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Navigating Instant Payments – Case Studies and Operational Insights for Receiving Instant Payments



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FPC Operational Considerations Work Group

Goals:

- The main purpose of this work group is to aid financial institutions in understanding how to implement instant payments. What do they need to know?
- This primer addresses the two sets of rules based on the operators (RTP, FedNow) and provides the operational differences. It also discusses regulatory requirements.

Key Attributes of the Primer

What you need to know:

- Comparison to existing payment flows
- Liquidity Management
 - Settlement
 - Tools to manage
- Account holder support, education and disclosures
- Mechanisms and Processes for Reconciling Incoming Funds in Real time
- ISO20022 Messages
 - ACWP
- Fraud tools and controls
 - Reporting i.e. Negative list

FirstBank

- Privately Held
 - One of the largest privately held banks in the United States
- \$28B in Deposits
- Over 100 Branch Locations
 - Colorado, Arizona, California
- Instant Payments at FirstBank
 - RTP Receive – April 2023
 - FedNow Receive – December 2024

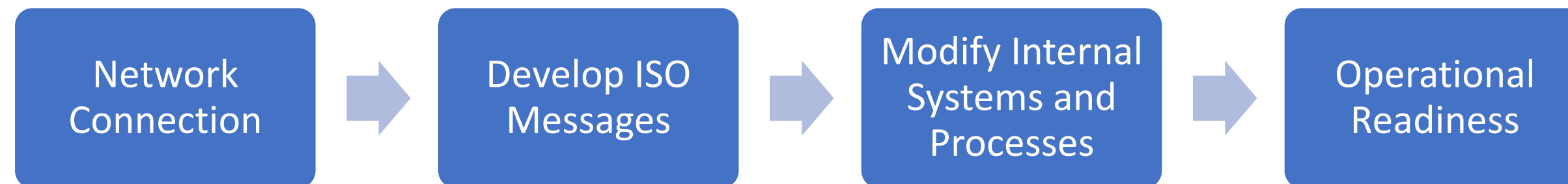


banking for good



FirstBank's Approach to Receive

- Build vs. Buy
 - Decision to build and connect directly to the networks
- Goals
 - Enhance customer experience – ability to receive payments 24/7/365
 - Become an early adopter of instant payments
- Implementation Approach



Operational Readiness

- Reporting
 - Overall volume: track transaction growth, use cases, timing of payments, etc.
 - Rejects: Monitor and understand why payments are rejecting
 - Canceled Payments: Implement ways to quickly address canceled transactions
- Exception Processing
 - Leverage existing processes and expand to incorporate specific instant payment requirements
 - FirstBank has received two Return Requests since launch in April 2023
- Staffing Needs
 - One analyst that supports instant payment operations
 - Identifying and training other departments as needed
 - Fraud
 - Disputes
 - Investments



Issues Identified and Takeaways

Issues Identified:

- Customers Utilizing Debit Card Number Instead of Account Number
 - Challenge: Customers mistakenly used debit card numbers for transactions, causing mismatched data or processing errors.
 - Impact: This led to delays in processing payments and reconciliation issues.
- Unexpected Data in Messages
 - Challenge: Unanticipated data in transaction messages led to processing issues.
 - Impact: Caused canceled payments.

Takeaways:

- Automated Reconciliation
 - Implemented automated reconciliation processes to quickly identify discrepancies between transaction data and account information.
 - Proper Escalation Procedure are critical in evaluating and resolving issues as quickly as possible
- Nights and Weekends Have Been a Non-Issue
 - The system has performed well outside of standard business hours
 - No increase in customer calls



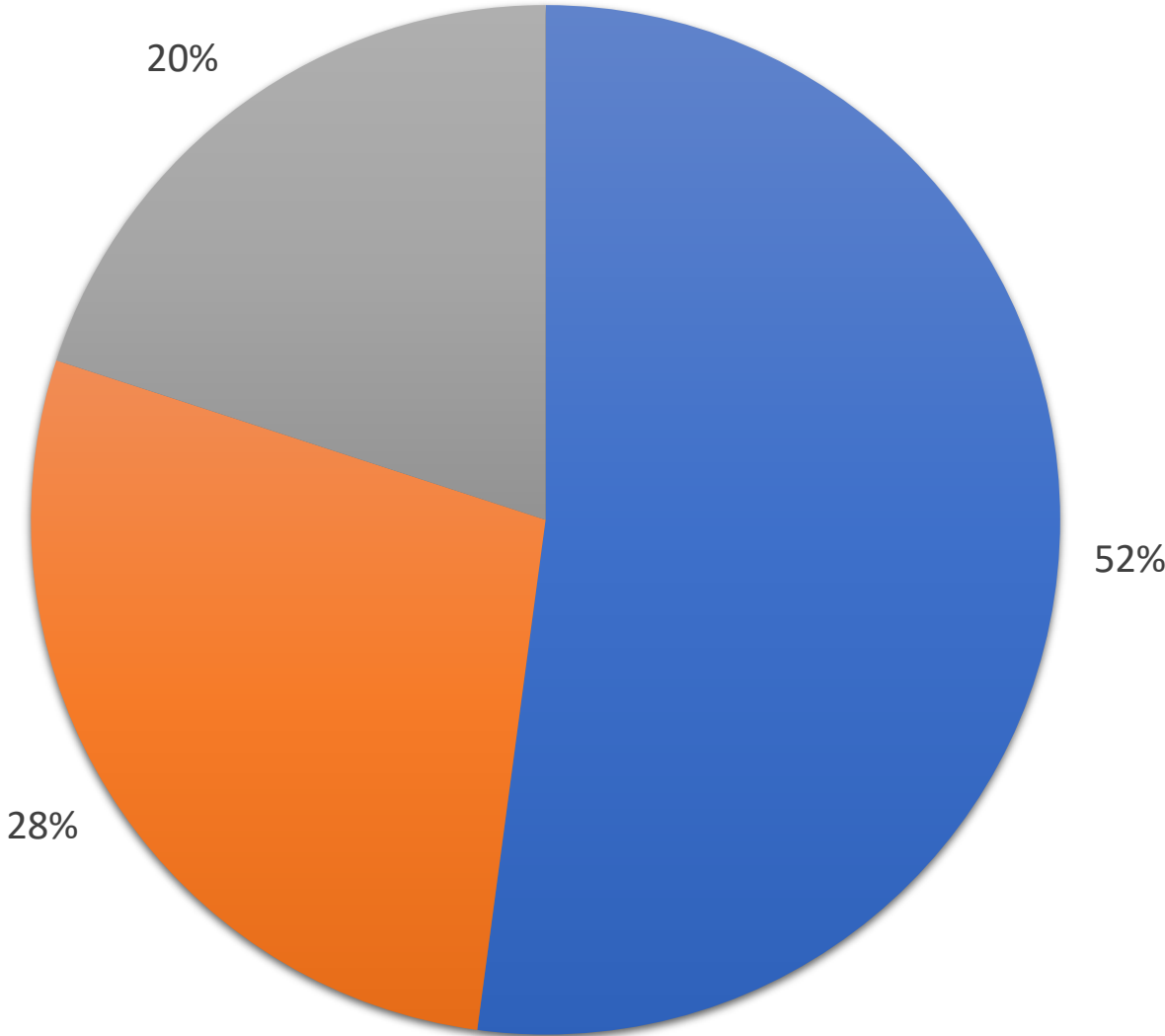
FirstBank's Key to Successful Rollout

- Comprehensive End-to-End Testing
- Approach to Operational Readiness
 - Meticulously reviewing rules and specifications
 - Ensured all internal systems were fully prepared
 - Reporting, reconciliation, compliance, etc.
- Awareness Training for Employees
 - Equipped employees with the knowledge and resources required to support instant payments and our customers



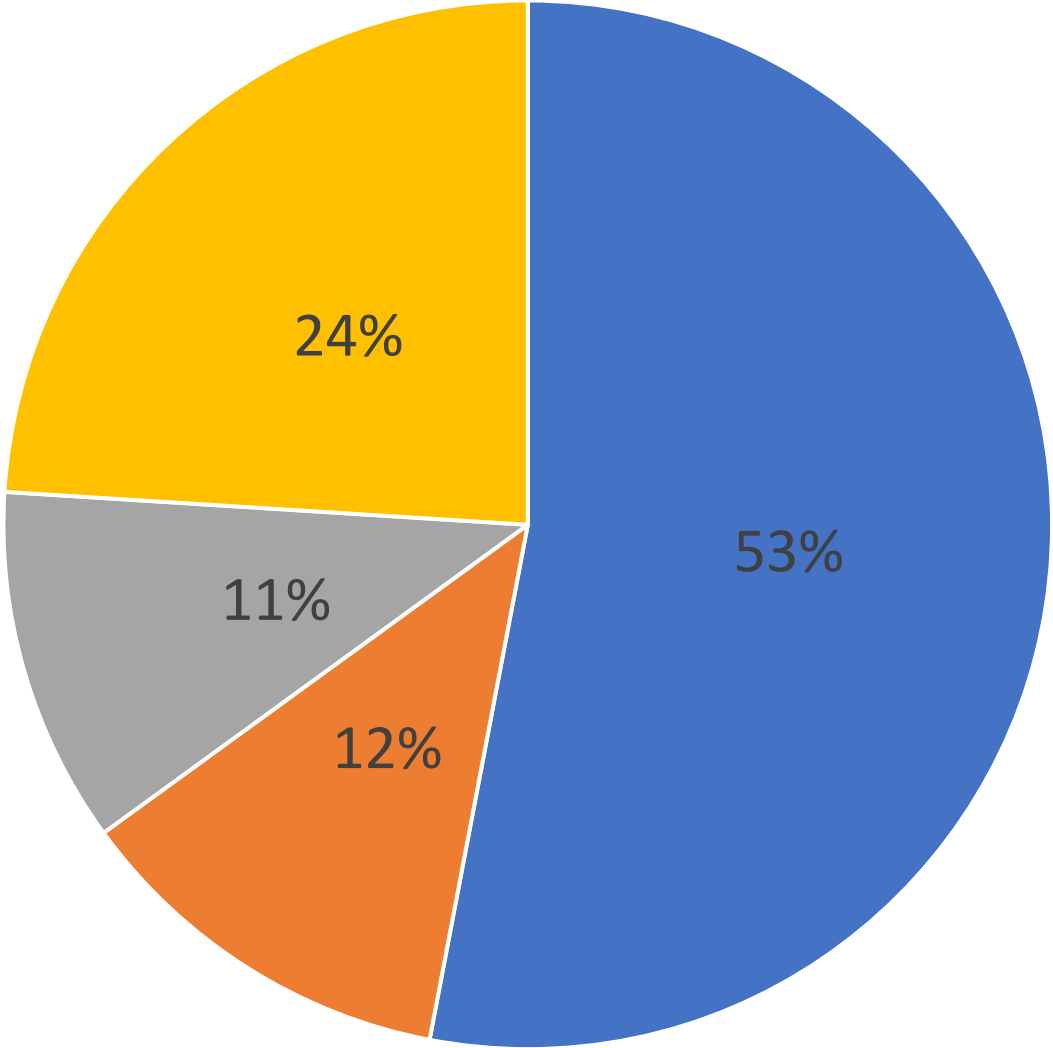
FirstBank Stats

Timing of RTPs Received



■ 8am-5pm ■ 5pm-10pm ■ 10pm-8am

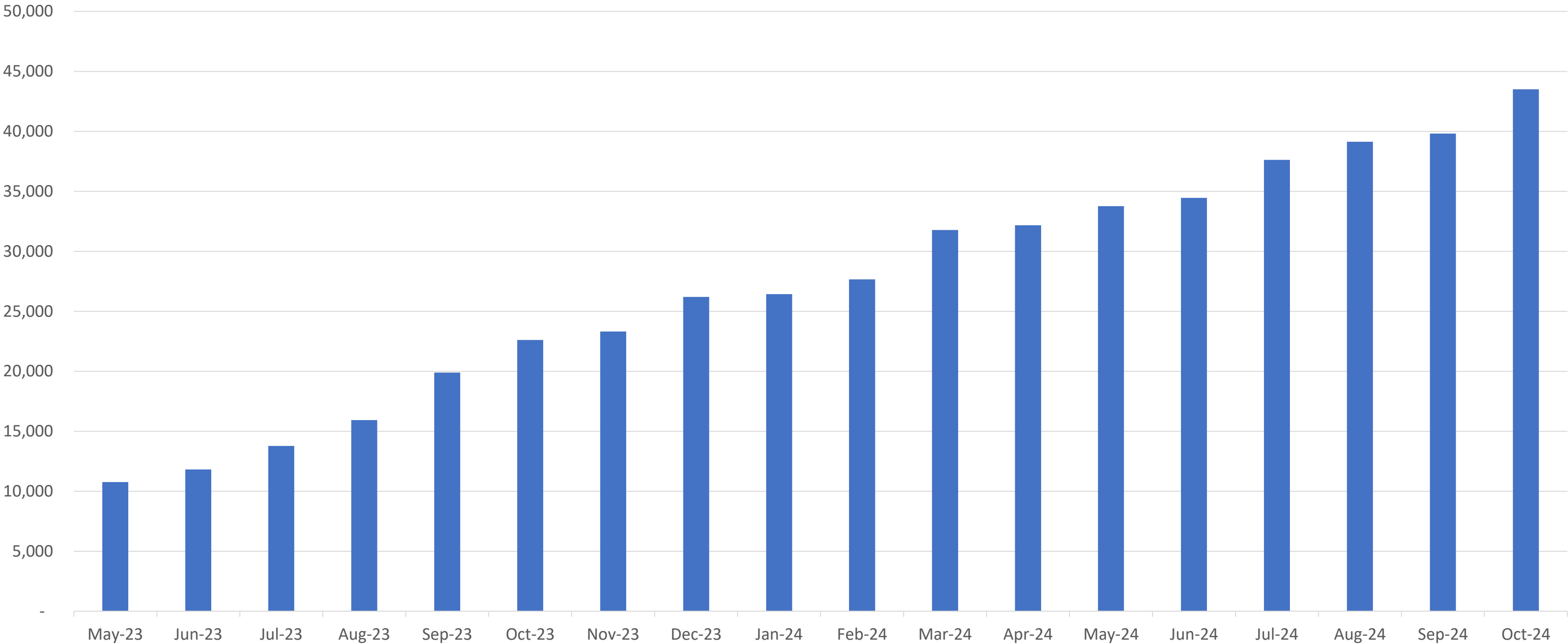
Use Cases



■ Digital Wallet ■ Earned Wage Access ■ Disbursements ■ Other



RTP Volume



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The banking infrastructure powering fintech



TRACK RECORD

\$140B+
Total cumulative \$ originations since 2008 founding (excl. PPP)

96M+
Total cumulative loans originated (excl. PPP)

741M+
Total cumulative payments transactions since 2008 founding

\$8.8B
Total size of balance sheet (incl. PPP)

YTD Q2 2024



Proprietary API-driven banking and payment core with end-to-end solutions



Scalable

Easily integrate with various banking solutions such as payments, lending, and cards to enhance the growth of your programs.



Simplicity

A single, streamlined connection offers access to multiple services and supports third-party integrations.



Secure and Compliant

Our banking platform, equipped with robust compliance and risk systems, caters to tech companies needing comprehensive banking functions.



Real-time

Ensure all accounts maintain up-to-date customer balance checks for synchronized financial management.



Reliability

Engineered to manage millions of transactions and maintain resilience across multiple data centers.

Leading the industry in payment solutions and technology

→ACH:

- Top originator for Same-Day ACH volumes
- Consecutive appearances as a Top 50 ACH originator by dollar volume

[Nacha 2023 Top ACH Originators by Volume](#)

→Instant Payment:

- FedNow®: As an early adapter, Cross River launched the new routing option in September 2023
- TCH's RTP®: Consistent Top 5 bank for transactional volume in the United States

→API Platform (COS) Payment Transaction Volume:

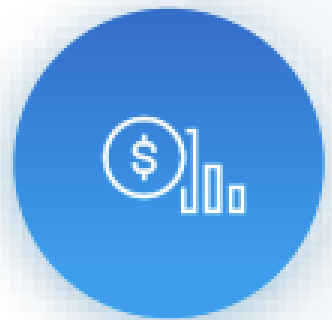
- FY 2023: 37mm+
- FY 2022: 12mm+
- YOY: **Tripled** from FY 2022 to FY 2023

→In the News:

- [Trustly and Cross River Lead RTP adoption](#)
- [Cross River and Paymints.io Launch RTP Offering for Real Estate](#)
- [Plaid and Cross River Team on Real-Time Payments with FedNow](#)



Payment solutions for a wide-range of scenarios



- E-commerce
- Gig economy
- Online gaming
- Payroll
- Peer-to-peer
- Sports betting



- Account to account transfers
- Digital assets: Fiat on/off ramps
- Remittance



- Bill pay
- Insurance payouts
- Supplier payments

Receive as a pre-requisite to Send

- **Build Vs Buy : Decision to Build**
 - We have a state-of-the art, API-first, real-time core banking system
 - Our core technology is unrivaled in the market
 - We wanted to own our product roadmap and wanted to be quick to market on new features
- **Use-cases geared towards Send**
 - Receiving Instant Payments is the first basic step towards network participation
 - Cross River's main use-cases involve Sending. Cross River implemented Receive and Send simultaneously
- **Goals**
 - Gold standard Customer Experience. API-first approach with webhooks for all relevant events.
 - 24/7/365 availability
 - High volume throughput when required

Operational considerations

- **Implementation/Receive processing**
 - Real-time processing of ISO20022 messages
 - Instant availability of funds to Customer
 - Preparing/Educating customer for instant receipt of funds
- **Exception processing**
 - Reject messages due to incorrect account number or other information, closed account etc.
 - Reject messages because account may not be enabled for receive
 - RFRF processing: Attempt to return funds via RTP/FedNow Send or fallback to ACH (if Send fails for some reason)
 - Some manual clearing may be required due to unforeseen network/system issues
- **Fraud**
 - Fraud procedures need to be setup.
 - RFRF (Camt.056) will have a fraud tag. RTP reason code: FRD. FedNow has several reason codes.
- **Staffing Needs for Operations**
 - 1 FTE sufficient for Send and Receive. Minimal staffing needs for Receive only.
- **Liquidity management**
 - Account setup with TCH (RTP). FedNow doesn't require a new setup because it uses Master Account.
 - Liquidity management for Receive only is very simple. TCH will send interest payments via FedWire
 - Excess amount in TCH joint account will be set via FedWire. (not relevant for FedNow)
- **Reconciliation & Reporting**
 - Approval, rejection and cancelled payments reports
 - Exception and outage reports
 - Automated reconciliation preferred, though manual reconciliation is OK.

Note: If using a TPSP, the TPSP should be able to handle most of the above requirements.



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Advancing Faster Payments



We're doing it from the industry, with the industry, and for the industry.

The U.S. Faster Payments Council (FPC) serves as the membership organization solely focused on leading the efforts to ensure the successful advancement of faster payments.

From the Industry

The only payments association singularly dedicated to advancing faster payments, the FPC today boasts an inclusive and representative membership, consisting of: Business End Users, Consumer Groups, Financial Institutions, Payment Network Operators, Technology Providers, and many other stakeholders.

All hold equal power and voice.

With such representation and transparency, we are able to lead significant faster payments initiatives that have far-reaching impact and influence.

For the Industry

Understanding that education and awareness are key components of faster payments advancement, the **FPC identifies and leads educational efforts** to increase understanding and promote continued confidence in adoption and use of faster payments, including: Biannual Member Meetings, Town Halls, Industry Research, Educational Resources, Accreditation Programs.

And we have so much more planned as faster payments continue to heat up. Help us ensure the continued success of faster payments. **Become a member of the U.S. Faster Payments Council today.** fasterpaymentscouncil.org/members.

With the Industry

The FPC works side-by-side with members, facilitating critical dialogue and delivering productive resources, in many different forums, including: Work Groups, Board of Directors, Board Advisory Group.



Thank you for joining us!

The presentation materials and recording of today's webinar will be available on the FPC website in the members-only page for FPC Events/Town Halls.

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