



## Emerging payment systems enable faster, more efficient processing

Although business-to-business payment by check has held steady at about 50 percent of total payments since 2013, according to the Association for Financial Professionals (AFP), research suggests that percentage is likely to start declining soon.

The latest AFP Electronic Payments Survey found 13 percent of financial executives believe implementing faster payment solutions will have an “extremely positive impact” on their organizations, and another 49 percent expect the impact to be “somewhat positive.”

“The pace of innovation in the payments arena has been rapid, creating new opportunities for treasury managers to optimize their processes,” says Laura Listwan, senior vice president, U.S. Bank Global Treasury Management.

For starters, the long-awaited same-day ACH payment option became available in Fall 2016, enabling payment of ACH credits by the end of the receiving depository financial institution (RDFI) processing day. (By March 16, 2018, RDFIs must make ACH credits available no later than 5 p.m.).

### Same-day ACH purposes

The AFP survey revealed the following anticipated uses of these payments:

- Last-minute bill payment: 57 percent
- Emergency payroll: 38 percent
- Accounts payable payments made on the last day of discount availability: 24 percent
- “Will use for most payments”: 19 percent
- Trading partner payments: 17 percent

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Same-day ACH transactions are limited to \$25,000 and regulations require depository institutions to support same-day ACH debits by Sept. 15, 2017.

### Can we go faster?

Same day is faster, but for many high-priority transactions, it isn't nearly fast enough. Enhanced real-time payment systems, operating in Europe and the United Kingdom for several years, are becoming more widely available in the United States.

For instance, the Zelle digital payment network (originally called clearXchange (cXc)) has been online since 2011, but has been used primarily for consumer-to-consumer transactions. Payments can be made within five minutes, if the expedited service is chosen.

Through Zelle, customers of U.S. Bank and several other large institutions can transmit payments to any individual who has a bank account anywhere in the U.S. using only an email address or cell phone number.

With this alias-based payment network, businesses do not need to solicit and maintain the consumer's banking data to execute payments. Consumers register with clearXchange and only they and their bank know their bank account data.

### New debit card flexibility

Debit card networks can also facilitate real-time business payments to consumer bank accounts. MasterCard's Send and Visa's Direct use consumers' debit card numbers to make immediate payments to consumers. The debit card networks were traditionally used by business to transmit refunds on returned purchases, but it is now possible to push payments to consumer bank accounts without any associated purchase. Also, payments can be sent to prepaid cards, enabling the transfer of funds to individuals who lack a bank account.

### Real-Time Payments (RTP)

On the horizon for 2017 is the fruition of the The Clearing House's (TCH) RTP initiative. The country's oldest payments company, TCH is owned by two dozen of the country's largest banks, including U.S. Bank.

This 24/7 data-rich system will enable almost instantaneous payments, up to \$25,000 per transaction among all payee segments: business-to-business, business-to-consumer, consumer-to-business and consumer-to-consumer. Unlike ACH, however, it will not process debits.

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Initially RTP will operate only domestically, but international capability is in the works. The essential elements of RTP include the following:

- There can be no returns because funds must be available at the time of the transfer, so payees are assured of receiving payment.
- Payers will be notified promptly when funds have been received by the payee.
- Payees will be notified not only that a payment has been received, but can also receive information about the payment, such as the invoice number.
- Requests for payment delivered through the system can dovetail with e-invoicing and e-billing software, reducing paper handling costs and remittance errors.
- Additional data can be linked to transactions, including fulfillment messages. For example, upon receipt of payment a payee can notify the payer that goods have been shipped and provide a tracking number.

To decide which of these new, faster payment systems make sense for you, Listwan suggests conducting a “Working Capital DNA session” with a U.S. Bank Payments Consultant to pinpoint your trouble spots. “As new systems come online, there will be more and more ways to speed the payment process.”

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