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Your Correspondent is the Source of Faster Payment Solutions

Right now no topic is as hot as Faster Payments (FP). Every financial services association is offering sessions where experts opine on what bankers should do regarding their customer's transaction "needs". Let's set aside "need" for the moment; we'll cover that in a future blog post. There is a bigger issue that demands your attention and that is what a financial institution's options are regarding faster payment options.

Each of the FP options currently in production are driven by a technology decision that focus on core systems as *the* way to interact with an account holder for the credit and debit activity associated with faster payment transactions. The Clearing House created its Real Time Payments (RTP) service and worked with the major core providers to enable direct connections between RTP parties. And the Federal Reserve will essentially follow the same option of core interaction to enable its upcoming FedNow system. At first glance this may seem logical, after all, the core vendors (e.g. Fiserv, FIS, JHA, CSI, DCI et al ...) have direct control over the account information for nearly all of the FI's using their systems. Most FI's have moved to an outsourcing model with their cores, which means that the access to account balances is largely in the hands of the core vendor (Note: FIs that are running core systems "in-house" can still participate in the core's FP services, but the communication path is obviously different).

Recently, a FP representative was heard at a banking forum saying "if you want to get information on participation in our service, you need to contact your core provider". This brings up the question: Is that the best option for community financial institutions to get FP information? Let me suggest some points for your consideration regarding why a community financial institution might consider talking to their correspondent bank instead of their core about FP:

- **Your Core May Not Be Supported** – Nearly all the major vendors support multiple core systems and not all of their cores will get support for FP. If a core wants to sunset an older system, one of the ways they might incentivize an FI to upgrade is to not allow FP for that current core, forcing the FI to convert.
- **Core Interfacing Is Expensive** – Can you decide right now which FP solution you will need five years from now? Likely not. There will likely be multiple additional FP solutions you may need to support in the future. Each time you select a different FP solution you are likely incurring additional interface charges from your core. That will add up over time.
- **How Long Will You Remain On Your Core?** – Regardless of how many years you have left on your current core contract, it is imperative that FIs keep their options open regarding switching core providers. The core you love today may not be your best option three years from now. By tying FP into your current core, and subsequently getting your customers integrated with one or more FP solutions tied to that core, you are making it much harder to move to a different core should the need arise.
- **How Many Customers Will Want/Need FP?** – It stands to reason, smaller institution will have a smaller number of FP transactions across their current and potential customer bases. Outside of the cannibalization of wires, FP transactions may yield a relatively small number of actual FP transactions, particularly in the early stages of rollout. After new core requirements, hardware and software investments, smaller institutions are likely to realize higher transaction cost if all processing costs are factored in.

There are alternatives to a core specific FP solution: initiate a conversation with your correspondent bank. FNBB is actively working to provide you options that will enable all customer FI's, regardless of size to participate in Faster Payments. There are countless reasons why FNBB should be your first source of contact for questions related to implementing a faster payment solution:

- **Your Relationship With FNBB Will Last Longer Than Your Core** - Some FIs have been through many core vendors in the time that they have been FNBB customers. The core values FNBB espouses and strength of the relationship translates to FNBB being a long-term partner.
- **FNBB Provides Targeted Services You Need** – FNBB has over 600 respondent banks! No matter what stage of Faster Payments planning your company is in OR how large or small your anticipated volume is, FNBB is preparing for solutions to fit all FNBB customer needs. FNBB is currently working with customers participating in both RTP and the FedNow Pilot program. FNBB is committed to providing affordable options for settlement and transaction processing.
- **FNBB Enables Cost-Effective Service Pricing** – One of the core values of FNBB is the ability to provide services to our customers that may be too expensive or difficult to purchase as a standalone FI. From managing daily balances, loan participations, capital markets products, audit services and so much more, FNBB brings great value to our FI customers. And faster payments will be no exception; the option to participate in faster payments via FNBB will be a more cost-effective option for FIs.

If you want to fully enable Zelle, RTP or FedNow, you will still need to work with your core. In that instance, FNBB has options to support you as a Funding Agent to provide settlement services. The point is that your first call should be with FNBB, so as your correspondent, we can assist you in making this most important decision. We all know that maintaining a great relationship with your core is important; under no circumstances is FNBB advocating the diminishment of the core and FI dynamic. However, the core's direct access to deposit accounts should not be the primary driver in the strategic decision you need to guide your institution on the FP services that your current (and future customers) will need.

FNBB is ready to talk faster payments. Reach out to us at fasterpayments@bankers-bank.com . Or contact your Relationship Manager to setup a call with the FNBB Faster Payments experts to discuss your specific situation.