



Electronic Payments Core of Knowledge

PARTICIPANT GUIDE

Life in the Fastlane: Instant Payments

Welcome to:

Life in the Fastlane: Instant Payments

Program Description

In this session, we will examine the key features and benefits of both FedNow® and RTP®, and provide a high-level overview of how both payment systems work. We'll cover important information about both payment systems, including payment flows, participation types, the ISO 20022 financial standard and more. We will also walk through scenarios to test your knowledge!

AAP/APRP Credits: 1.4

Objectives

- Instant Payments Introduction
- ISO & The Flow
- Use Cases

Ground Rules

Please keep the following ground rules in mind to help create a more effective learning experience for everyone. We will discuss additional participation instructions during the online session.

1. Log on to class at least 10 minutes before the scheduled start.
2. Turn off email and phones and clear other distractions away from your training area.
3. Participate and prepare to be called on by name. The online learning environment lends itself to interaction. Participation will keep you engaged and move the class along.
4. Raise your hand if you have an immediate question or comment. Asking questions helps other participants clarify or reinforce concepts.
5. Be patient in waiting for a response to your chat message.

Technical Assistance

Your course invitation email contains step-by-step instructions for logging into this event.

If you are having technical difficulty, please call 800.500.0100

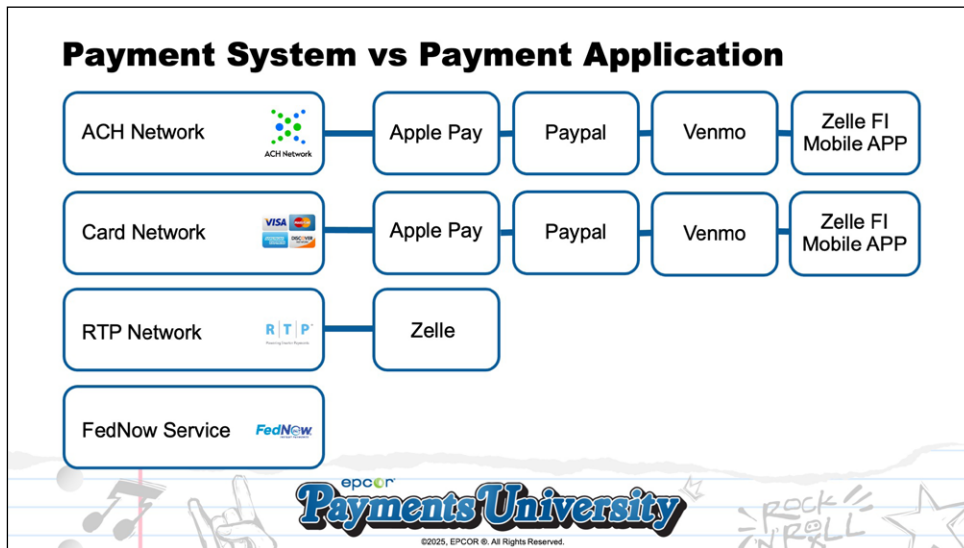


Instant Payments Introduction

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Rock on! INROLL



Important things to keep in mind

Final & irrevocable

Request for Return

Regulation E



Instant Payments Overview

RTP Network	FedNow Service
The Clearing House	Federal Reserve Banks
Available 24/7/365	Available 24/7/365
Domestic credit only payments	Domestic credit only payments
Messaging capabilities	Messaging capabilities
ISO 20022 message format	ISO 20022 message format
\$10,000,000 per transaction limit	\$1,000,000 per transaction limit



Settlement

RTP Network	FedNow Service
Real-Time Gross Settlement (RTGS)	Real-Time Gross Settlement (RTGS)
24/7/365	24/7/365
Individual Transactions	Individual Transactions
Immediately after acceptance	Immediately after acceptance
Joint Account held at FRB	FRB Master Account



RTP Rules

RTP Operating Rules

Request for Payment Warranties & Expectations

Fraud Reporting

RTP Participation Rules

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Powering Smarter Payments



FedNow Rules

FedNow Operating Procedures

Request for Payment warranties & expectations

Fraud reporting

Negative List

FedNow^{24/7}
INSTANT PAYMENTS



Other Legal Framework

Regulation J, Subpart C

Regulation CC

Operating Circular 8 (OC8)

UCC 4A

OFAC

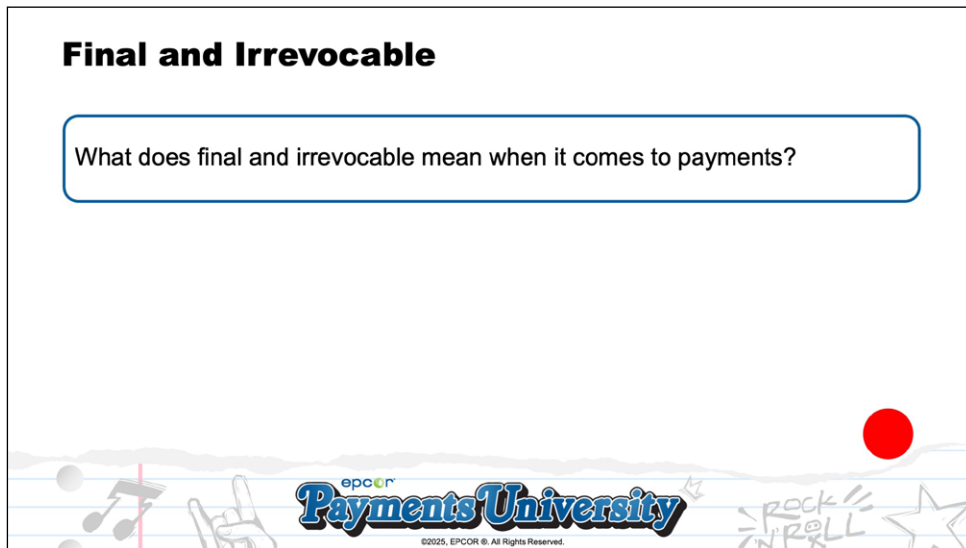
BSA/AML





Final and Irrevocable

What does final and irrevocable mean when it comes to payments?



Credit Limits

What are the current transaction limits for RTP and FedNow?



Instant Payment Regulations

Name two of the regulations that govern RTP or FedNow instant payment systems.



ISO & The Flow

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ISO 2022 International Standard

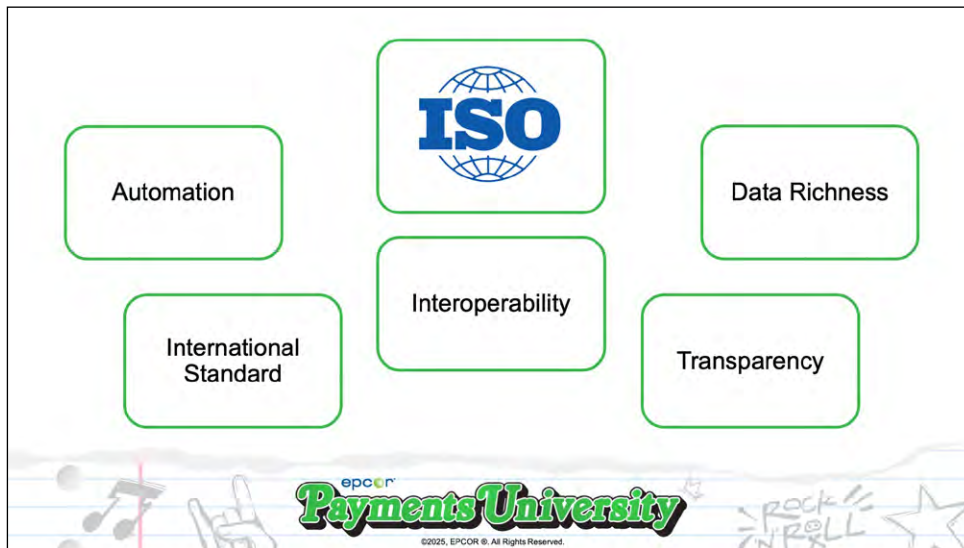


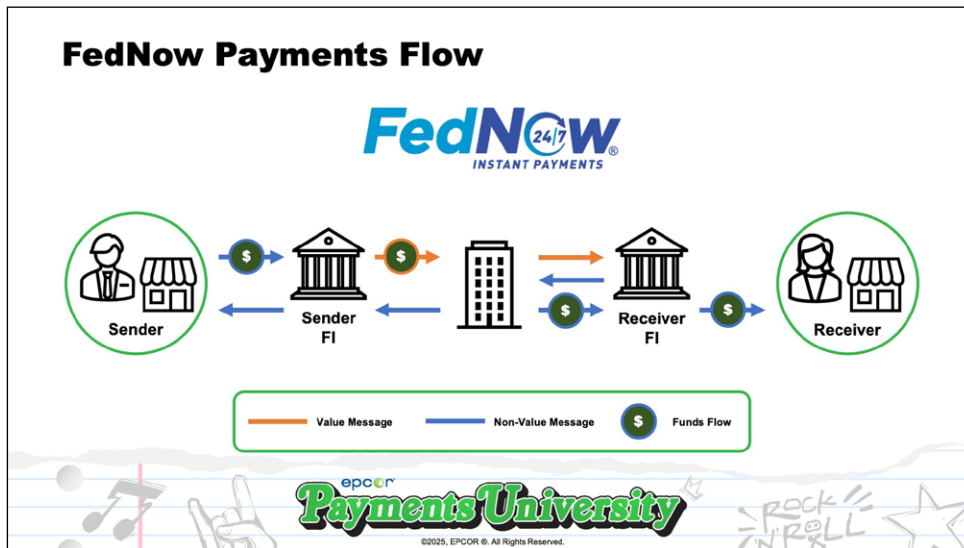
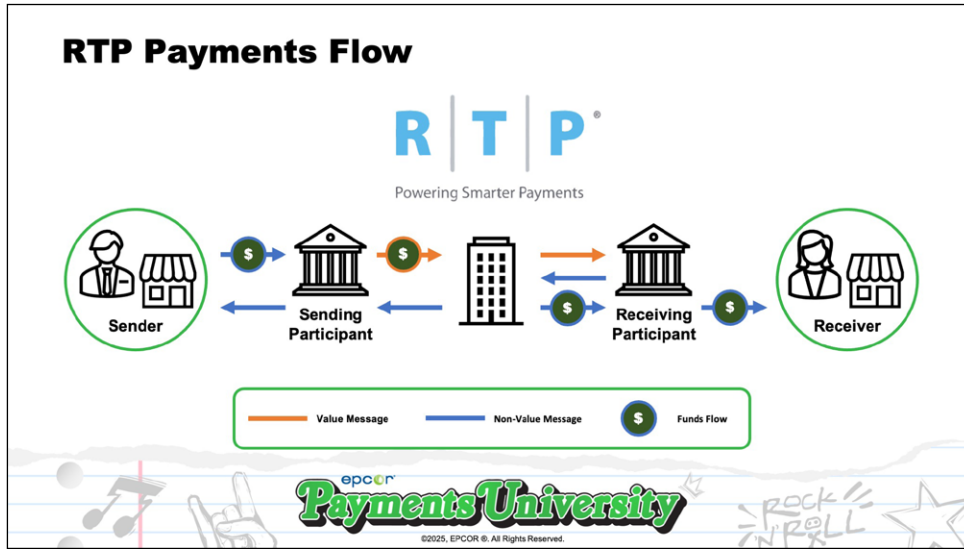
- International standard
- Adoption in 70+ countries
- Facilitates exchange of funds & payment-related information
- Creates "common language"

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Name The RTP Participants

Super Fast Bank initiates a credit to Meryl Hightower's account at Real Big Bank through the RTP Network on behalf of his employer, Lakeway Motors.

Identify the Sender, Sending Participant, Receiver and Receiving Participant

Write your answers in the handout...



Name that RTP participant

R | T | P
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Value Message Non-Value Message Funds Flow

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Name The FedNow Participants

In a future where the U.S. Government uses FedNow to send tax refunds, Barry Bluejeans needs his tax refund right away. Big Bureau Bank sends the money to his account at Large Credit Union and uses it to pay his rent to his landlord.

Identify the Receiver, Receiving FI, Sender and Sending FI

Write your answers in the handout...

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Name that FedNow Participant

The diagram illustrates the FedNow payment process. It shows a merchant on the left and a customer on the right. Between them are two banks and a FedNow participant (represented by a building icon). Arrows indicate the flow of information and funds. A legend at the bottom identifies the arrow types: orange for Value Message, blue for Non-Value Message, and green with a dollar sign for Funds Flow. Below the diagram are four empty boxes for labeling the participants.

Legend:
— Value Message (orange arrow)
— Non-Value Message (blue arrow)
— Funds Flow (green arrow with \$)


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Value vs Non-value Messages


What is the difference between a value message and a non-value message?

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Response Messages


 Accept (ACTC)

 Reject (RJCT)

 Accept Without Posting (ACWP)



Accept (ACTC)

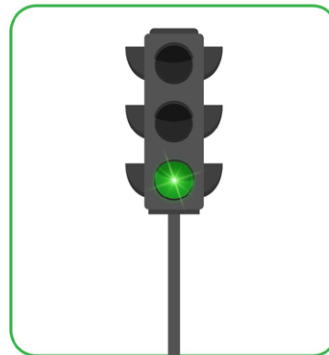
 Used when:

Account number is valid


Account is open


No legal or compliance issues


No suspected fraud



Accept (ACTC)


 Funds availability requirements

 Immediately after receipt of acknowledgment

 FedNow – No more than a few seconds after receipt of advice



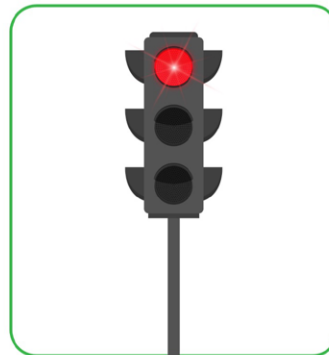
Reject (RJCT)

 Used when:


Cannot confirm account

Closed or invalid account

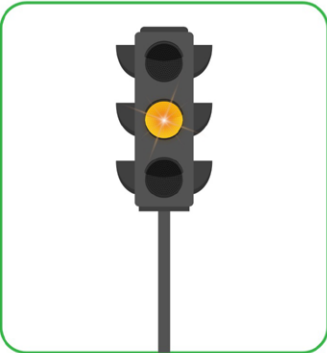
 No funds availability requirement




Accept Without Posting (ACWP)


 Used when:



- Reasonable cause to believe Receiver is not entitled or permitted to receive payment
- Blocked account
- Fraud detection system






Accept Without Posting (ACWP)

 Receiving FI next steps:

-  Reject or make funds available by 11:59 PM local time the next business day
-  Reject or make funds available by midnight ET the next business day





Accept / Reject / Accept Without Posting?

An RTP payment is received at Bennie & The Jets Bank with instructions to be credited to a valid account, but Bennie & The Jets Bank's fraud detection system has flagged the payment as potentially fraudulent.

What response message would be used?



Accept / Reject / Accept Without Posting?

An RTP payment is received at Rocket Man Credit Union with instructions to be credited to an account that has been closed.

What response message would be used?



Accept / Reject / Accept Without Posting?

A FedNow payment is received at Bennie & The Jets Bank with instructions to be credited to an open & valid account. The payment has passed all validations implemented by Bennie & The Jets Bank.

What response message would be used?



Use Cases

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Business

● What do you think businesses will use instant payments for?


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Business

- Payroll
- Expense reimbursements
- Gig workers
- Refunds
- Taxes




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NROLL

Business

- Real estate closings
- Accounts payable
- Licensing fees
- Insurance claims
- Workers' compensation



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Consumers



What do you think consumers will use instant payments for?



Consumer

Account to Account (A2A)

Person to Person (P2P)

Pay bills

Make purchases

Buy Now / Pay Later



Consumer

Tolls

Taxes

Tuition

Entertainment

Bail




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Government

What do you think government entities will use instant payments for?



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Government

Emergency disbursements

Stimulus payments

Vendor payments

Financial aid

Grants



Government

Tax refunds

Lottery disbursements

Child support

Payroll

Benefit & unemployment payments



Thank You for Attending!

EPCOR is your best resource for:

Expertise—

Payments professionals are just a phone call away to help you resolve issues and understand the complex rules and regulations regarding all types of electronic payments.

Diverse Programs—

More than just the *ACH Rules*, you get a variety of programs on fraud, risk, audits and more to protect your organization against loss and penalty.

Keeping Pace with the Evolving Payment Landscape—

You have a voice in industry issues through EPCOR and you stay connected with industry initiatives that influence policy.

Visit epcor.org for a complete list of classroom and online learning events.

CERTIFICATE OF COMPLETION

This certificate is awarded to:

on

In completion of:
**Life in the Fastlane:
Instant Payments**

This course is worth 1.4 AAP/APRP
continuing education credits.



James Carrick
Vice President, Education, EPCOR

