

# What Real Time Means for Your Digital Transformation and Payments Strategy

There has been no shortage of press and analyst coverage around the hyperevolving financial services industry and the impact technology is having on the sector's outlook. The expectations for speed continue to grow as consumers have become accustomed to having more things delivered instantly.

Technology is enabling new business models paving the way for new players to enter the market. One of the greatest areas of change is in digital payments, where consumer and commercial customers increasingly expect payments and information to be delivered instantly. While the threats from new players to incumbent banks have been well documented, there is also an emerging opportunity unfolding that allows financial institutions to reimagine their relationships with businesses and consumers.

## Faster Payments in the U.S.

In order to gain a perspective on where the payments market is heading and how to capture opportunity within it, it is critical to understand the dynamics playing out in the U.S. Unlike countries around the globe that have responded to market demand with a single, government-led development of a faster payments network, the U.S. is evolving differently due to its size, complexity and tendency toward letting the industry drive innovation. As a result the U.S. has several real-time payment (RTP) networks serving different types of faster payments:

- Zelle®, the bank-led platform initially targeting person-to-person (P2P) payments
- Same-day ACH, typically used in business payments
- Visa Original Credit Transaction (OCT) and Mastercard used frequently for disbursements and other consumer payment services
- The Clearing House (TCH) RTP network launched in 2017

The Federal Reserve also has played an active role in real-time payments, primarily working across industries to establish best practices, although more recently has asked for industry comment on whether it should play a more active role in establishing a national network and/or interoperability standards.

## Role of Financial Institutions

Real-time payments are one of the biggest transformational opportunities in banking. The move to real-time payments has created an opportunity for banks to introduce new products, become more digital and compete with nonbank services such as Venmo, Square and PayPal by providing value-added capabilities to bank customers. A great example of this is *Zelle*, which exemplifies financial institutions working together to enable real-time P2P payments and has resulted in consumer adoption that has quickly overtaken nonbank services. But there are many other emerging opportunities as well.

It is critical that financial institutions first establish an enterprise-level strategy for enabling faster payments. This begins with an internal assessment of your

customers' expectations, your competitors, and your current payment applications and volumes segmented by customer type.

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Once you have a baseline understanding of where your greatest need and opportunity is, you can prioritize your opportunities to implement faster payments by use case and customer segment.

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Achieving an enterprise-level view of faster payments can then serve to inform a broader digital banking and payments strategy within your institution. This should include:

- A road map to support faster payments across your institution's various payments applications
- Broad connectivity to all domestic faster payments networks
- An assessment of fraud and risk tools and processes required to support faster payments

### Getting Started

**Engage experienced partners:** Given the implementation and operational complexity around faster payments, one of the first things to do is to engage trusted solution partners. It is critical to leverage the expertise of a solution partner to help develop a comprehensive execution plan.

For example, Fiserv has developed a broad range of market-leading real-time payment processing capabilities and practical expertise that can be tailored and applied to your institution. These include platforms and turnkey solutions for P2P payments, disbursements, transfers and commercial payments. Fiserv also enables connections to the broadest set of real-time networks in the industry, including TCH/RTP, Zelle, Visa OCT, Mastercard MoneySend and SWIFT.

**Prioritize the end-user services you want to enable with real-time payments:** There are many to choose from, so establish an initial prioritization and business case. Business cases should not be limited to revenue,

but should be based on customer expectations and engagement, and on competitive differentiation or parity. Look to leverage and reuse infrastructure and processing investments.

**Find a real-time use case:** Once you understand the priorities, put real-time payments into production for customers. For instance, P2P payments through Zelle is one of the first services most retail banks will want to support. Early support for Zelle is an effective way to communicate to your customer base that you are serious about providing leading-edge technology where it matters most.

**Support all networks:** Supporting all use cases typically requires supporting multiple networks. Determine which networks your use cases require. This includes same-day ACH, Visa OCT, Mastercard MoneySend, ISO 20022 wire and TCH/RTP. In some cases you may choose to support receipt of inbound transactions well before you start to leverage these networks for origination. That has frequently been the case with TCH/RTP, for example.

**Implement your next real-time service offering:** Whether it's disbursements, payables or small business payments, keep building on the platforms and partnerships you have established.

### What's Next?

We anticipate real time will become a standard, common and expected payment speed for many more types of payments in the next three to five years, giving financial institutions even more opportunities to build strong digital customer relationships. It's important that every financial institution get started, develop a plan and establish its partnerships.

It's also important to recognize that real-time payments will not completely replace legacy payment methods, but will augment them. Financial institutions will continue to look for ways to streamline and modernize their payment processing platforms across all payment types. For this reason, Fiserv continues to make significant investments in modernizing payments across payment types and delivery speeds.

Moving money efficiently, easily and safely is essential not just to financial services, but to everyday life and work. For those reasons, getting payments right is critically important for financial institutions. No matter where you are on the journey, Fiserv offers expertise, solutions and relationships at every stage of the payments ecosystem, including financial institutions, billers, consumers and payments networks. We're here to help you deliver innovative and real-time payments experiences that create value for your customers, members and, ultimately, your business.

## About the Author

### Tim Ruhe, Vice President of Industry Development and Strategic Partnerships

As Vice President of Industry Development and Strategic Partnerships for Fiserv Digital Payments, Tim is responsible for developing and managing Fiserv's strategic innovation and payments partnerships, including real-time payments, next-generation bill payment, disbursements and person-to-person payments.

Prior to his current role Tim held multiple product management and strategy leadership positions at Fiserv, leading Fiserv's entry into real-time payments, P2P payments and mobile banking.

Prior to joining Fiserv he held product leadership positions at CheckFree, Corillian and Rational Software.

## Connect With Us

For more information about real-time payments, call us at 800-872-7882, email [fasterpayments@fiserv.com](mailto:fasterpayments@fiserv.com) or visit [www.fiserv.com](http://www.fiserv.com).

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**Fiserv, Inc.**  
255 Fiserv Drive  
Brookfield, WI 53045  
800-872-7882  
262-879-5322  
[getsolutions@fiserv.com](mailto:getsolutions@fiserv.com)  
[www.fiserv.com](http://www.fiserv.com)

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