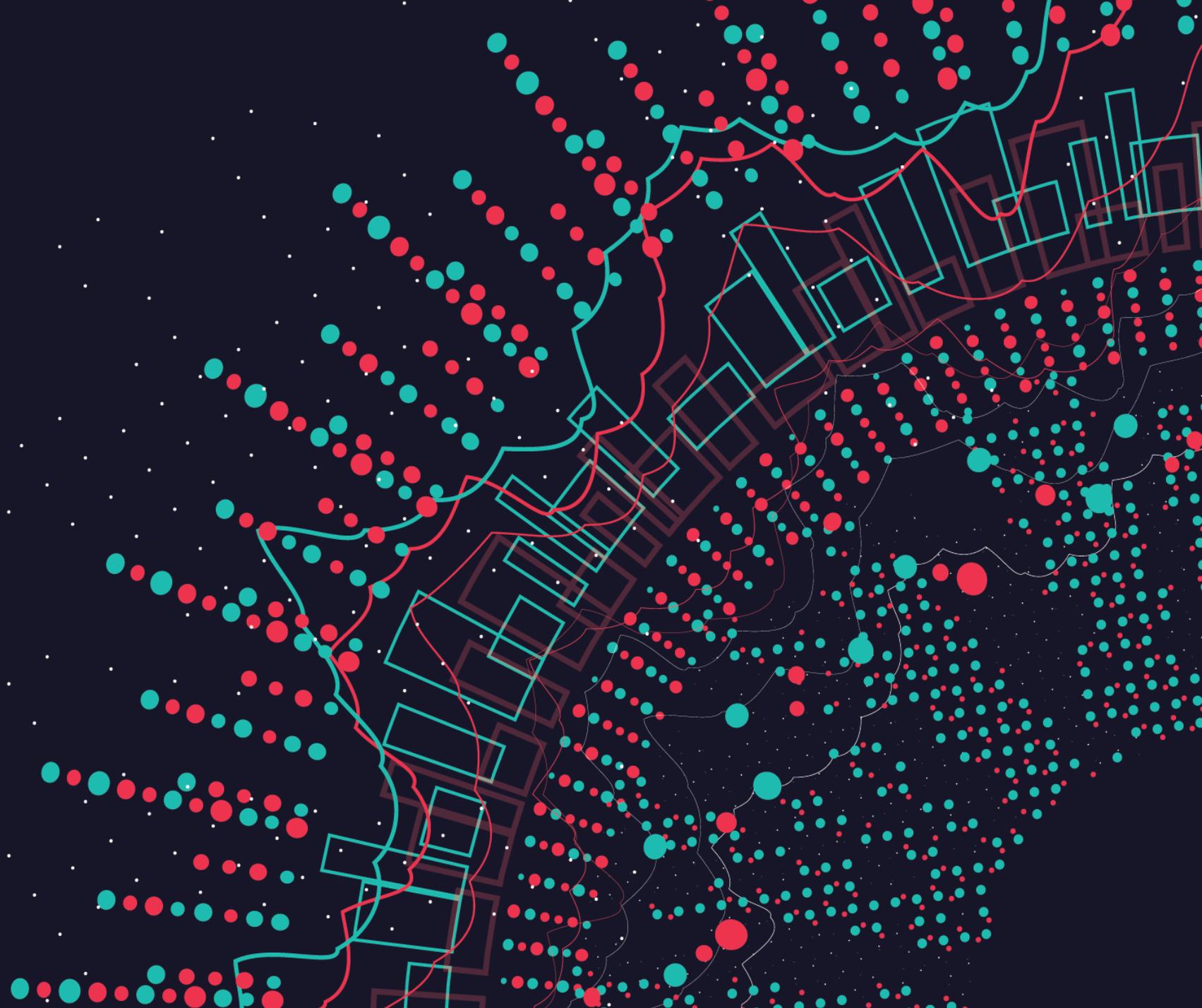




Faster Payments Council - Global Observations on Real-time Payments

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With you today



Cyrus Bhathawalla

Managing Director
Global Payments
New York, NY

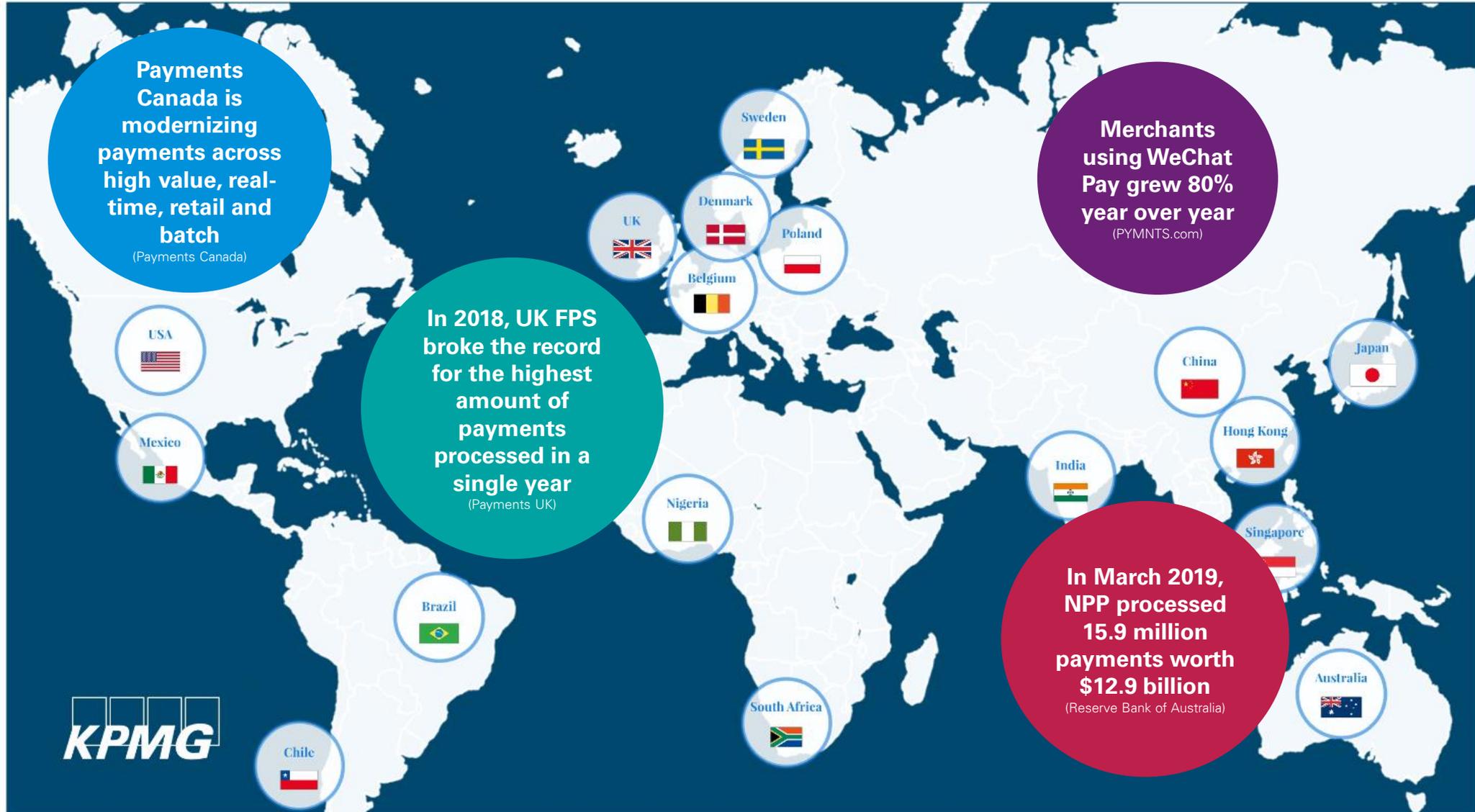
Cyrus is a Managing Director in KPMG's financial services and payments consulting practice and originally from KPMG's Australian firm. Cyrus has focused experience with multiple US, Canadian, South East Asian, and Australian FIs and payments providers on payments strategy, transformation, and remediation projects.

Cyrus has deep global knowledge of real-time banking and national payment infrastructures, as well as broader payment processing (channel, back-office, and interbank) as well as a developed understanding of both domestic and global payment procedures and standards (i.e. SWIFT, ACH, RTP and RTGS).

Today's Discussion

- Global payments modernization updates and lessons learned
- Focus areas for driving success in RTP:
 - Data Strategy
 - Fraud in a Real-Time Environment
 - Corporate Ideation

Payments modernization continues to expand globally, with varying degrees of maturity across the world's financial powerhouses



The UK is focused on their New Payment Architecture which will see a complete replacement of their RTGS system and data driven enhancements to FPS

UK

The **New Payments Architecture (NPA)** is a UK regulatory change that will be rolled out by over the next 5 years and is being driven by the revolution of **Open Banking**. With that in mind, the NPA plans to introduce:

- Financial Crime Intelligence Sharing
- KYC Data Sharing
- Improved data accuracy to support Data Sharing and Data Analytics

Evolution of FPS functionality includes **data driven** upgrades and enhancements for **corporate clients** such as:

- Confirmation of payee
- Request for payment

Canada
USA
Mexico
Brazil
Chile
South Africa
India
China
Hong Kong
Singapore
Japan
Australia

KPMG

Australia's NPP continues to scale, with fraud rates remaining lower than predicted thanks to a strong industry wide focus on detection and prevention



The US is uniquely positioned to learn from the early adopters of Real Time Payments to maximize benefits of modernization and minimize growing pains

USA

The US launched its real-time payments system, RTP in November 2017 working alongside the payments operator, Clearing House, and the solution provider, Vocalink. RTP is built to support digital commerce, leverages the ISO20022 messaging format, and is intended to become a platform for innovation including features such as payment confirmation, request for payment messaging, and digital bill payments and invoicing.

The US can leverage lessons learned from other jurisdictions to enhance their RTP offerings

- +** Strategy for leveraging an organization's data to enhance the payment lifecycle
- +** Fraud prevention and detection in a real-time environment
- +** Corporate customer engagement models and commercialization of RTP
- +** Focus on targeted industries for RTP including: B2B, insurance, healthcare

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An enterprise wide data strategy and governance enables key enhancements across the lifecycle of a real-time payment

The focus of data strategy is to deliver accessible, timely data that adheres to data quality standards enabling an organization to leverage their data as an asset. The value proposition is that the future state data supply chain is faster, cheaper, and more flexible than the environment that currently exists. A strong enterprise data strategy enables:

- Upgraded **financial crime and compliance** functionality including: **smarter machine learning** algorithms, using quality data to **tune fraud tools** and **business rules**, and enhanced prevention strategies via data **aggregation** and industry **intelligence sharing**
- Enhanced **data quality** via consumption of industry standards and internal normalization
- Customer **insight driven product** enhancements



Real-time payments requires flexible real-time fraud detection and prevention, with the option to take timely action as needed

The irrevocability of real-time payments introduce new risks to the payments ecosystem, making **fraud detection and prevention** a focus of payments modernization. The journey for most organizations involves a **phased approach** to enhancing legacy systems, introducing emerging technology and upgrading vendor capabilities.



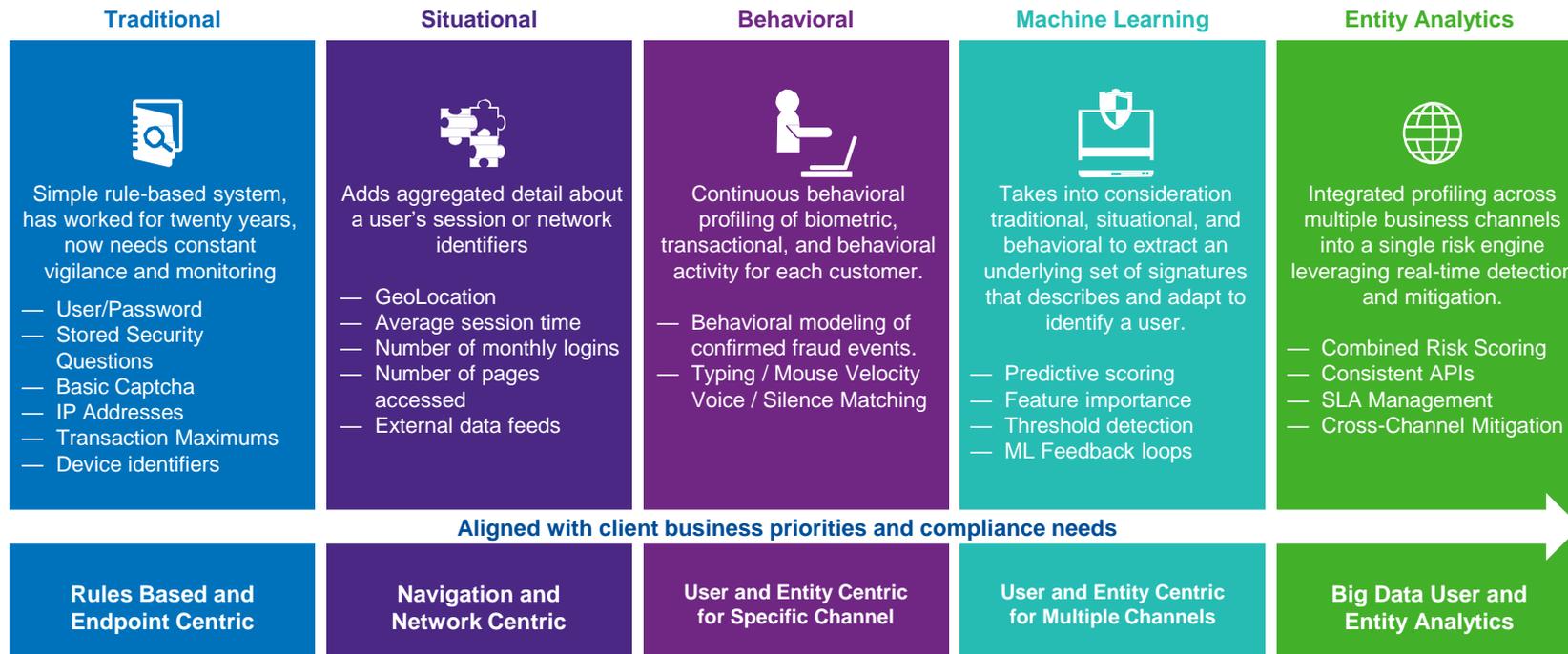
The 2018 holiday season saw a 13% increase in cross-channel payments fraud

(PYMNTS.com)

RTP leads to spikes in account takeover fraud and need for increased customer education

Santander recently closed 11,000 accounts in the UK that were suspected of being money mules

(PYMNTS.com)



Engaging corporate clients is critical to driving adoption of RTP

Drivers to engage with corporates

- 1 The **acceleration in digital payments** such as RTP is changing the way both consumers and businesses choose to make and receive payments.
- 2 The **disruption from innovative technology is driving intense competition** from fintechs, technology giants and banking competitors all competing directly with banks across the value chain of payment related products
- 3 Banks are increasingly looking at how they can remain an innovative digital leader through **design thinking with customer focused payment solution design** that solves critical pain points and creates better payment experiences for its customers

The approach

We propose four key phases that will take you from use case identification to focused prototyping and requirements

- 1 **Market segmentation and thought leadership**

 We will **break down customer research, market signals and industry trends** to ensure you can identify the best RTP commercialization ideas and outcomes for your customers
- 2 **U-Collaborate (UCe) Sessions**

 We will **run fast paced sessions** focusing on level setting education and **customer focused use case ideation sessions with you and your corporate clients**
- 3 **Prototype Development**

 We will **validate ideas directly with you and your corporate clients** to prioritize use cases and create a sandbox prototype to **bring the 'art of the possible' to life**
- 4 **High Level Business requirements**

 We will help you **identify high level business and technology requirements** to ensure you are adequately prepared for any implementation aspirations

Corporate UCe methodology

We harnesses the benefits of working together directly with your clients to capture specific industry pain points and identify key opportunities for RTP ideation

- 1 **Introduction** and highlight the RTP innovation and transformation opportunity
- 2 **What's changing with RTP** as an overview to expected impacts and benefits for banks/corporates
- 3 **Customer panel** with key learnings and thoughts globally shared with the group
- 4 **Chat rooms** allowing participants to engage in key RTP topics e.g. data, speed and a prototype example
- 5 **Use case galleries** provide visual stimulus for participants to explore various 'art of the possible' scenarios
- 6 **Divergent thinking activity** through small break outs, focused on more specific C2B and B2B journeys and pain points
- 7 **Opportunity rave** allowing participants to brainstorm use cases and vote together by rank
- 8 **Opportunity detail** allows participants to expand in detail on the highest ranked use cases by capability and industry
- 9 **Use case report out** to share ideas with the group, highlighting the value proposition and benefits of their use cases
- 10 **Closing summary** allows all participants to collaboratively reflect and discuss key takeaways for the day

Outputs and deliverables

Our proposed outputs and deliverables cover collaborative sessions, prototyping, journey maps and future roadmaps

Product ideation session



Customer journey maps



Prototypes



Ideation and engagement roadmap





Cyrus Bhathawalla

Managing Director, KPMG LLP

Mob: +1 347 416 4885

Email: cyrusbhathawalla@kpmg.com



kpmg.com/socialmedia

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