

Payments Modernization

► August 2019 Bulletin

YOUR GUIDE IN A TIME OF CHANGE

Bankers' Bank Participating as a Funding Agent for Community Banks on TCH's RTP Network

As the payments space quickly evolves, there are exciting opportunities that Bankers' Bank will help make available to community banks of all sizes. Recently we announced our participation as a Funding Agent for The Clearing House's Real Time Payment (RTP®) Network. By managing a shared account, Bankers' Bank will greatly simplify funding requirements for respondent bank customers. Participating banks will fund their portion of the shared account using balance thresholds managed by us while taking advantage of cash management tools in place at Bankers' Bank, including Fed Funds and credit lines, for eligible banks. In other words, your RTP settlement can be easy and efficient, managed by us.

Bankers' Bank, The Clearing House, and CGI have jointly distributed a press release announcing this significant step forward in getting community banks into faster payments, which you can read [here](#). Also, see page two of this Bulletin for some Frequently Asked Questions regarding Bankers' Bank's role and the value of our serving as the RTP Funding Agent for your bank.

Federal Reserve to Develop FedNow Service: Real Time Payment and Settlement

The Federal Reserve Banks have been providing payment and settlement services as part of their core mission for more than a hundred years. Since 2015 The Fed has been closely involved with the development of faster payments in the United States through the release of white papers, the formation and coordination of task forces, and support for public-private efforts to build next-generation payments infrastructure. In 2018 the Federal Reserve Board solicited comments on the development of faster payment services. Bankers' Bank joined hundreds of other banks in welcoming a role for the Federal Reserve Banks in this space.

Earlier this month the Fed announced it would be developing the FedNowSM Service in support of faster payments and they are now seeking comments on how the new service can most effectively support the US payment system and all of its participants. It is anticipated that the FedNow Service will be available in 2023 or 2024.

For more information, see the Federal Reserve Board's press release [here](#). They have also published a list of [Frequently Asked Questions](#) which is an excellent source for information on FedNow and faster payments generally.

FAQs – Bankers’ Bank Funding Agent

What is RTP?

RTP® is the real-time clearing and settlement service utility built by The Clearing House (TCH) for all U.S. financial institutions to process a new faster, safer and more convenient type of payment.

There are two parts to every transaction, clearing and settlement. I need both, so how do I settle my bank’s cleared transactions?

This is where participating for settlement through a Funding Agent comes in. Bankers’ Bank, currently the only approved Funding Agent for TCH’s RTP®, is providing access to the TCH Federal Reserve Joint Account for financial institutions that would like to have liquidity management services around RTP® settlement.

What will Bankers’ Bank do for me?

Instead of having to manage the funds that settle through TCH Federal Reserve Joint Account, Bankers’ Bank will add the RTP settlement into the Cash Management Suite of services we already provide. A dashboard will be available to see activity. You will know when you will receive settlement of the funds that have cleared and will not have to initiate any independent action to have this occur. If you send transactions through RTP, our service will manage any funding requirements for participating banks, ensuring the prefunded account has the needed balances.

What about 24/7/365 liquidity monitoring?

Bankers’ Bank’s service will provide the needed liquidity monitoring and facilitation of any action that can be taken for all of the hours the RTP utility is running. This means that you do not have to have your own bank staff provide management of the prefunded Joint Account. Through configurations and mutually agreed upon criteria, Bankers’ Bank will provide this as a part of our cash management services.

I have more questions!

There are a lot of moving parts and Bankers’ Bank is here to provide you guidance and information. Contact us any time at PaymentsStrategy@BankersBank.com or reach out to your correspondent banker. We will continue to publish this quarterly *Payments Modernization*

Recent articles and resources providing valuable information on the evolution of payments:

[Fed Payments Improvement](#): In pursuit of a better payment system.

[US Faster Payments Council](#): Promoting the adoption of faster payments.

[OCC Innovation Pilot Program](#): Supporting the testing of novel or innovative products, services and processes.

[Federal Reserve Payments Study – 2018 Supplement](#): Data on payment trends.

[Coming Soon—2019 Federal Reserve Payments Study](#): Upcoming release of the complete tri-annual survey.

[NACHA Faster Payments Resource Center](#): Introductory information on payments.

Bulletin to provide more information as it becomes available. You will also find information on our website, BankersBank.com.