

ALLOYA UPDATE

DECEMBER 2022 |



Faster Payments: Strategic Decisions and the Member Experience

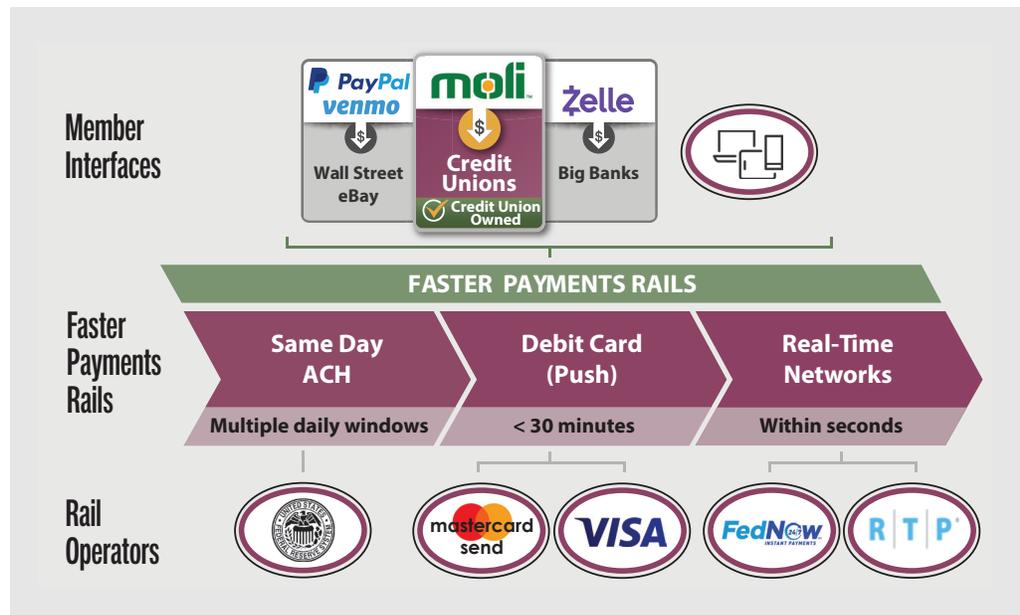
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Throughout 2022, Alloya has dedicated significant resources to help credit unions prepare to offer faster payment solutions to their members – a process we call “the faster payments journey.” Here, we summarize the key strategic decisions to be made and considerations that credit unions embarking on a faster payments journey should keep in mind as we move into 2023.

BUILDING BLOCKS

To understand the decisions that must be made in a faster payments journey, a breakdown of the faster payments building blocks can be helpful. We describe these building blocks as:

- **Member Interfaces:** Payment apps, home banking apps, home banking software, etc.
- **Faster Payments Rails:** Same Day ACH, Debit Card (Push), Real-Time Networks
- **Rail Operators:** Federal Reserve, Mastercard Send®, Visa Direct, FedNowSM, RTP®



MEMBER INTERFACE DECISIONS

Member interfaces provide the tangible user experience. While payments can be sent through home banking infrastructure, the growing expectation among consumers is to have access to a payments app.

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When choosing an app for your faster payments member interface, considerations include:

- Accessibility (e.g., standalone app or integrated within a mobile banking app)
- Capabilities (e.g., Request-for-Pay, which extends beyond the simple need to send payment)
- Cost
- External account use
- Expected adoption rate
- Fraud mitigation
- Faster payment rail options

FASTER PAYMENTS RAIL DECISIONS

Next, consider which faster payments rails can be accessed through your chosen member interface.

- **Same Day ACH:** Quicker and more costly than traditional ACH and transactions require hours to process before the funds arrive to the recipient.
- **Debit Card (Push):** Takes up to 30 minutes for funds to arrive to the recipient. The relatively new MasterCard Send® and Visa Direct networks enable the user to send or “push” a payment to others when they sign up for the app using a debit card.
- **Real-Time Networks:** Funds arrive to the recipient within seconds.

Alloya views faster payments as an all-of-the-above approach, where each of these rails has unique attributes and deserves a place in the payments mix. We believe payments volume will increase overall with the real-time segment growing to approximately 15% of the payments mix in the U.S. over the next five years.

REAL-TIME NETWORK DECISIONS

Recent industry attention has focused on real-time rails and their two operators: The Clearing House’s RTP® network, which launched in 2017, and the Federal Reserve’s FedNowSM Service, to be launched between late Q2 and early Q3 of 2023. These networks allow for more powerful use cases and better member experiences, driven by transaction posting and settlement that occurs within seconds. Of course, this significant advancement in payments requires unique strategic decisions and implementation challenges.

The first decision concerns whether to use one or both networks. FedNowSM and RTP® will not interoperate. This means both parties of a transaction need to be connected to the same rail operator. When deciding between operators, keep in mind there is no “right” or “wrong” choice. Either or both are viable depending upon your member experience strategy. For a quicker

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Discounted ACH Audit & Risk Assessment Guidebooks!

The clock is ticking out for 2022! Have you completed your annual audit of ACH activity? As a reminder, all financial institutions are required to complete their annual audit by December 31! If you have yet to complete yours, worry not! As a member of Alloya, you are eligible to receive a discounted digital copy of The Clearing House’s *ACH Audit Guide*, courtesy of the corporate’s membership with The Clearing House.

In addition, if you haven't completed your annual risk assessment of ACH activities, you might consider purchasing a copy of The Clearing House’s *ACH Risk Assessment Guide*. All financial institutions are required to complete a risk assessment in accordance with their regulator’s requirements, at least annually. Like the audit guidebook, the digital risk assessment guidebook is available to Alloya members at the same discount.

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Can't-Miss Link Event!

ALLOYA'S CEO CLOSING OUT 2022



Link with Alloya on December 15 for the final Link event of the year, presented by Alloya’s CEO Todd Adams! In the wake of what's been another challenging year, Adams will make the case the cooperative business model was built for times like these.

During this session, Adams will reflect on the challenges and triumphs of 2022, share exciting news about 2023, outline the 10-year roadmap for Alloya, and discuss the remaining U.S. Central Asset Management Estate dividends.

Register today at www.alloyacorp.org/linkwithalloya.

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impact, a near-term connection to RTP® is practical as its network has access to over 60% of U.S. demand deposit accounts (DDAs). In the future, FedNowSM will likely be better positioned to achieve ubiquity.

The second decision concerns whether to implement “Receive Only” or “Send and Receive” capabilities. Both options are available with both real-time operators. “Receive Only” is an easier implementation. “Send and Receive” provides more robust use cases, but also presents a greater challenge due to additional capability requirements, such as liquidity management.

Real-time funds availability also introduces new technical requirements, such as posting to core processors in real time, and puts pressure on fraud prevention and recovery approaches, since payments are settled immediately.

YOU'RE IN GOOD COMPANY

The journey to faster payments is a path best traveled in good company. At Alloya, we've made it our mission to walk in step with credit unions like yours to help you explore these considerations and decisions in depth through our educational community, Alloya Insights: Faster Payments. If you wish to learn more about this community and gain access to our detailed, proprietary Real-Time Payments Financial Model, contact your Alloya representative or visit www.alloyacorp.org/insights.

FASTER PAYMENTS (SIMPLIFIED)

It's playbook time.
Better huddle up.

alloya insights
FASTER PAYMENTS

Winter Business Continuity

IS YOUR CREDIT UNION PREPARED?

Is your credit union prepared to service members during a winter weather event? During the winter months, we're more likely to encounter unexpected issues that have potential to disrupt our routines.

Now is the perfect time to take stock of your credit union's business continuity plans and procedures to ensure uninterrupted service to your members during emergencies.

To get you started, check out this list of steps you can take within your Alloya relationship:

- Ensure the Key Organizational Contacts at your credit union are up to date in Premier View.
- Bring home tokens to access Premier View securely from remote locations.
- Review your credit union's authorizations and ensure you have sufficient coverage for potential staff absenteeism. View the Premier View Administration Manual in the Help Center for instructions on reviewing your user authorizations and adding authorizations to a user.
- If you have IP lockdown, ensure your disaster recovery locations are whitelisted with Alloya. View the IP Lockdown Request/Change Form in the Help Center to submit additional locations for whitelisting.
- Consider inputting ACH Originations, ordering coin and currency, and scheduling ATM cash replenishments in advance.
- Have Alloya's contact information accessible at remote work locations.

If you have any questions, please contact Member Services at memberservices@alloyacorp.org.

HAPPY
Holidays

FROM OUR TEAM TO YOURS



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