

BNY Mellon Adds More than Speed to Faster Payments

BY KATE FITZGERALD

Early Warning's clearXchange is starting to show the bank-led network's potential to catalyze faster processing, and now the enterprise is also executing on its broader goal to power other products beyond person-to-person transfers.

Bank of America and U.S. Bank recently launched real-time P-to-P payments through Early Warning's clearXchange network, and BNY Mellon this week unveiled a brand for faster payments it's calling Tokenized Payments, launching initially for the bank's treasury services customers.

BNY Mellon's newest service leverages clearXchange to enable corporations to make real-time and next-day payments for insurance claims, government and court payments, rebates and refunds using only a consumer's email address or mobile phone number.

Speed is a big advantage to BNY Mellon's new service. But the most critical benefit for corporations using the new service may be the cost savings from eliminating slow, fraud-prone and expensive paper checks from the consumer payout process, said Randi Lichtenstein, market segment manager for nonbank financial institutions at BNY Mellon.

"Speed is one component, but the cost savings for corporations are immense from reducing the fraud, escheatment and servicing issues that result from paper payments, and increasing the flexibility for corporations in how they send payments," Lichtenstein said.

Early Warning's clearXchange network also provides greater security bypassing the need for the bank to collect or process recipients' bank account numbers, eliminating growing concerns about storing sensitive information, Lichtenstein pointed out.

Other banks are developing similar services for funds availability for corporate payments, said Lou Anne Alexander, group president for payment solutions at Early Warning.

But BNY Mellon's new tokenized faster payments service for corporations is one of the broadest examples of faster payments optimized for corporations under Early Warning's umbrella, Alexander said.

Early Warning's concept for faster payments has picked up steam quickly this year, Alexander added. Along with P-to-P and corporate disbursements, financial institutions are working on proof-of-concept approaches to using Early Warning's real-time payments platform for instant bill payment and guaranteed deposits, which ensures customers have immediate availability of the full amount of funds, Alexander said.

With BNY Mellon's Tokenized Payments service, corporations will send a file to the bank requesting a payment with the payees' email address or mobile number, the payment amount, and up to 200 characters of remittance data. The accompanying data is an essential element of Early Warning's solution, to simplify tracking and reconciliation of payments, adding a level of detail

not always available with traditional ACH payments.

Payees that are already registered with clearXchange will receive an email or a text message notifying them that a payment has been sent to their bank account. Payees who have not yet registered with clearXchange will receive a notification through one or more channels they provided to the corporation, with instructions on how to enroll in the network. Corporations can opt whether to send payments in real time or the next day.

One of the hurdles BNY Mellon and other banks leveraging clearXchange face is the need to enroll masses of consumers in the network, Lichtenstein concedes.

But about 25 million U.S. consumers already are enrolled in clearXchange, and as awareness grows with the rise of bank-driven P-to-P services and other corporations using the network, Lichtenstein believes consumer enrollment in clearXchange will begin to accelerate.

Another benefit to BNY Mellon adopting clearXchange's approach is that it suits the needs of millennials, who are used to interacting digitally and expect their payments to be digital as well, Lichtenstein said.

"We see our tokenized payments service as a great way for our clients to attract and retain the new generation as well as tech-savvy members of the older generations," Lichtenstein said. "Companies can show their customers they're innovative and using the latest and most secure approach

to payments, and with each payment that goes out, more and more consumers will become familiar with the service.”

A consortium of U.S. banks launched the clearXchange P2P network two years ago with the goal of establishing a standard for same-day ACH payment settlement, cutting out the lag of one to a few days that has vexed bank payments for years.

An initial use for clearXchange’s services was adding real-time speed to ACH-based P-to-P payments between bank customers, a concept that’s gained popularity via apps like Venmo that shoot funds from the sender to the recipient almost instantaneously.

Corporations also asked banks to speed up ACH payments to enhance daily cash

management and improve the efficiency of everything from closing deals and correcting payroll errors, to providing funds in emergencies and making affordable last-minute bill payments.

But eliminating the few-days delay of traditional ACH payments also cuts out certain security backstops, and the banking industry has moved very slowly and cautiously in recent years while developing a new platform for real-time or same-day payments.

That changed when Early Warning, a bank-owned risk management service, merged with clearXchange in December of 2015, aligning key participants around the goal of accelerating the rollout

of real-time payments. The organization also stepped up development of use cases for faster payments beyond P-to-P, including check deposits, bill payment and disbursements spanning a wide variety of industries and government payments, that may one day encompass more health care payments.

Original clearXchange participants Bank of America, Capital One, JPMorgan Chase and Wells Fargo & Co. are now joined with U.S. Bank, BB&T, PNC and others in a broader organization that has spent the first several months of this year promoting faster payments across the board, around the Federal Reserve’s faster payments criteria laid out in 2013.