



Alias-based payment option emerges to tame risk in B2C transactions

Alias-based payments, which are convenient and eliminate the risk associated with collecting and storing payee bank account information, are beginning to emerge for business-to-consumer (B2C) applications. U.S. Bank is working to support one such option through its ownership in the clearXchange payment network.

To achieve greater efficiency, organizations are shifting toward paying consumers electronically rather than with paper checks. However, traditional electronic payment options, such as the Automated Clearing House (ACH) network, require organizations to gather and maintain payees' bank account information, which can create a security risk. This is where alias-based payments offer a benefit — an organization only needs a consumer's mobile phone number or email address to initiate an alias-based payment.

The clearXchange network

U.S. Bank is among a group of major U.S. banks that owns clearXchange, an emerging B2C alias-based payment option. The U.S.-based digital payment network began as a fast, convenient person-to-person (P2P) payment network. It enabled one consumer to pay another by electronically transferring money directly from one bank account to another, which eliminated the time spent writing and depositing checks, and waiting as many as five days for the payment to clear. Millennials, in particular, appreciate the convenience and simplicity of making P2P payments using their mobile devices.

To make clearXchange payments, payers must bank with a clearXchange bank, and their recipients must be registered with the clearXchange directory (i.e., link their mobile phone number or email address to their bank account). Payments typically settle within one or two business days.

In a classic example of how P2P alias-based payments work, a group of friends eating at a restaurant can “split the check” by having one diner pay the bill and the others send their portion of the tab to the payer by phone. The diner paying the bill doesn't need to accept cash from the others or visit the bank later to deposit checks from them.

Already more than 25 million consumers are registered in the clearXchange directory, and in 2015 they made or received payments from 7,500 banks in the United States, the network reports.

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The security advantage of B2C payments

U.S. Bank currently provides P2P payment capability on clearXchange — with a real-time settlement option — and is in the process of building a B2C payment solution through the network.

“With all of the recent highly publicized payment-related security breaches, companies are looking for an alternative way to make payments electronically without having to maintain their payees’ banking information,” says Laura Listwan, senior vice president and group product manager at U.S. Bank.

If an organization is paying a consumer that banks with a clearXchange bank, only the consumer and its bank have the consumer’s bank account information. “Consumers that don’t bank with a clearXchange bank can still register to receive clearXchange payments, however their payments are routed through the ACH network and they are required to share their bank account information,” Listwan explains.

Just a few examples of likely B2C payment applications for clearXchange include consumer refunds, disaster recovery payments and, for insurance companies, claim payments. For example, when an auto insurer’s client is at fault for an accident and the insurer must pay the accident victim — with whom it has no business relationship — clearXchange will provide a fast, convenient and secure payment alternative, says Laura Listwan.

“Any company or government agency that has a significant interaction with consumers will be a potential candidate for clearXchange disbursements,” Listwan adds.

When you take into account the entire cost to generate a payment, including enrolling payees and maintaining the electronic solution, clearXchange is expected to offer B2C electronic payments efficiencies. “Cost savings aren’t the primary benefit,” Listwan says. “The compelling driver for using clearXchange for B2C payments is that the network provides businesses with a secure, reliable and convenient way to pay their consumer customers or counterparties without warehousing their banking credentials.”

To learn more about how your company might benefit from alias-based B2C payments — including through the clearXchange network — contact your Treasury Management Consultant.

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