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Payments Innovation Alliance Spring 2018 Meeting Recap

February 28 – March 2, 2018

Hotel Nikko

San Francisco

2/28/18 10:00 – 10:50 AM

Getting Practical with ISO 20022, APIs and Real Time Payments

Payments Canada is replacing both Wire and EFT clearing systems over the next 3-5 years. Going to be modernized real-time payments for “low value” and a separate modernized “high value” system for wire.

XLMDation is helping to translate legacy formats to ISO 20022 and integrate legacy systems with new clearing systems.

ISO 20022 is no longer something that is just happening in Europe. Supports rich remittance and is language of choice for many of the newer real-time systems.

APIs will be key in new Payments Canada systems. Direct Clearers will use for new systems. FI Directory will be API enabled. Interbank inquires another area with great opportunity for becoming more efficient.

ASIG work is key to next generation of innovation in payments. Standards make collaboration for innovation easier. APIs prioritized in areas where there are business challenges to address.

2/28/18 10:00 – 10:50 AM

Getting Practical with ISO 20022, APIs and Real Time Payments

Where does distributed ledger technology come in? Still largely exploratory. Scale for payments isn't there yet, but seeing opportunities with KYC and fraud management.

Member questions/concern: A long way to go with respect to API enablement of bank back office systems with which corporates need to integrate. Standards are key.

What about smaller FIs? Work with their processors to see how this is going to be addressed. Middleware later? Just format change or an opportunity to add more value?

Where other historical efforts have stalled because costs and demand were not well aligned. The newer technologies and standards are changing that ... more demand due to a variety of global initiatives and lower costs due to tech advances. FIs and corporates need to plan for how they will address the changes.

2/28/18 10:00 – 10:50 AM

Getting Practical with ISO 20022, APIs and Real Time Payments

- Seems to be table stakes that real-time rails have backend that is ISO compatible. API integration with those systems introduces another layer for standardization...json for the APIs.

For corporations, often the how is less important than the what; however with global initiatives that are API based and therefore inherently faster are increasingly in demand. See it in ERP systems as well. Many practical examples of solutions for common challenges will continue to build demand. E.g. Fraud, account opening, etc.

2/28/18 10:00 – 10:50 AM

Getting Practical with ISO 20022, APIs and Real Time Payments

Key educational note: ISO is a standard that can be utilized in a variety of languages/syntaxes such as XML or JSON

Accenture expects to see more RFPs requesting APIs as products in both corporate and correspondent banking.

Threat or opportunity? Easier to leave, but also easier to sign-up. Reduces cost of customer acquisition.

SWIFT has initiatives looking into these things, but early stages. E.g. tool for how to express ISO 20022 in JSON

2/28/18 10:00 – 10:50 AM
Synthetic Identity

- Your SSN is an account number, not an identity! **Until we have a national ID standard that recognizes our physical characteristics synthetic identities will be created**
- If an ID solution vendor can't define identity might be in best interest to walk away and keep looking for other vendors
- **Layered controls are crucial**

2/28/18 10:00 – 10:50 AM
Evolving Face of Deposit Accounts

- Where is banking headed related to deposit accounts? Stored value on Venmo is the new cash
- Comes down to a choice of how FI wants to “play”
- **Millennials having multiple apps for financial services has eroded customer relationships**
- **If fintech becomes “bank” taking deposit base away from traditional FIs what happens to the lending – the FI bread and butter – with no deposits less money to lend**
- **Amazon, Starbucks provide “physical” value to their clients, how can FIs incent their customers without the immediate gratification element you get from a cup of coffee?**
- FIs should help SMBs understand cash flow management
- Is there an opportunity to address deposits for marijuana?
- Can Amazon Prime accept direct deposit via ACH?

2/28/18 11:00 – 11:50 AM
Turning DSOs into MSOs with STP

- Business transactions are going digital
- Connectivity and Trust are critical to straight through digital processing
- Trillions of Dollars of economic value can be gained with digital A/R and A/P processing
- All functions of Finance will benefit from automatic - companies are beginning to create different pricing models for customers willing to sign up for STP
- **Provide actual implementation case study and best practices on enabling straight through fully digital processing**

2/28/18 11:00 – 11:50 AM
After Breach Impacts: Lessons Learned

- Have a Cybersecurity Incident Response Plan – can the Alliance work together to build a sample response plan? How can we learn from our peers?
- Communication Protocol (Internal and External)
- Put an Incident Response Team in place - before the incident occurs – that include all departments including legal
- Educate all employees and the Board of Directors
- Develop a Business Continuity Plan
- “Breach” is a legal term so should we use incident or event?
- Make sure legal counsel is educated in Cyber Security

2/28/18 11:00 – 11:50 AM
ISO 20022: Things are Gearing Up

- Testing will be key. The timeline includes dates for testing
 - 2020 - November 23. ISO Preparation
 - 2022 - Q1 - ISO Like for like (18 months)
 - Stability period
 - 2023 - Q4 - ISO Enhancements
- Utilize the MyStandardsTool site to prepare yourself with the change
- Migration for high-value payments - Continued integration for ACH
- There were 5 strategies
 - #4 was about efficiency - ISO initiative addresses that strategy
- Currently its proprietary format and there is only one way in and out of CHIPS

2/28/18 1:00 –1:50 PM

After-Breach Impacts: Authentication

- There are many tools in the market which approach different parts of the authentication problem from different directions. At the end of the day, the bank/merchant/etc. is the “authority” who is accepting the responsibility for the accuracy of the process so it is your job to pull the right tools together. Current areas of focus: Knowledge based authentication, multi-factor authentication, device ID, credential authenticity (driver’s license/passport, etc.), fraud screening, certificate-based
- All are needed, all add some value – none provide the entire solution
- What’s missing?
- **Reliable government centric solutions - need a public/private partnership to create something that works Public private initiatives need a legislative mandate (public) as well as an aligned commercial interest (private)**

2/28/18 2:00 –2:50 PM
How to Care for Your Customer

Corporate Citizenship - Win-Win scenarios

Planning for Disaster - Operations, Customers, Employees, Communication internally and to customers

Impact of increased Work From Home employees on servicing customers

During disaster - Less chance of centralized outage; increased chance of multiple outage at homes of employees

General Notes:

Community Service / Social Responsibility to communities opportunity

Have a plan - and be ready to change it. How to prepare, as a company, for a disaster - cell phone texting was primary communication

2/28/18 2:00 –2:50 PM
ACH Quick Start Guide

- Achieved consensus that a need exists to develop tools, like Quick Start Guides -- to help businesses understand in simple, easy to understand language how the *NACHA Operating Rules* apply to them when making or being paid by ACH payments
- Keep it simple – like 2 pages – and develop them focused on specific use cases
- The tools would be intended to complement the *Rules* and materials that financial institutions and solution providers make available to the clients
- Several volunteers agreed to gather examples of similar educational tools that exist today to help inform our thinking
- **We will consider forming a project team for those who are interested to assist in this effort; we will send a message to solicit interested Alliance members**