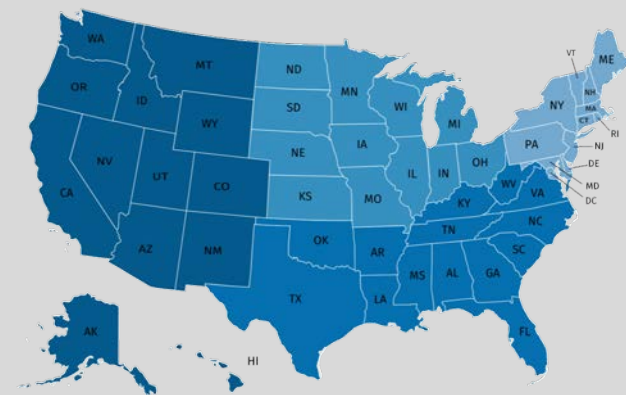
During analysis of the survey data, there were notable differences in the responses to some of the questions based on the asset size of financial institutions. As a result, three specific asset size groups were created to illustrate the differences and similarities of the survey respondents:

- Under \$500 Million
- \$500 Million to \$5 Billion
- More than \$5 Billion

In the following sections, each of these groups are profiled in more detail to help readers see how their own organization compares to their asset size peers. Essentially, the purpose is to allow readers to see themselves within their respective profile group and understand how well their organization is doing with payments strategies compared to similar-sized financial institutions.

In addition to asset size, two other factors were evaluated, looking for any important differences in survey responses:

- Geographic regions (Northeast, Midwest, South, and Pacific) were broken out; no significant differences were found. The map below shows the regions.
- Financial institution type (bank, credit union) was also assessed with no significant differences found.



Regions Assessed During Data Analysis

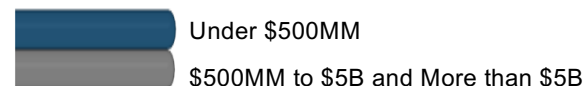
# Profile Summary

## Assets | Under \$500 Million

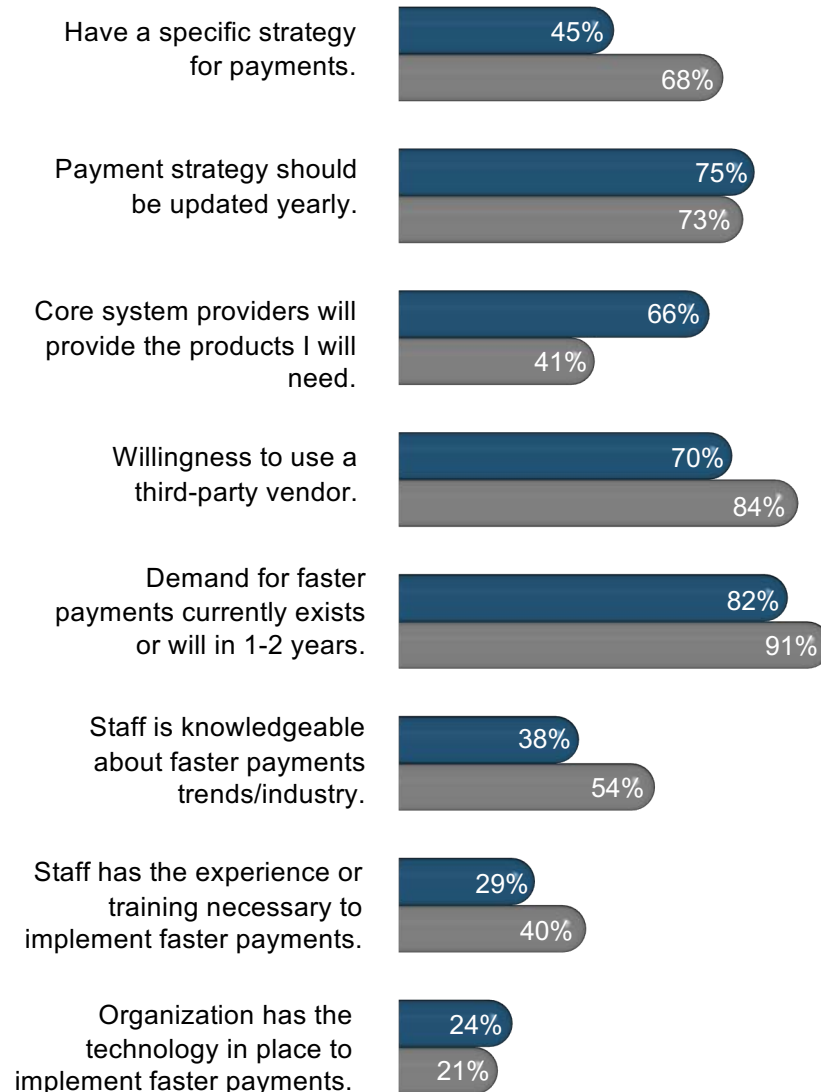
377 financial institutions with assets under \$500 Million participated in the survey. This group represents 57% of survey respondents.

### Summary:

- Least likely to have a specific payments strategy in place or in progress.
- Most likely to trust their core system provider to provide the products and solutions necessary for faster payments.
- Financial institutions in this category, however, are willing to explore third-party vendors for faster payments solutions.
- Despite being the least likely to have a specific payments strategy, these financial institutions are:
  - Moderately confident in their staff's knowledge about the faster payments industry.
  - Split on their staff's experience, with only half of the responding institutions demonstrating confidence.
  - Not confident in their organization's technological ability to implement faster payments.
- Turn to vendors or trade associations for information about faster payments trends.
- View payments associations, consultants, and trade associations as the most helpful sources of information.

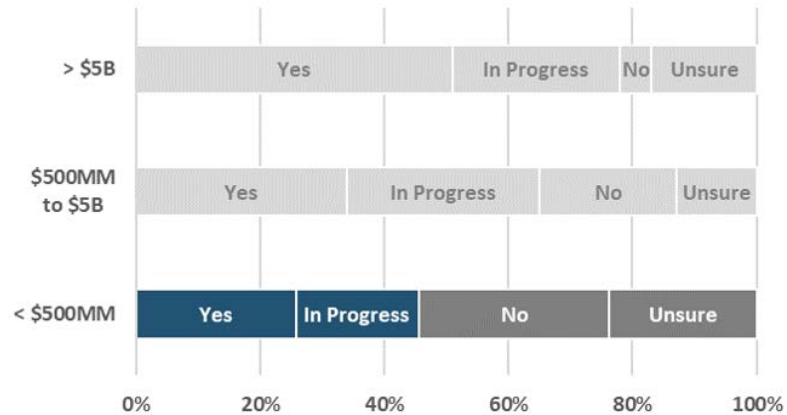


Under \$500MM



## Detailed Profile

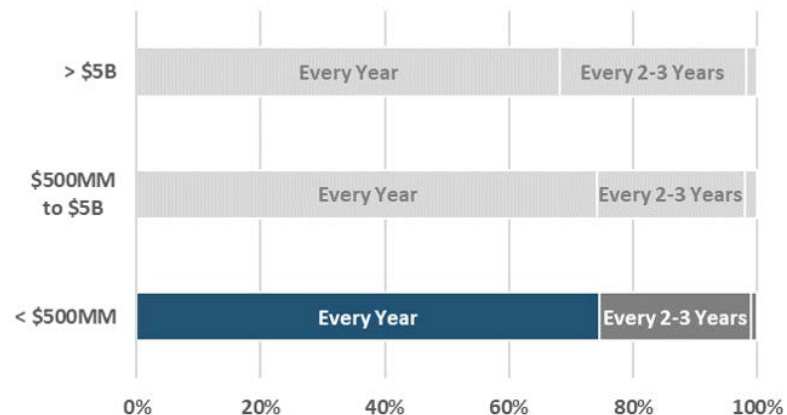
Do you currently have a specific strategy for payments?



Despite an agreement that the demand for faster payments is imminent, financial institutions with assets under \$500 Million are the least likely to have a specific strategy for payments in place or in progress.

These financial institutions are less likely to have the internal expertise dedicated to implementing faster payments. Therefore, these institutions should leverage resources from payments associations and other educational sources to understand the demand, implementation process, and other considerations when implementing faster payments solutions.

How often does a payments strategy need to be updated?

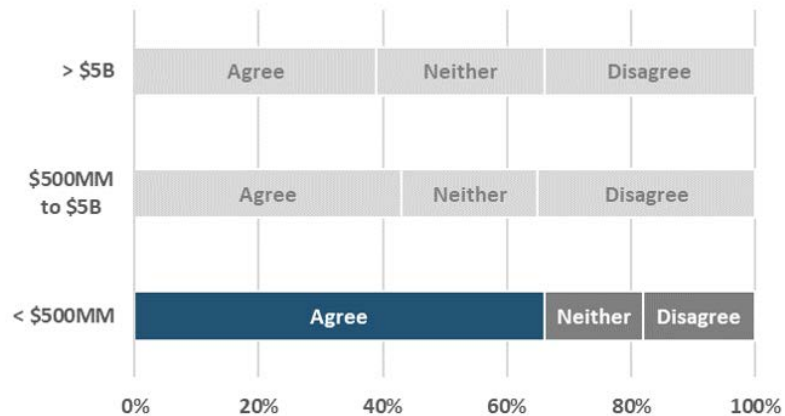


Financial institutions with assets under \$500 Million agree that a payments strategy needs to be updated every one to three years.

Overall, there are no significant differences between asset sizes for the frequency of updates.

## Detailed Profile

I'm confident core system providers will provide the products I will need.

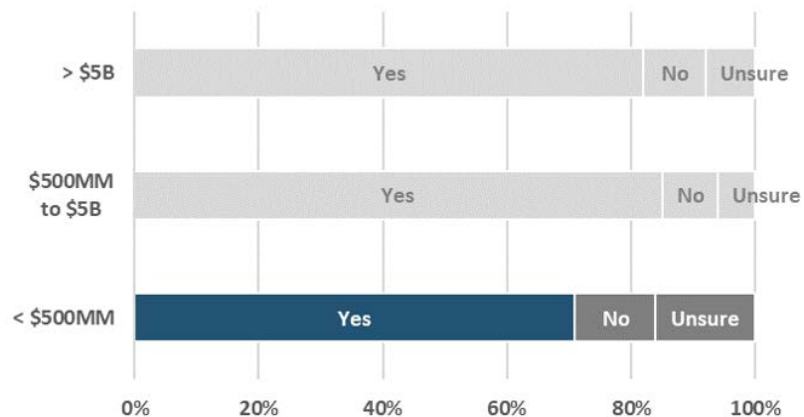


These financial institutions are much more confident in core system providers than those with more than \$500 Million in assets.

These financial institutions may be more reliant on their core system provider, and more in tune with advancements core system providers are making in the faster payments industry.

As demand for faster payments continues to grow, these financial institutions may need to press their core system provider for faster payments solutions.

Are you willing to use a third-party vendor for products?



All three asset groupings demonstrate a willingness to use a third-party vendor for faster payments solutions. However, under \$500 Million financial institutions are notably less willing.

## Detailed Profile

I think demand for faster payments solutions will exist in:



All three asset groupings agree that the demand for faster payments either currently exists or is imminent in the next one to two years. Despite being less likely to have a specific strategy in place, institutions with assets under \$500 Million are recognizing the need to implement faster payments solutions.

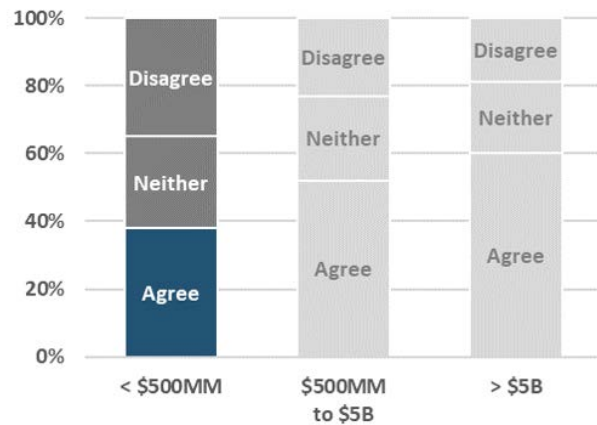
This suggests that to continue to meet this demand, these institutions should leverage a variety of resources such as their payments associations, consultants, and vendors to understand what the implementation process requires.



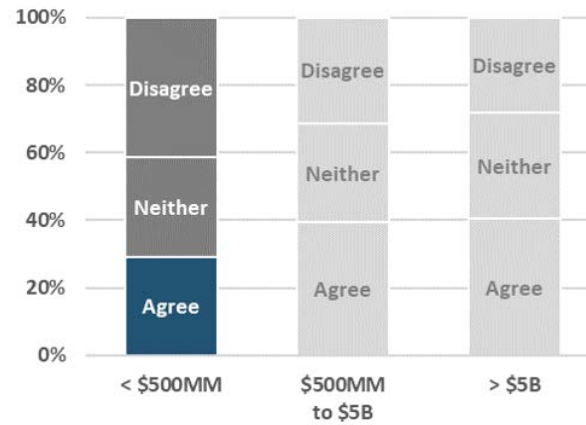
# Detailed Profile

## Faster Payments Readiness:

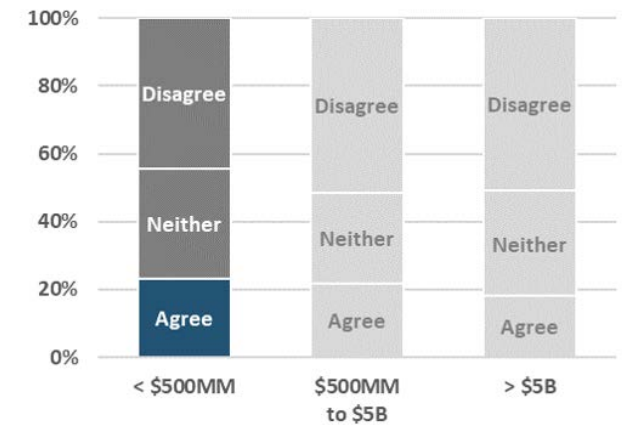
Staff is knowledgeable about faster payments trends/industry.



Staff has the experience or training necessary to implement faster payments products.



Organization has technology in place to implement faster payments.



Just over one-third of these financial institutions have confidence in their staff's knowledge about faster payments industry and trends. Confidence in their staff is trending positive.

Approximately one-third of these financial institutions agree their staff has the experience and training required to implement faster payments. Confidence in their experience is holding at neutral.

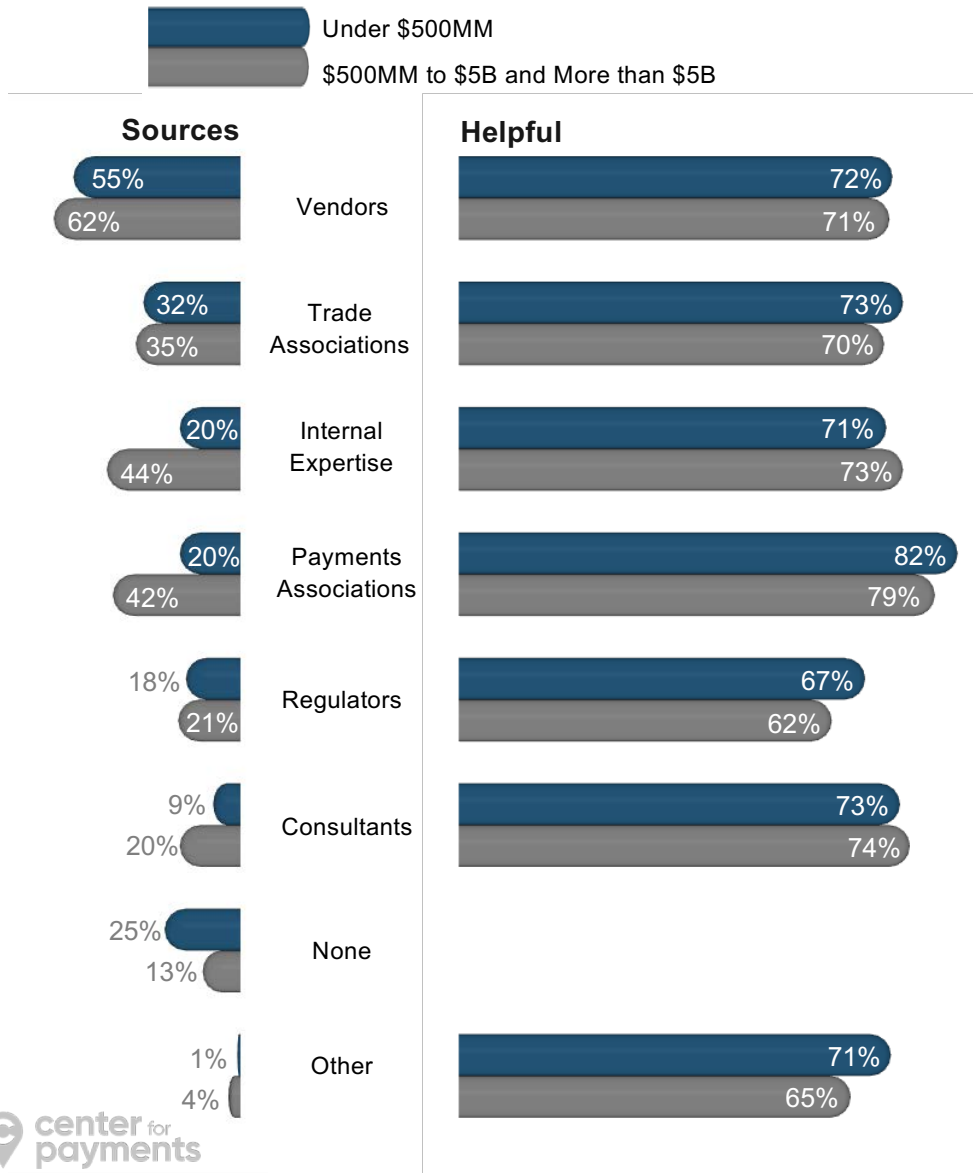
A minority of respondents expressed confidence in their organization's technology. However, this asset grouping is more confident than financial institutions with assets of \$500 Million or more. Despite that, confidence in their technology is trending negative.

These results imply when moving forward with faster payments solutions, it is important to have a specific plan in place. There are a variety of resources available to these institutions, including payments associations, fintech partners, and consultants.

## Detailed Profile

Which sources of information have you used?

How helpful have each of these sources been?



Financial institutions with assets under \$500 Million are likely to turn to vendors or trade associations for information regarding faster payments trends and solutions. However, one-fourth of all respondents in this asset grouping reported they do not leverage or seek out any sources of information.

Of those who do seek information, payments associations, consultants, and trade associations are rated as the most helpful source of information.

### Top Sources:

1. Vendors (55%)
2. Trade Associations (32%)

### Most Helpful:

1. Payments Associations (82%)
2. Tie: Consultants (73%)
2. Tie: Trade Associations (73%)

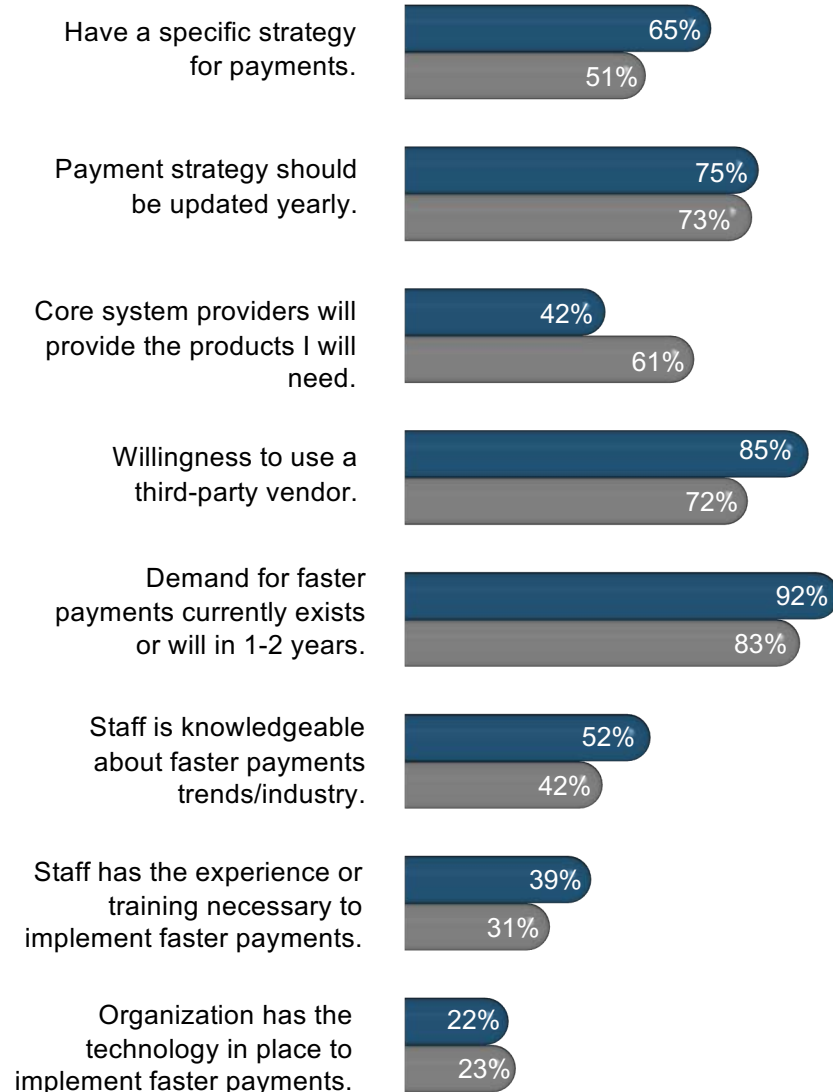
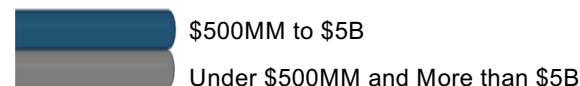
# Profile Summary

## Assets | \$500 Million to \$5 Billion

201 financial institutions with assets between \$500 Million and \$5 Billion participated in the survey. This group represents 31% of survey respondents.

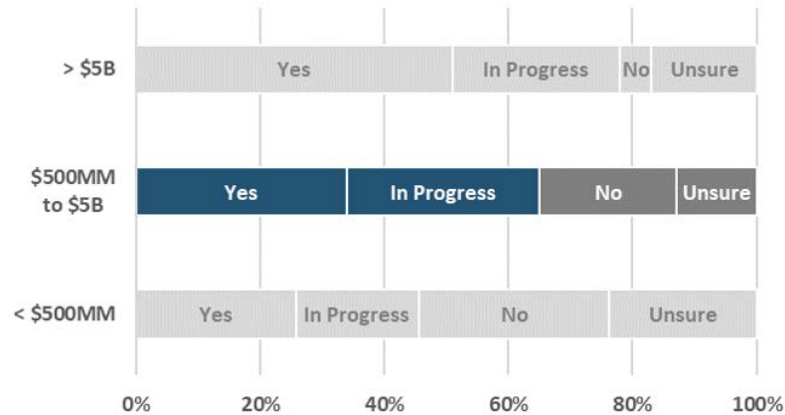
### Summary:

- Most likely to have a specific payments strategy in progress.
- Very willing to use a third-party vendor for faster payments solutions.
- When it comes to faster payments readiness, these institutions are:
  - Moderately confident in their staff's knowledge about the faster payments industry.
  - Split on their staff's experience, with only half of the responding institutions demonstrating confidence.
  - Not confident in their organization's technological ability to implement faster payments.
- Turn to vendors, trade associations, payments associations, or internal expertise for information about faster payments trends.
- View payments associations, consultants, and trade associations as the most helpful sources of information



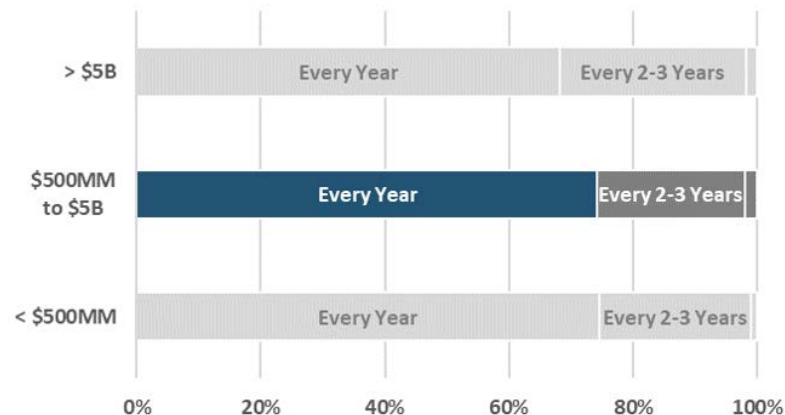
## Detailed Profile

Do you currently have a specific strategy for payments?



Financial institutions with assets between \$500 Million and \$5 Billion are the most likely to have a strategy in progress. These institutions are still slightly behind those with assets of more than \$5 Billion, and are significantly ahead of those with assets under \$500 Million.

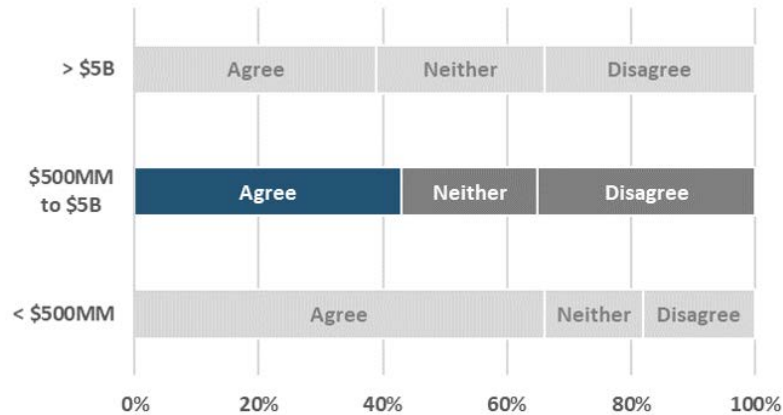
How often does a payments strategy need to be updated?



As with other asset groupings, financial institutions with assets between \$500 Million and \$5 Billion agree that payments strategy needs to be updated every one to three years. There are no significant differences between the asset groupings.

## Detailed Profile

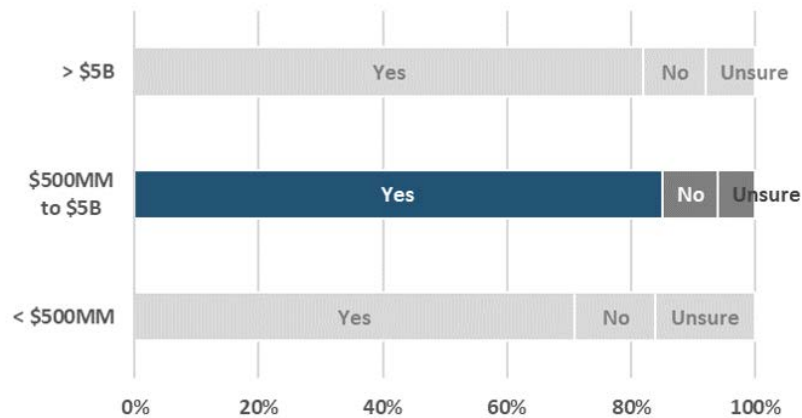
I'm confident core system providers will provide the products I will need.



Respondents in this asset grouping are split on the capabilities of their core system provider's ability to provide the products needed for faster payments.

Financial institutions with assets between \$500 Million and \$5 Billion are less likely than those with assets under \$500 Million to express confidence in their core system provider.

Are you willing to use a third-party vendor for products?



Of the three asset groupings, these financial institutions are the most willing to use a third-party vendor for faster payments products and solutions.

## Detailed Profile

I think demand for faster payments solutions will exist in:



All three asset groupings agree that the demand for faster payments either currently exists or is imminent in the next one to two years. Institutions with assets between \$500 Million and \$5 Billion are recognizing the consumer demand to implement faster payments. Despite this strong recognition, they are less likely than larger financial institutions to have a strategy in place.

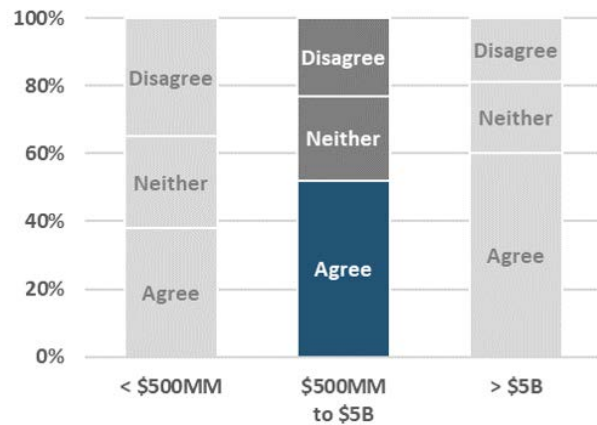
To continue to meet this demand, these institutions should consider leveraging a variety of resources such as their payments associations and vendors to understand what the implementation process requires. In addition, this group should also consider investing in resources to drive solutions forward such as supporting internal expertise, partnerships with fintech, and hiring consultants. Overall, this group is likely influential with their core solutions provider and therefore well positioned to push for innovation in faster payments solutions.

\$500MM to \$5B

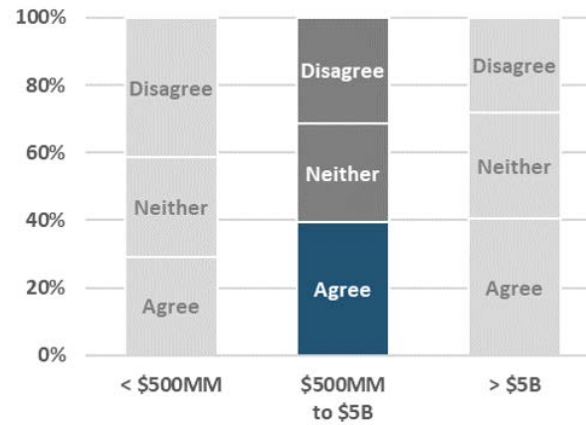
# Detailed Profile

## Faster Payments Readiness:

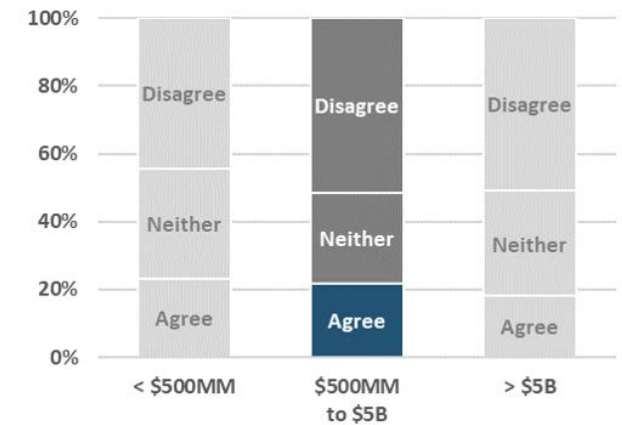
Staff is knowledgeable about faster payments trends/industry.



Staff has the experience or training necessary to implement faster payments products.



Organization has technology in place to implement faster payments.



Half of these financial institutions indicate confidence in their staff's knowledge about the faster payments industry and trends. Confidence in their staff is trending positive.

Just over one-third of these financial institutions agree their staff has the experience and training required to implement faster payments. Confidence in their experience is holding at neutral.

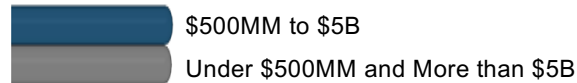
A minority of respondents expressed confidence in their organization's technology. Confidence in their technology is trending negative.

Financial institutions with assets between \$500 Million and \$5 Billion are most likely to have a payments strategy in progress. As a result, this group should be deliberate in their planning, specifically by participating in events and educational opportunities, and directing internal resources to focus on faster payments implementation strategy.

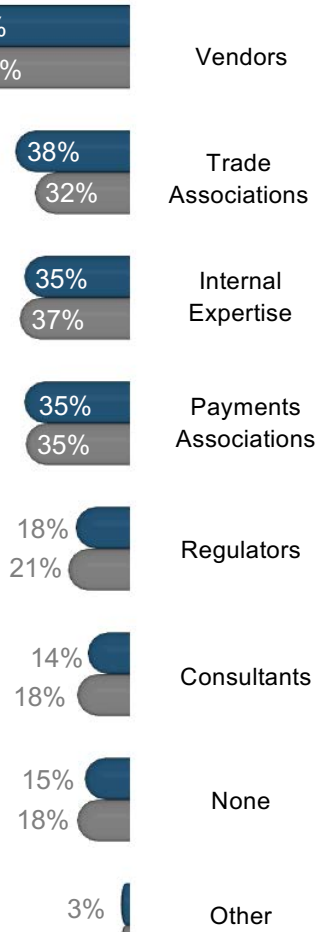
## Detailed Profile

Which sources of information have you used?

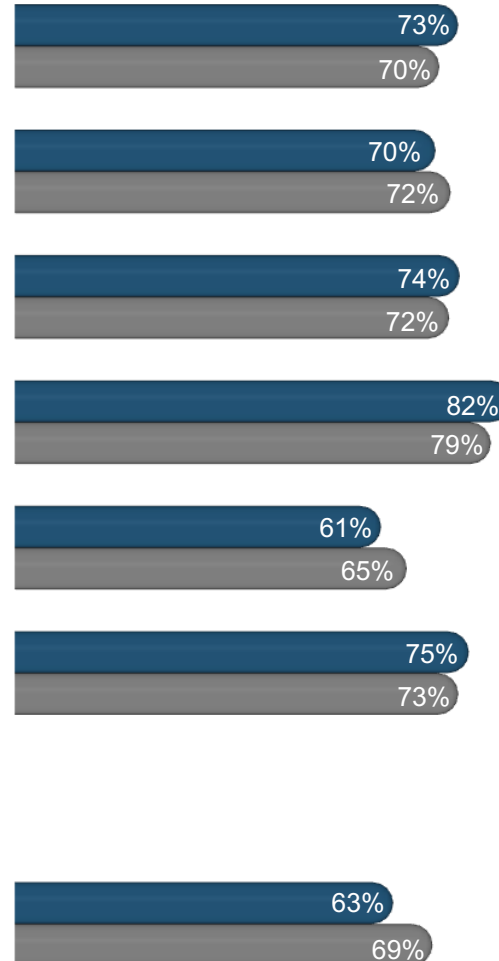
How helpful have each of these sources been?



### Sources



### Helpful



Financial institutions with assets between \$500 Million and \$5 Billion are likely to turn to vendors, trade associations, internal expertise, and payments associations for information regarding faster payments trends and solutions.

Of those who do seek information, payments associations, consultants, and internal expertise are rated as the most helpful source of information.

### Top Sources:

1. Vendors (63%)
2. Trade Associations (35%)
3. Tie: Internal Expertise (35%)
4. Tie: Payments Associations (35%)

### Most Helpful:

1. Payments Associations (82%)
2. Consultants (75%)
3. Internal Expertise (74%)



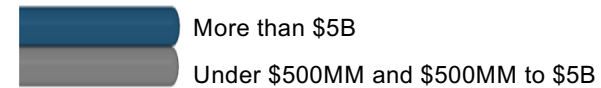
# Profile Summary

## Assets | More than \$5 Billion

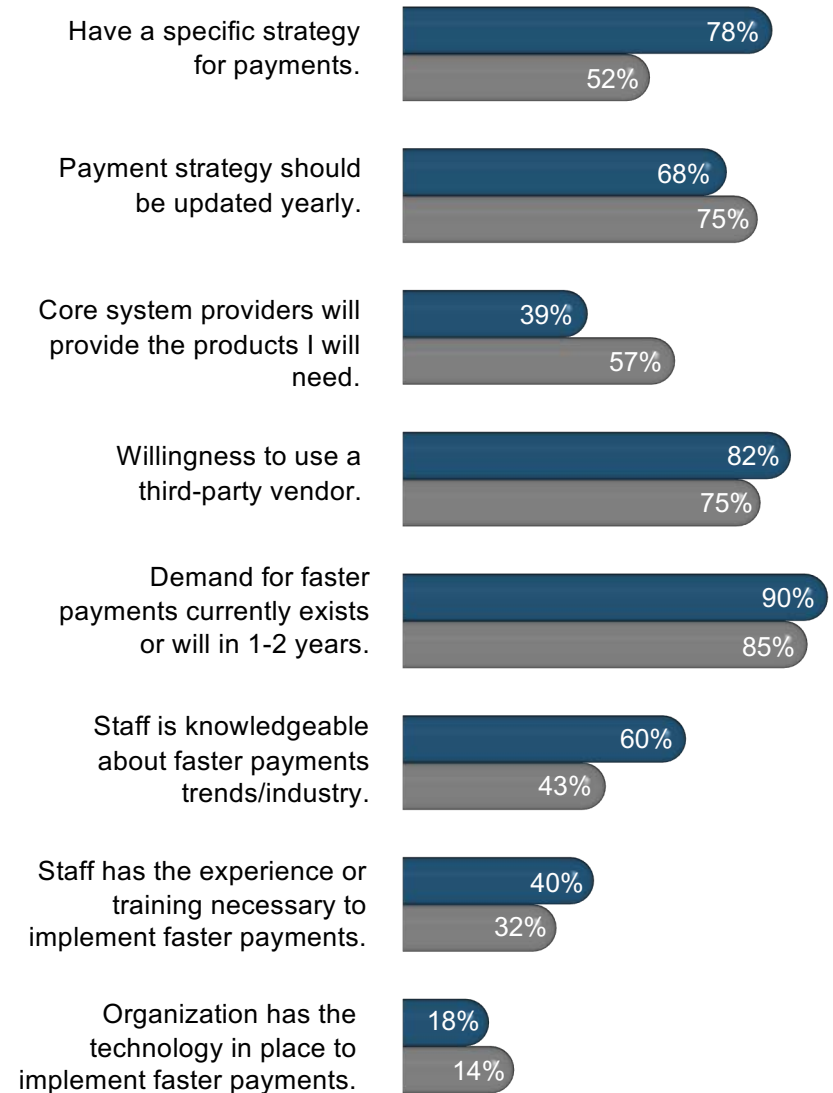
77 financial institutions with assets more than \$5 Billion participated in the survey. This group represents 12% of survey respondents.

### Summary:

- Most likely to have a specific payments strategy in place.
- Least confident in core system provider capabilities to provide faster payments solutions.
- Very willing to use a third-party vendor for faster payments solutions.
- When it comes to faster payments readiness, these institutions are:
  - The most confident in their staff's knowledge about the faster payments industry.
  - Split on their staff's experience, with only half of the responding institutions demonstrating confidence.
  - The least confident in their organization's technological ability to implement faster payments.
- Turn to vendors, internal expertise, or payments associations for information about faster payments trends.
- View payments associations, consultants, and internal expertise as the most helpful sources of information

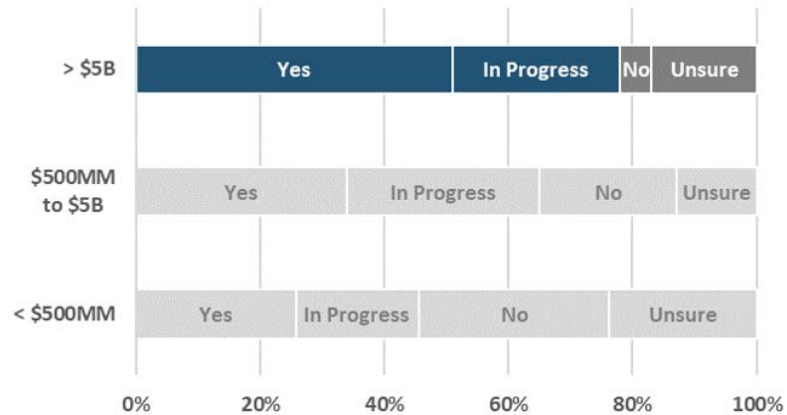


More than \$5B



## Detailed Profile

Do you currently have a specific strategy for payments?



Financial institutions with assets more than \$5 Billion are the most likely to have a strategy in place. These institutions are significantly ahead of those with assets under \$5 Billion.

These institutions are more likely to have devoted significant resources to implementing faster payments. In addition, this group has access to greater resources to create an environment of agile innovation and leadership in the faster payments industry.

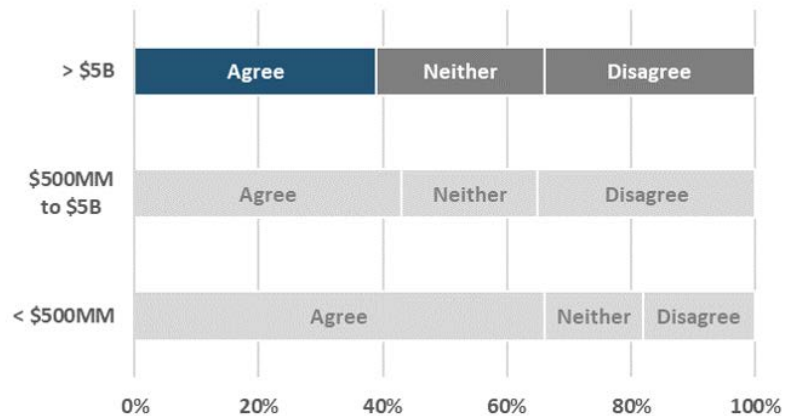
How often does a payments strategy need to be updated?



Financial institutions with assets more than \$5 Billion agree that payments strategy needs to be updated every one to three years. There are no significant differences between the asset groupings.

## Detailed Profile

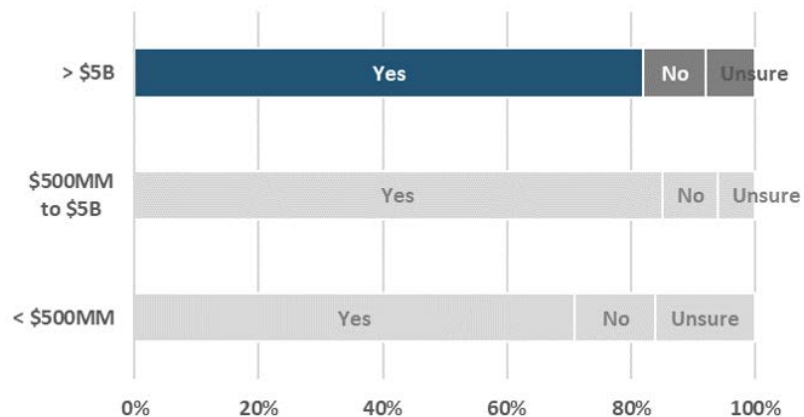
I'm confident core system providers will provide the products I will need.



Financial institutions with assets more than \$5 Billion are the least confident in core system providers' ability to provide products for faster payments.

Many of these institutions are not reliant on core system providers and may have internal processing platforms in place. Those who do leverage a core system provider platform are likely very influential and are facilitating routine discussions to ensure their provider is producing solutions to meet their needs.

Are you willing to use a third-party vendor for products?



All three asset groupings demonstrate a willingness to use a third-party vendor for faster payments solutions.

## Detailed Profile

I think demand for faster payments solutions will exist in:



All three asset groupings agree that the demand for faster payments either currently exists or is imminent in the next one to two years. Institutions with assets more than \$5 Billion have recognized the consumer demand to implement faster payments.

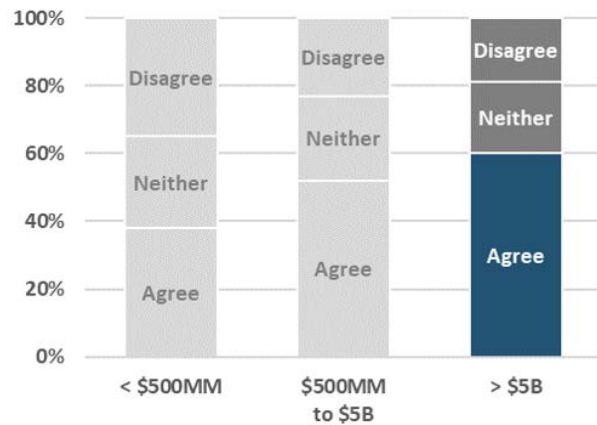
To continue to meet this demand, these institutions should consider leveraging a variety of resources including consulting firms to help with strategy and implementation of new services.

More than \$5B

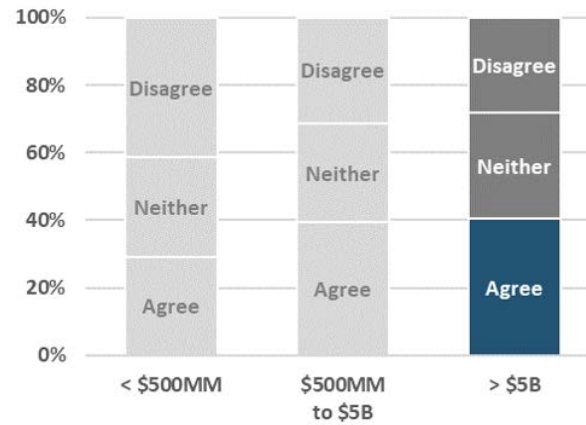
# Detailed Profile

## Faster Payments Readiness:

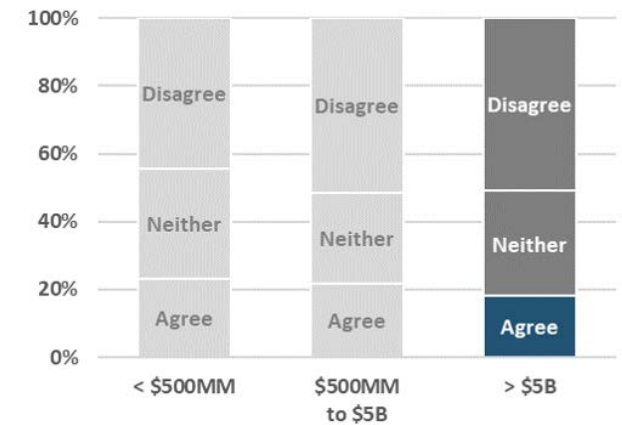
Staff is knowledgeable about faster payments trends/industry.



Staff has the experience or training necessary to implement faster payments products.



Organization has technology in place to implement faster payments.



Two-thirds of these financial institutions have confidence in their staff's knowledge about the faster payments industry and trends. This group is the most confident in their staff's knowledge, and confidence in their staff is trending positive.

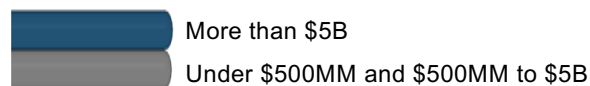
Just over one-third of these financial institutions agree their staff has the experience and training required to implement faster payments. Confidence in their experience is holding at neutral.

A minority of respondents expressed confidence in their organization's technology. Confidence in their technology is trending negative.

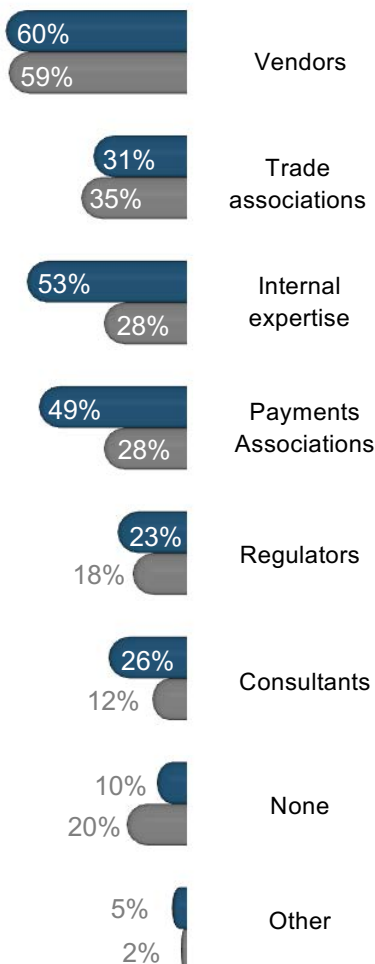
## Detailed Profile

Which sources of information have you used?

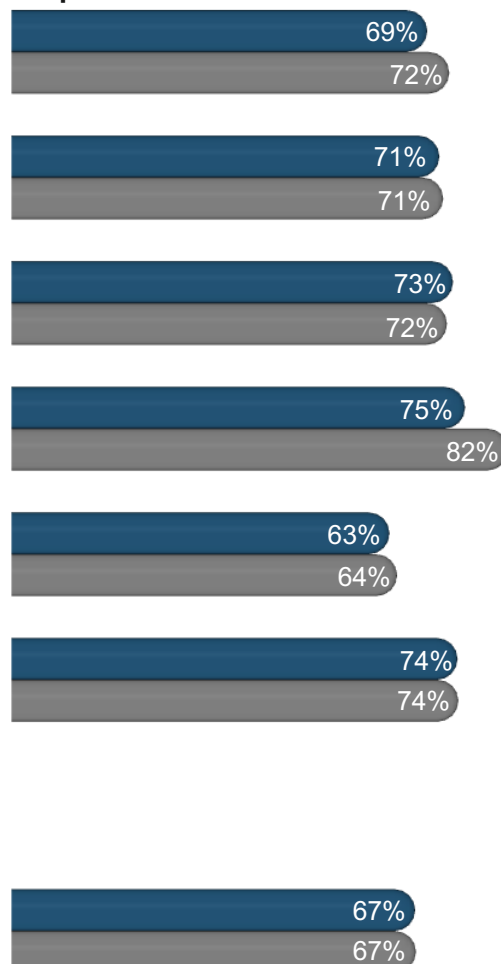
How helpful have each of these sources been?



### Sources



### Helpful



Financial institutions with assets more than \$5 Billion are likely to turn to vendors, internal expertise and payments associations for information regarding faster payments trends and solutions.

Of those who do seek information, payments associations, consultants, and internal expertise are rated as the most helpful source of information.

### Top Sources:

1. Vendors (60%)
2. Internal Expertise (53%)
3. Payments Associations (49%)

### Most Helpful:

1. Payments Associations (75%)
2. Consultants (74%)
3. Internal Expertise (73%)

## What's Next?

The payments industry is experiencing the most dramatic changes of the past 40 years, largely driven by disruptors that see banking practices as antiquated and believe they can use technology to create better, more convenient solutions. Demand for faster payments in both the consumer and business arenas is building and expected to fully materialize in the foreseeable future. Yet, most of the community financial institutions surveyed do not have explicit plans or projects in progress for their faster payments solutions. As a result, many financial institutions face a broad range of risks, from being left behind by competitors to investing in an unproven solution.

### **What do these results tell us about what the industry should do?**

Core systems and other service providers need to better enable their customers by facilitating functional accessibility to faster payments solutions, whether via innovating new payments rails or improving existing payments systems. Many community financial institutions are dependent upon these companies to connect to payments networks, but the timing of faster payments capabilities across the various product lines of core providers is not clear.

Payments associations can provide reliable, solution-agnostic information and guidance to help their members plan for and implement the right services for their customers. This study shows that financial institutions value and have come to rely on information and education from their payments associations. However, payments associations can and should do a better job raising awareness among their members about the various payments options available to them, now and down the road.

Finally, community financial institutions need to make faster payments a key priority in their overall strategic plans. While these institutions often take a “fast follower” mentality, using that as a default strategy for faster payments may put them at a competitive disadvantage and unable to respond to their customer demand. These organizations should be proactive and start talking to and working with their payments associations, core providers, fintechs and/or other partners to ensure they are ready to deliver on the faster payments promise.

For assistance with payments strategy, including information on faster payments key players and how faster payments work, contact your payments association or connect with the Center for Payments.



## Center for Payments

 [www.centerforpayments.org](http://www.centerforpayments.org)

 [info@centerforpayments.org](mailto:info@centerforpayments.org)

 [@Center4Payments](https://twitter.com/Center4Payments)



The Center for Payments™ is a joint program sponsored by eleven payments associations for the purpose of helping members and staff better prepare for the continued evolution in U.S. payment systems. The mission of the Center for Payments is to advance the payments industry as a united voice through market intelligence and thought leadership. This program further enhances the value of membership in the participating associations.

Current participants in the program include: ePayResources, EPCOR, MACHA, NEACH, PaymentsFirst, SHAZAM, Southern Financial Exchange, The Clearing House Payments Authority, UMACHA, WACHA, and WesPay. These associations represent over 10,000 financial institution, business and stakeholder members with an interest in U.S. payment systems.

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