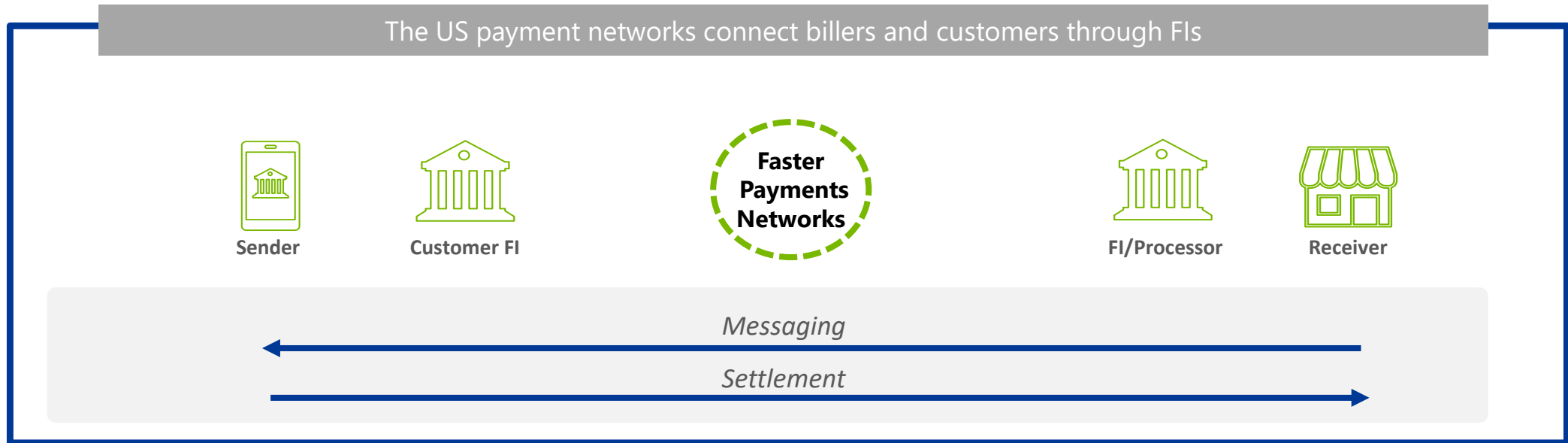# Introduction to Value Added Services

November 2022
FPC Network Committee

Accelerating Faster Payment Growth – a Guide to Value Added Services (VAS) and Best Practices

The US payment networks connect billers and customers through FIs

Sender — Customer FI — **Faster Payments Networks** — FI/Processor — Receiver

Messaging

Settlement

…and stakeholders need Value Added Services (VAS) capabilities both pre and post payment processing

| Drives Adoption Through Expanded Use Cases | Optimizes Efficiencies | Enhances Trust |

RTP and Request for Payment require VAS across the entire lifecycle of the transaction
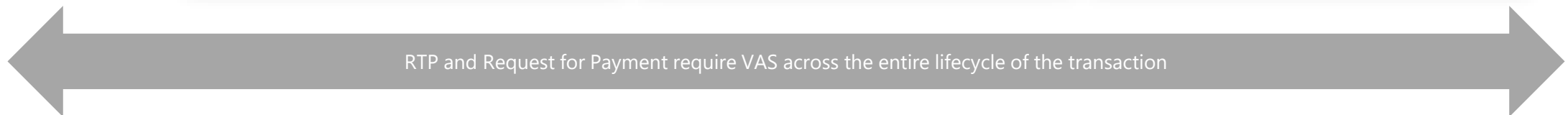
Why is VAS essential?

Introduction

Sample VAS

Drives Adoption Through Expanded Use Cases

- Supports frictionless onboarding for all participant archetypes
- Delivers innovation through co-creation of purpose-built solutions
- Responds to changing market needs and deliver new RTP use cases
- Enhances existing use cases

- Request for Payment
- Alias Directory
- Confirmation of Payee
- Cross Border
- Transaction Data
- Open Banking

Enhances Trust

- Helps reduce the cost of fraud overhead
- Delivers continuous innovation through co-creation of purpose-built solutions

- Tokenization
- Risk
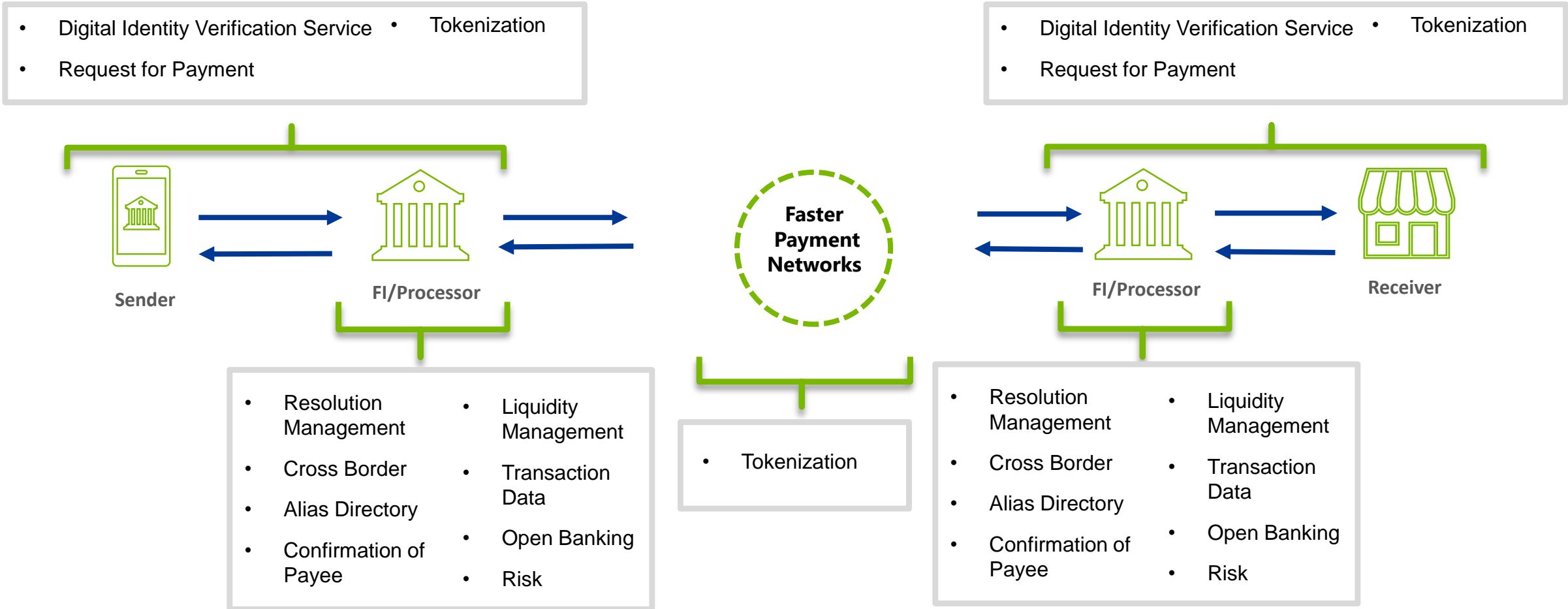- Digital Identity Verification Service

Optimizes Efficiencies

- Helps reduce the cost of network operations in a 24/7/365 environment
- Brings transparency in network operations to benefit all stakeholders

- Data Analytics
- Resolution Management
- Liquidity Management

VAS are enabled through API's

How VAS has a role in the payment ecosystem

- Digital Identity Verification Service
- Request for Payment
- Tokenization

- Digital Identity Verification Service
- Request for Payment
- Tokenization

Sender → **FI/Processor** → **Faster Payment Networks** → **FI/Processor** → **Receiver**

FI/Processor (Sender side)
- Resolution Management
- Cross Border
- Alias Directory
- Confirmation of Payee
- Liquidity Management
- Transaction Data
- Open Banking
- Risk

Faster Payment Networks
- Tokenization

FI/Processor (Receiver side)
- Resolution Management
- Cross Border
- Alias Directory
- Confirmation of Payee
- Liquidity Management
- Transaction Data
- Open Banking
- Risk

Value Added Services

Why it's Important – Driving Adoption Through Expanded Use Cases

VAS Name	Definition	How it Works
Request for Payment	Request for Payment is a substitute for Debit, because it provides a debit type experience while staying true to the credit push only requirements of real time payments	• The payee sends a request for payment to the payer • This request message can include data for bill/invoice presentment • For each request message, the payer can pay in full or in part using a credit transfer, choose another form of payment, ask for more information or decline to pay • It also provides critical functionality such as more control to the payer, and valuable reconciliation information to the payee
Alias Directory	Alias Directory provides services to map and resolve an identifier; referred to as an "alias" such as mobile phone number, email address, short name, or nickname, to a card account payment credential	• Alias Directory is used to allow consumers to initiate push payments using an alias instead of a card number or account number (PAN) for push payment services such as person-to-person (P2P) money transfers, merchant payments, and cash deposits and cash withdrawals • Click here to learn more about an interoperable directory

Why it's Important – Driving Adoption Through Expanded Use Cases

VAS Name	Definition	How it Works
Confirmation of Payee	Confirmation of Payee allows the payer to check the name associated with the account number or token to help ensure the payment is sent to the intended payee	• Subscription to services that can send an account number and validate it through services with bank data or directly with the bank API account validation service • Some faster payment schemes include a service that offers the name of the receiver before the payment is sent and asks the sender to confirm if it is the intended recipient
Cross Border	Payments made between countries, in many cases involving conversion from the originating country currency to the receiving country currency	• In one model a financial institution with access to payment systems in both countries facilitates the payment for its clients, or for other financial institutions • In another model a payment service provider that serves clients in both countries books transfers on its own ledger
Transaction Data	When the following can be included in or linked to payments or Request for Payment in order to facilitate business process or personal finance: invoices, bills, remittance data, trade documentation and other documents data	• Data or documents associated with payments or Requests to Pay are either included in the message, in a linked message or in an external repository accessed from the message • The data could evolve into a variety of use cases

Why it's Important – Driving Adoption Through Expanded Use Cases

VAS Name	Definition	How it Works
Open Banking	Open Banking is a system through which consumers or businesses authorize 3rd parties to access their accounts and data. Actions stemming from this access may include payment initiation or other services that rely on the underlying data such as credit worthiness. Financial institutions are the entities that typically provide access through accounts and data once authorized by their customers.	• The process starts when a consumer is using a financial services app and needs to provide her bank account data to achieve a certain outcome • The financial app asks for consent from the consumer to access her data with her bank through their Open Banking provider and sends an API request to the Open Banking provider for the desired data • The Open Banking provider then gathers the requested data from the consumer's bank in one of two ways: by screen-scraping, a data access method that virtually logs into your account using your personal banking username and password, or through direct API Connections, which is your bank provider's dedicated interface that allows consumers to share structured data in a secure environment

Why it's Important – Enhances Trust

VAS Name	Definition	How it Works
Tokenization	Tokenization is the process of turning sensitive bank account, credit card or debit card numbers into "tokens" that can be used in place of an account number	• There are various iterations, depending upon the payment scheme and use case. Example: o A consumer pays with a digital wallet o The consumer's token is sent from the merchant to the merchant acquirer o The acquirer routes the token to a network o The network will use the token vault and look up the payment information o This data is sent along to the issuer of the card for authorization of the payment financial institution
Digital Identity Verification Service	A digital identity is a set of unique attributes associated with an individual's personal identity These attributes are combined to create a unique profile for an individual that can be digitally verified establishing a trusted relationship between two or more parties.	• During the online transaction experience, the individual is prompted to validate their identity through a variety of mechanisms such as: ID scanning, bank verified data or knowledge-based authentication • The individual completes the validation steps providing data attributes to a third-party service that confirms the authenticity of the attributes and asserts that the individual is who they say they are, thereby establishing a trusted relationship between the organization and the individual

Why it's Important – Enhances Trust

VAS Name	Definition	How it Works
Risk - Transaction Scoring	Transaction scoring provides a risk assessment of the transaction by scoring key attributes about the sender and receiver in relation to the transaction in order to evaluate the amount of risk before funds are sent	• Transaction data as well as other factors are used to assess the level of risk for the transaction • Scores may be calculated by multiple parties including the payment network, overlay services, FI or end merchant/business

Why it's Important – Optimizes Efficiency

VAS Name	Definition	How it Works

Data Analytics	Reports and services to provide multiple different views of a customer's data across channels, use cases, industries, clients, etc. Data analytics services can be provided by a scheme, processors or in-house services and tailored to individual client needs.	• Typically provided through a web portal. Examples of reports include:
		   o Volume of transactions
		   o Type of transactions
		   o Delineation of transactions
		   o Delineation by initiating participant identifiers
		   o Delineation by receiving participant identifiers

Resolution Management	Even though real-time payment schemes are mostly irrevocable, resolution management means capabilities and mechanisms to support the resolution of disputes.	• Schemes typically have processes and/or tools in place to help manage or facilitate 'dispute' and error resolution • Some limited scheme policy can be applied to transactions processed across the scheme with dispute decisioning applied • Communications with clients can often be managed via a portal • Often portals can be configured for all payments types to simplify operations

Why it's Important – Optimizes Efficiency

VAS Name	Definition	How it Works
Liquidity Management	Liquidity Management means controlling credit and liquidity exposure by requiring settlement of real-time payments between financial institutions. Each real-time payment is cleared and settled on a transaction-by-transaction basis in central financial institution funds	• Financial institutions are responsible for settlement of real-time payments initiated by their customers through their designated settlement relationship which can vary depending on the real-time payment scheme