Update on Our RTP© Projects

Prepared for the CU*Answers Board of Directors

January 26, 2023

Two projects

Receive Deposits via RTP©

- Project# 60155 in design phase

Send Payments via RTP©

- Research underway

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Included this phase

- Ability for any CU*BASE CU to be able to **receive real-time deposits** via the RTP rail

  CU*Answers online and self processing CUs

  Site-4 CUs

- Network infrastructure to connect to the RTP rail via CorporateOne

  Built to eventually support sending payments

- New posting channel

  Separate origin code for future activity analysis tools

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Included this phase

- Support for CU signup via our store
  - Triggers paperwork for us and for Corp One
  - Limited membership with Corp One just for RTP
  - 90-120 days for certification with TCH
  - No pre-funding needed
- Once you're on the rail
  - Your CU will be listed where real-time payments are initiated
  - Zelle, PayPal, Venmo, PayChex, Uber, GrubHub, Square, etc.

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Not included this phase

- No CU-defined limit on $ amount received

  Must be able to accept up to $1,000,000 in a single trans

- No time-of-day limits

  When the transactions come in, we will post them

- No exception process

  Transaction must either post or be rejected at time of submission

- No automated settlement process

  Corp One will provide daily recon reports and a web portal

- No new OFAC mechanisms

- No block lists

  Account must have a deposit freeze to prevent posting

- No automated refund mechanism

  Use Corp One tools if refund request is made

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Infrastructure

- Future-proofing our design
  - More than is needed for receive, but prepped for adding send later
- Uses a "drop-point" structure
  - Completes the route from the TCH thru Corp One to us
  - More durable structure than a VPN, managed by Corp One
  - Partly for 24x7x365 availability as well as security

- Status: Ready for Corp One
  - 3 servers deployed (redundant at 44th, HA at 28th)
  - Corp One to install drop point software application

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APIs

- APIs needed for account validation and posting credits

  Refunds manually via Corp One tools only

- CU*BASE config needed for activation, GL offset, etc.

- Project on target, aligned with what Corp One needs

  Development to begin by end of January

  Meeting each week with their technical folks

  Testing plan with Corp One TBD

- Release target: **23.10**

The research project

- Investigate supporting the ability for CU members to **send real-time payments** via the RTP rail
- Needs to be built from the ground up
    - Rules
    - User interface
    - Fraud management
- As of December, no CUs are sending via RTP
    - Only 25 of the biggest banks

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Status of our research so far

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 Vilker, 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 understand the complexities of it. The number of payments are picking up but the originating financial institutions appear to be those that built the product through The Clearing House. FedNOW℠ is slated to be released in July of 2023 but that also has been a date that most feel unsure of at this point. We also have uncovered that fact that unlike the ACH system, RTP© will not be interoperable, which means participants will either have to build an interface to both or partner with a third party that normalizes both to one interface. CUs would need to be on both rails in any case.

This document is a compilation of research, web conferences with firms developing third party interfaces, and firms who serve as settlement agents. This research is ongoing and at this point considered incomplete as many of the rules and interfaces nuances 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 operating rules to participate in both sending and receiving, as well as requirements found in the technical specifications, fraud control requirements, and the RTP information security standards and requirements. - No correspondent participation. - No foreign transaction (for now) - Sending on behalf of another FI with exceptions - Can only initiate for the sender's account; may not exceed $1,000,000; may establish limits. - TCH does have a mechanism for requesting a return of funds for unauthorized payments and participants must reasonably cooperate amount themselves, but TCH will not be a participant in disputes unless TCH was at fault. - Prior to submitting a payment FI must satisfy the prefunding requirements. - Once the receiver clicks "accept" the sending agent is obligated to pay without recourse. - Payment message cannot be canceled for any reason. - TCH can monitor activity for erroneous or fraudulent activity but makes no warranties and assumes no risk. - TCH has the right to fine participants for violations of the operating rules. (These fines are not small.)
Fraud Component	- Must at a minimum utilize multi-factor authentication (MFA) as outlined in the Risk Management and Fraud Control requirements. - Must utilize a fraud and risk screening measure prior to submitting a payment message. - Must regularly review performance of fraud monitoring system. - Must report fraudulent activity to TCH in accordance with operating rules.

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