

Payments Modernization

► Q2 2020 Bulletin

YOUR GUIDE IN A TIME OF CHANGE

Bankers' Bank Adds First-in-the-Nation Funding Agent Participant

Usage of The Clearing House's RTP Network has been steadily growing as banks and their customers uncover more and more use cases that solve problems inherent in existing payment rails. Up until now, most RTP activity has flowed between large national banks, but that is changing. One of the hurdles to broader implementation by community financial institutions has been the complexity of maintaining sufficient liquidity in the associated pre-funded Joint Account at the Federal Reserve Bank of New York. On June 1, Bankers' Bank brought the network's first Funding Agent participant live. IncredibleBank located in Wausau, Wisconsin, will use Bankers' Bank's Faster Payments Settlement Solution to manage liquidity for their RTP Network transactions.

In 2018, Bankers' Bank identified funding in the RTP-associated Joint Account as a potential challenge for community banks looking to send and receive Real Time Payments. In the time since, the Payments Strategy Group has worked with internal and external partners to create an efficient, easy-to-use solution to this problem. Banks that participate in our Funding Agent solution, manage liquidity for RTP through their account at Bankers' Bank, and are able to draw on approved Fed Funds lines to maintain adequate balances to fund Real Time transactions. By using this service, customer banks can take a more hands-off approach to their funding, allowing them to concentrate on transactions and customer adoption instead. For banks that we cash manage, RTP will become another integrated use of funds, with cash positions reported through our secure portal, FIRESafe.

Bankers' Bank is working closely with a major core provider to offer our Funding Agent solution to the community financial institutions that are implementing RTP in 2020 and beyond. Going forward, we will work with other Third Party Service Providers so that all community financial intuitions that have added RTP will be able to use Bankers' Bank as their Funding Agent.