

Conversations on*

Instant Payments

A CU*Answers Collaboration Group

Conversations on Rules for RTP[®] Send

January 22, 2024

Annotated with
feedback from
the event



Conversations on*

Instant Payments

A CU*Answers Collaboration Group

Mark your
calendar!

**Still confused about what RTP[®]
and FedNow[®] are all about?**

Intro to Instant Payments
Thursday, February 22
1:30-2:30 pm ET

JOIN THE CONVERSATION!

2

Topics for Today's Conversations

Sending via RTP®



- Review of our Research So Far
 - TCH Rules
 - Components of the "Send" Project
- Building the Send Experience
 - A focus on the user interface
 - Setting the rules – what do you want us to build?

Are you caught up on what we know so far?

Both UCC4A and Reg E are the relevant regulations here, from what we can tell so far

open.cuanswers.com/RTP

RTP® Send: Starting the Research Project

REVIEW OF RESEARCH PERFORMED BY CU*ANSWERS TO DATE

Prepared for the CU*Answers Board of Directors
By Jim Vikar, VP Professional Services and Dawn Moore, EVP Client Experience
January 26, 2023

Introduction

Sending real time payments remains a moving target and early adopters are just beginning to number of payments are picking up but the originating financial institutions appear to be those clearing house. FedNOWSM is slated to be released in July of 2023 but that also has been a point. We also have uncovered that fact that unlike the ACH system, RTP[®] will not be interop either have to build an interface to both or partner with a third party that normalizes both on both rails in any case.

This document is a compilation of research, web conferences with firms developing third party settlement agents. This research is ongoing and at this point considered incomplete as may appear to be in flux and have not been given a final stamp of approval.

Components of Sending Real Time Payments

TCH Rules Effective 8/22/2022

- Participants must satisfy the requirements in the sending and receiving, as well as requirements control requirements, and the RTP information
- No correspondent participation
 - No foreign transaction (for now)
 - Sending on behalf of another FI with e
- Can only initiate for the sender's account; m
- TCH does have a mechanism for requesting participants must reasonably cooperate and in disputes unless TCH was at fault.
- Prior to submitting a payment FI must be
- Once the receiver clicks "accept" the send
- Payment message cannot be canceled or assumes no risk.
- TCH can monitor activity for erroneous or
- TCH has the right to fine participants for (small)
- Must at a minimum utilize multi-factor Management and Fraud Control require
- Must utilize a fraud and risk screening
- Must regularly review performance of
- Must report fraudulent activity to TCH

Fraud Component

Funding Component

Pre-funding is required, and based upon our research we believe that funding will be through third parties such as corporate credit unions, as the reserve requirements require frequent calculations, so corporates are stepping in to complete funding and settlement on behalf of credit unions.

Legal and Audit

- Financial institutions indemnify all participants from just about everything.
- Must prevent any money service business (MSB) as defined by FinCEN from engaging in sending payments.
- Unable to TCH for failure to have reasonable risk-based measures in place to prevent fraud.
- TCH has the authority to audit for compliance with the rules.
- TCH has the authority to revoke an FI's ability to participate at any time.
- Some RTP payments are subject to the New York UCC 4-A for receiving and sending.
- TCH has the authority to audit participants and third party service providers.
- Participants are required to do a self audit annually.
- TCH will provide participants with their audits to meet regulatory requirements.
- Surety bond required in the event there is a legal issue with the sending institution.
- Must maintain an error resolution reserve requirement.
- Must maintain an information security program in accordance with OCC Bulletin 2011-16, with an annual risk assessment including all aspects of a general IS&T assessment.

Compliance Component

- Erroneous payments are governed by UCC-4a for commercial payments.
- Consumer payments are governed by the EFTA.
- Participant must have a written OFAC compliance program reasonably designed monitor for OFAC compliance.
- Must have procedures reasonably designed to meet BSA/AML requirements.

Settlement Component

- Settlement will be handled with the assistance of a funding agent. Based upon our research we do not believe credit unions will establish pre-funding accounts at the chosen bank of New York but will rather use their corporate for managing pre-funding reserves using their corporate account dollars. To date we only know of two, including Corp One and Vito.
- TCH will provide reconciliation reports; however, the timing of these reports is not set in stone and will be determined by TCH.
- No cut-off time can be established by an FI so we are anticipating balancing may have challenges.
- Fees for sending are set out in the fee schedule and are automatically withdrawn from the participant's account at a rate of 4.5 cents. Other fees are listed for things such as a request for payment, but that is outside the scope of this document.

Interface Component

More questions than answers at this point, but here are some of the key considerations:

- Mechanism for real-time fraud monitoring
- Configuration and mechanism for CU-defined restrictions, such as:
 - Min/max \$ amounts per day and/or other period
 - CU-level, member-level, and (for MLD) employee-level controls
 - Time of day restrictions
- Mechanism for CU approval prior to send
- Mechanism for OFAC scan integration
- Mechanism for indemnification agreements/recording member acceptance
- Mechanism for member fees
- UI for members via online/mobile banking
- Tracking and analytics mechanisms

Pg 1 of 2

Pg 2 of 2

4

Building an Interface for Send

- Mechanism for real-time **fraud monitoring**
- Configuration and mechanism for CU-desired **restrictions**
 - CU-level, member-level, and business employee-level controls
- Mechanism for **CU approval**
- Mechanism for **OFAC scan** integration
- Mechanism for **indemnification** agreements/recording member acceptance
- Mechanism for member **fees**
- **UI** for members via online/mobile banking
- **Tracking and analytics** mechanisms

Something to
consider...

What if we started with
something **your CU**
could use to pay third
parties via RTP, **before**
building something
members would use?

Fraud Monitoring

- Does anyone know what “real time fraud monitoring” means?
- Multi-factor authentication controls?
- Fraud/risk screening for members who can use the service?
 - To “enroll” only? For each transaction?
- Are there vendors to bring to the table?
 - Does anyone understand what they do and how they do it?
- Block lists for certain recipients?

What do you need
us to build?



Fraud Monitoring

- Does anyone know what “real time fraud monitoring” means?
- Multi-factor authentication controls?
- Fraud/risk screening for members who can use the service?
 - To “enroll” only? For each transaction?
- Are there vendors to bring to the table?
 - Does anyone understand what they do and how they do it?
- Block lists for certain recipients?

YOUR FEEDBACK

- Allow CU to review requests from first-time senders then block if needed
- Block IP addresses and/or block by country
(Per our TCH contact nothing should be leaving the country at this point)
- Review/replicate the rules Jack Henry uses for bill pay fraud
- MFA is crucial, both at login and when initiating RTP

OFAC Scans

- Do members need to be scanned more than they already are?
 - OFAC scanning is done weekly for all members, + on demand in many places in CU*BASE
- Scanning recipients?
 - What data do we need to gather?
 - What happens if we get a suspected match?

What do you need
us to build?



OFAC Scans

- Do members need to be scanned more than they already are?
 - OFAC scanning is done weekly for all members, + on demand in many places in CU*BASE
- Scanning recipients?
 - What data do we need to gather?
 - What happens if we get a suspected match?

YOUR FEEDBACK

- Our research shows FIs depend on other FIs scanning their own customer through OFAC ("reliance on compliance")
- Would like recipient name run through OFAC; if suspect match, just tell member "cannot be completed at this time" and have them contact the CU

Indemnification/Member Acceptance

- What if a member fat-fingers the recipient's account #?
- Blanket indemnification to participate, agreement each time a transaction is posted, or both?
- Delivery mechanism?
 - What are the tracking requirements for members accepting this?

What do you need us to build?



Indemnification/Member Acceptance

- What if a member fat-fingers the recipient's account #?
- Blanket indemnification to participate, agreement each time a transaction is posted, or both?
- Delivery mechanism?
 - What are the tracking requirements for members accepting this?

YOUR FEEDBACK

- Want initial agreement when member "enrolls" but also additional disclosures/warnings when each transaction is sent
- Asked CUs to provide examples of good wording; one example provided was: *"This transaction cannot be rescinded; you are responsible for knowing the correct RT & Acct #. CU will not be held responsible."*

Fees

- You pay only for originated transactions

Item	TCH Fee	Our Fee*
Sent item	\$0.045	\$0.05
Request for payment	\$0.01	TBD
Remittance advice	\$0.01	TBD

*Waived for 2024

- What options do you need for charging fees to members?
 - What about tracking fees?
- What about waivers?
 - Relationship?
 - Age?
 - Aggregate balance?
 - Other??

What do you need
us to build?



Fees

- You pay only for originated transactions

Item	TCH Fee	Our Fee*
Sent item	\$0.045	\$0.05
Request for payment	\$0.01	TBD
Remittance advice	\$0.01	TBD

*Waived for 2024

- What options do you need for charging fees to

- What about tracking fees?

- What about waivers?

- Relationship?
- Age?
- Aggregate balance?
- Other??

YOUR FEEDBACK

- Consensus seemed to be that CUs are planning not to charge for this service, since members are just moving their own money
- If we do a fee at all, would be % of transfer amount (but would prefer not to have to build any fee mechanism if we don't need to!)

Config for Restrictions: Which members can send?

- Length of membership?
- Member in Good Standing / Electronic Deposit Hold Group assignment?
- Tiered Service level?
- Block list for “denied” members?
OR
Enrollment requirement for “approved” members?
- For business banking, employee-level controls?
- Replicate the new RDC auto-enrollment rules?
- Exceptions based on due diligence flag?

What do you need
us to build?



Config for Restrictions: Which members can send?

- Length of membership?
- Member in Good Standing / Electronic Deposit
- Group assignment?
- Tiered Service level?
- Block list for “denied” members?
OR
Enrollment requirement for “approved” member
- For business banking, employee-level controls?
- Replicate the new RDC auto-enrollment rules?
- Exceptions based on due diligence flag?

YOUR FEEDBACK

- Did not get a clear direction of enrollment vs. allow all and block as needed, but do want block capabilities for abusers
- Some CUs liked using RDC auto-enroll rules (or even combining them into a single set of rules) but most wanted flexibility
- Some CUs liked the A2A model of having the CU do the initial vetting, then let the member loose from there
- Some CUs feel like MFA controls and trans limits are plenty

Config for Restrictions: Which transactions to allow?

- Maximum \$ amount?
 - Per transaction? Per day? Per month/other period?
- Maximum # transfers?
 - Per day? Per month/other period?
- Per acct base or SSN/TIN?
 - Per employee for business banking?
- Time of day restrictions?
 - Is these even allowed?
- CU vs. member controls
 - PIB controls that a member can change?
 - Can members go higher can CU settings? Lower only?

What do you need
us to build?



Config for Restrictions: Which transactions to allow?

- Maximum \$ amount?
 - Per transaction? Per day? Per month/other period?
- Maximum # transfers?
 - Per day? Per month/other period?
- Per acct base or SSN/TIN?
 - Per employee for business banking?
- Time of day restrictions?
 - Is these even allowed?
- CU vs. member controls
 - PIB controls that a member can change?
 - Can members go higher can CU settings? Lower only?

YOUR FEEDBACK

- Want both CU default limits & mbr-level overrides (higher or lower)
- Didn't get clear direction on the time periods other than per transaction
- Track velocity for fraud (limit # of transactions in xx minutes)
- Limits at the acct base level (i.e., if two memberships, each can transfer up to the max), or investigate at IP address level (who's doing the transaction)
- Different limits for first xx days after enrollment, then increase
- Add "security PIN" mbr would need to enter (use the PIB confirm code)

CU Approvals

For member transactions

- Build a queue for CUs to approve?
 - Only during certain hours?
 - Just for over \$x?
 - Waive member fees?
- If over max \$ or #?
 - Reject outright?
 - Place in the queue?

For credit union transactions

- Secondary employee approval?

What do you need
us to build?



CU Approvals

For member transactions

- Build a queue for CUs to approve?
 - Only during certain hours?
 - Just for over \$x?
 - Waive member fees?
- If over max \$ or #?
 - Reject outright?
 - Place in the queue?

For credit union transactions

- Secondary employee approval?

YOUR FEEDBACK

- Idea of queue didn't seem popular; most CUs want this to be completely self-serve
- If over max, just reject ("we're worry, this transaction cannot be completed") and have the member call the CU

User Interface

- CU*BASE tool for CUs to send on behalf of the CU?
 - Settlement with third parties?
 - Paying your bills?
- For members via online/mobile banking?
- Do CU employees need to be able to send on behalf of members?

What do you need
us to build?

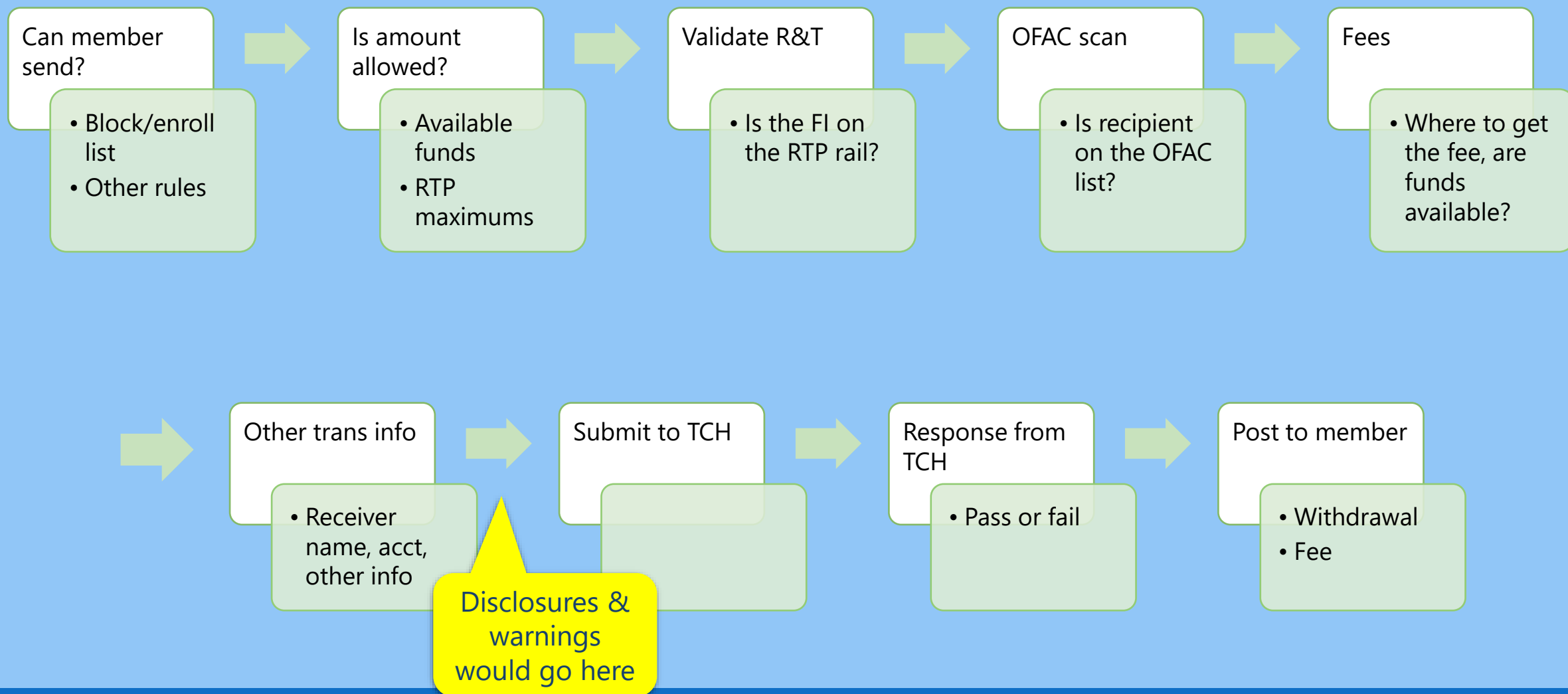


User Interface

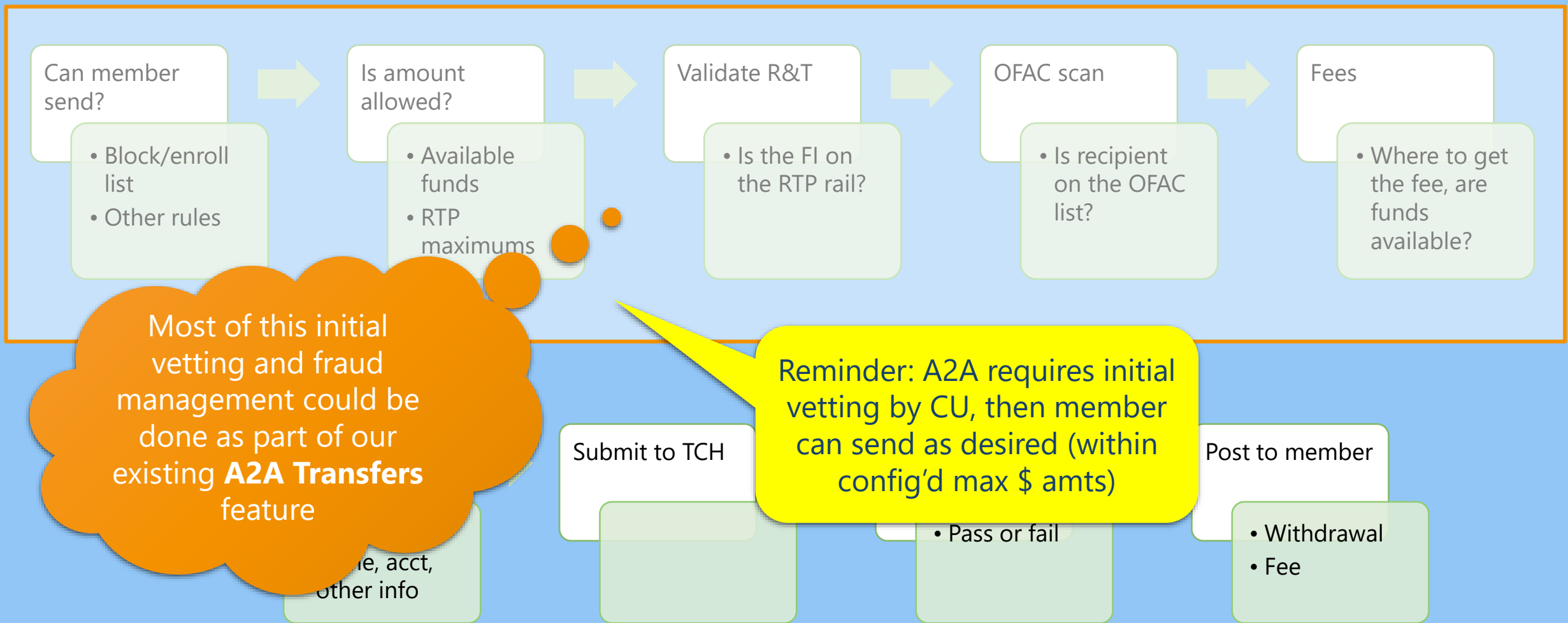
- CU*BASE tool for CUs to send on behalf of the CU?
 - Settlement with third parties?
 - Paying your bills?
- For members via online/mobile banking?
- Do CU employees need to be able to send on behalf of members?

YOUR FEEDBACK

- Do not want CU employees to be able to do this on behalf of members
- Use cases for a CU version of this included mortgage closings and sending funds to car dealers
- Could consider adding a feature to loan disbursements tool (with appropriate employee-level controls) to send funds via RTP



Ideas for the User Interface Flow

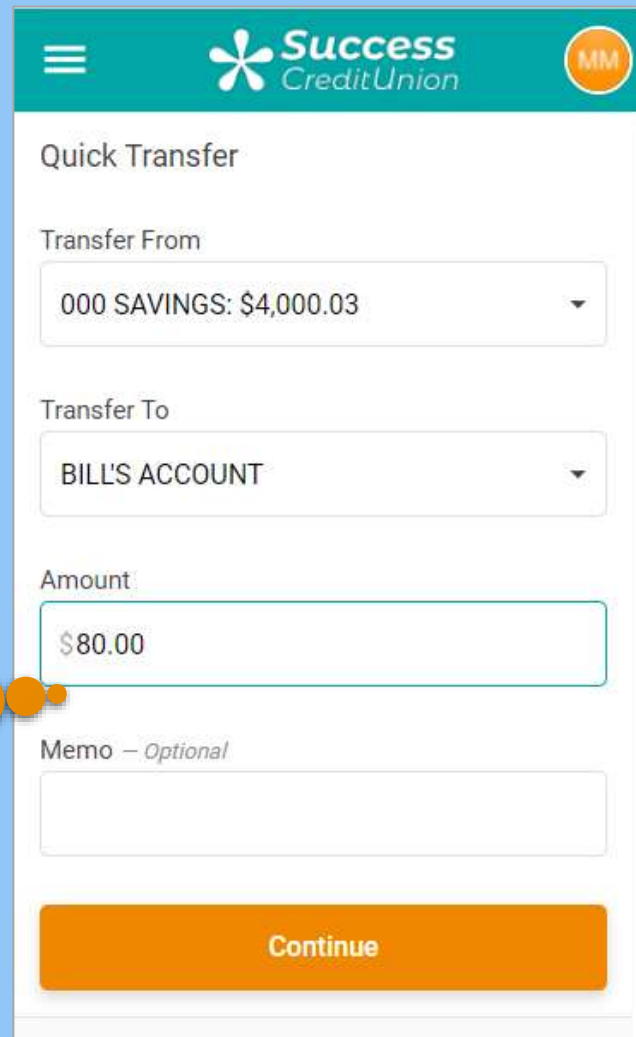


Alternate Idea:
Use our existing A2A Infrastructure?

YOUR FEEDBACK

- Some CUs liked this idea, others don't want an initial CU-vetting process

Imagine a
"Send
Instantly"
option...



Success Credit Union

Quick Transfer

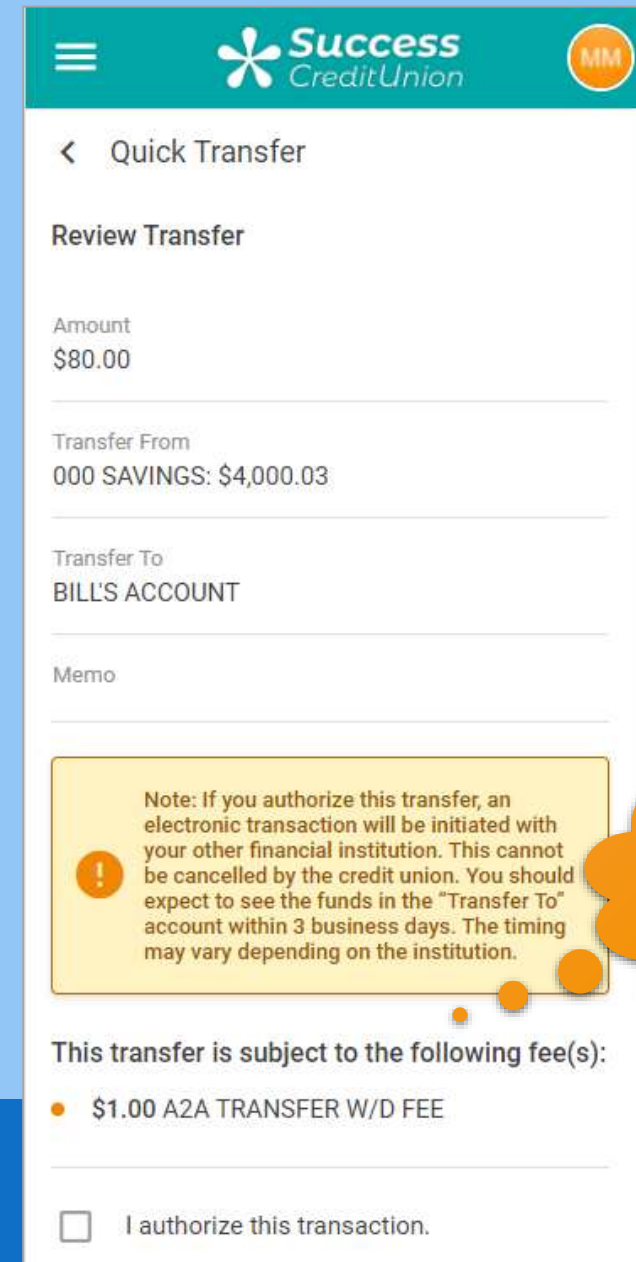
Transfer From
000 SAVINGS: \$4,000.03

Transfer To
BILL'S ACCOUNT

Amount
\$80.00

Memo – Optional

Continue



Success Credit Union

Quick Transfer

Review Transfer

Amount
\$80.00

Transfer From
000 SAVINGS: \$4,000.03

Transfer To
BILL'S ACCOUNT

Memo

Note: If you authorize this transfer, an electronic transaction will be initiated with your other financial institution. This cannot be cancelled by the credit union. You should expect to see the funds in the "Transfer To" account within 3 business days. The timing may vary depending on the institution.

This transfer is subject to the following fee(s):

- \$1.00 A2A TRANSFER W/D FEE

☐ I authorize this transaction.

...with a
different fee for
RTP vs. ACH

Alternate Idea:
Use our existing A2A Infrastructure?

Notifications

- To sender upon post?
 - What "to" and "from" email address?
 - Other method?
- To recipient upon post?
 - What "to" and "from" email address?
 - Other method?
- To CU upon post?
 - What "to" and "from" email address?
 - Other method?

What do you need
us to build?



Notifications

- To sender upon post?
 - What "to" and "from" email address?
 - Other method?
- To recipient upon post?
 - What "to" and "from" email address?
 - Other method?
- To CU upon post?
 - What "to" and "from" email address?
 - Other method?

YOUR FEEDBACK

- Will need further discussion

Tracking and Analytics

- CU*BASE uses a unique origin code
 - RTP = 40
 - FedNow = 41
- Tools we have now
 - Tool #867 Transaction Count by Origin
 - Tool #1120 Daily GL/Trans Activity Validation
 - Tool #866 Transaction Activity Summary Comparison
 - Tool #865 Transaction Activity by Branch
 - Tool #537 Monitor Abnormal Transaction Activity
(and Tool #101 Abnormal Activity Monitoring Config)
- What else might you need?

What do you need
us to build?



Tracking and Analytics

- CU*BASE uses a unique origin code
 - RTP = 40
 - FedNow = 41
- Tools we have now
 - Tool #867 Transaction Count by Origin
 - Tool #1120 Daily GL/Trans Activity Validation
 - Tool #866 Transaction Activity Summary Comparison
 - Tool #865 Transaction Activity by Branch
 - Tool #537 Monitor Abnormal Transaction Activity
(and Tool #101 Abnormal Activity Monitoring Config)
- What else might you need?

YOUR FEEDBACK

- Will need further discussion

What's next?

1. Compile these requests into a spec, work up some preliminary UI design ideas
2. Review with programming team for any technical challenges, make decisions on what will make the first cut
3. Follow-up "Conversations on Instant Payments" event to get additional CU feedback

What's next?

OTHER MISCELLANEOUS FEEDBACK

- CU*Answers is working on the project to add multi-factor authentication to OLB login (target is 24.05 release)
- MFA will also be added to the RTP Send process
- We have had preliminary conversations about adding individual logins per account (for spouse, etc.) controlled by the primary member; whatever we do in that direction, however, will likely not happen before RTP Send tools are built

Post your comments on the Kitchen or send them to
dmoore@cuanswers.com

Thanks for your feedback!

Hope to see you
again on Feb 22nd!

Conversations on*

Instant Payments
A CU*Answers Collaboration Group