



**The Clearing House**

**Not Just Faster – Better!**  
*A vision of how faster payments  
 will propel payments innovation  
 by financial institutions*

**Steve Ledford**  
 Senior Vice President,  
 Product & Strategy  
 The Clearing House  
 May 4, 2017

©The Clearing House Payments Co. LLC

---

---

---

---

---

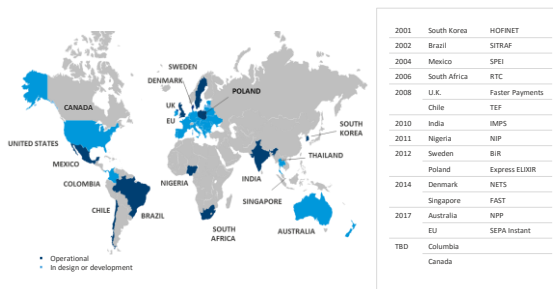
---

---

---

## The whole world is moving to faster payments...

The advent of mobile technology and the growth of digital commerce are driving real-time payments innovation around the world




---

---

---

---

---


---

---

---


## ... Including the US

**The Federal Reserve recognizes the benefits of a safe, faster payment system**




"A safer, more efficient and faster payment system contributes to public confidence and economic growth..."  
 — FRB Gov. Jerome H. Powell

**The CFPB is urging adoption of faster payments capabilities**



"Faster payment systems hold great promise for consumers," which "may provide them with greater utility and more effective account management, enabling (them) to take greater control of their financial lives."  
 — July 2015 CFPB "Consumer Protection in New Faster Payment Systems" at 1, 3



CFPB and Federal Reserve published core principles and requirements for U.S. faster payment systems

---

---

---

---

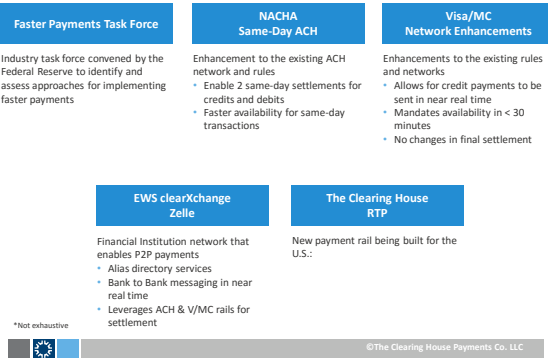
---

---

---

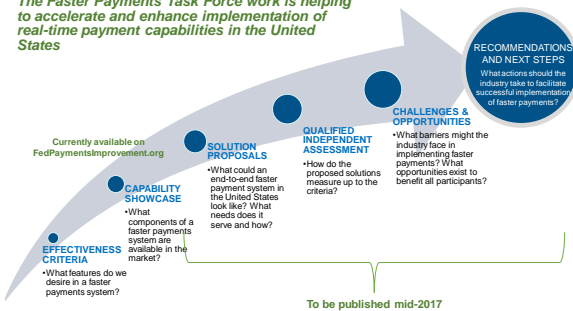
---

## Several initiatives are underway to move payments faster in the US



## The Faster Payments Task Force has been evaluating options for faster payments in the US

*The Faster Payments Task Force work is helping to accelerate and enhance implementation of real-time payment capabilities in the United States*



## Faster Payments Task Force Effectiveness Criteria – More than just speed

<b>Ubiquity</b> <ul style="list-style-type: none"> <li>U.1 Accessibility</li> <li>U.2 Usability</li> <li>U.3 Predictability</li> <li>U.4 Contextual Data Capability</li> <li>U.5 Cross-Border Functionality</li> <li>U.6 Multiple Use Cases</li> </ul>	<b>Efficiency</b> <ul style="list-style-type: none"> <li>E.1 Enables Competition</li> <li>E.2 Capability to enable value-added services</li> <li>E.3 Implementation Timeline</li> <li>E.4 Payment Format Standards</li> <li>E.5 Comprehensiveness</li> <li>E.6 Scalability and Adaptability</li> <li>E.7 Exceptions and Investigations Process</li> </ul>	<b>Safety and Security</b> <ul style="list-style-type: none"> <li>S.1 Risk Management</li> <li>S.2 Payer Authorization</li> <li>S.3 Payment Finality</li> <li>S.4 Settlement Approach</li> <li>S.5 Handling Disputed Payments</li> <li>S.6 Fraud Information Sharing</li> <li>S.7 Security Controls</li> <li>S.8 Resiliency</li> <li>S.9 End-user Data Protection</li> <li>S.10 End-user/Provider Authentication</li> <li>S.11 Participation Requirements</li> </ul>
<b>Speed (Fast)</b> <ul style="list-style-type: none"> <li>F.1 Fast Approval</li> <li>F.2 Fast Clearing</li> <li>F.3 Fast Availability of Good Funds to Payee</li> <li>F.4 Fast Settlement among Depository Institutions and Regulated Non-bank Account Providers</li> <li>F.5 Prompt visibility of payment status</li> </ul>	<b>Governance</b> <ul style="list-style-type: none"> <li>G.1 Effective governance</li> <li>G.2 Inclusive governance</li> </ul>	
<b>Legal</b> <ul style="list-style-type: none"> <li>L.1 Legal Framework</li> <li>L.2 Payment System Rules</li> <li>L.3 Consumer Protections</li> </ul>	<ul style="list-style-type: none"> <li>L.4 Data privacy</li> <li>L.5 Intellectual property</li> </ul>	

©The Clearing House Payments Co. LLC

## Real-time payments – many facets of fast



Continuous  
Input/Output



Clearing 24/7



Immediate Settlement



Immediate  
Confirmation



Real-time posting  
and visibility



©The Clearing House Payments Co. LLC

## Safety should be built into faster payment, not bolted on

Implementing a new payment system provides opportunities to make customer protection and security a part of the design

- **Credit push only** – A system based exclusively on credit transfers eliminates the potential for unauthorized debits
- **High standards for data privacy and security** – Specific requirements for information security and customer authentication that can adapt to changing threats
- **Centralized fraud monitoring** – The system operator, is in a unique position to monitor for “red flags” of mass market fraud to mitigate misuse of the system.
- **Tokenization** – The system should be designed to support routing and processing of tokenized transactions, which will increase payment security and help to limit the proliferation of consumer account credentials.
- **Rigorous enforcement of rules** – The network operator should have comprehensive authority to prevent the system from being misused by bad actors



©The Clearing House Payments Co. LLC

## Faster payments technology considerations

- Core Deposit Systems
- Payments Hub/Payments Gateway
- Network Infrastructure
- Customer Alerts and Notifications
- Online and Mobile Banking
- Anti-fraud Systems
- AML Monitoring and Reporting
- OFAC/Sanctions Screening
- Product Platforms
  - Bill Pay
  - P2P & Account to Account Transfers
  - Small Business/TM Portal Payments
  - Commercial Disbursements
  - Receivables/E-lockbox
  - Balance/Transaction Reporting

### Implications of Faster Payments

- 24/7/365 operation
- Immediate payment acceptance, posting and notification
- No manual processes – end to end automation is essential
- Risk management is a front-end process
- Good UI can mitigate risk and improve efficiency
- Users will have little tolerance for slow systems or delayed customer service response



©The Clearing House Payments Co. LLC

**TECH TRANSFORMATION IS DISRUPTING THE PAYMENTS LANDSCAPE**  
**NEW PATHWAYS TO PAYMENTS**

**24/7/365**

**FAST SIMPLE**  
 WWWWWW

**AVAILABILITY**

**LOW EXPENSE**

**HOW BANKS**  
 FINANCIAL INSTITUTIONS  
 CENTRAL

**CASH COSTS A LOT**

**OUT OF THE WALLET**

**INTO DIGITAL**

**DATA SECURITY**

**WHAT?**  
 amazon  
 THEY PURCHASE, CONSUMER

**HOW?**  
 TECH CUSTOMER EXPERIENCE  
 IS ACCELERATING

**WHY?**

**DISRUPTION**

**DIGITAL ECOSYSTEM**  
 NEW PAYMENTS

**MOBILE**  
 REMOTE CONTROL  
 2 OF OUR LIVES

**THE OLD CARDS**

**COLLABORATIVE & ON-DEMAND ECONOMY**

**FINANCIAL SERVICES**  
 BANK ACCOUNTS  
 ETC.

**PLATFORM**

**WORKERS**

**CASH OUT ON DEMAND**

**TAXI DRIVERS**  
**UBER**

**PART OF THE TRANSACTION**

---

---

---

---

---

---



---

---

---

---

---

---

[illegible]

[illegible]

---

---

---

---

---

---

---

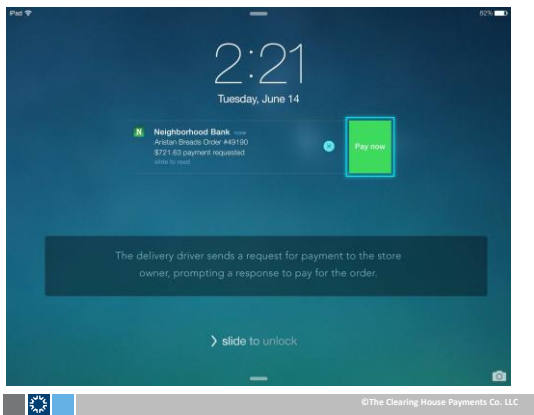
---

---

---

---

---



---

---

---

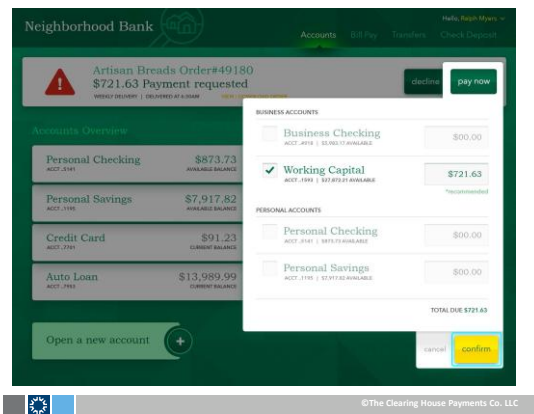
---

---

---

---

---



---

---

---

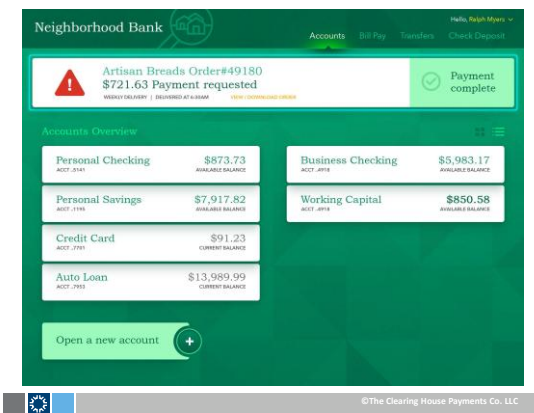
---

---

---

---

---



---

---

---

---

---

---

---

---

Artisan Breads				
Deliveries		Inventory List		
DELIVER BY	CUSTOMER	ADDRESS	STATUS	ORDER VALUE
5:30am	Tom's Market North	9921 5th Ave.	Paid / Delivered	\$501.99
6:30am	Ralph's Grocery Store	910 Madison Ave.	Paid / Delivered	\$721.63
7:30am	Corner Deli	82901 Park Ave.	Next Stop	<a href="#">build order</a>
8:30am	Street Side Bakery	200190 91st St.	Scheduled Visit	
9:30am	Western Market	71351 Park Ave.	Scheduled Visit	
10:30am	Ali's Grocery	290 Park Ave.	Scheduled Visit	
11:30am	Morning Glory Breads	35019 Madison Ave.	Scheduled Visit	
12:30am	Tom's Market South	1541 21st St.	Scheduled Visit	
1:30pm	Fresh Fare Market	9108 Broadway	Scheduled Visit	
2/10 Deliveries complete				Total \$1,223.62
©The Clearing House Payments Co. LLC				

---

---

---

---

---

---

---

---