

Alacriti

Maximizing Growth and Member Engagement With Instant Payments

Webinar

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MEET OUR SPEAKERS



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Meeting Agenda

- Market Overview
- Growth Opportunities Through Instant Payments
- Small Business Use Cases
- Member Engagement & Financial Inclusion
- Request for Payment (RfP)
- Q&A



20

Years in business

3 of every 4 employees are developers

45M

Volume of yearly payments

\$82B

Value of yearly payments

1,550+

Customers

Alacriti:

Leaders in Payment Modernization

22% payment growth acceleration

Payments Focus by Payments Experts

Deliver innovative and frictionless money movement solutions and payment modernization to banks and credit unions and their users, fully integrated with their existing systems.

Market Leading Solutions:

Unified Money Movement

- Loan Payments (EBPP)
- External Transfers (A2A, B2B, B2C, etc.)
- Digital Disbursements
- New Account Funding

Payments Hub

- TCH's RTP® Network
- FedNow® Service
- Visa Direct
- Fedwire
- ACH

Representative Clients

CREDIT UNIONS



BANKS





About the RTP[®] network

The Clearing House launched the first real-time payments network in the U.S.

What is the RTP[®] network

The RTP[®] network is an instant payment system used to send money electronically between financial institutions in the United States. It clears and settles payments in seconds 365x24x7.



It's Proven

The RTP network has been in operation for more than six years. It's operated by The Clearing House which has provided trusted and secure payment services to the banking industry for more than 171 years. The network is reliable, and it works.

At-a-Glance

- The RTP network is for FIs of all sizes and solves for many use cases (i.e. another option to make a payment)
- 90% of participants are credit unions and community banks
- Provides transparency and control to the payer
- Allows more standardized bank engagement with customers via data-rich messaging (ISO 20022)



Market Overview



Consumers don't ask for instant payments – **they expect it.**

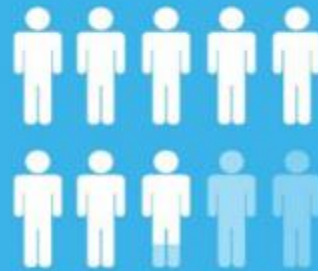


of consumers live paycheck to paycheck

(42% of whom earn more than \$100K per year)¹

96%
of businesses that offer earned wage access said it helped attract talent²

CONVENIENCE RULES IN PAYMENTS



of consumers are highly satisfied receiving disbursements instantly³



2 in 3

businesses have made or received payments from digital wallets (just 45% same-day ACH)⁴

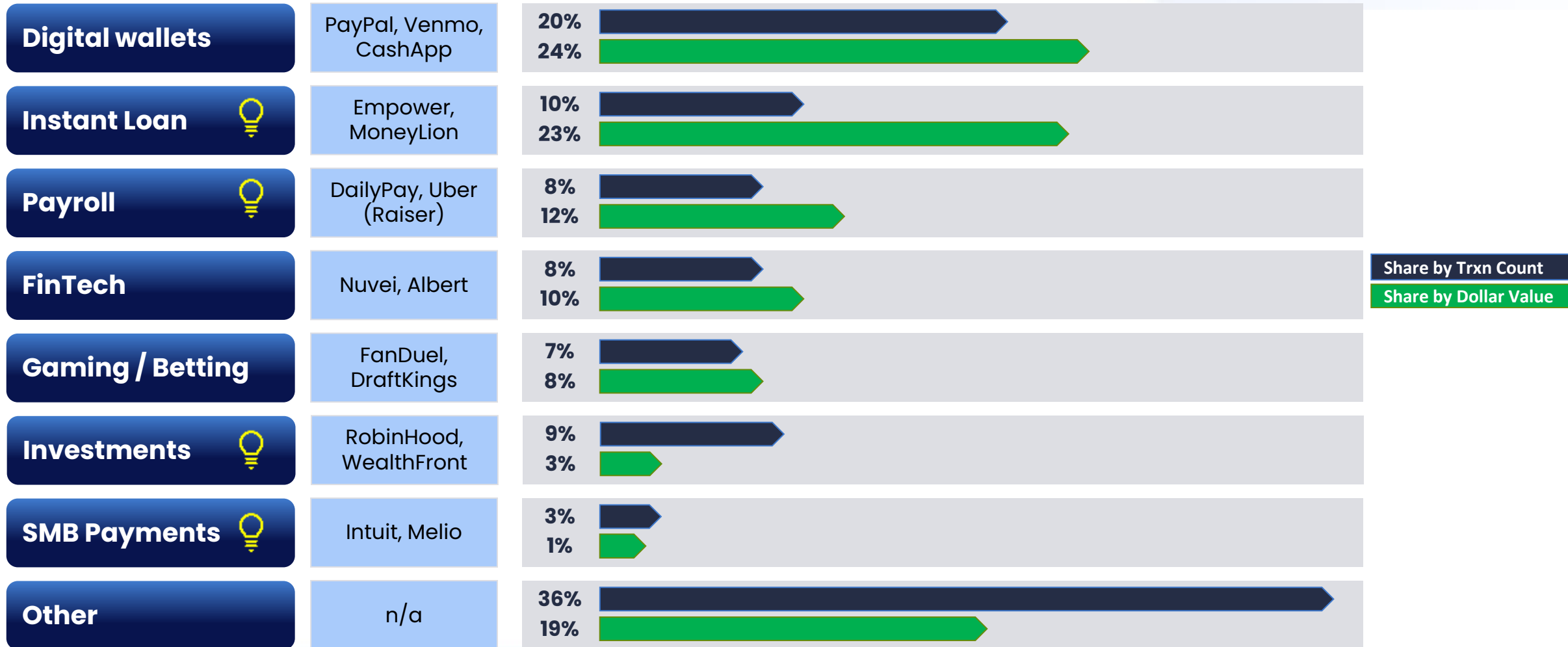
59,084
U.S. jobs offer same-day pay⁶



of consumers use digital wallets more often than traditional payment methods⁵

Free instant payments **NEARLY DOUBLE** the likelihood they'll remain as clients³

Payments Yield a Powerful View Into Demand for Instant



Why Instant Payments?

Real-Time Payments in High Demand!

Consumer

70% of 2,000 surveyed consumers say access to enhanced faster payment capabilities is an important satisfaction driver.

Business

61% of businesses believe that real-time payments provide a competitive advantage.

Financial Institutions

61% of North American Banks say that demand for real-time payments has increased in the last 12 months, and **71%** expect an increase in demand for the next 12 months.

Instant Payments Rails Are Growing Rapidly!

RTP

750+ Participating F.I.'s

68%+ DDA Reach (Largest F.I.'s)

FedNow

1000+ Participating F.I.'s today

42 Early Adopters in July 2023

Alacriti Client Receive Use-Cases

Instant Cash Loans

Empower   MoneyLion

Payroll

dailypay.

Wallets



Sports Betting



RTP is different than other Payment Networks

Traditional Payment Methods

RTP Payments

Delayed Availability

Due to unpredictable payment processing time, the member has limited visibility of the status of payments made via traditional payment methods



Immediate Availability and Notification

TCH's RTP network ensures immediate payment settlement and funds availability to the biller. Related payment status notifications are sent to member (e.g., that a transfer was successful) and biller (that funds are available) in real time

Payment Reversal

Payments made through traditional payment methods may be cancelled/reversed under certain circumstances (e.g., payment made in error) within a predefined time



Payment Certainty

Payments made via the RTP network cannot be revoked / recalled / cancelled. However, members may reach out to *their FI* to request a return of funds in case of erroneous payments

Direct Debits Allowed

Traditional payment methods such as ACH support customer initiated (credit push) as well as biller initiated (direct debit) transactions



No Direct Debits

The RTP network supports transactions that are initiated only by the payor/ member. The biller can send an RfP* but will not be able to pull funds from the customer's account without member approval for each RfP



By the numbers

750+ Participants: banks and credit unions of all sizes

+90%: of participants that are smaller FIs (less than \$10B in assets)

6+ Years: continuous operation since 2017

70% Reach: percentage of U.S. demand deposit accounts that are enabled to receive RTP payments

98% Technical Reach: connectivity to community banks and CUs

81+ million: RTP payments per quarter

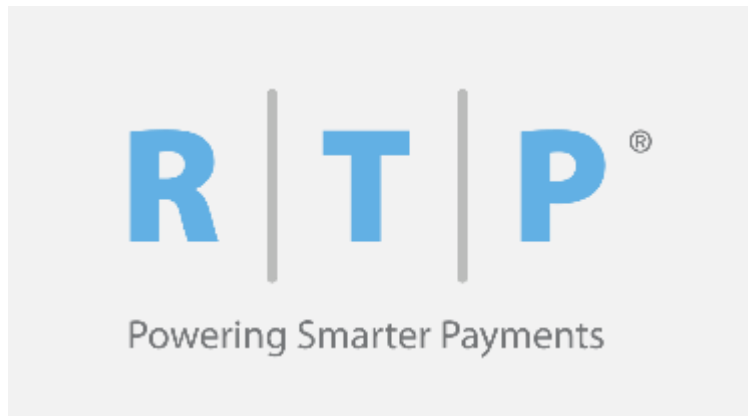
\$42 billion: RTP payments value per quarter

15%: average quarter-to-quarter growth (volume & value)

250,000: number of unique business/corporate originators

5 million: number of unique consumer originators

\$1 million: maximum payment value (only available on RTP network)



Growth Opportunities Through Instant Payments



Why payments matter to financial institutions



Drive deposits and interest income

- Create liquidity premium as clients active in payments leave more deposits with the FI
- Create value through convenience - card use coupled with rewards allow FIs to price credit at a premium compared to unsecured loans/lines

Strengthen Relationships

- FIs with clients who actively use payments have better retention
- Payments are a foundational component of everyday client experiences, which build digital engagement and help strengthen relationships

Create fee income

- Fee income ratio and other factors, tend to correlate with higher valuations
- Approximately half of banking industry's payments revenue is non-interest income



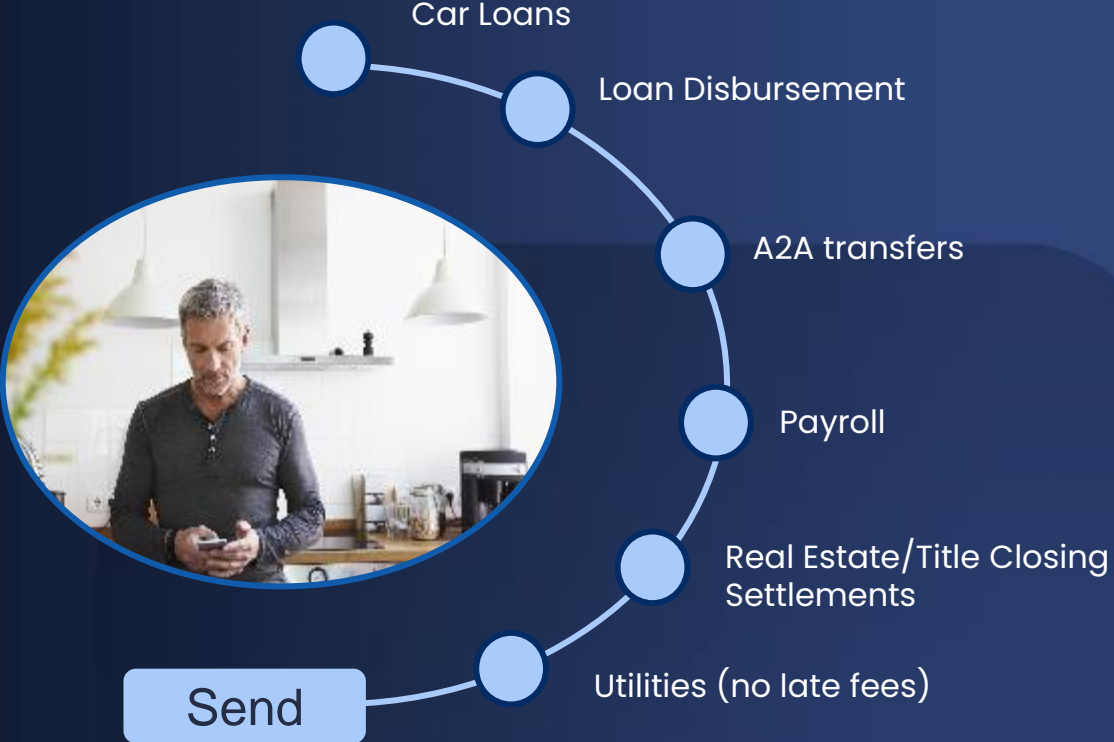
Examples of use cases driving significant growth on the RTP network

Payment Dynamic	Current Use Cases	Description
Account to Account (A2A)	FI-to-FI	Me-to-me transactions between Demand Deposit Accounts (DDA)
	Bank-to-brokerage	Me-to-me transactions between DDA and brokerage accounts
	Wallet defund	Digital wallet to DDA (moving money that was in a digital wallet back to one's regular account)
Business to Consumer (B2C)	Earned Wage Access	On-demand access to wages earned but not yet received for salaried / hourly workers ¹
	Instant Wage Access	On-demand gig wage payout
	P&C insurers	Disbursements from more tech-forward / agile insurers (e.g., Lemonade)
	Merchant settlements	Flow of funds from acquirer to merchant
	Loans	Auto, mortgage, and personal loan disbursements
Consumer to Business (C2B)	Bank as biller, credit cards	Credit card-issuing banks collecting payment from cardholders with DDAs at other banks
Person to Person (P2P)	Zelle settlement	Funds settlement for Zelle transactions

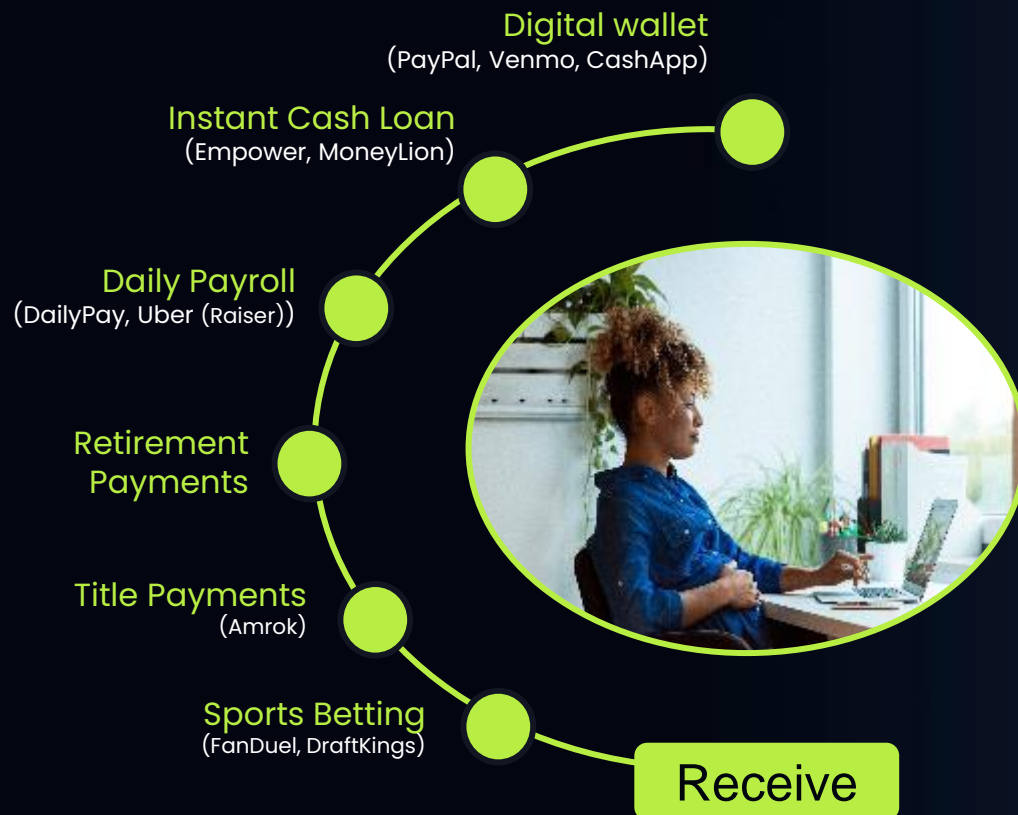
¹ Specifically those arrangements deemed not to be a credit product by the CFPB (non-recourse, non-interest) Source: November 2020 CFPB Advisory Opinion



Instant Payments | Trending Use Cases



Instant Payments | Trending Use Cases



1

Receive Only: Day One Transaction Activity

2

Most FI's receive Payments on Day 1 of connecting to instant payment networks

3

Transactions originate from use cases created by other FI's and their corporate customers (two types of use cases)

4

These generally include:

- Venmo
- PayPal
- Square
- Bill.com
- Daily Pay
- Payroll
- Online Gambling
- MicroLoan Providers

Instant Payments | Trending Use Cases

1 SEND Use Cases: Created by FI's for the use of their members/customers

2 Initially, FI's utilize send use cases to accommodate internal needs:

- Loan Disbursements
- Internal Funds movement 24/7

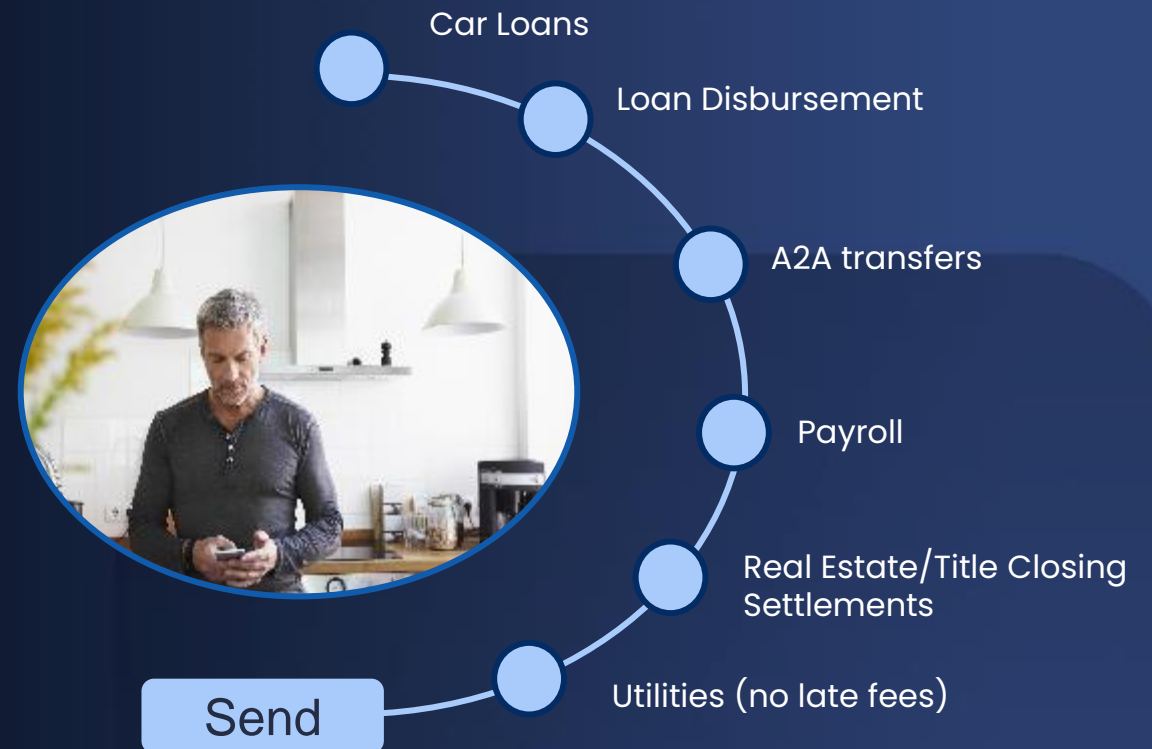
3 Over time, FI's will engage with their members/customers to survey what use cases will best resonate with their needs

4 Send use cases require an instant payments fraud solution

5 These generally include:

- Loan Funding
- B2B (RFP)
- Payroll
- Insurance Claims
- Gig Economy
- Real Estate Transactions
- P2P
- Auto Purchases

6 Where will these use cases come from?



Small Business Use Cases



A unique value proposition for businesses



Receive RTP® Payments

- Business will begin seeing a new payment credit in the bank checking account
- Business has immediate access to these received funds
- Funds are irrevocable
 - no pull back of funds
- Funds are credited 24x7
- Type of payments business could receive:
 - Merchant settlements
 - Vendor payments



Send RTP® Payments

- Business's FI will provide a method (mobile, online, file, API, etc.) to generate real-time payments to business customers and vendors
- The business can initiate these payments 24x7, delivered as good funds
- RTP network maximum payment value \$1 million
- Businesses can send the following type of payments (examples, non-exclusive):
- Payroll
 - Cash concentration
 - Vendor payments



Send or Respond to B2B Request for Payments (RfP)

- Business will receive a message from its supplier to send a payment
- Business can send a message that requests that payment be made by another business. (RfP)
- Upon receipt of the RfP, the business can respond by sending a RTP payment
- Functions B2B RfPs can perform:
 - Collections
 - Bill payments
 - Invoicing



RTP Capabilities Bring Value to Businesses of All Sizes



Improve Cash Flow/Working Capital

- Receive instant payments on day one
 - Process in real time
 - 24x7x365 with precision scheduling
 - Liquidity forecasting is improved
 - Cash concentration is improved
 - Access to sales proceeds is accelerated
 - Risk and float time are reduced
-

Streamline Operations

- End-to-end visibility
 - No reversals
 - No day-2 exceptions
 - Meta data with payments
 - Immediate payment confirmation
-

Better Customer Experience

- Immediate availability of funds received
- Payments can be received outside traditional banking hours
- Irrevocable
- Delivery of goods or services is faster

Member Engagement & Financial Inclusion



Solving a problem...filling a gap

It all starts with the Member Experience:

- **The best use cases** are ones specifically designed to fill a gap or solve a problem for your specific members.
- **Survey members** to see what matters most to them
- Instant payment networks are tools that enable functionality ... they **should support your use cases vs. drive them.**
- **Create a short and long-term strategy** promoting your instant payment use case growth and get more sophisticated over time ...along with your members' needs.
- **Once customers/members use an instant payments use case, they never turn back!**



Case Study: A \$2.8B East Coast Based FI

– Instant Payments

Instant results, instant adaption with RTP and FedNow

9/2023 Live on TCH RTP and FedNow at the same time Receive

12/2023 Live on FedNow Send

Coming soon Wire, RTP Send

Results since launch (5 months receive and 2 months send)

- 7840 transactions (6.5% on FedNow), valued at \$2.9M
- Currently, the Amount sent is about 10% of the amount received
- 53% of all transactions are done outside business hours (both send and receive)
- Consistent month-over-month growth of both send and receive transactions since launch
- Top Senders
 - Square (Small businesses)
 - Dailypay (Payroll)
 - Nuvei (Retail/e-commerce payment processing)
 - Empower (Instant cash loan)
 - Raiser (Uber payroll)
- Since Send is live (2 months)
 - 495 FedNow transactions, value: \$265K, average transaction value: \$540
 - Most transactions are sent to JPMorgan Chase (88%)
 - Senders are both businesses and consumers

Value of Instant
Payments
Transactions
\$2.9M

Transactions
Outside Business
Hours
53%

Financial Inclusion: Supporting Underbanked Members

Who Are Underbanked Members?

- Have a bank account but rely on alternative financial services
- Use money orders, check-cashing services, and payday loans
- Prefer these over traditional loans and credit cards

How Can Instant Payments Help?

- Helps manage cash flow for those living paycheck to paycheck (59% in U.S.)
- Provides faster access to paychecks and loan disbursements 24/7
- Enables last-minute bill payments to avoid late fees and protect credit

Real-Time Payments: Raising GDP and Financial Inclusion

- According to a recent article published by ACI, predictions show an increase of \$286 billion in global GDP growth.
- This will create greater than 167 million new banking account holders by 2028
- Report leverages 40 countries and reveals a link between Instant Payments and financial inclusion
- Proves that payments have a direct correlation with economic growth
- Across all 40 countries, Instant Payments boosted GDP by \$164 Billion in 2023 – equivalent to labor output of 12 million workers.
- Moving money in seconds 24/7 vs. Days (Bank Business Days) rewards everyone associated with the transaction.

Source: ACI article entitled "Real-time payments are raising GDP and driving financial inclusion" Finextra.com 10/21/2024

Request for Payment (RFP)



RFP Use cases

B2B (Consumer/Businesses)

- Businesses pay suppliers, business partners, contractors, freelancers or third parties using RfP
- Payroll providers can send RfPs to commercial customers so they can fund payroll on the same day that employees are paid, rather than 2-4 days prior to payday

Me2Me (Bank & Broker) / Account to Account (Consumer/Businesses)

- Used by individuals to request transfers between bank or brokerage accounts that are owned by the same person
- Brokers can send an RfP to members so they can transfer money from their banking account to their brokerage account instantly to enable immediate trading

One-time bill pay (Biller/Utility Company /Consumer/Business)

- One-time payment that is part of a re-occurring arrangement like a purchase of a mobile phone from a phone carrier. This does not refer to one-time online or POS purchases, or medical bills that are not part of a recurring service arrangement
- Consumer down payment, security deposit, or final payment (consumer/businesses)
- Certain initial or down payments, or a final payment on an obligation (mortgage, installment loan, rent)

Recurring consumer bill pay (on roadmap for future date) (Biller/Utility Company)

- Initial down payment or pay off on large purchases like auto; security deposit or earnest money for a home purchase



Additional Services

Request for Pay, from The Clearing House, offers the ability for consumer and commercial customers to make bill payments to multiple companies through their financial institutions' online banking platform using a modern, secure and streamlined solution that provides immediate payment confirmation and leverages the other funding benefits that come from using the RTP Network.

Who should use it and why?

Financial Institutions:

Retail Bank Executives, Deposits Product Managers, Distribution Channel/UX/CX Product Managers, Credit Card, Mortgage and Auto Loan Execs for bank as biller.

Benefits: Member retention

- Fosters member retention: creates more utility for the everyday DDA; reinforces the trusted relationship with the bank, creates a better user experience, and brings deposits back into the institution
- Increases electronic payment volume
- Improves operational efficiency

Biller/Utility Company:

Corporate Treasurers, Head of Payments, Head of Payments Acceptance, Accounts Receivable Managers

Benefits: Cost Reduction and differentiation

- Fix inefficient funds management due to lack of payment visibility, fewer errors for accounting (reduce needs for cash reserves)
- Reduce high contact center costs; eliminates late payments and impacts of service suspension; Payments are correct and applied to the correct account
- Irrevocable payments are received in seconds after the payment is made

Consumer/Businesses:

Accounts Payable and Receivables, Consumer/Payer

Benefits: Control and timing

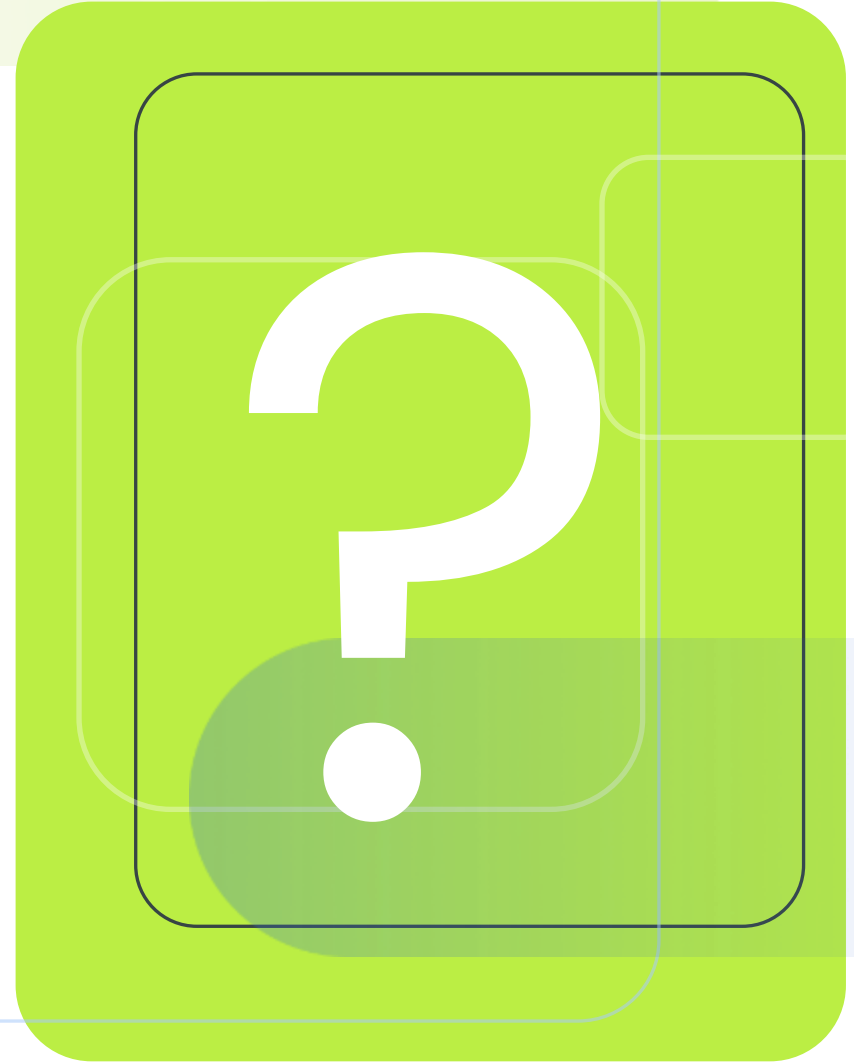
- Payer is in control of the transaction - can review the RfP and decide whether/when to pay or decline
- Send RTP payment in response to the RfP exactly when they want to (24x7) or schedule the payment for a future date and time
- Access their bills in one place / entry point
- Pay securely from their own home through their trusted FI, as opposed to signing up for multiple biller accounts or using unfamiliar third parties
- Payer receives immediate confirmation regarding payment delivery (they know that their payment has been received)
- Eliminates overdrafts and fees

Q&A.

Questions:
marketing@alacriti.com

Book a Demo:
alacriti.com/demo

Website:
alacriti.com



Thank You

The Clearing House Resources

- Volume updates: See how we are growing the payment values and network usage each quarter
 - <https://www.theclearinghouse.org/payment-systems/rtp>
- Third Party Service Provider: See which cores have already been integrated on The Technology Provider TAB
 - <https://www.theclearinghouse.org/payment-systems/rtp>
- See RTP in Action by reviewing the use cases that drive the most adoption.
 - <https://www.theclearinghouse.org/payment-systems/rtp/rtp-use-cases>
- Learn more by listening to our podcasts.
 - <https://www.theclearinghouse.org/About/Payments-Nerds>
- Sign up for The Real-Time Rundown:
 - Main page that has TRTR banner:
 - <https://www.theclearinghouse.org/payment-systems/rtp>
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