2ⁿᵈ Annual U.S. Faster Payments Barometer

FPC Members-Only Version

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The Glenbrook Team

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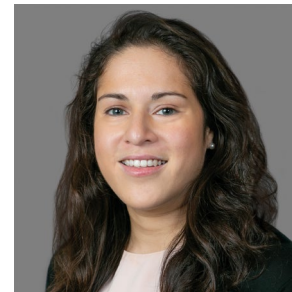
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Survey Methodology

The Faster Payments Barometer is an annual quantitative survey

- Designed as a longitudinal study – anchor questions year over year + new questions annually

- Wide distribution – Glenbrook, FPC and FPC-Member organizations; active social media campaigns by Glenbrook and the FPC

- Survey has received broad coverage across industry stakeholder groups including those deeply involved in "faster" as well as the general payments professional

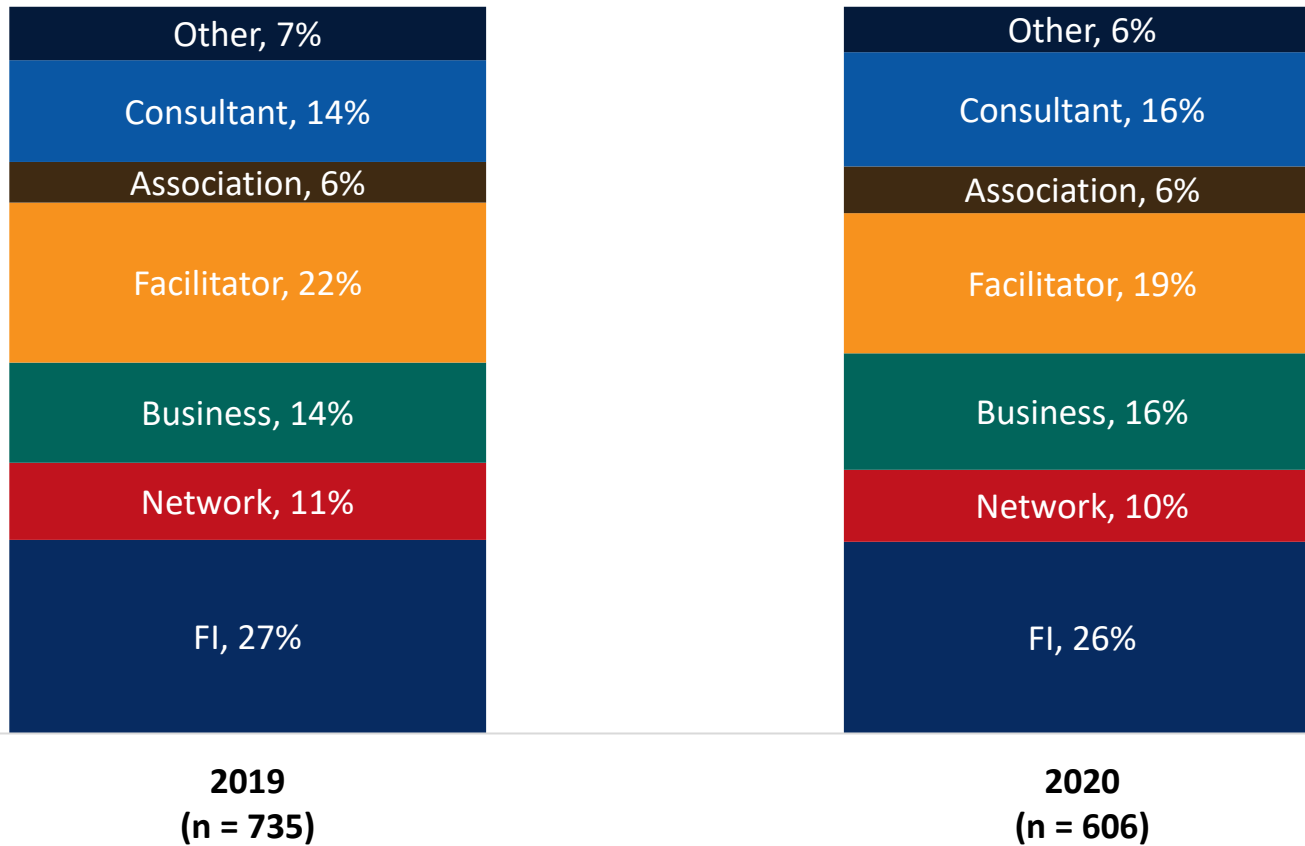| Fall 2019	Fall 2020
• **Foundational**. Established a baseline "state of the industry" perspective • **Components.** Criteria and features for a U.S. based faster payments system, barriers to adoption and market adoption progress	• **Exploratory**. Measure industry progress and perceptions, and delve into specific use cases and trends • **Components.** Use case applications, their systems and challenges, as well as industry challenges preventing broader market adoption

Survey Demographics

Survey drew similar response rates by segment in 2019 and 2020

How would you describe the organization that you work for?

2019	2020
Other, 7%	Other, 6%
Consultant, 14%	Consultant, 16%
Association, 6%	Association, 6%
Facilitator, 22%	Facilitator, 19%
Business, 14%	Business, 16%
Network, 11%	Network, 10%
FI, 27%	FI, 26%

2019
(n = 735)

2020
(n = 606)

Balanced representation of FPC membership segments among FIs

What type of financial institution do you work for?

Credit Union 7%

Bank 93%
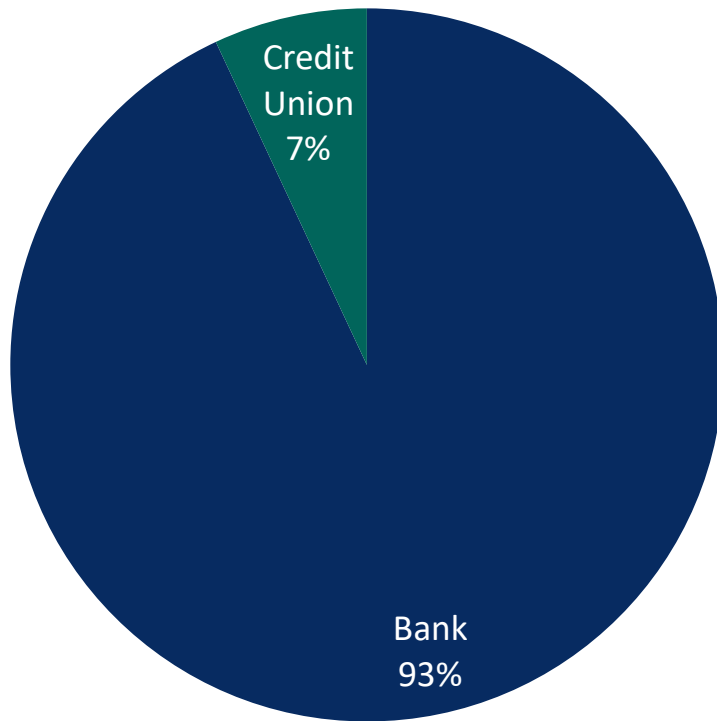
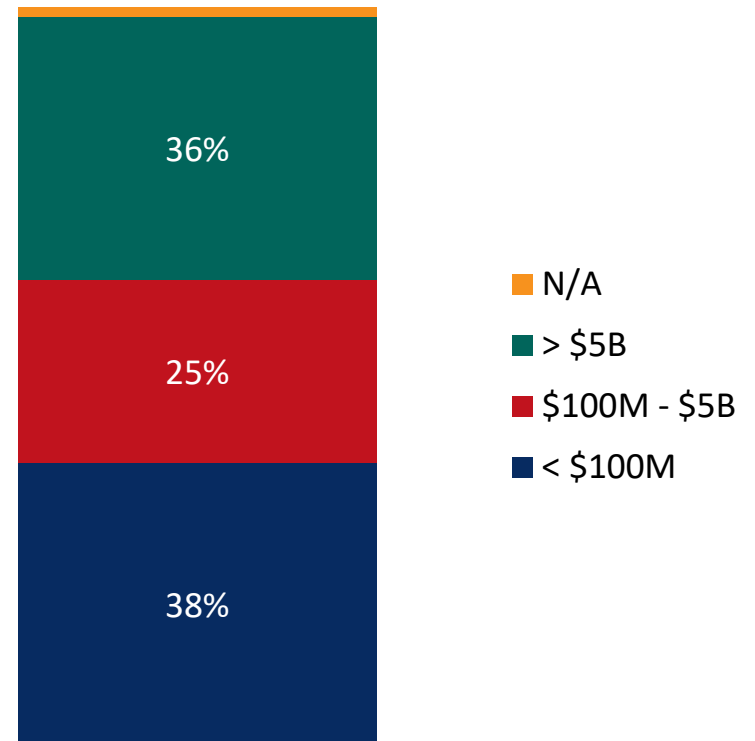**Please select which of the following is closest to your organization's gross annual revenue.**

36%

25%

38%

■ N/A
■ > $5B
■ $100M - $5B
■ < $100M

n = 160

Majority of business end-user respondents represent retail, consumer-focused segments

Which of the following best describes the principal industry of your organization?

- Retail & Consumer Durables — 38%
- Food & Beverages — 14%
- Telecommunications, Technology, Internet & Electronics — 11%
- Entertainment & Leisure — 8%
- Finance & Financial Services — 5%
- Government — 3%
- Transportation & Delivery — 3%
- Other — 18%
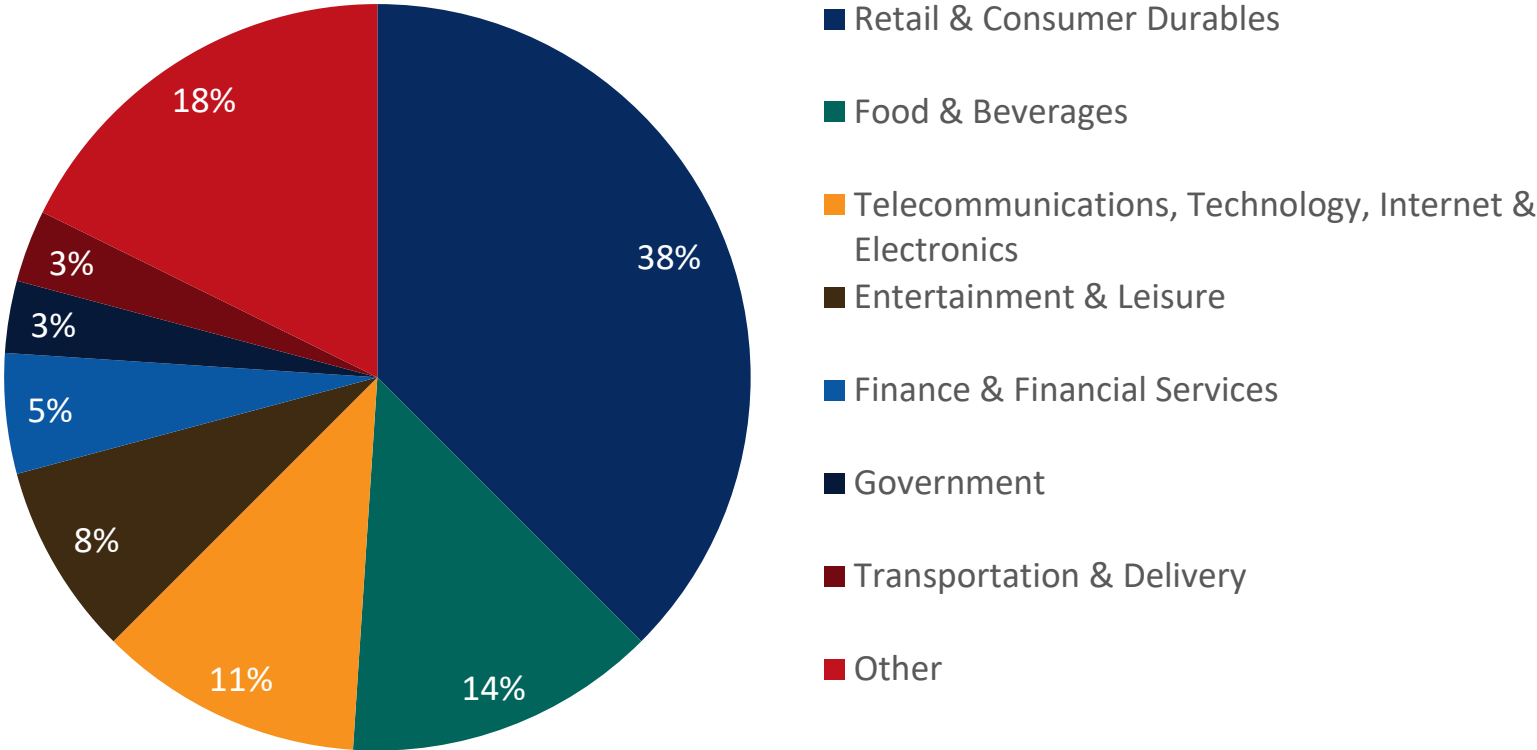
n = 96

Survey Results: Current State

Time in market and adoption continue to be strongly correlated

What faster payments system(s) does your organization use/enable today in the U.S. market? Select all that apply.

Category	Percentage
Same Day ACH	51%
Digital wallets (e.g. Venmo, PayPal, Google Pay)	41%
Zelle®	28%
Push-to-card (e.g. Mastercard Send, Visa Direct)	24%
The Clearing House RTP	20%
Other	7%
None	23%
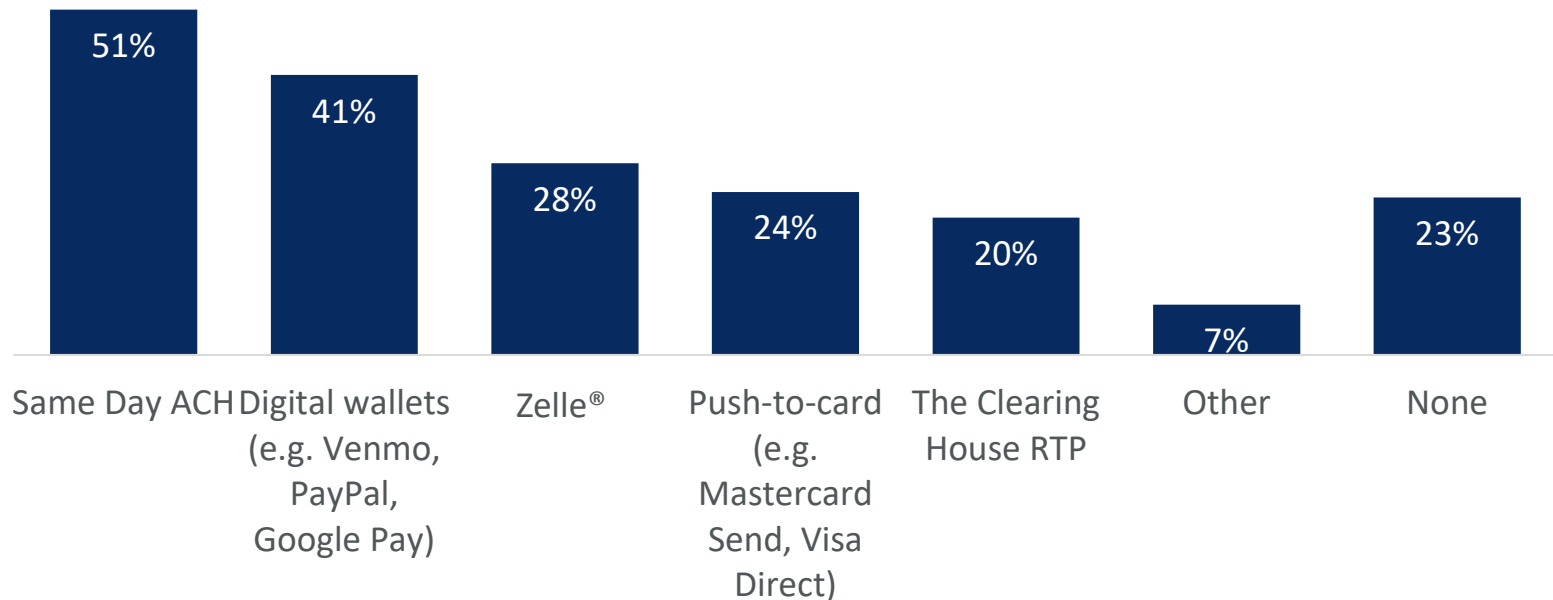
n = 500

Adoption momentum is evident – among FIs at a greater rate than businesses

What faster payments system(s) does your organization use/enable today in the U.S. market? Select all that apply.

	Same Day ACH	Digital wallets	Zelle®	Push-to-card	The Clearing House RTP	None
FI	82%	45%	51% (+8%*)	32%	39% (+13%*)	4%
Business	31%	48%	6%	17% (+12%*)	7%	33%

■ FI (n = 146)   ■ Business (n = 89)
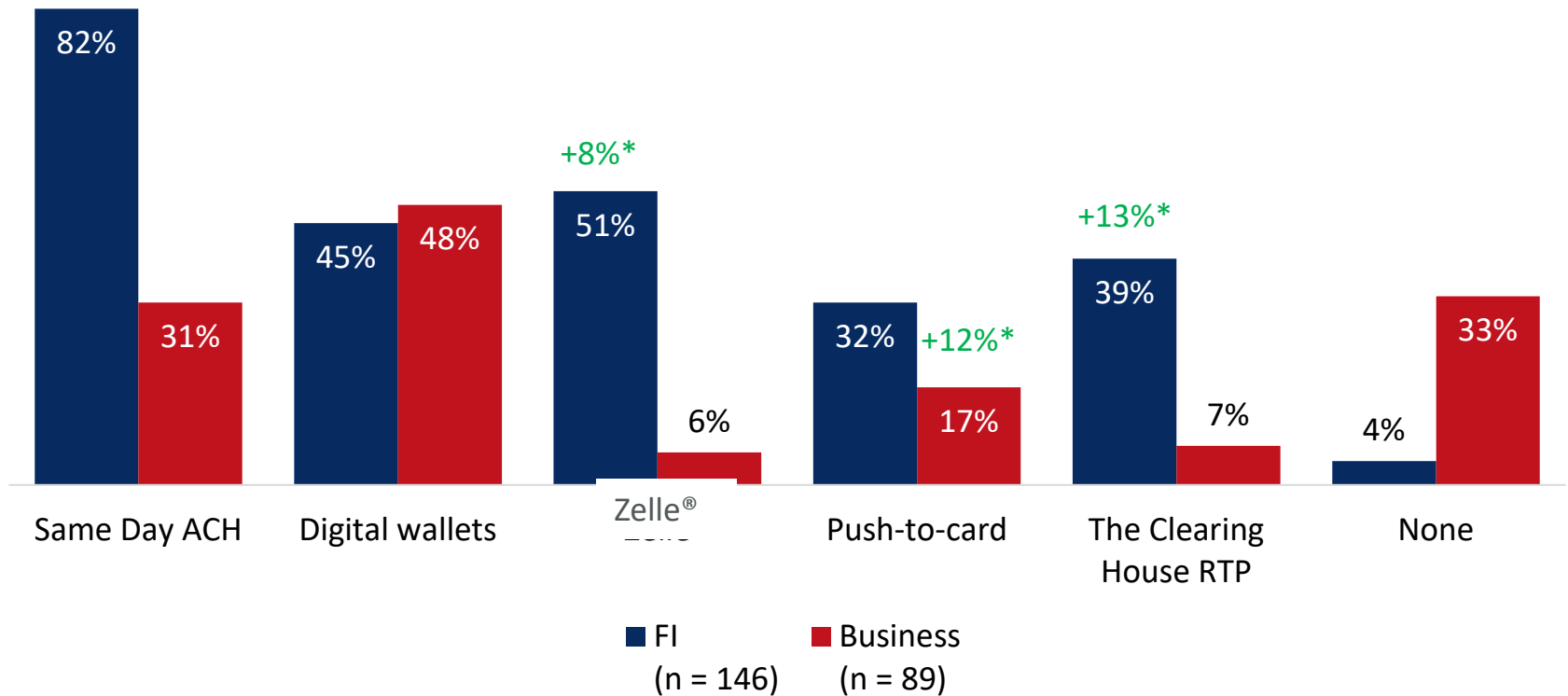
*Top 3 YoY increase

Respondents that have not yet implemented the following faster payments systems show interest in adoption moving forward

Is your organization currently planning to implement each of the following faster payments systems?*

38%	34%	32%	26%	25%	18%
FedNow^{SM} (n = 403)	Same Day ACH (n = 193)	Digital wallets (n = 236)	Push-to-card (n = 307)	The Clearing House RTP (n = 322)	Zelle® (n = 281)
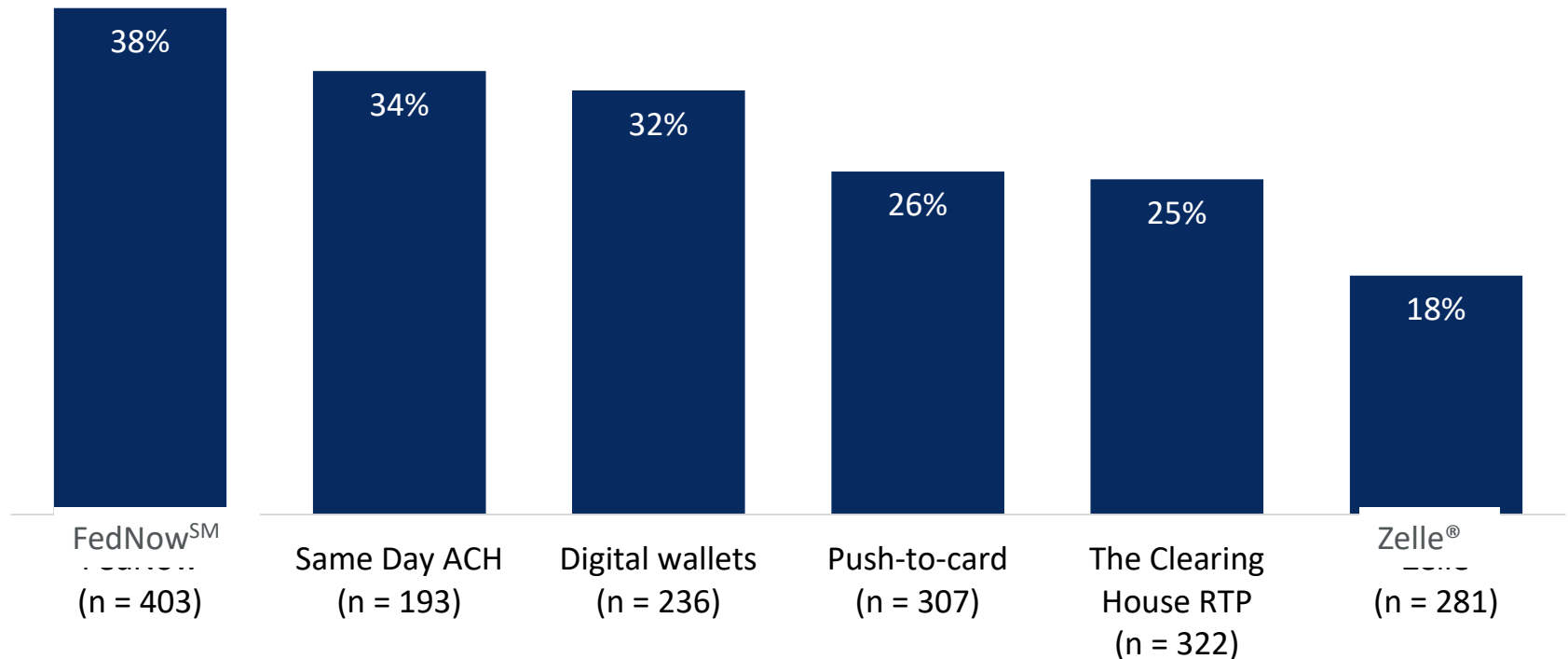
*Respondents were only asked about faster payments systems not already implemented

Not surprisingly, FI and business preferences differ by system

Is your organization currently planning to implement each of the following faster payments systems?*

FedNow^SM — FI 68%, Business 15%

Same Day ACH — FI 14%, Business 20%

Digital wallets — FI 18%, Business 24%

Push-to-card — FI 25%, Business 12%

The Clearing House RTP — FI 27%, Business 12%

Zelle® — FI 20%, Business 9%

■ FI
(n = 124)

■ Business
(n = 75)
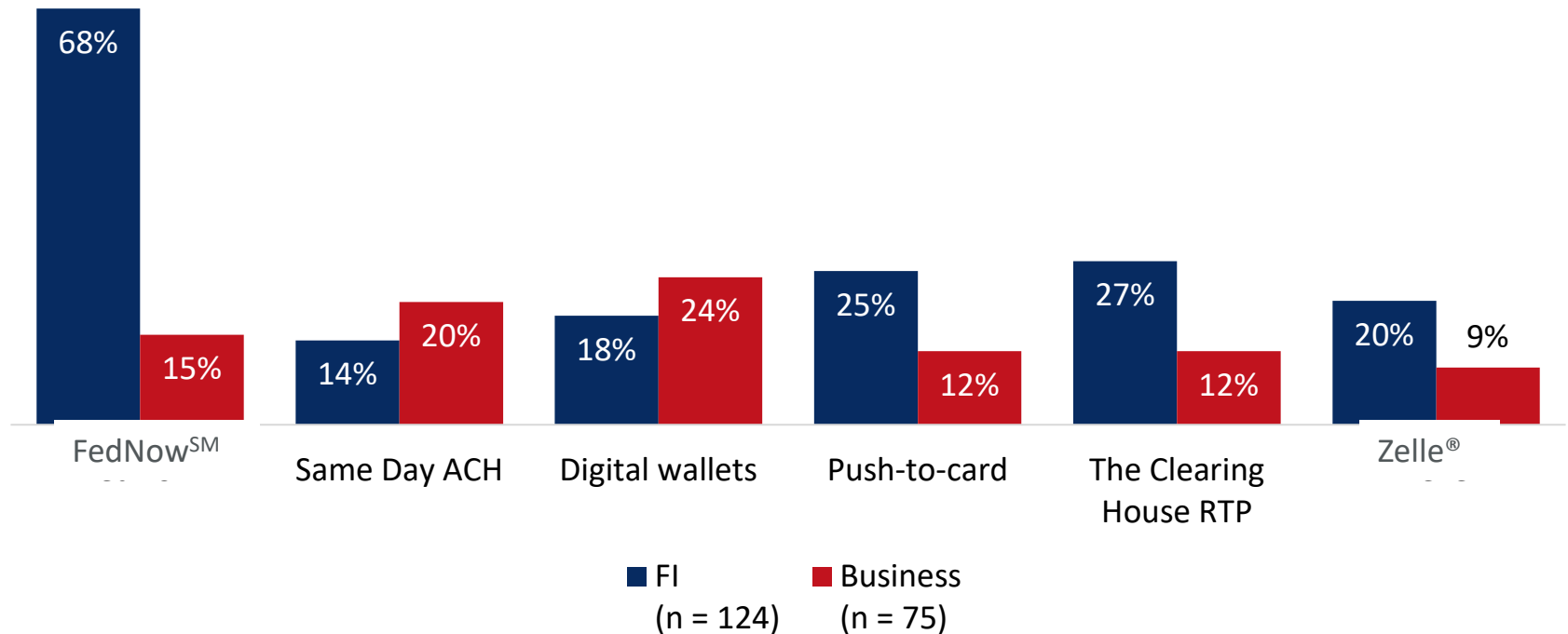
*Respondents were only asked about faster payments systems not already implemented

Among respondents planning to implement at least one (new) system, implementation is expected within a relatively short timeframe

What is your organization's expected timeline to implement the following faster payments system(s)?

	FedNow[SM]	Same Day ACH	Digital wallets	Push-to-card	The Clearing House RTP	Zelle®
I'm not sure	11%		11%	6%	6%	
5 or more years						
3-4 years	37%	9%		9%	5%	
1-2 years	41%	49%	41%	49%	58%	43%
Less than 1 year	9%	37%	47%	36%	30%	52%

Legend: ■ Less than 1 year ■ 1-2 years ■ 3-4 years ■ 5 or more years ■ I'm not sure
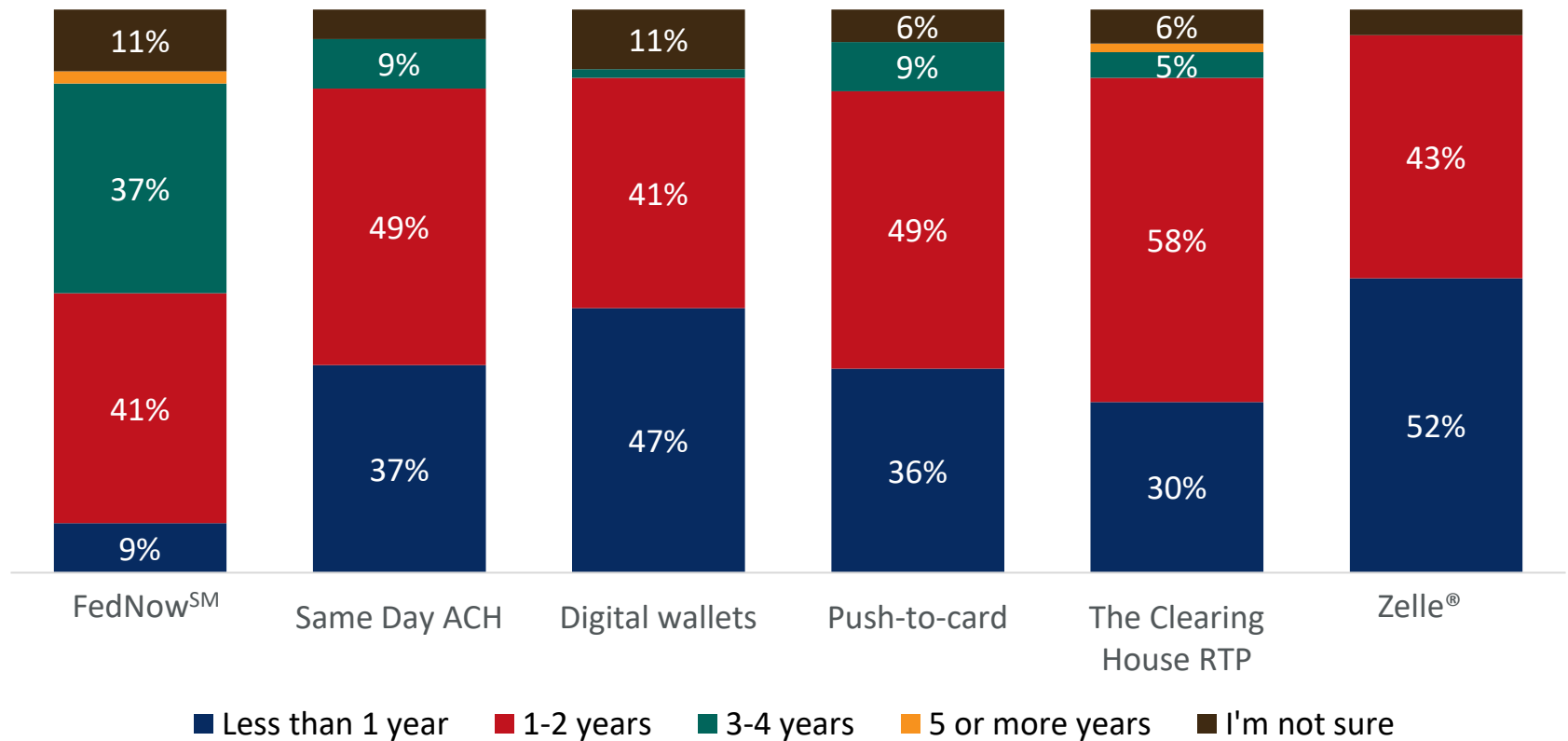
n = 224

Despite the challenges of the pandemic, more than half of all respondents intend to move forward with implementation

How has COVID-19 impacted your organization's decision to pursue implementation of faster payments?

	Total	FI	Network	Business	Facilitator	Association
It has had no impact on my organization's plans	59%	64%	47%	62%	52%	71%
It has accelerated my organization's plans	20%	15%	35%	20%	25%	14%
It has delayed my organization's plans	21%	21%	19%	18%	23%	14%

■ It has delayed my organization's plans ■ It has accelerated my organization's plans

■ It has had no impact on my organization's plans
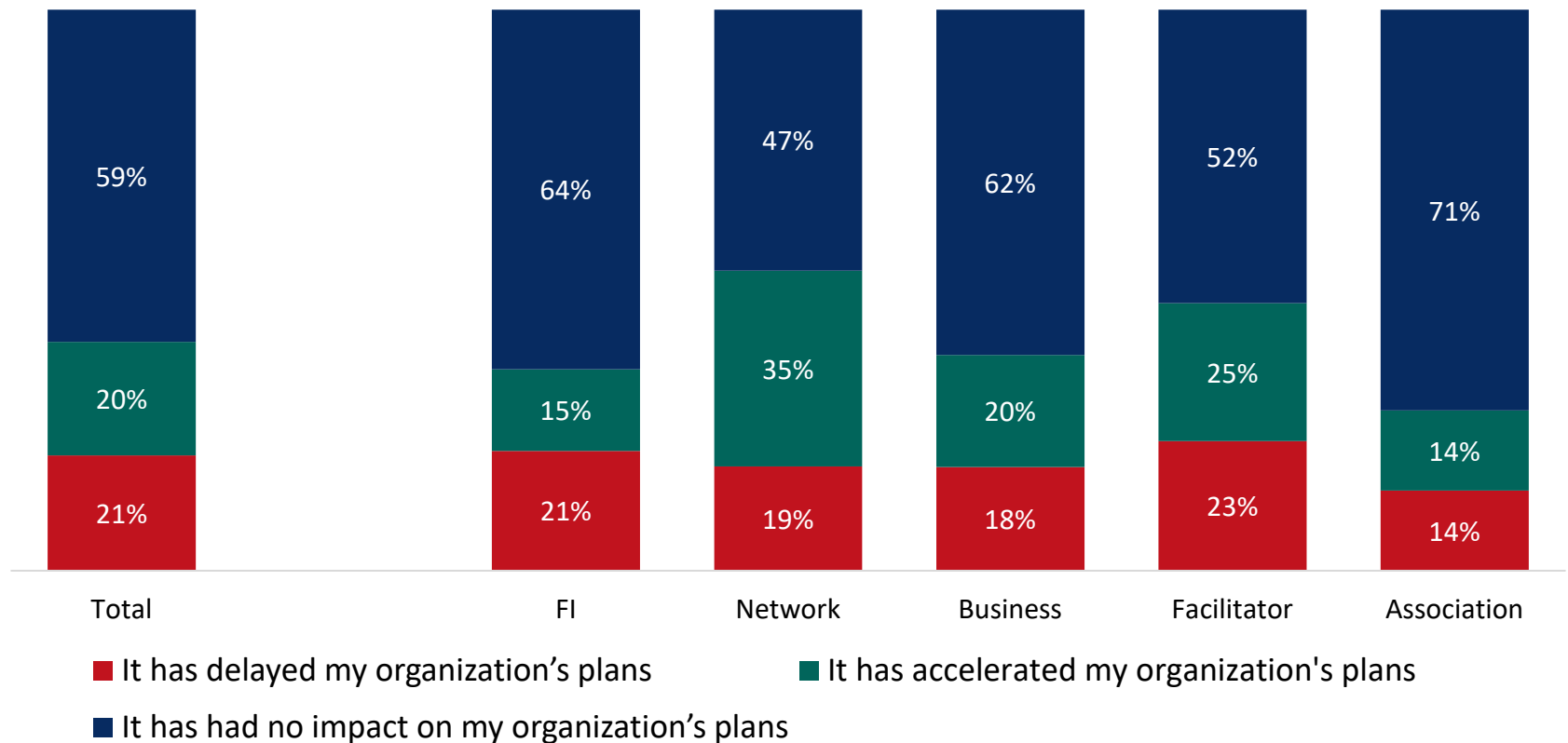
n = 375

75% of respondents view faster payments as important, but we observe differences in relative priority among stakeholder groups…

Do you consider faster payments to be a "must have" for your organization?

Pie chart:
- No 25%
- Yes 75%

Bar chart:

	FI	Network	Business	Facilitator	Association
No	10%	5%	37%	17%	40%
Yes	90%	95%	63%	83%	60%

■ Yes ■ No
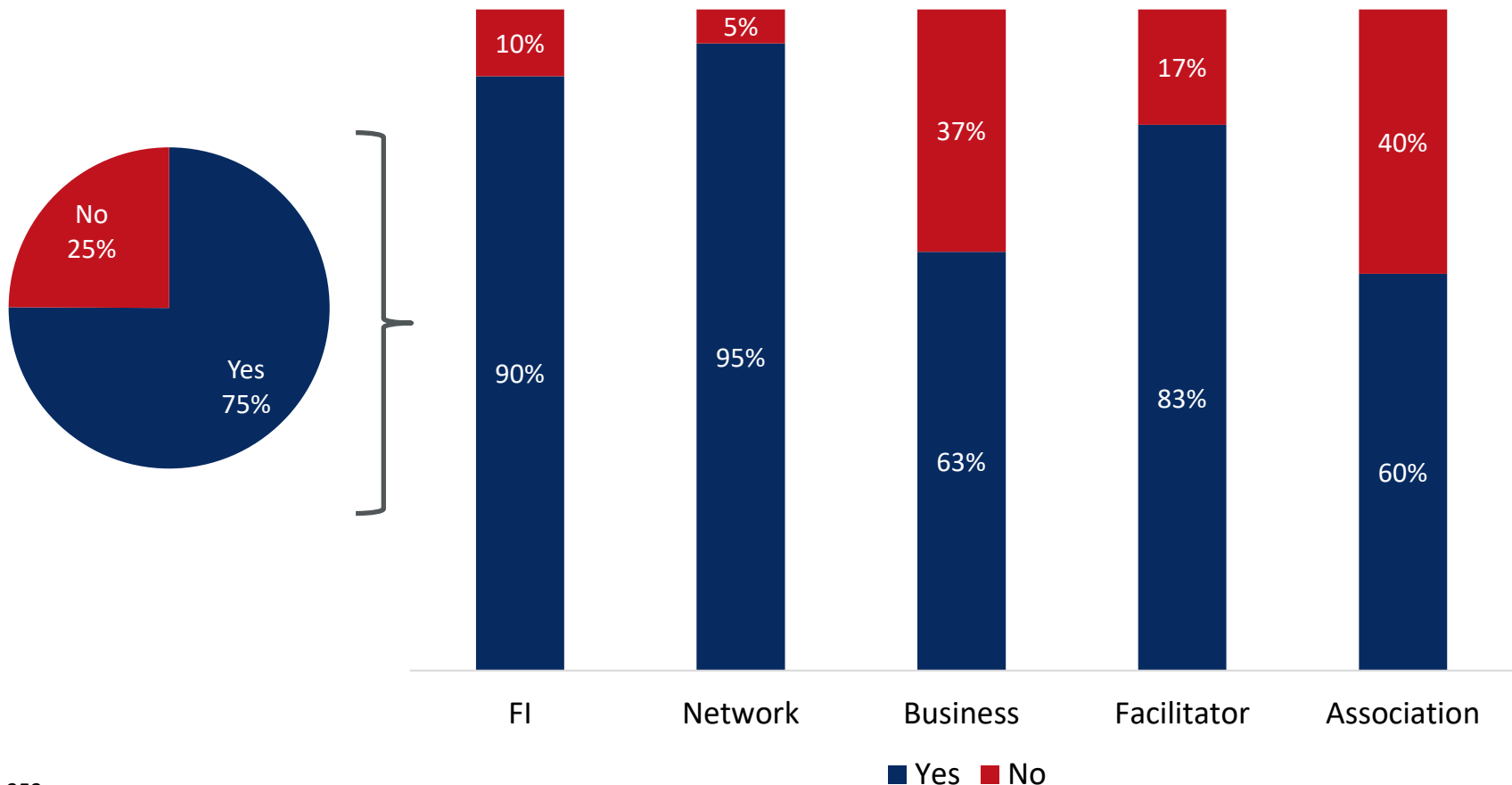
n = 353

…FIs are driven by customer and competitive demands, whereas businesses view faster payments as a "nice to have," but not urgent

- "We need to implement fast payments to **maintain relevance**."

- "It's past time banking catch up to today's **technology and consumer expectations** established by Amazon, Apple, Netflix, etc."

- "Traditional payment **lifecycles** are no longer acceptable and **fintech** growth demonstrates the market's appetite."

- "Banks cannot let Google and Amazon become payment processors."

- "Important and useful, but **not essential."**

- "We can operate fine without it, but it would be nice to have."

- "We do **not yet** have the customer need or internal urgency for faster payments."

- "Our business is focused on convenience, so **when it's ubiquitous**, then we may consider additional implementations."

Today's use cases

System	Financial Institutions	Businesses
Same Day ACH	Payroll Disbursements Treasury	Disbursements Bill payment Payroll
TCH RTP	Disbursements Payroll Treasury	Disbursements
Zelle®	P2P Disbursements A2A	[Insufficient data]
Push-to-card	Disbursements P2P Refunds	Disbursements eCommerce Bill payment
Digital wallets	POS eCommerce P2P	eCommerce POS Merchant settlement

Which of the following use cases is your organization using/enabling each faster payments system for today? Select the top three.

Tomorrow's use cases

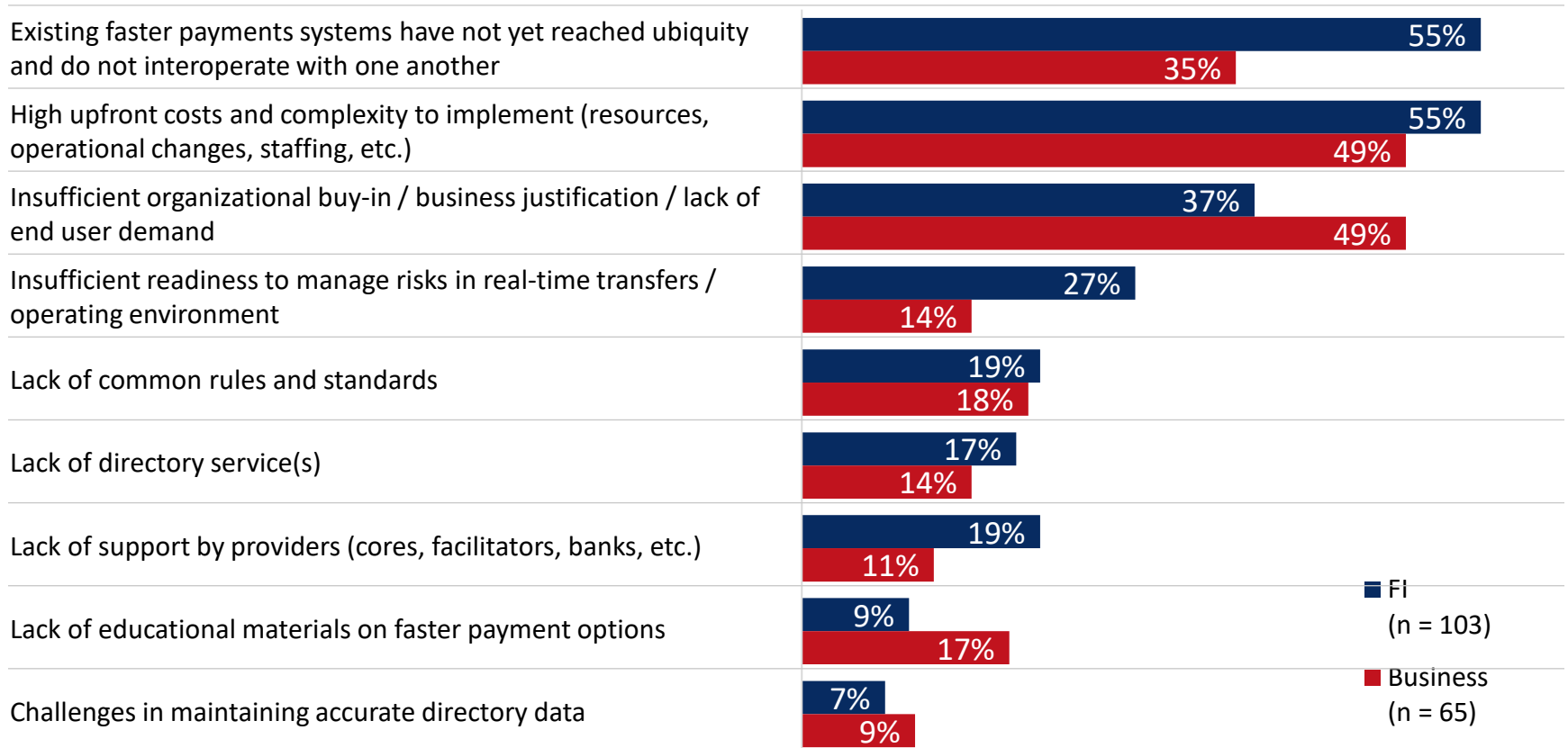| System	Financial Institutions	Businesses
Same Day ACH	**Bill payment** **Payroll** **P2P / A2A**	**Bill payment** **POS** **eCommerce / Treasury**
TCH RTP	**Disbursements** **Payroll** **Bill payment**	**Disbursements** **Bill payment**
Zelle®	**P2P** **Disbursements** **eCommerce / A2A**	**Refunds** **Disbursements / eCommerce**
Push-to-card	**Disbursements** **Refunds** **POS**	**Disbursements** **Payroll**
Digital wallets	**P2P** **Bill payment** **POS**	**POS** **eCommerce** **Bill payment**
FedNow[SM]	**Disbursements** **Payroll** **Bill payment**	**B2B** **eCommerce** **Disbursements**

Which of the following use cases is your organization using/enabling each faster payments system for today? Select the top three.

Survey Results: Adoption Barriers

The top three challenges to faster payments adoption remain largely unchanged since last year

Which of the following challenges to faster payments adoption are most relevant for your organization? Select up to three.

Challenge	FI	Business
Existing faster payments systems have not yet reached ubiquity and do not interoperate with one another	55%	35%
High upfront costs and complexity to implement (resources, operational changes, staffing, etc.)	55%	49%
Insufficient organizational buy-in / business justification / lack of end user demand	37%	49%
Insufficient readiness to manage risks in real-time transfers / operating environment	27%	14%
Lack of common rules and standards	19%	18%
Lack of directory service(s)	17%	14%
Lack of support by providers (cores, facilitators, banks, etc.)	19%	11%
Lack of educational materials on faster payment options	9%	17%
Challenges in maintaining accurate directory data	7%	9%

FI (n = 103)

Business (n = 65)

n = 375

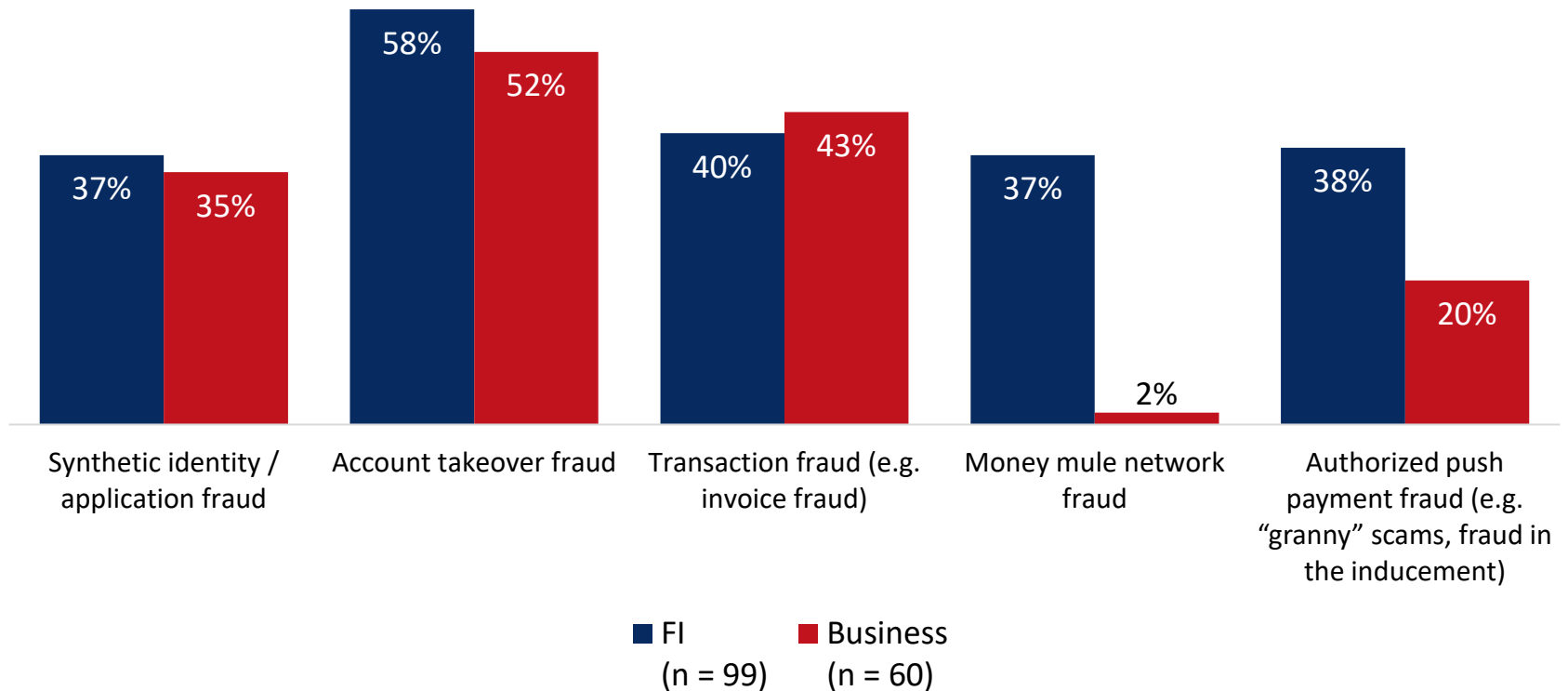# Complexity and cost of integration remains a challenge for adoption and growth

Having implemented faster payments, what challenges or roadblocks have you faced (if any) as you try to scale the service?

- "{…} has an extended wait to get in their **queue with our core prov**ider."

- "Our only **roadblock to implementing** {…} was that our core service provider was not ready."

- "**Integration and/or availability** through bank vendor applications."

- "As a payments aggregator, the biggest challenge is **core systems integration with multiple providers**."

- "**Technology** costs and implementation prioritization."

- "Technical lift required to get the faster payment up and running."

- "Getting our IT staff **knowledgeable** in implementation and benefits of faster payments."

- "**Difficulty** is doing the work to implement, which can mean a new POS integration. **Once implemented, scaling is relatively easy**."
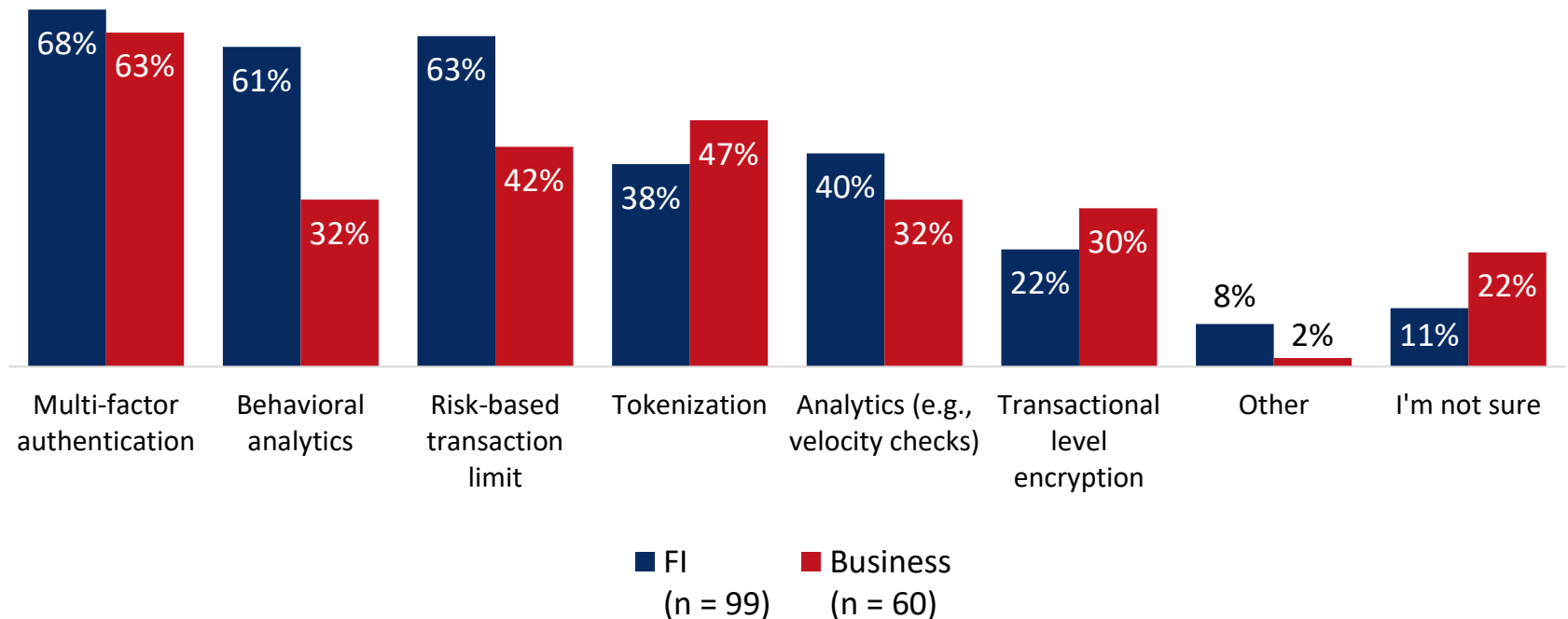
General agreement on fraud concerns among FIs and businesses

What types of fraud concern you the most in faster payments? Select up to three.

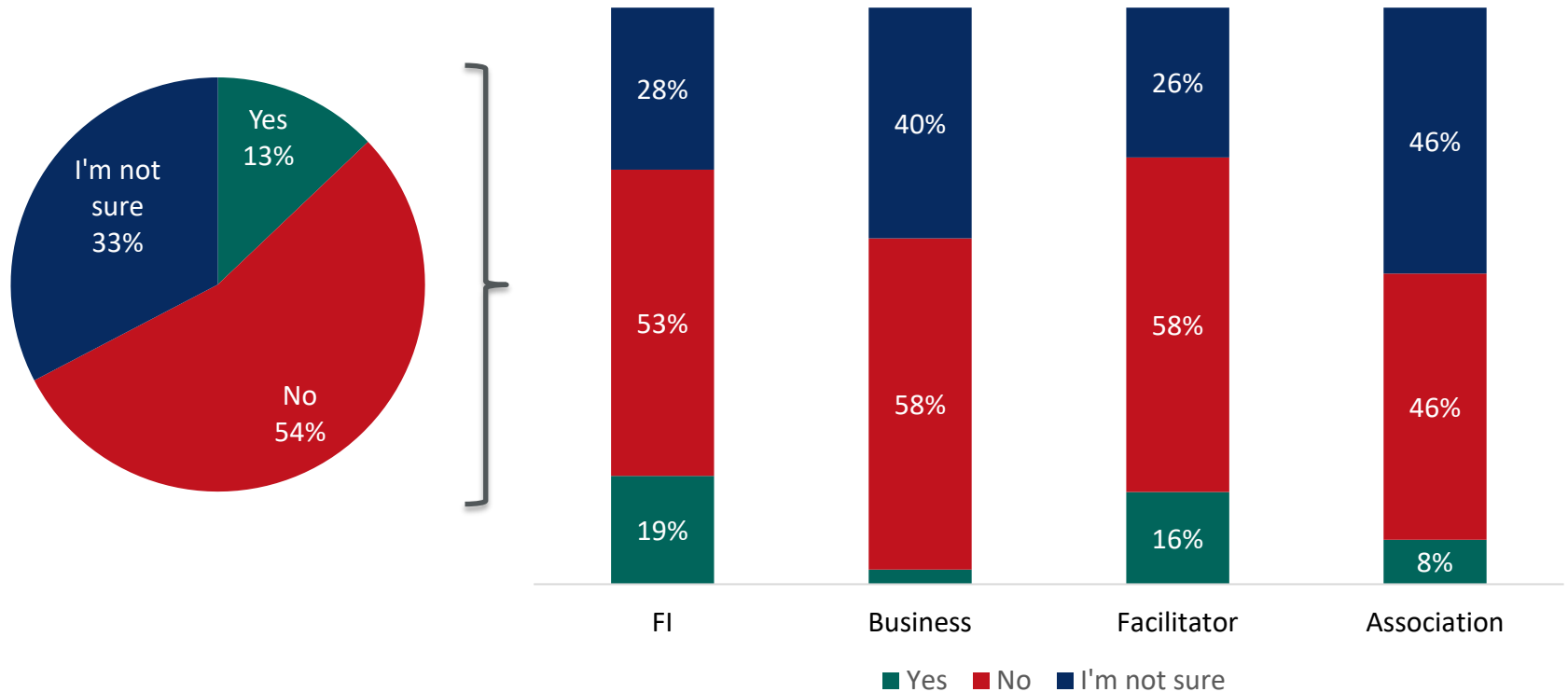|	Synthetic identity / application fraud	Account takeover fraud	Transaction fraud (e.g. invoice fraud)	Money mule network fraud	Authorized push payment fraud (e.g. "granny" scams, fraud in the inducement)
FI	37%	58%	40%	37%	38%
Business	35%	52%	43%	2%	20%

■ FI (n = 99)   ■ Business (n = 60)

Strong alignment on effectiveness of multi-factor authentication for fraud prevention

Of the types of fraud your organization is most worried about, which of the following security practices are most effective in combating fraud in faster payments? Select all that apply.

	Multi-factor authentication	Behavioral analytics	Risk-based transaction limit	Tokenization	Analytics (e.g., velocity checks)	Transactional level encryption	Other	I'm not sure
FI	68%	61%	63%	38%	40%	22%	8%	11%
Business	63%	32%	42%	47%	32%	30%	2%	22%

■ FI (n = 99)   ■ Business (n = 60)

Those that have implemented faster payments are not seeing an overwhelming spike in fraud

Are you seeing an increase in fraud as a result of implementing faster payments?*

Pie chart:
- Yes 13%
- No 54%
- I'm not sure 33%

Stacked bar chart:

	FI	Business	Facilitator	Association
I'm not sure	28%	40%	26%	46%
No	53%	58%	58%	46%
Yes	19%		16%	8%

Legend: Yes, No, I'm not sure

n = 248
*Question was only asked of respondents currently using faster payments
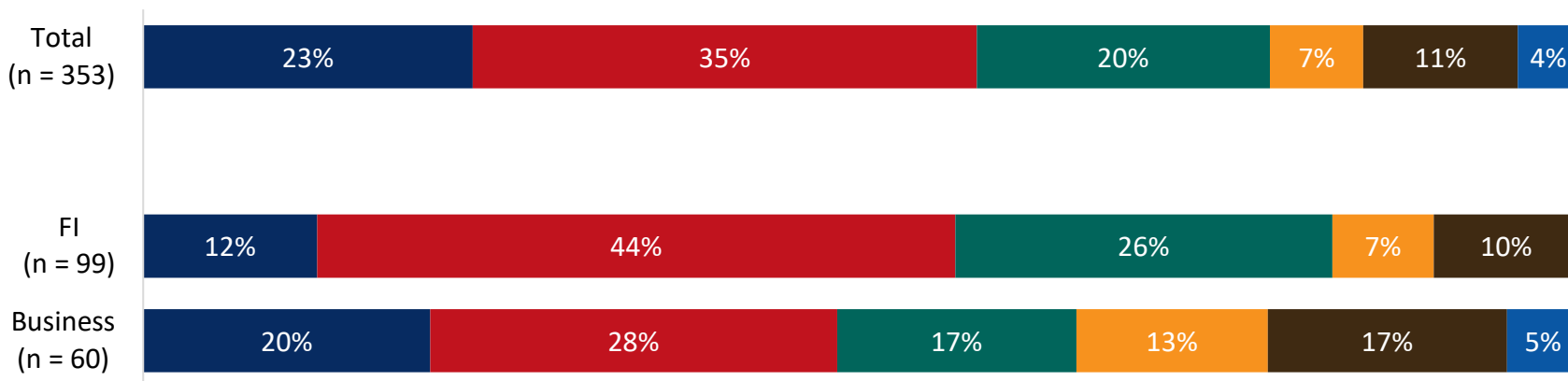
Survey Results: Concluding Thoughts

Cross-border faster payments strongly viewed as a priority use case

Larger FIs tend to be more interested in implementing cross-border faster payments than smaller ones

When should the U.S. implement cross-border faster payments beyond the existing cross-border models?

	Immediately	In 2 years	In 5 years	Within 10 years	No need (domestic)	No need (real time)
Total (n = 353)	23%	35%	20%	7%	11%	4%
FI (n = 99)	12%	44%	26%	7%	10%	
Business (n = 60)	20%	28%	17%	13%	17%	5%

- ■ Immediately, it's important to my organization
- ■ In 2 years from now given growth opportunity
- ■ In 5 years, there are more pressing priorities
- ■ Within 10 years, not that important to my organization
- ■ No need, my business is domestic only
- ■ No need, my existing cross-border capability works in real time

n = 353

Solid increase in share of respondents that think U.S. is making progress towards faster payments adoption

In your opinion, is the U.S. making satisfactory progress toward faster payments adoption?

- "…**Lack of universality** and the various systems to settle payments really makes the goal of same day payments very difficult."

- "**Merchants need a stronger voice** to help formulate protocols."

- "…the options that become 'commercially viable' **must interoperate**, even if it means leaving some revenue on the table."

No 51%

Yes 49%
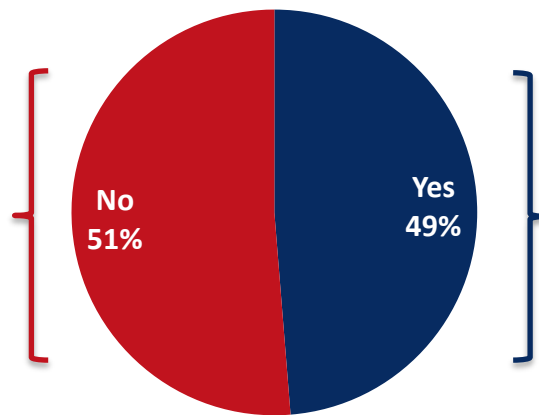
- "Although it could move faster, it is likely moving as quickly as it can given the demands on the **various stakeholders**."

- "It's slow, but it is **moving forward.**"

- "While great progress … there is still **opportunity** for the industry to work together to **drive ubiquity** and nationwide reach."

n = 353

Progress is being made yet tempered by barriers

- There is strong interest in faster payments adoption across all U.S. systems

- Use cases are growing, with a clear desire to leverage faster payments for a broader set of use cases in future

- However, momentum requires an unrelenting focus on implementation and stakeholder collaboration

- Motivations and system preferences differ by stakeholder groups

- It takes a village…

GLENBROOK | **Us** Faster Payments Council

Q&A

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Thank You!

**A recording of today's webinar will be available in our FPC Member Portal
and a survey about today's event will be distributed this week.**

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