



Real Time Payments Won't Bite

by [Steve Brown](#) Topics: [payments](#), [technology](#), [risk management](#)

Summary: Real-Time Payments bring a new age for payments, as early as this year. But, as all new technologies, there are risks. Ways to mitigate these risks.

Good news for people who frequently get bitten by mosquitoes. A study by Virginia Tech finds mosquitoes identify humans by odor, and swatting a buddy of theirs gives new blood sucker attackers an unpleasant interaction for about 24 hours. That causes them to steer clear. So, along with all of the sprays and lotions, you can just watch for the first bug to land and then smash it. That will tell the other circling mini-monsters to go somewhere else. Not bad to know.

In this day and age, when we expect a Google search to serve up thousands of web pages of information in milliseconds and virtually any communication anywhere in the world to be instantaneous, it seems fitting that payments are starting to catch up to this level of speed.

The recent launch and first implementations earlier this year of The Clearing House's groundbreaking Real-Time Payments (RTP) system in the US herald a new age for payments. It allows electronic invoicing, bill payments and other consumer transactions which may have taken days to process in the past to go through in seconds. Many of the country's largest banks are testing this and other platforms, which could come online by the end of this year even.

While that uptake seems fast for banking, it's important to remember that the advent of real-time payments has been a slow and long-awaited process. Both banks and customers seem eager for real time payments.

But, just as prior 21st century innovations have all enabled a wealth of new opportunities for companies and consumers alike, they have also created new types of risk. Real-time payments are no different.

Proponents argue that RTP may reduce collections losses and delinquencies, since banks will be able to initiate or confirm payments or approve loans immediately.

Opponents argue that having such speed can make fixing issues much more problematic and costly. Banks, customers and others who issue a payment for the wrong amount, or make some other clerical error, may not be able to get the money back. That hurts relationships and can anger customers. Faster transaction times also mean much less time to screen and monitor transactions for fraud.

Essentially, RTP platforms work as credit-transfer systems. That means online criminals will likely have an easier time absconding with stolen funds from a bank or a legitimate account, and transferring multiple times, before anyone becomes aware of the scam.

For now though, since RTP is limited to domestic payments, advocates believe these faster payments will not further enable cross-border financial crime.

Ultimately, just like any new technological innovation, RTP will require new methods and controls to mitigate and manage these new risks. For example, one technology vendor that works with community banks to pilot and deploy real-time payments uses multi-factor authentication and a multi-layer validation process to better ensure the validity and legitimacy of transactions as they happen. Just like enrolling for bill payment or setting up an account with an online retailer, the process requires payees to register so their data can be used and checked for future faster payments. The process uses data analytics, decisioning and scoring to assess the riskiness of a real-time payment transaction.

There is still work to be done but real progress is being made. RTP will eventually become a reality in banking, and in the meantime, we will keep you up to date, given the continual buzzing sounds around this technology.

ECONOMY & RATES

Rates As Of: 02/08/2018 11:57AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.54	0.09	0.16
6M	1.73	0.08	0.20
1Y	1.89	0.01	0.15
2Y	2.13	-0.01	0.25
5Y	2.57	0.05	0.36
10Y	2.85	0.14	0.44
30Y	3.14	0.21	0.40
FF Market	FF Target	Fed Disc	
1.42	1.50	2.00	
Prime	Unemployment	Oil	
4.50	4.10	\$61	

[More Market Rates](#)

BANK NEWS

De Novos

Infinity Bank, (\$33mm, CA) just opened and is CA's 2nd de novo bank in 2018, after Endeavor Bank (\$26mm, CA), according to S&P Global Market Intelligence.

Client Departures

Financial Advisor research finds that the top three reasons clients left their advisor were: not keeping in touch (80.7%), not being attentive (79.6%) and being rushed by the advisor to make decisions (60.2%).

Recession Timing

At this point, some experts predict a recession will occur between 2019 and 2021, according to Financial Advisor. Of note however, Goldman projected mid last year that the current expansion had a 67% chance of being the longest in history.

Price Expectations

The latest Bank Director M&A survey finds 84% of those surveyed say rising bank valuations have resulted in higher price expectations from sellers.

Deposit Balances

ABA research finds people over the age of 50 hold 70% of deposit balances. By demographic grouping: Millennials (32%), Gen X (38%), Boomers (19%) and Traditionalists (9%).

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