

# REAL-TIME PAYMENTS

TRACKER®

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JUNE/JULY 2022



## ■ FEATURE STORY

Payrailz and Jack Henry & Associates on the importance of placing real-time payments within reach of more FIs

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Understanding the RTP® network ecosystem

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# REAL-TIME PAYMENTS TRACKER®

Read the previous edition



■ JUNE 2022  
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## ACKNOWLEDGMENT

The Real-Time Payments Tracker® was produced in collaboration with The Clearing House, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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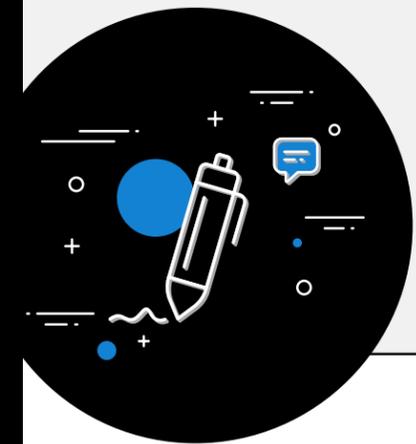
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## EDITOR'S LETTER

**T**he number of faster payment options continues to proliferate — particularly for consumer use cases — but the RTP® network from The Clearing House is the only one of these options in the United States currently [offering](#) true real-time payments, in which transactions are settled with two-way messaging at any hour of any day. All but 24 of the 251 financial institutions (FIs) participating in the RTP network are enabled by a third party, whether that is a technology provider, funding agent or a third party providing a combination of both.

Altogether, at least 61% of direct deposit accounts (DDAs) in the U.S. are connected through a participating FI, with new participants being added all the time. At the same time, even more FIs [possess](#) the ability to receive real-time payments through third parties without being full participants. This ecosystem enables FIs of all sizes and capabilities to benefit from the RTP network, expanding the potential and reach of the network far beyond larger institutions with the greatest capabilities.

Corporate real-time payments [lag](#) a bit, with companies sending just 2% of payments and receiving 1.3% of payments in real time, although among businesses that regularly use the payment method — such as some in the wireless industry — these figures rise to 20% and 14%, respectively. Three-quarters of companies using real-time payments

already plan to increase the number they receive in the coming year, while 69% plan to increase the number of real-time payments they make. As more workers and consumers [expect](#) real-time payments and businesses see the benefits in terms of both speed and reduced effort to reconcile accounts, demand for real-time payments will only increase in the coming years.

In addition to the benefit of being able to send all related communications and data as part of the payment, RTP network messaging also operates on the international ISO 20022 standard, which prevents participants and providers from having to adapt systems to proprietary or nonstandard communications languages. As the same standard is already in use or due to be [employed](#) by other networks, leveraging ISO 20022 helps ensure that solutions are compatible.

This edition of the Real-Time Payments Tracker®, a PYMNTS and The Clearing House collaboration, takes a closer look at the ecosystem of third parties that help support and facilitate the RTP network. It also presents information for potential participant FIs and businesses to consider when looking to enable true real-time payments.

THOUGHT LEADERSHIP TEAM  
PYMNTS.com

## ■ Feature Story

Payrailz And  
Jack Henry & Associates On  
**The Importance Of Placing  
Real-Time Payments  
Within Reach Of More FIs**

## AS DEMAND GROWS FOR FASTER PAYMENTS, FINTECHS ARE LOOKING TO CONNECT FIs AND THEIR CUSTOMERS WITH PAYMENT OPTIONS.

These third-party organizations enable community banks, credit unions and other small or mid-sized FIs to offer competitive payment options by doing the heavy lifting in terms of technology, payment infrastructure and even liquidity management. [Payrailz](#), which aims to help clients tap into a variety of payments rails, including the RTP® network, and [Jack Henry & Associates](#) (JHA), which leverages an in-house payment system to help FIs access the network, are two such FinTechs.

“Payrailz attracts clients by offering to let them — and their customers or members — accept or make payments in whatever way works best for them, whether that’s with real-time payments, ACH channels or other options,” said Steve Dubner, vice president of payment products for Payrailz. “However, real-time as the norm is the key driver.”

FIs and their customers want payments that settle in real time and with finality, Dubner said. In response, Payrailz has focused on real-time payments in everything from how it monitors fraud to joining the RTP network. JHA, meanwhile, has added more than 170 FIs to the RTP network to process more than \$800 million in transactions.

### MAKING REAL-TIME PAYMENTS ACCESSIBLE

Liquidity management is essential to participation in the RTP network, Dubner said. Participants must have the funds on deposit to cover their payments over the network.

To accommodate small and mid-sized FIs, Payrailz has partnered with a larger FI that will act as the funding agent. Funding agents — a common feature of the RTP network — provide the pre-funded balance that stays on deposit with the Federal Reserve Bank of New York in order to facilitate real-time payments. In many cases, an FI may choose a funding agent and technology provider separately. Payrailz rolls both functions into a single solution.

“We will handle all of the lift for our FIs,” Dubner said. “That’s really the major advantage to it.”

That entails more than just installing software. Payrailz handles everything from routers and servers to the software that enables the RTP network connection, according to Dubner. By working with a FinTech such as Payrailz, FIs can also gain access to services such as fraud monitoring without having to develop it themselves.

JHA’s claim to fame is that it was the first payments processor to access the RTP network, according to Tede Forman, the company’s vice president of payments solutions. The company is building on this integration by adding new services such as embedded solutions and instant payments to ancillary products. Both of these services are centrally managed.

“By managing these integrations through JHA’s PayCenter, Jack Henry can ensure the institution retains control over limits and fraud review, as well as instant payments sent to the network on their behalf,” said Forman.

## PRIORITIZING FRAUD PREVENTION

By joining the RTP network, Payrailz plans to start by integrating peer-to-peer (P2P) payments into its “Pay A Person” solution. Down the road, the FinTech plans to expand its use of the RTP network into areas such as account transfers and bill pay, but Dubner said P2P made the most sense as a starting point. He said Payrailz plans to follow a similar implementation path for FedNow once that real-time payments solution is available.

Dubner said that providing P2P payment fraud prevention has been a priority for Payrailz. Consumer demand for P2P payments continues despite the fraud risk involved, so FIs must be prepared with technology that stays ahead of bad actors.

“Our [artificial intelligence] fraud monitoring detects [issues] in real time, and it mitigates the pay-a-person risk,” Dubner said. “You tie the real-time payments with the fraud monitoring in real time, and that just makes it a very, very strong product.”

While some fraud prevention mechanisms such as tokenization are built into the RTP network, participating FIs still bear responsibility for guarding against fraud. Dubner noted that P2P payments are particularly attractive to cybercriminals, and having a technology partner well-versed in fraud prevention adds value for FIs using a TPSP to participate in the RTP network.

## ELIMINATING TOUCHPOINTS

Simply offering real-time payments already helps reduce both risk and workload when compared to legacy solutions. There are no checks to get lost or interfered with, and the two-way messaging of the RTP network enables payment information to travel with the payment, such that books can be balanced and invoices cleared in a single step, without the need to marry-up information traveling through different channels.

“Any time you can eliminate the touchpoints, but also the turnaround time, [you eliminate] a lot of room for errors,” Dubner said. “Even lockboxes make mistakes.”

JHA has also experienced positive customer feedback from its RTP integration efforts, according to Forman. Employers in particular benefit from speedy payroll, which can drive up employee loyalty and offer a more pleasant day-to-day experience.

“We’re hearing more employers are adding payroll products that leverage the RTP network,” said Forman. “This enables employers to offer their employees quicker availability to earned wages via their trusted financial institutions. This reinforces the value of making these networks central to a financial institution’s faster payments strategy, helping them remain relevant among today’s disruptions and create stickier relationships.”

The emergence of true real-time payments has been exciting, Dubner added. While checks and other legacy payment methods will continue to persist, bringing digital transactions up to real-time speeds is the next step in payments innovation and is just as significant as the move from cash and checks to digital banking.

# The Power Behind True Real-Time Payments

## WHILE REAL-TIME PAYMENTS **ACCOUNT FOR JUST 2% OF ALL CORPORATE PAYMENTS SENT AND 1.3% OF CORPORATE PAYMENTS RECEIVED,**

the benefits of real-time payments are catching the attention of a growing number of corporate treasurers and billing and payment executives. Among those companies already engaged with real-time payments, nearly 75% expect to increase the payments they receive in real time during the next year, and 69% say they expect to make more real-time payments. Already, 15% of surveyed businesses with annual revenues between \$50 million and \$1 billion say they either make or receive payments in real time, and this figure is nearly 86% among the largest of these businesses — those with annual revenues between \$500 million and \$1 billion.

The benefits of real-time payments **extend** to both consumers and businesses, with merchants able to fulfill customer demands immediately and businesses able to conduct transactions with clarity and finality that is lacking in legacy payment solutions. These faster payments have revolutionized existing payments practices and opened the door to further advancements and new business opportunities that could not exist without real-time payments. The Clearing House's RTP® network **sits** at the forefront of this sea of change, providing the means for settlement within two to three seconds at any hour of any day. This has enabled such use cases as enhanced client experience and improved liquidity management.

By September 2021, the RTP network **had** approximately 150 FIs connected as participants, accounting for more than 50% of DDAs in the U.S. The most recent information from The Clearing House places that number at 251 FIs able to send and receive real-time payments through the network, reaching 61% of U.S. DDAs. At the same time, just 24 of those FIs are integrated directly into the RTP network. The rest **participate** through a third party, such as a third-party service provider (TPSP) or credit union service organization (CUSO). In addition, many more FIs can **receive** real-time payments through such third parties, even though they are not participants in the network. This month, PYMNTS Intelligence takes a closer look at the RTP network ecosystem and the third-party organizations that help more FIs provide their customers with true real-time payments.

## THE NUTS AND BOLTS OF THE RTP NETWORK

Unlike other payment options touted as fast or same day, the RTP network **enables** transactions that actually happen in real time. With payment information traveling both ways during the transaction, end-to-end messaging prevents fragmented communication that can slow a payment. The RTP network **accomplishes** this with adherence to the ISO 20022 standard, meaning that all messages comply with a global standard that aids in interoperability and makes it easier for FIs and TPSPs to integrate the messaging into their interfaces. This same standard is **planned** for the Federal Reserve’s FedNow payment network, making for smoother interoperability for FIs using both networks.

The two-direction nature of RTP payments also enables a request for payment to be **sent** through the network to a payee, with the payor initiating the transaction and the payee confirming. The data-rich nature of RTP network payment requests also **enables** easier marrying of payments with accounts receivable (AR) information, saving time and the work involved in reconciliation.

The RTP network is **open** to any federally insured depository institution, and even FIs that are not full participants can **benefit** by working with TPSPs to receive real-time payments through the network, as many larger players, such as PayPal, Venmo and Grubhub, have integrated with the RTP network and can send payments.

## CHOOSING HOW TO PARTICIPATE

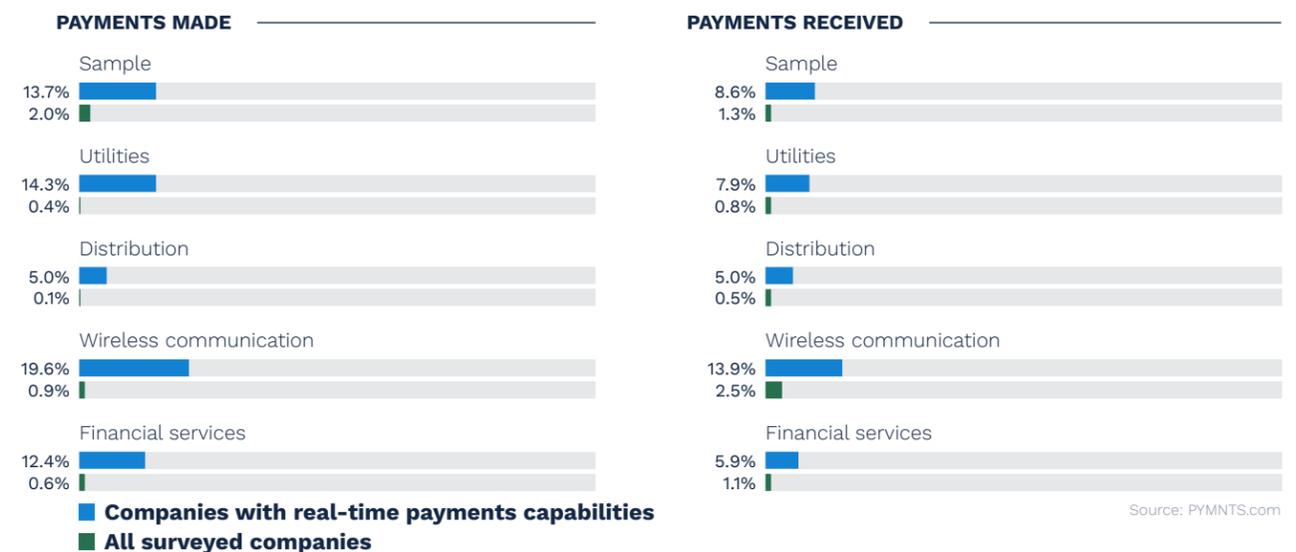
To make payments through the RTP network, a sending participant must **provide** funding as determined by The Clearing House and maintain a prefunded balance that covers its transactions on the network. Smaller and mid-sized FIs can accomplish this by working with a third party known as a funding agent, which **maintains** the prefunded balance on behalf of its client FIs. Some third parties provide the functions of a funding agent while also enabling the connection to the RTP network, or an FI may choose to work with a TPSP to connect to the network while seeking another entity to act as its funding agent.

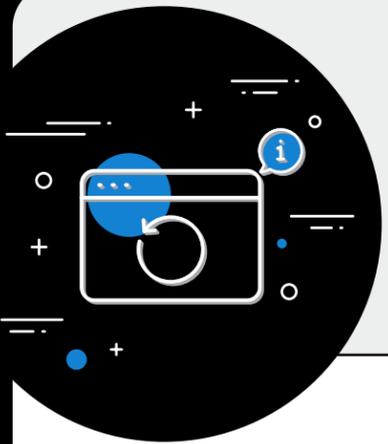
According to The Clearing House, most RTP network participants connect through a third party. The work of a multitude of technology providers, funding agents and entities that act in both capacities **support** the network. Working with one of these third parties can provide several benefits, such as offloading the job of **creating** and maintaining a native interface that connects the FI to the network. Depending on the provider an FI chooses, the FI may be able to **act** as a full participant or choose a tiered service that provides fewer capabilities at a lower cost. With an overwhelming share of DDAs already connected to the network and new participants constantly being added, even enabling the receipt of payments through the network has clear advantages for any size FI.

FIGURE 1:

### Real-time payments usage within industries

Share of real-time payments in total payments made and received last year, by industry





# NEWS & TRENDS

## DEMAND FOR REAL-TIME PAYMENTS IS ON THE RISE

### CONTROL AND RELIABILITY INFORM DEMAND FOR B2B REAL-TIME PAYMENTS

A survey of 100 executives from companies with \$50 million to \$1 billion in annual revenue [shows](#) the importance of reliability in payments and the ability of real-time payments to provide that needed assurance. Fourteen percent of surveyed executives said the most important benefit of sending real-time payments is reducing the risk of payment failure, which is also the most-cited benefit of sending real-time payments. In addition, 7% said the same about receiving payments. Steve Ledford, senior vice president of products and strategy at The Clearing House, said that real-time

payments are helping to add confidence and certainty to the business-to-business (B2B) payments process as an additional benefit to producing faster and more pain-free cash flow.

As companies already making use of real-time payments consider upgrades to their systems, 44% list mitigated risk of payment failure as one of the benefits they expect from upgrading. At the same time, 18% of companies not currently using real-time payments also expect to benefit from mitigated risk of payment failure by participating in the system.



### CONSUMER DEMAND FOR FASTER PAYMENTS IS MAKING ADOPTION A PRIORITY

Consumers' demand to make and receive faster payments is helping to drive adoption by businesses, and that demand is only [growing](#). In one recent survey, approximately 70% of consumers cited enhanced faster payment capabilities as an important satisfaction driver for how they view their FIs. Consumers said they want to exercise more control over when they pay businesses, whether they are making a recurring payment or taking care of a bill on the day payment is due.

Many consumers live in a state of economic uncertainty, and being able to conduct business in real time helps them make the best use of their available funds. Rather than paying a bill early to avoid late fees or missing a payment, consumers see real-time payments as a solution that lets them know a bill is paid almost as soon as the transaction is initiated.

## THE EXPANDING REACH AND CAPABILITIES OF REAL-TIME PAYMENTS

### AS FIs PRIORITIZE PAYMENTS MODERNIZATION, CLOUD AND PAAS COULD PLAY A LEAD ROLE

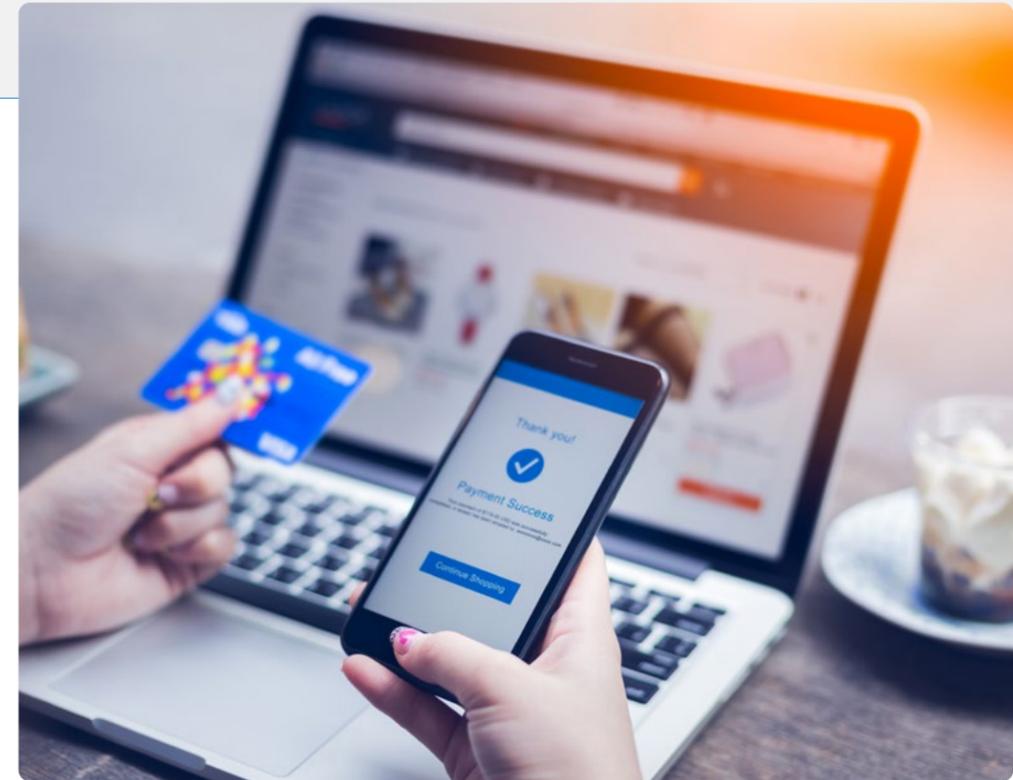
In a survey of professionals from U.S. banks and credit unions with assets between \$2 billion and \$25 billion, 27% of respondents [said](#) their organizations are already connected to The Clearing House's RTP® network. This share is nearly double the percentage that gave the same response in 2021. In addition, that growth appears poised to continue, with 37% of those not connected to the RTP network saying they are committed to joining within the coming year, meaning that more than half of all FIs within that range are expected to be connected to the network in 2023. FIs that plan to join the RTP network also expressed interest in joining the Federal Reserve's real-time FedNow network that is expected to go live in 2023, demonstrating that FIs perceive the two networks as complementary rather than competitive.

While these FIs look at upgrading their payment processes, many also see it as an opportunity to modernize by replacing legacy systems with either cloud-first or payments-as-a-service (PaaS) systems, and one-fifth said they are actively deploying PaaS solutions. Those FIs looking at modernized payment solutions said they see it as a matter of future-proofing to continue competing in the market.

### TOKENIZATION OF ACCOUNT INFORMATION OFFERS MORE SECURE RTP ACCESS

As consumers and businesses seek faster payment rails, security and privacy are also significant priorities. With the [addition](#) of tokenization of deposit and checking account information to The Clearing House's RTP network and Electronic Payments Network, participants can ensure that the account information of a sender or receiver is not shared with any other party. Through Secure Token Exchange, a token is issued to function in the place of a customer's bank account and routing information.

The tokens employ randomly generated numbers that, unlike actual account and routing numbers, can be deactivated if compromised, rendering them useless to any bad actor. Without such tokens, the customer's banking information could be stored with a variety of third parties, including billers, retailers or FinTech apps.



### FISERV COLLABORATION EXPANDS REACH OF THE CLEARING HOUSE'S RTP NETWORK

A new collaboration between Fiserv and The Clearing House is [expected](#) to expand access to The Clearing House's RTP network for thousands of FIs. The partnership provides access to the RTP network through Fiserv's NOW Gateway, which connects several commercial and consumer payment services for partner FIs. The addition of RTP network access to the lineup of payment options will simplify the provision of real-time transactions for partner FIs, with the network already connecting to more than 60% of U.S. bank accounts.

Matthew Wilcox, president of digital payments and data aggregation at Fiserv, [said](#) that demand for real-time payments is only growing, and Fiserv has experienced consistent year-over-year growth of real-time P2P payments in the double digits. He added that real-time payments capabilities are a must-have for FIs of any size or type, from credit unions and community banks to the most prominent players.

# REAL-TIME PAYMENTS

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PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

 The Clearing House

The Clearing House operates U.S.-based payments networks that clear and settle funds through ACH, check image, the RTP® network and wire transfers. The RTP network supports the immediate clearing and settlement of payments along with the ability to exchange related payment information across the same secure channel.

Learn more at [www.theclearinghouse.org](http://www.theclearinghouse.org).

## ABOUT

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