



CBSC Payments Committee Meets with Faster Payments Vendors

As part of its ongoing quest to gain a better understanding of the developing faster payments and settlement systems in the United States, the CBSC Payments Committee recently met with representatives from NACHA, Zelle, The Clearinghouse (TCH), FIS, and Shazam. Needless to say, when representatives with such diverse interests meet at one time in one location, the discussion can be lively.

While everyone agrees that Americans require a world-class payment system where they can safely and securely pay anyone, anywhere, at any time, and with near-immediate funds availability, not everyone agrees on who will control the system. Fintech companies and the largest banks have been working for years and invested hundreds of millions of dollars developing a faster payment ecosystem and next-generation digital devices that provide consumers immediate and multiple payment options.

However, community banks and their advocacy groups, are rightly concerned about fair, non-discriminatory and affordable access to the new systems. Competition benefits end-users. When the cost of entry is too steep to encourage more competition, the government needs to get involved, which in this case, is the Fed.

The CBSC Faster Payments Committee believes it is essential for the Fed to establish a real-time payments system open to all banks on an equal basis for the same reason that the Fed established a check-clearing system available to all banks many years ago. In contrast, we see the problems that can arise when private parties gain near-monopoly control over important payments systems e.g., Visa and MasterCard. The Fed is considering its role in faster payments and is expected to render a decision this summer.

Meanwhile, what should community bankers do to prepare for the coming faster payments and settlement solutions?

1. Get educated on the various faster payment offerings in the market place. Read articles and attend faster payments education sessions and forums.
2. Evaluate your bank's current payment offerings and identify where either replacing or enhancing them with faster payment functionality makes sense.
3. Assess your bank's infrastructure and develop a strategy to enhance it. Legacy infrastructures may not adequately support faster payments.
4. Engage with your current technology providers and better understand where faster payments fit into their product, in particular your core processor.

5. Become a Same Day ACH originator. More than 96 million ACH payments are made every day. Same Day ACH creates an option for faster payments. Businesses are discovering the use case for Same Day ACH and expect their banks to support it.

Banks without a faster payments strategy will find themselves left behind. Following the pack is not the best default position in this space. The CBSC Payments Committee is working to develop an education and awareness program that will help community bankers prepare for the faster payments revolution. Stay tuned.

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