

The real-time revolution in commercial payments

Businesses today have access to a growing assortment of payment alternatives, the result of sweeping advances in technology and marketplace demands for immediacy. Same-day ACH brought significant improvements in speed for virtually all types of ACH payments, including credits and debits. Now, with the launch of Real-Time Payments (RTP®) in 2018, you will be able to send and receive payments immediately on a 24/7/365 basis – with guaranteed availability of funds to the receiver in moments, not hours.* RTP is a revolutionary development in the world of commercial payments, one that delivers faster speed, better transparency and greater certainty to your business.

Here you will find information about the ongoing rollout of RTP across the U.S. and the general features and functionality that are a part of this new payment method. It is important to note that many financial institutions are rolling out RTP in a phased approach. Beginning in November 2018, Key clients can receive RTP payments, and full RTP send and messaging functionality will be available in 2019.

A new era in payments

Customers are in the driver's seat in the digital age and their expectations are high. Businesses and individuals are demanding immediacy in virtually every interaction, a trend that will only grow as Millennials rise as a share of the workforce and market. While financial technology companies routinely grab headlines with the launch of new products and apps, major financial institutions are making substantial investments to create better, faster and cheaper services that businesses and consumers will find indispensable. RTP is a prime example of the commitment of financial institutions to play a leading role in the digital revolution in financial services.

Key takeaways



RTP represents a revolution in business transactions – the first new payment channel since ACH and the credit/debit card network more than 40 years ago.



RTP provides efficient payment processing, certainty, transparency and security for your business.



RTP is voluntary and is designed to operate alongside ACH and wire transfer as a fast and secure payments alternative.

The first new core payments infrastructure in the U.S. since ACH and the credit/debit card network in the 1970s, Real-Time Payments will enable businesses to

immediately send and receive funds directly from their accounts at financial institutions. RTP offers a number of attractive features, including:

RTP features		
1	24/7/365	The RTP system will operate on a 24/7/365 model, which means it will be available for businesses to send or receive payments at any time.
2	Immediate availability	Recipients will receive the payment within seconds of the sender initiating the transaction; the receiving financial institution is required to make funds available immediately, except in cases where risk management or legal compliance purposes do not allow.
3	Credit push only	The sender and sender's financial institution control initiation of the payment.
4	Payment certainty	Senders will not be able to revoke or recall a payment once it has been authorized and submitted to the RTP system. However, there will be a process to facilitate bank-to-bank communication around return of funds sent in error.
5	Good funds model required	Funds are debited from a sender's account at the initiation of the sender, thereby eliminating liquidity and credit risk.
6	Notifications	Immediate notifications regarding payment status are sent.
7	Flexible messaging options	The Clearing House's RTP solution will provide flexible messaging components with multiple options for enclosing rich remittance data to fully bridge the gap between AR/AP needs. It will also be global-ready (ISO 20022 standard framework).
8	End-user messaging	Senders and receivers can communicate with each other through RTP messages.
9	Account/data privacy	Financial institutions may use tokens to encrypt receiver account information as it is transmitted through the RTP system.
10	Safety and security	To deter fraudulent activity, RTP provides network-level fraud monitoring and reporting and requires participants to provide strong authentication before initiating payments.

Source: The Clearing House



RTP is designed to be fast, safe and transparent, with features that meet our customers' needs in today's real-time environment. By leveraging RTP's capabilities, our business clients will have the potential to free up working capital and improve cash-flow management.

Beth E. Mooney, Chairman and CEO, KeyCorp

RTP arrives in 2018

RTP represents a multiyear initiative by major U.S. financial institutions and The Clearing House® (TCH), a banking association and payments company that operates core payments system infrastructure in the country. The project began in 2014, and the participating financial institutions are collectively investing more than \$1 billion to bring RTP to market. Other financial institutions have spent heavily to get ready for faster payments, and leading technology firms have been developing the infrastructure, software and services needed to implement faster payments. The result is a well-capitalized and thoroughly tested system that will transform commercial payments.

Most of the nation's largest financial institutions plan to implement RTP in 2018. All U.S. financial institutions will have access to TCH Real-Time Payments, and TCH's objective is to achieve widespread usage by 2020. "RTP has the potential to revolutionize the way payments are made in the U.S.," said Jim Aramanda, CEO of The Clearing House. "Our RTP system was designed from the ground up to be fast, safe and a platform for innovation that enables banks and credit unions to build products that are more responsive to their customers' needs."

Real-Time Payments' capabilities and infrastructure, while new to the U.S., have been embraced around the world. Today, real-time payment systems are either in operation or being developed in more than 30 nations. As a result, immediate-payment systems are becoming a reality, providing an attractive and valuable payments solution for businesses and consumers worldwide. Although RTP in the U.S. will be used only for domestic payments initially, it may eventually be used to support cross-border payments to other international real-time payments systems.

RTP implementation

- Most major banks plan to implement the first phase of RTP in 2018.
- Financial institutions will continue to roll out additional capabilities and enhancements over the next several years.
- Although sending payments via RTP will remain optional, most accounts could receive Real-Time Payments sometime during 2018.
- All U.S. financial institutions will be able to join TCH's Real-Time Payments network.
- The network of financial institutions offering RTP capabilities is expected to expand rapidly over the next several years.

How businesses benefit from RTP

Real-Time Payments offer a number of potential benefits to business users, including:

- Accelerated access to sales proceeds
- Enhanced ability to pay for just-in-time orders and last-minute payments
- Improved information for liquidity forecasting
- Reduced risk and float time
- Better cash management and improved working capital
- Payment certainty (payments are irreversible)
- Ability to make account-to-account payments to consolidate funds in a single account
- Request-for-payment process
- Access to the first payment system to offer a non-financial communication stream built into the payment channel

Real-Time Payments also leverages an international messaging standard (ISO 20022), which offers potential benefit for companies. Use of ISO 20022 will enable real-time, ACH and wire transfer payments to use a common scheme for messaging, thus streamlining internal processes associated with making and receiving all types of electronic payments.

Businesses are getting ready for RTP. “Major national billers, insurance companies, commercial suppliers and medical plans are gearing up for faster payments,” Aramanda said. “Forward-thinking small to mid-size firms are also talking with their banks about creative ways to improve cash flow, reduce back-office costs and improve their customers’ experience.”

ACH, wire transfer and Real-Time Payments

While ACH, wire transfer and RTP each provide businesses with access to fast payments, there are some important differences in the features and characteristics of the payment processes.

Comparing faster payment models

Features	RTP	ACH	Wire transfer
Timing	Instant	Around two working days; same-day ACH has the capability of same-day funds transfer	Banking business hours
Operating hours	24/7/365	Banking business hours	Banking business hours
Cost	A competitive new option – price to be determined	Inexpensive – typically <\$1 for domestic payments	Typically >\$10
Human interaction (or STP)	None required	None required	Can be done by bank employees
Credit push and debit pull	Credit push only	Credit push and debit pull	Credit push only

Processing speed is one of the most significant differences between RTP and the other two payment channels. RTP processing and posting occur within seconds, while ACH transactions and wire transfers may take a day or longer. RTP also allows users to send and receive payments 24/7/365, while ACH and wire transfers are not available outside of bank operating hours.

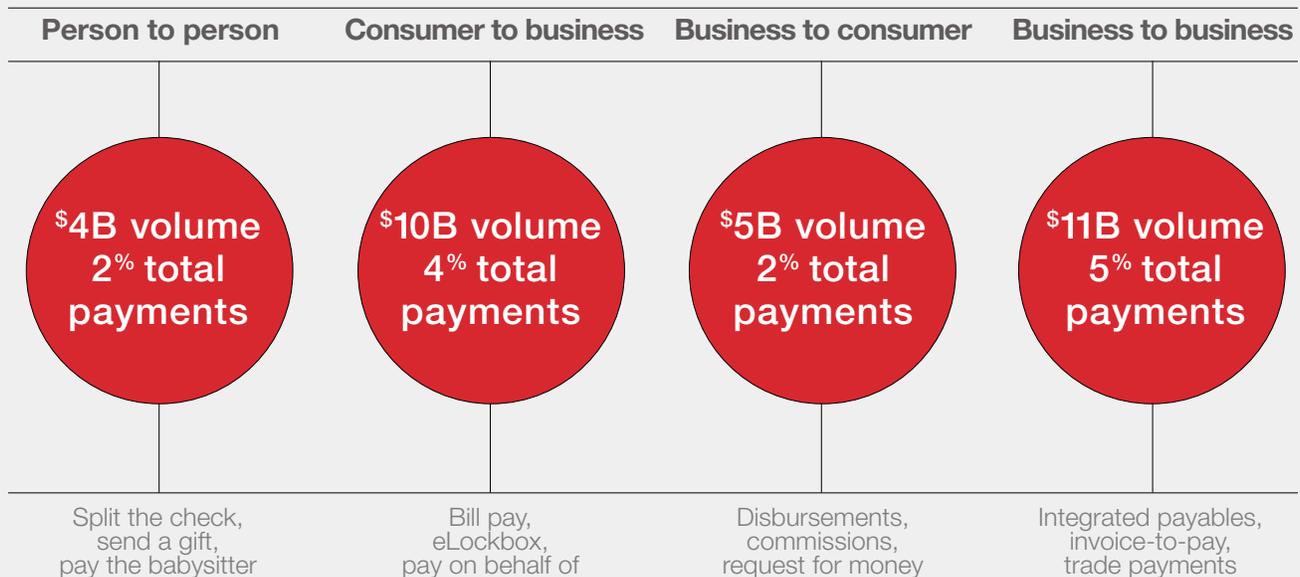
RTP offers advantages in addition to speed and availability. A request for payment initiated by a receiver must be approved by the sender, and a real-time credit transfer is processed only after the sender approves the request. This helps reduce fraud risk, since the sender must review and approve a payment before it is made.

The risk associated with time gaps between payment and settlement is also curtailed with RTP, while immediate notifications regarding payments status enhance certainty. While same-day ACH has contributed to an environment of faster commercial payments, same-day ACH transactions are reversible and not necessarily guaranteed to be good funds, unlike RTP.

Explore the possibilities of RTP

With RTP, the commercial electronic payment environment in the U.S. is entering a new generation. RTP has important features that distinguish it from other payment alternatives, including speed, enhanced messaging capabilities and immediate availability of funds.

Projected migration of payment volume to faster payment solutions by 2025



Source: McKinsey Payments Map, Consumer Financial Life Survey, Federal Reserve Faster Payments Assessment Summary

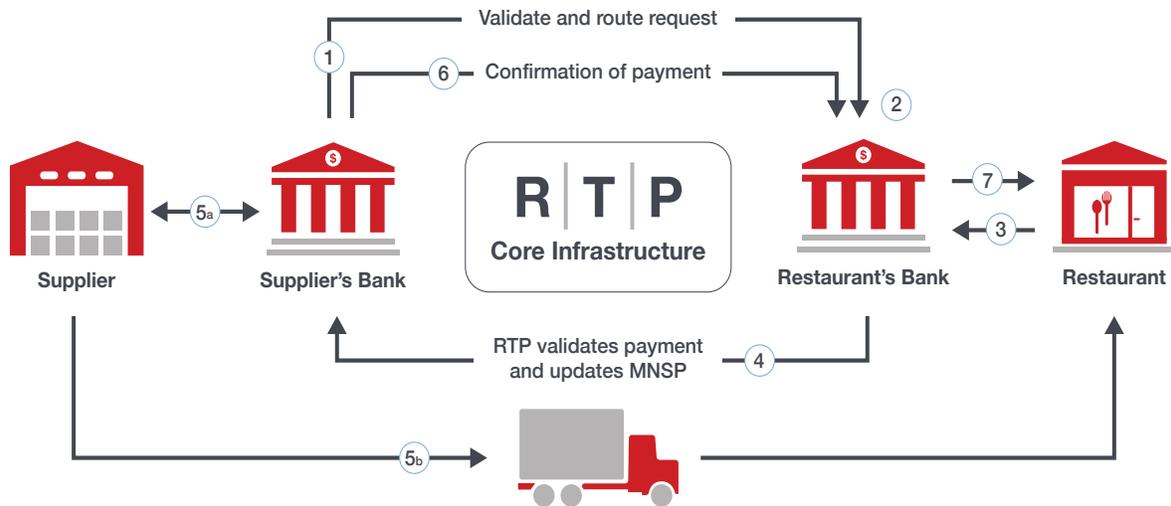
To learn more about how your business may benefit from RTP, **please contact your KeyBank Payments Advisor.**

*Circumstances may exist where payments may not happen with 15 seconds.

RTP® and The Clearing House® are registered trademarks of the Clearing House Payments Company, LLC. All rights reserved.

This document is designed to provide general information only and is not comprehensive nor is it legal advice. If legal advice or other expert assistance is required, the service of a competent professional should be sought. KeyBank does not make any warranties regarding the results obtained from the use of this information. Key.com is a federally registered service mark of KeyCorp. ©2018 KeyCorp. **KeyBank is Member FDIC.** 180914-444762

The infographic below depicts the fictional story of how one of KeyBank's clients, "Jake's Crepes" restaurant, can use Real-Time Payments (RTP) for Business-to-Business (B2B) transactions. Jake's Crepes is owned by Jake Lofton, who works regularly with his supplier Newsome Foods. This example outlines the general send and receive capabilities that will be available to KeyBank clients in 2019.



1 Newsome Foods reviews an order received from Jake's Crepes and sends a "Request for Payment" (RFP) through their bank. Newsome Foods' bank sends the RFP message to the RTP core infrastructure.

2 The RTP core infrastructure validates the request and routes it to KeyBank, Jake's Crepes financial institution, which then notifies the restaurant.

3 Jake's bank submits the transaction to the RTP core infrastructure. At this point, he can no longer cancel the transaction.

4 Jake's Crepes receives the RFP that contains a "Pay Now" button. Upon selecting the "Pay Now" button, a prepopulated payment message that includes all pertinent payment data (e.g., remittance information, payment amount, etc.) is presented to Jake's Crepes so they can make the payment to Newsome Foods quickly and easily.

5a Newsome Foods' bank notifies the supplier of payment. They send an acknowledgment of payment receipt to Jake's Crepes, confirming the produce is on the way.

5b Newsome Foods loads produce for delivery to Jake's Crepes, confident that payment has been made.

6 Newsome Foods' bank sends a message to the RTP core infrastructure with acceptance of the payment and receipt acknowledgment from the supplier.

7 KeyBank notifies Jake's Crepes, confirming that the produce is on the way through a reliable, trusted channel, assuring the restaurant that diners will enjoy dishes made with fresh ingredients that evening.