Fall Events Drive Home the Importance Preparing for the Future of Payments

This fall, Bankers’ Bank engaged in a series of customer and industry events to share knowledge, receive feedback, and coordinate efforts on future developments in payments. In October the Bank hosted seminars in Stevens Point (Wisconsin), Ames (Iowa) and Champaign (Illinois), with speakers from a variety of payment industry leaders including the Federal Reserve Bank, NACHA, ICBA, UFS and Currency Exchange International. With a day-long theme of developing a winning payments strategy, attendees gained valuable insight into the payments landscape and how community banks can compete in this fast-evolving space. Customer banks can download the slides from these sessions here.

In early November, Bankers’ Bank participated in a pair of well-received one day conferences, held at our main office in Madison, Wisconsin and at the offices of UFS Technology in Grafton, Wisconsin. At these sessions, Tim Mills from The Clearing House® (TCH), Bankers’ Bank and UFS staff discussed faster payments, payments strategy, and TCH’s faster payments solution, Real Time Payments (the RTP Network®).

In addition, we have been holding regular, in-depth meetings with the Federal Reserve Bank about their FedNow℠ faster payment solution to provide commentary and feedback on its development. FedNow is years from going live, and there are many details yet to be decided. Alongside other industry stakeholders, Bankers’ Bank is working to ensure that the Fed’s new payment rail develops in a way that is well-suited to the needs of community banks.

A common theme behind all our payment efforts is the need to ensure access to a flexible, profitable payment system, where community banks of all sizes can create the best possible user experiences for their customers. Doing this successfully will require that banks develop, implement, and over time modify a unique payments strategy. Every bank is constrained by time, talent and resources. Nonetheless, these meetings have brought home to us how important it is for community banks to consider their payment offerings now and to build a plan for the future. Key to successfully accomplishing this is engaging the help of trusted partners, including Bankers’ Bank, to turn the many options for front-end applications, technology partners and settlement solutions from complex puzzle pieces into building blocks for your bank’s next generation payments solutions.

In the coming year, Bankers’ Bank will be continuing to offer forums for bankers to come together to learn, share and discuss the future of payments. We are committed to ensuring your bank will have a seat at the table. Our most frequent comment in these past few months, to both customer banks and industry partners, is “Bankers’ Bank is all-in on payments!”
Bankers’ Bank Funding Agent Service will Solve Settlement and Liquidity Issues with Real Time Payments

Since our August announcement that Bankers’ Bank would be participating in the RTP Network® as a Funding Agent, we have made significant progress and are on track for implementation in 2020. We were the first announced RTP Funding Agent participant, and anticipate being able to offer this service ahead of other providers.

Real-time settlement for RTP works because of a single Joint Account, held at the Federal Reserve Bank of New York by all participants. Each bank is responsible for maintaining balances in the Joint Account to ensure good funds for every transaction. If funds are not available, it results in transaction declines, which must be extremely rare for a faster payment rail to work effectively. This means that without assistance, the Joint Account balance will require constant monitoring by sending banks. Also, banks will likely need to maintain much more than the TCH-directed minimum balance to ensure sufficient funding of RTP transactions, especially on evenings, weekends and holidays when there is no access to the Joint Account.

As a Funding Agent for RTP, Bankers’ Bank will be able to assist customer banks with a number of challenges inherent in funding a real time payment rail. We will stand between our banks and the Joint Account, assisting with funds in (“topping off”) and out (“drawing down”), through a cash management connection with their Bankers’ Bank DDA. We will provide a funding pool to clear transactions, subject to appropriate risk management. This helps to solve operational challenges inherent in 24x7 up time on the RTP Network. By using Bankers’ Bank as Funding Agent, banks entrust funding to us, simplifying operations and maintaining lower balances in the Joint Account without risking transaction declines.

By working with Bankers’ Bank’s as their Funding Agent, banks will also simplify liquidity by using new functionality in our existing Cash Management suite. For example, this could include drawing on a Fed Funds line to ensure sufficient balances in the Joint Account. Even receive-only banks will benefit, as we can assist with drawdowns into a Bankers’ Bank DDA instead of a Master Account at the Fed, simplifying reconciliation.

Successful implementation of RTP requires minimizing the disruption to your backroom operations. That’s where we come in. We are excited by the opportunities represented by faster payments and believe that Funding Agent functionality can make management of the Joint Account a much easier, more “hands off” process for your bank.

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

ICBA - Faster Payments: Articles and resources.
Visa Innovating for a Cashless World: A view of blockchain, Internet of Things, and more.
Swift – Future of Banking: A vision for the future of international payments.
Payment Journal: Industry news, including faster payments and innovation.