

PYMNTS®

The Clearing House

July 2023

Comparing and Contrasting FedNow and the RTP® Network

Real-Time Payments Tracker® Series

Read the previous edition



JUNE/JULY 2023

Real-Time Payments Tracker® Series

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Acknowledgment

The Real-Time Payments Tracker® Series is produced in collaboration with The Clearing House, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Need to Know

Demand for Real-Time Payments Is at an All-Time High

The flagship real-time payment system in the United States, The Clearing House's RTP® network reaches 65% of all demand deposit accounts in the country, and any depository institution can connect to the RTP network through more than 20 technology providers. Experts predict that [real-time payments](#) transaction volume in the U.S. will reach 8.9 billion by 2026, up from 1.8 billion last year.

While the U.S. lags behind many other countries when it comes to real-time transactions, this reputation could change fast as the country continues to adapt to the long-term ramifications of the pandemic. Remote payment capabilities have become table stakes for financial institutions, and consumers demand the same speed in these transactions that they experience in other parts of their digital lives.

Real-time payments are breaking records in the U.S.



8.9B
Expected real-time
payments volume by
2026



65%
Portion of demand
deposit accounts
that access the RTP
network

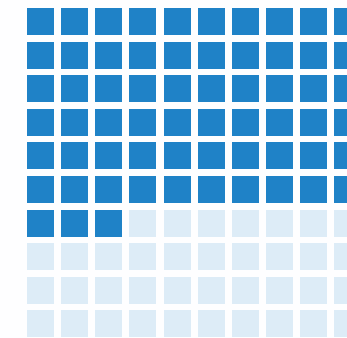
Need to Know

Real-time payments solve many of the problems businesses face with traditional payments.

[Payments fraud](#) is a core problem that real-time rails can all but eliminate, which may comfort the 65% of organizations that reported being victimized by this cybercrime in 2022. Legacy payment methods are particularly vulnerable to fraudsters, with 63% of organizations saying they have fallen victim to check fraud.

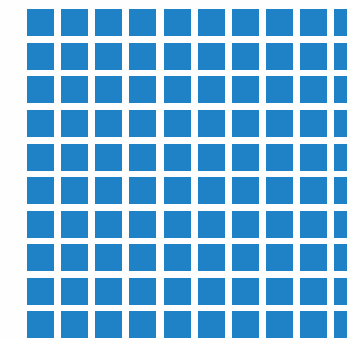
Seeking to eliminate issues like these, companies have turned to real-time payment methods en masse, with 62% of [middle-market companies](#) leveraging this method, according to a recent survey. One hundred percent of treasurers who use real-time rails say that real-time payments have improved their companies' payment processes, and the launch of FedNow will give them even more options for these payments.

Real-time payments solve many companies' legacy payment challenges.



63%

Portion of companies that have fallen victim to check fraud



100%

Share of treasurers using real-time rails who say the rails have improved their companies' payment processes

Need to Know

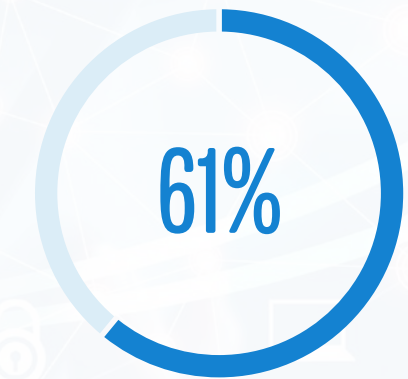
The launch of FedNow could be a game-changer for the real-time payments scene.

The RTP network has dominated the real-time payments industry in the U.S. since its 2017 launch, but there is a new kid on the block in the form of the [FedNow Service](#). Backed by the U.S. Federal Reserve, the system is raising awareness about real-time payments in the U.S. and will start the long journey to build volume and attract banks and credit unions.

It remains to be seen whether financial institutions will stick with the RTP network, hop on board with FedNow or use both in tandem. Whatever the case may be, payments in the U.S. will never be the same again.



Portion of middle-market firms that currently leverage real-time payment rails



Portion of nonusers who say they are very likely to implement real-time payments in the future

News and Trends

Canada Delays Launch of Real-Time Payments System

Canada was set to make a big stride this year with the launch of its [Real-Time Rail](#) (RTR) scheme, but Payments Canada has decided to delay the rollout. The organization noted in a statement that “current delivery delays, unrelated to the exchange technology components, are impacting the launch date of the RTR.”

Payments Canada said it will review its delivery risks over the next three months in anticipation of the launch date and will also use this time to perform further testing and make additional investments. The program was originally slated to launch last year, with this current delay marking the second movement of its launch date. Experts anticipate a launch later this year.



News and Trends

ForwardAI launches real-time B2B payment platform

ForwardAI's new [Forwardly platform](#) leverages the RTP® network and will support the Federal Reserve's FedNow Service when it launches. The company said in a press release that users can leverage the platform without creating a new bank account, changing banks, or pre-funding a settlement account or wallet.

The instant payments the platform enables allow businesses to get paid up to three days faster than the Automated Clearing House (ACH) or other legacy payment options, as well as save as much as 80% compared to credit card processing fees, according to the company's press release. The platform also integrates with bank accounts and accounting systems, allowing payments to be reconciled instantly.



News and Trends

India's UPI payments scheme hits 9B monthly transactions

India's real-time payments journey recently hit a huge milestone, with the country recently announcing that its [real-time transaction](#) count has topped 9 billion in a single month. This marks a 58% increase year-over-year. The system — Unified Payments Interface (UPI) — was originally launched in 2016 with 21 banks, but the system is now leveraged by 350 banks around the country. The system plans to widen access to non-resident Indians in several countries, including those residing in Singapore, Australia, Canada, the United Kingdom and the United States, over the coming years.



9.4B¹⁴
India's real-time transaction count on UPI in May 2023



14.9B
Total transaction volume over India's UPI in May 2023

PYMNTS Intelligence

Comparing FedNow and the RTP® Network

The expectations of small to mid-sized businesses (SMBs) regarding payment service providers have never been higher, with owners and employees demanding the same payment speed and convenience they experience everywhere else in their digital lives. In the U.S., the only widespread real-time option was The Clearing House's RTP network, but that will begin to change with the introduction of FedNow.

The service, which launched July 20, could revolutionize the real-time payments scene in the U.S., with retailers particularly hoping for real-time payments to help their business. This month's PYMNTS Intelligence examines FedNow's capabilities and explores its key differences and similarities with the RTP network.



PYMNTS Intelligence

FedNow marks the biggest shakeup in U.S. real-time payments in six years.

The [Federal Reserve](#) plans to introduce FedNow in stages. The July release is expected to provide baseline functionality for services like account-to-account transfers and bill pay, while further functions will be introduced in later updates. The RTP network is already fully functional, as it has been the standard for real-time transactions in the U.S. since its 2017 launch.

Both systems work on a [push basis](#), with transactions being sent by the payer rather than pulled by the payee. This provides a greater level of security from scammers than pull payments, but transferred funds are irrecoverable. Both networks will operate [24/7 year-round](#), and both allow funds to be transferred instantly from one account to another.

The [RTP network](#) has experienced prodigious growth since its 2017 launch.



58 million
RTP network transaction
count in Q2 2023



10+%
Quarterly RTP network
payment volume growth
since 2018

Both networks operate on the [ISO 20022](#) data standard, but the exact nature of the transfer varies slightly. The Clearing House acts as a hub for clearing the payment between accounts on the RTP network and sends settlement instructions to the Federal Reserve, where the actual money transfer takes place. FedNow, meanwhile, has the Fed handle the clearing and settlement directly. From the point of view of the end user, this difference is largely unnoticeable, however.

PYMNTS Intelligence

FedNow and the RTP network differ in several key manners, including limits and costs.

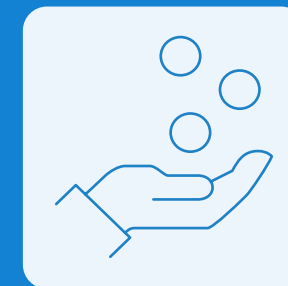
One of the largest differences between the two systems is their [transaction limit](#): FedNow users will have a default limit of \$100,000 that they can adjust upward to a maximum of \$500,000, if desired. The RTP network, meanwhile, allows transactions of up to \$1 million, with a similar option to set lower sending limits if desired.

The two systems also have [different fees](#): While both systems charge 4.5 cents per transaction, FedNow charges each enrolled routing transit number \$25 monthly for participation — a fee that the RTP network lacks. It will be up to customers to choose which features matter most when picking a system to use, or to determine whether it is worth using both systems for different purposes.



4.5 cents

Transaction fee for both FedNow and RTP network



\$25

Monthly participation fee for each routing transit number that enrolls in FedNow

Chart of the Month

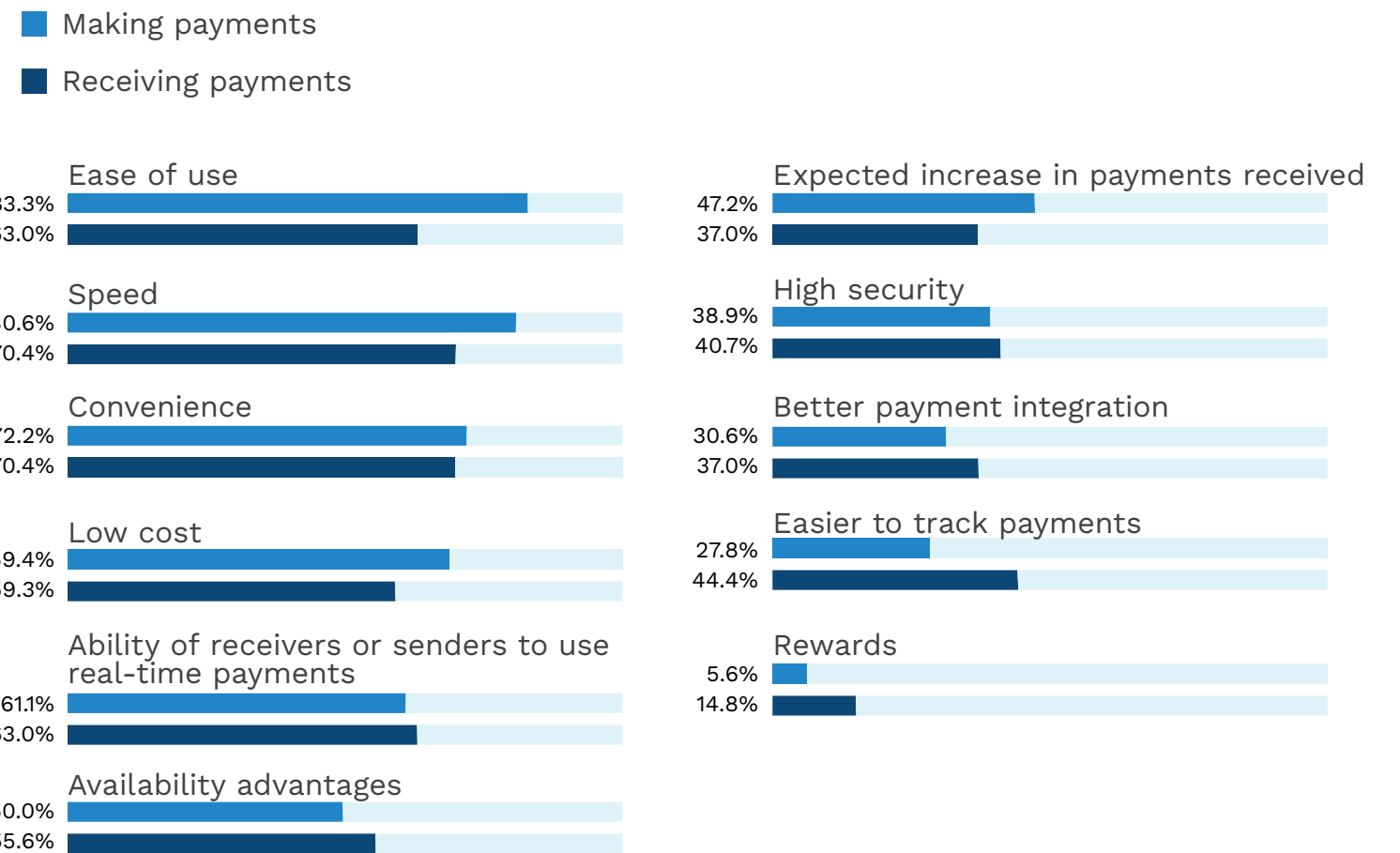
Real Estate Firms' Motives for Deploying Real-Time Payments

Corporates in the real-estate industry agree that implementing [real-time payments](#) significantly improves their quality of life, but data illustrates their varying opinions on why that is the case. One of the primary factors driving interest in real-time payments among real estate firms is ease of use, with 83% of firms citing it as a key motivator for making real-time payments and 63% citing it as a reason for receiving them. Other popular reasons for interest include speed, convenience and the low cost of making payments.

A large discrepancy between the sending and receiving companies is the ease with which to track payments, cited by 28% of senders and 44% of receivers. This is likely because receiving companies are more interested in knowing the entire journey of their incoming payment, whereas senders tend to be less concerned about a payment once it leaves the account.

Reasons for real-time payments

Share of firms citing select reasons for wanting to make and receive real-time payments



Source: PYMNTS

Corporate Changes in Payment Practices: A Deep Dive Into the Real Estate Industry, May 2023

N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023

Insider POV

An Insider Explains FedNow's Potential to Shake Up the Payments Scene



CHRISTINE MAYES
Executive vice
president



“I think FedNow will create a natural competition with the RTP® network, but I don’t really know that either of them will overtake the other. I think they both bring positive things to the marketplace, and they both benefit by creating natural competition in the marketplace.”

Christine Mayes, executive vice president at Corporate One Federal Credit Union, details how she believes the launch of FedNow will bring healthy competition to the real-time payments industry.

In many ways, FedNow is an extension of the winning formula that the RTP network pioneered in the U.S. Both platforms essentially perform the same service — providing instant payments — from a customer’s perspective, and FedNow is set to achieve the same level of success.

“They’re both a nearly instantaneous transfer of funds between bank accounts,” explained Mayes. “Both are leveraging the ISO 20022 messaging format, and both are credit push only. They both require a core-to-core connection that’s leveraged to authenticate these payments, and, as a result of that, each of these payments is considered final.”

Insider POV

Despite FedNow’s similarities with the RTP network, its introduction could still rock the payments space. The addition of a new real-time option could foster healthy competition, which means more options for consumers and a better environment for everyone involved.

“I think it’s going to broaden the availability for more financial institutions hopefully to get in the game,” said Mayes. “Anytime you have natural competition in the marketplace, I think that’s good for consumers as a whole. [The RTP network] has got a bit of a leg up, but FedNow is operated by the federal government, and they’ve got a very, very wide reach when it comes to financial institutions.”

To ensure a smooth rollout, FedNow would be well served by examining what the RTP network did right and aim to replicate that success. The most important aspect, according to Mayes, is to engage in active communication with all real-time payment stakeholders to be certain that it meets their needs.

“They’re talking to banks, they’re talking to credit unions, they have workgroups and user groups that they’ve pulled regulators into,” she said. “They have lined out a fairly clear vision and a roadmap of future planning to ensure that it continues to be developed and meet the needs of their users.”

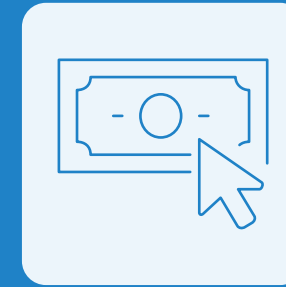


What's Next

Batch Payments Still Have a Promising Future

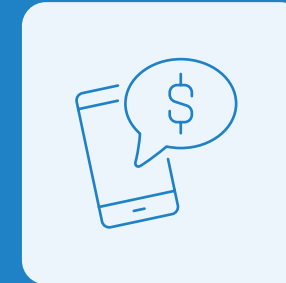
The rise of real-time payments has already changed the way many companies pay their vendors, but old-fashioned methods like [batch payments](#) are still sticking around for many firms. Mark Staunton, head of customer success in North America at Form3, told PYMNTS in a recent interview that the volume of payment transactions going through batch schemes still has a “bit of a lead” over those that move through the faster payments scheme, at about a 3-to-2 ratio. Staunton added that while consumers may be used to transacting instantly with peers and expect to see funds settle immediately in their accounts, corporates have some catching up to do when it comes to real-time payments, or they risk losing customers to competitors.

Legacy payments are still popular, but real-time methods could quickly supplant them.



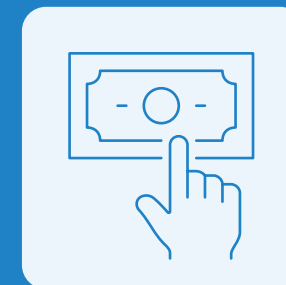
84%

Share of real estate firms willing to replace checks with real-time payments



65%

Share of real estate firms willing to replace debit card payments with real-time payments




29%

Share of real estate firms willing to replace cash with real-time payments

About

PYMNTS® [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

 **The Clearing House** [The Clearing House](#) operates U.S.-based payments networks that clear and settle funds through ACH, check image, the RTP® network and wire transfers. The RTP network supports the immediate clearing and settlement of payments along with the ability to exchange related payment information across the same secure channel.

Learn more at www.theclearinghouse.org.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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