FIS Success Guide: Determining your entry point into the faster payments ecosystem
Now is the time for faster payments

In July 2017, the Federal Reserve’s Faster Payments Task Force announced its goal to make faster payments an option for every customer and business transaction by 2020. Though the official timeline suggests that financial providers have ample time to integrate faster payments into their respective business models, market forces like high-speed data networks, next generation digital devices, person-to-person (P2P) apps and cross-border pressure have already fueled demand for faster payments.

Financial institutions who make an immediate entrance into the United States’ faster payments ecosystem will emerge as leaders in what will soon be a redefined competitive landscape. FIs who embrace their leadership role in the new payments ecosystem are uniquely positioned to determine the next generation of customer experiences that will drive engagement, loyalty, profitability, and the ability to attract new segments.

Despite the opportunities faster payments solutions bring for financial institutions and merchants in the United States, many still struggle with a shared conundrum: How to compete and build a business case for investing in faster payments technology.

FIS implemented and continues to play an important role in faster payments schemes in Singapore, the United Kingdom and Australia. We’ve identified that while speed will get a financial institution into the faster payments space, it’s not the only component to success.

The emerging leaders in faster payments share commonalities:

- **Open/Instant**: APIs and information-sharing for easy and cost-effective integration.
- **Intelligent**: Harness rich, real-time data around behaviors, purchases and preferences that equip acquirers and issuers to curate best-in-class experiences for customers that are contextually relevant and offer differentiated value.
- **Secure**: Leverage around the clock monitoring and advanced analytics. Faster payments providers must guard against real-time disruption from fraud or false positives to maintain customer trust.

In this paper, we’ll explore opportunities to:

- Identify the best entry point for investing in faster payments experiences
- Evaluate options to streamline faster payments solutions and minimize costs
- Use technology and solutions to provide agile and unified real-time payments experiences
Identifying the best entry point for investing in faster payments experiences

Mobile and digital transactions continue to displace checks, wires, ACH and cash. Person-to-person (P2P) payment apps increasingly empower customers to initiate immediate, frictionless payments that negate the need to carry any type of currency. Industries that are heavily reliant on paper checks and ACH transfers for activities like insurance claim payments, business-to-business or business-to-consumer invoicing and payroll are well positioned to take advantage of the speed, security and transparency faster payments offer.

Many financial service providers will resolve to focus resources and efforts over the next 6-12 months on no more than two use cases. Which use cases they focus on will vary based on their operating model, current customer demographic segmentation and near-term growth strategy. As shown below, the payment volumes projected to migrate from other channels (such as ACH, wire and cash) are significant. Understanding the value proposition and catalyst for business owners and consumers to adopt a faster payments solution is critical in determining where to focus.

Projected migration of payment volume to faster payments solutions by 2025

- **Person to person**: $4B vol. 2% total pymts.
  - Split the check, send a gift, pay the babysitter

- **Consumer to business**: $10B vol. 4% total pymts.
  - Bill pay, eLockbox, pay on behalf of

- **Business to consumer**: $5B vol. 2% total pymts.
  - Disbursements, commissions, request for money

- **Business to business**: $11B vol. 5% total pymts.
  - Integrated payables, invoice-to-pay, trade payments

Bruce Lowthers, FIS Chief Operating Officer, Integrated Financial Solutions

“It’s incumbent upon us to transform our thinking to meet the demands of change.”

Faster payments in action: one customer, multiple paths to enhanced value

Faster payments solve many of the hurdles associated with transferring funds, initiating, sending and receiving payments, and having real-time access to account deposits. All can be a precursor to attrition that breeds poorly managed customer experiences or difficult channel engagements.

Financial institutions planning their entrance into the faster payments landscape should consider the business opportunities and constraints of today—and those they could have, or face, in the future. An agile, unified payments system positions financial institutions to optimize the profitability of core segments, and to enter new markets and verticals with modern solutions to transform transactions and models that are historically check or ACH-based.

Once financial institutions and merchants identify and prioritize the use cases and customer experiences to focus on, they must build a business case that considers existing operating processes, resources, and system infrastructure.

The market is evolving from being dazzled by innovation to implementing plans to address the opportunities ahead. We must answer critical questions: How will we take all these great products and ideas we’ve created and integrate them into consumers’ daily lives? How do we provide value to consumers in ways that still allow financial institutions to make a profit?"
FIS is driving solutions that work across multiple networks. One of our greatest differentiators is in how we make it easier for FIs to plug and play according to their preferred business model. It isn’t about any single solution, it’s about the way we provide solutions to address all networks – today and in the future.”

Elena Whisler, FIS Vice President
Product Management and Strategy
Making secure payments is an important part of what makes FIS tick. Our consumer-centric view means we recognize the value of each of these transactions. Every single one is important. We process 27 billion of them every year globally, and demonstrate the importance of each of these in the way that we support the running of our clients’ business day in, and day out.”

Bruce Lownhers, FIS Chief Operating Officer, Integrated Financial Solutions

Evaluate network options

Within FIS, the initial focus for faster payments has been on the migration of checks, ACH and cash-based transactions. Whether the consumer is paying the babysitter or their electric bill, faster payments mean funds are sent and received in seconds. Likewise, the arrival of 24/7 payment functionality equips businesses to invoice, receive and issue payments, and access deposited or transferred funds immediately.

Financial service providers and business owners contemplating when, where and how to navigate the faster payments landscape must engage with a partner who can support and navigate the path to real-time experiences from end-to-end. Bringing together a framework for money movement, security, communication, digital engagements and settlement is imperative. The FIS faster payments ecosystem has been facilitating the speed, ubiquity, efficiency and security required on a global basis for many years.

FIS Faster Payments Ecosystem

Unique end-to-end framework and solutions

Sender
Consumer, Small Business, Commercial

ACH PayNet
Send FI

Receiver
Consumer, Small Business, Commercial

Zelle
Disbursements
Bill Pay
Integrated Payables

Tokenization
Directories
Risk management
Data analytics

Digital channels
Money movement
Open payments framework
Integration

Continuous processing
24/7 clearing
Continuous settlement
Immediate confirmation
Real-time posting and visibility
FIS’ hosted real-time payments solution

As we look at some of the best-in-class options for deploying a faster payments strategy, we begin with one designed to address every use case. Along with The Clearing House (TCH), FIS launched a first-of-its-kind real-time payments hosting service in the spring of 2017 to accelerate the path to real-time payments for U.S. financial institutions.

FIS Real-Time Payments is designed to equip financial institutions of any size to enter this space at a pace and scale that meets their unique needs by connecting them directly to the TCH Real-Time Payments platform and leveraging the Open Payments Framework (OPF) to clear and settle payments in real-time.

FIS Real-Time Payments provides a great live environment to test and evolve how to architect solutions that work best for your organization and your customers. Understanding that legacy system infrastructures can make integrations costly and difficult, this solution leverages standard APIs that interface directly to client systems.

Plus, the APIs are re-usable. Clients benefit from the full support of FIS to manage deployment of new releases and have complete visibility through a back-office user interface. This solution is one of the more effective ways financial institutions in the U.S. can gain practical experience in payments modernization.
FIS has been facilitating faster payments experiences on a global scale for nearly a decade. In 2009, we began preparing for the migration of faster payments experiences to the U.S. market with the launch of PayNet®. PayNet is FIS’ real-time payments network that empowers financial institutions to compete with established and emerging disruptors in the payments space by harnessing the speed of traditional EFT networks, combined with the flexibility and ubiquity potential of ACH.

FIS clients already on an FIS processing system are pre-certified for PayNet. This brings immediate accessibility to enable real-time authorizations and inquiries in both a cardless and PIN-less environment. The recipient has immediate access to their funds.

As clients evaluate the use cases and customer experiences to focus on first, and eventually expand their payments strategy to include faster payments, PayNet enables P2P payments and account-to-account transfers, as well as account validations and balance inquiries. PayNet real-time payments are integrated to our NYCE® Payments Network; there are no additional rules or standards to support.
Commercial payments

As real-time solutions gain ubiquity within the U.S., FIS is focused on equipping commercial clients to engage in this space via Integrated Payables and Business Banking services. The future of commercial payments is real-time remittance payload capability (replaces check stub), real-time credit, acknowledgement of receipt of funds, and funds guarantee. These provide an ideal channel for many commercial payments made via check or wire today. FIS Integrated Payables connects commercial customers to real-time solutions and networks that enable financial institutions to offer this payment channel to clients. Combining real-time capability with check, ACH, wire and virtual card options positions financial institutions to differentiate themselves to commercial customers with transformative solutions that are far superior to what is generally offered in market today.

For commercial clients, the addition of real-time payments as a new settlement rail offers another means of electronic settlement, and achieving straight-through processing. The market will ultimately define the use cases driving the adoption of real-time payments for both B2B and B2C. Early indications point to applications for insurance claims (property, casualty and healthcare), property management (refunding of deposits), contract staffing (day labor), higher education (student loan disbursements), gaming (winnings), retail (rebates and incentive programs), government (disaster relief), and the restaurant industry (daily tips).

Early adopters will benefit from differentiation, as certainty of payment, visibility to funds and improved working capital will redefine business practices around liquidity management.
Person-to-person solutions

By 2021, Javelin predicts that nearly half of all consumers in the U.S. will conduct P2P payments. FIS’ integration into Early Warning’s Zelle® Network P2P service is a fully outsourced solution that equips financial institutions to utilize robust capabilities provided within the secure FIS infrastructure, such as real-time fraud protection and processing. A key advantage of this integrated solution over other third-party competitor apps? Transfers take place directly between the sender’s and the recipient’s payment accounts. The recipient doesn’t need to complete a second step to move the cash from a brand wallet to their primary account.

The P2P use case as a point-of-entry into faster payment experiences for financial institutions is based on the desire to attract and retain younger consumer segments by capitalizing on brand awareness benefits through digital delivery, in one of the lowest cost servicing channels. In turn, customers benefit from state of the art security, convenience and speed of access to funds. Integration through FIS leverages the ubiquity of the Zelle directory, with the dependability and real-time money movement capabilities of native FIS solutions.

247 million real-time P2P payments

In 2017, Zelle reported more than 247 million real-time P2P payments – a 45% increase compared to 2016 totals.

$75 billion in real-time P2P payments

In 2017, Zelle transactions resulted in $75B in real-time money movement. That is a 36% increase over 2016.

Our partnership with Zelle is anchored by a joint focus on Millennial and Gen-X segments. This audience is crucial for banks because it’s at younger ages that consumers form financial habits for a lifetime.”

Norm Marraccini, Digital Payments Manager, FIS
Global remittance services

According to 2016 World Bank data, global remittances volume accounted for more than $600 billion annually, with $90 billion reflecting remittances sent from the U.S. to foreign countries. FIS Global Remittance Services (GRS) enables financial institutions to easily leverage our solution suite to deliver cost-effective remittance services while deepening customer relationships and generating new sources of payments revenue.

GRS launched in May 2016 with a single client and has transferred nearly 100,000 remittances in near real-time in the first 18 months via our global remittance disbursement platform. As flexibility is key, the solution is designed for implementation from an existing online banking platform or as a separate UI-branded solution with single sign-on from FIS’ Consumer eBanking. The Reg E compliant solution delivers funds in near real-time to recipients via bank deposit or cash pick-up services and positions our clients to expand wallet share with existing clients and households and effectively attract new target customer segments.

Partner with proven experts to succeed in the new payments landscape

The move to instant payments isn’t tomorrow; it’s here today. The rapid growth in instant payments means financial institutions must be able to interact, use and transmit payments over multiple systems to remain competitive. As a leader armed with depth and breadth of experience to support our partners, FIS is relentless and intentional about empowering every financial institution with innovative and best-in-class solutions that meet the needs for the market of today and beyond.

The arrival of faster payments in the U.S. marks new opportunities, and new challenges. With such significant change on the horizon, it is not enough to have a payments platform that is fit for one purpose. It must also be agile, and future-proof. FIS wants to be the partner that helps you navigate the evolving opportunities that exist in real-time payments by providing access to a “network-of-networks”, which makes it easier to navigate the faster payments ecosystem according to your preferred business model.

Whether you start by leveraging the PayNet Real-Time Network, our Real-Time Payments Incubator hosting services or want to access FIS’ Rapid Deployment service with Zelle, we provide the end-to-end solution path to faster payments experiences for consumers, small businesses and commercial clients.
About FIS
FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor’s 500® Index. For more information about FIS, visit www.fisglobal.com

Interested in hearing more?
The team at FIS is eager to discuss how we can help your payments business.

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