Faster Payments Council - Global Observations on Real-time Payments

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Cyrus is a Managing Director in KPMG’s financial services and payments consulting practice and originally from KPMG’s Australian firm. Cyrus has focused experience with multiple US, Canadian, South East Asian, and Australian FIs and payments providers on payments strategy, transformation, and remediation projects.

Cyrus has deep global knowledge of real-time banking and national payment infrastructures, as well as broader payment processing (channel, back-office, and interbank) as well as a developed understanding of both domestic and global payment procedures and standards (i.e. SWIFT, ACH, RTP and RTGS).

Today’s Discussion

- Global payments modernization updates and lessons learned
- Focus areas for driving success in RTP:
  - Data Strategy
  - Fraud in a Real-Time Environment
  - Corporate Ideation
Payments modernization continues to expand globally, with varying degrees of maturity across the world’s financial powerhouses.

In 2018, UK FPS broke the record for the highest amount of payments processed in a single year (Payments UK).

Payments Canada is modernizing payments across high value, real-time, retail and batch (Payments Canada).

Merchants using WeChat Pay grew 80% year over year (PYMNTS.com).

In March 2019, NPP processed 15.9 million payments worth $12.9 billion (Reserve Bank of Australia).
The UK is focused on their New Payment Architecture which will see a complete replacement of their RTGS system and data driven enhancements to FPS.

The **New Payments Architecture (NPA)** is a UK regulatory change that will be rolled out by over the next 5 years and is being driven by the revolution of **Open Banking**. With that in mind, the NPA plans to introduce:

- Financial Crime Intelligence Sharing
- KYC Data Sharing
- Improved data accuracy to support Data Sharing and Data Analytics

Evolution of FPS functionality includes **data driven** upgrades and enhancements for **corporate clients** such as:

- Confirmation of payee
- Request for payment
Australia’s NPP continues to scale, with fraud rates remaining lower than predicted thanks to a strong industry wide focus on detection and prevention.

Australia’s New Payments Platform continues to see increased volumes and values running through their system and boasts fraud rates at a fraction of the initial projections due to a strong focus at the industry level across detection and prevention. Lessons learned include:

• **Focus on Authentication**: Needs to be best practice for a real time payment
• **Educate Customers**: Increase awareness around scams and password protection
• **Operationalize Fraud**: Create seamless processes around alerts, holds and recoveries

Australia was also the first to implement **overlay services** as a way to accommodate B2B use cases such as a complete car sale via **PayProtect** or companies like **Medipass** that leverage NPP to provide seamless medical claims.
The US is uniquely positioned to learn from the early adopters of Real Time Payments to maximize benefits of modernization and minimize growing pains.

**USA**

The US launched its real-time payments system, RTP in November 2017 working alongside the payments operator, Clearing House, and the solution provider, Vocalink. RTP is built to support digital commerce, leverages the ISO20022 messaging format, and is intended to become a platform for innovation including features such as payment confirmation, request for payment messaging, and digital bill payments and invoicing.

The US can leverage lessons learned from other jurisdictions to enhance their RTP offerings.

- Strategy for leveraging an organization’s data to enhance the payment lifecycle
- Fraud prevention and detection in a real-time environment
- Corporate customer engagement models and commercialization of RTP
- Focus on targeted industries for RTP including: B2B, insurance, healthcare
Data Strategy

An enterprise-wide data strategy and governance enables key enhancements across the lifecycle of a real-time payment.

The focus of data strategy is to deliver accessible, timely data that adheres to data quality standards enabling an organization to leverage their data as an asset. The value proposition is that the future state data supply chain is faster, cheaper, and more flexible than the environment that currently exists. A strong enterprise data strategy enables:

- **Upgraded financial crime and compliance** functionality including: smarter machine learning algorithms, using quality data to tune fraud tools and business rules, and enhanced prevention strategies via data aggregation and industry intelligence sharing.
- **Enhanced data quality** via consumption of industry standards and internal normalization.
- **Customer insight driven product** enhancements.

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Our Guiding Philosophy to Data Strategy

- **Empower reporting and analytical insights to generate business value**
- **Simplify and integrate the data environment**
- **Data privacy is protected by design**
- **Enable data reusability, avoid reinventing the wheel**
- **“Fit for purpose” data quality and governance**
- **Business driven management of the supply chain**
Real-time payments require flexible real-time fraud detection and prevention, with the option to take timely action as needed.

The irrevocability of real-time payments introduce new risks to the payments ecosystem, making **fraud detection and prevention** a focus of payments modernization. The journey for most organizations involves a **phased approach** to enhancing legacy systems, introducing emerging technology and upgrading vendor capabilities.

### RTP leads to spikes in account takeover fraud and need for increased customer education

Santander recently closed 11,000 accounts in the UK that were suspected of being money mules. (PYMNTS.com)

### The 2018 holiday season saw a 13% increase in cross-channel payments fraud

(PyMNTS.com)

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| **Traditional** | Simple rule-based system, has worked for twenty years, now needs constant vigilance and monitoring | — User/Password
— Stored Security Questions
— Basic Captcha
— IP Addresses
— Transaction Maximums
— Device identiﬁers | Adds aggregated detail about a user’s session or network identiﬁers | — GeoLocation
— Average session time
— Number of monthly logins
— Number of pages accessed
— External data feeds | Continuous behavioral prooﬁng of biometric, transactional, and behavioral activity for each customer. | Takes into consideration traditional, situational, and behavioral to extract an underlying set of signatures that describes and adapt to identify a user. | Integrated proﬁling across multiple business channels into a single risk engine leveraging real-time detection and mitigation. | — Combined Risk Scoring
— Consistent APIs
— SLA Management
— Cross-Channel Mitigation |

**Aligned with client business priorities and compliance needs**

- **Rules Based and Endpoint Centric**
- **Navigation and Network Centric**
- **User and Entity Centric for Speciﬁc Channel**
- **User and Entity Centric for Multiple Channels**
- **Big Data User and Entity Analytics**
Corporate Ideation

Engaging corporate clients is critical to driving adoption of RTP

Drivers to engage with corporates

1. The **acceleration in digital payments** such as RTP is changing the way both consumers and businesses choose to make and receive payments.

2. The **disruption from innovative technology is driving intense competition** from fintechs, technology giants and banking competitors all competing directly with banks across the value chain of payment related products.

3. Banks are increasingly looking at how they can remain an innovative digital leader through **design thinking with customer focused payment solution design** that solves critical pain points and creates better payment experiences for its customers.

The approach

We propose four key phases that will take you from use case identification to focused prototyping and requirements.

1. **Market segmentation and thought leadership**
   - We will break down customer research, market signals and industry trends to ensure you can identify the best RTP commercialization ideas and outcomes for your customers.

2. **U-Collaborate (UCe) Sessions**
   - We will run fast paced sessions focusing on level setting education and customer focused use case ideation sessions with you and your corporate clients.

3. **Prototype Development**
   - We will validate ideas directly with you and your corporate clients to prioritize use cases and create a sandbox prototype to bring the ‘art of the possible’ to life.

4. **High Level Business requirements**
   - We will help you identify high level business and technology requirements to ensure you are adequately prepared for any implementation aspirations.

Corporate UCe methodology

We harness the benefits of working together directly with your clients to capture specific industry pain points and identify key opportunities for RTP ideation.

1. **Introduction and highlight the RTP innovation and transformation opportunity**
2. **What’s changing with RTP**
   - as an overview to expected impacts and benefits for banks/corporates
3. **Customer panel**
   - with key learnings and thoughts globally shared with the group
4. **Chat rooms**
   - allowing participants to engage in key RTP topics e.g. data, speed and a prototype example
5. **Use case galleries**
   - provide visual stimulus for participants to explore various ‘art of the possible’ scenarios
6. **Divergent thinking activity**
   - through small break outs, focused on more specific C2B and B2B journeys and pain points
7. **Opportunity rave**
   - allowing participants to brainstorm use cases and vote together by rank
8. **Opportunity detail**
   - allows participants to expand in detail on the highest ranked use cases by capability and industry
9. **Use case report out**
   - to share ideas with the group, highlighting the value proposition and benefits of their use cases
10. **Closing summary**
    - allows all participants to collaboratively reflect and discuss key takeaways for the day

Outputs and deliverables

Our proposed outputs and deliverables cover collaborative sessions, prototyping, journey maps and future roadmaps.

- **Product ideation session**
- **Customer journey maps**
- **Prototypes**
- **Ideation and engagement roadmap**
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