

# Real Estate and RTP<sup>®</sup>, the First New Payment Type in 40 Years

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## Producer:

And ladies and gentlemen, I'd like to welcome you to today's PNC Real Estate webinar titled, "*Real Estate and RTP<sup>®</sup>, the First New Payment Type in 40 Years.*" Before we get started, I would like to mention that today's webinar is being recorded, and you are currently in listen-only mode.

Now I'd like to acquaint you with some of the ways you can participate today. The On24 room you are in allows you to individually adjust and resize all available panels on your screen. To resize any of the console panes, simply click on the lower right corner of that panel to adjust. You should see a little triangle down there. Just hover your cursor over it, click on it, and drag diagonally, and you can adjust the size of any panel to your liking.

Please note we will have a question-and-answer session at the end of today's presentation. You may type your question into the Q&A pane that is available to you on the left-hand side of your screen. By typing your question into that window and hitting "submit", your question will be logged into queue, and we'll take as many questions as time allows.

Also know that you can download a PDF copy of the slide presentation today. You should see a green button with a document on it at the bottom center of your screen. If you hover your cursor over it, it says Resource List. Just go ahead and click in there and then click on the line of the resource you'd like to download. It should open the PDF and download locally.

And finally, if you experience any technical difficulties today, first try refreshing your browser to reset your connection. And if that doesn't work, go ahead and enter a question into the Q&A panel, and I'll be more than happy to assist.

So now without further delay, let's begin today's PNC Real Estate webinar. It's my pleasure to introduce your moderator today, and that is Ron Rockovich. Ron, you have the floor.

## Ron Rockovich:

Thanks, Greg. Good afternoon. My name is Ron Rockovich, and I'm the National Sales Executive for PNC's Treasury Management and Real Estate group, and I'll be your moderator for today. We are excited to have an exceptional speaker with us as well: Scott Jones, who is the Product Manager for real-time payments with PNC Bank's Treasury Management group.

Today's presentation will provide a comprehensive overview of real-time payments and how this technology can benefit your business and improve the ways you communicate with tenants and vendors. But it's really more than that. If you look at the tagline of the presentation, "The First New Payment Type in 40 Years," really, what this represents is an opportunity. And what I mean by that is it's an opportunity to reshape the industry and the landscape of how payments are made and received.

So we really need to look at it through that lens. RTP is a way to future-proof payments. I personally feel that real estate has a very large opportunity in this space to reshape the way in which our tenants are making payments to us and the way that we're paying vendors. Interestingly enough, just this week PNC Bank processed the very first RTP through our institution, and it happened to be a very well-known retail real estate client that initiated the transaction.

We will leave time at the end for a question-and-answer session. And with that, I will now turn it over to Scott Jones.

**Scott Jones:**

Thanks, Ron, I appreciate it. Good morning or good afternoon, everyone. I just want to start to say that I'm excited to be here. I've spent the last almost three years involved in faster payments in one aspect or another. So needless to say, I'm passionate about the subject and excited to talk with all of you about it today.

I just want to spend just a moment really focused on the tagline of the webinar and what that really means and kind of put it in perspective. So being the first new payment type in 40 years, and it truly is the first new payment rail in 40 years. A lot has happened in 40 years. If you look back at Facebook, for example, it's only 13 years old, which actually kind of surprised me. It seems like it's been around for a lot longer. 26 years ago, the first text message was sent, and now we're sending 8.6 trillion text messages in the U.S. every year. And even the first Internet service providers are only 30 years old. So we haven't had a major innovation in a payment rail since we were listening to the crackling of our AOL dial-up Internet service. So it is a big deal, and I just mention that because our payment rails have not kept up with sort of the expectations of consumer and business needs and demands in the industry of immediacy, of data and other things. So the real-time payments network was really built from the ground up to try to address the gaps that exist in existing payment rails.

So I'd like to just take a second and just kind of talk about the ecosystem. So while real-time payments is new here in the U.S., it's certainly not new across the globe. There's roughly a dozen real-time or faster payment systems that have been implemented in other countries, dating back almost to, I think, the 1970s. And while they do vary, there are a number of them that are very similar to ours here in the U.S. So in the UK and Singapore, very similar systems, in some cases built by the same IT vendors. So it is not new, but it is new here in the U.S.

In terms of sort of the players that you may hear about in the industry, so the Federal Reserve, obviously, is involved to some degree. They've sort of played the role of leading the charge. They commissioned a study at one point to identify whether there was a need for a faster payments rail here in the U.S. They established the Faster Payments Task Force, if you heard of them. But essentially, what they did was they kind of created evaluation criteria around what they felt a good faster payment system here in the U.S. would look like. And that Faster Payments Task Force was made up by a diverse group including financial institutions, practitioners, consumer advocacy groups, fintechs. So it was a pretty good representation of all stakeholders that would be part of real-time payments.

And what sort of came out of that evaluation that they did when they asked for submissions was with The Clearing House's real-time payments network. The Clearing House's real-time payments network met all of the criteria put forth by the Federal Reserve. And so for those of you not familiar with The Clearing House, The Clearing House is an organization that has co-ownership by the largest financial institutions here in the United States, PNC being one of them. And they operate a number of rails as well, so they have a wire and ACH rail that competes with things like Fedwire, for example. I think they process roughly 52% of transactions in the U.S.

And so all of the banks got together and said, “Hey, well, let’s build this network, this faster payments network that we’ll call real-time payments.” And so they’ve done that. And what The Clearing House’s role is today, now that the network has been built, is they sort of play the switch in the middle. They’re enforcing network rules and developing those network rules and they’re providing some network-level services, so some fraud management and things like that. The financial institutions themselves are providing their clients with access to those real-time payments capabilities through that network.

And then lastly, you might hear about third-party processors. Here are just a few examples: FIS, Jack Henry, Finastra. And what they’ve provided is for smaller FIs who are using their cores, they’ll provide a gateway into the real-time payments network, the idea being that this is not a network just for large banks; this is a network for all banks, that everyone has access to the network.

So I’ll spend a second just talking about the real-time payments attributes or kind of key attributes of real-time payments. Obviously, it’s an electronic payment that’s operated by The Clearing House, but it’s got some unique features associated with it. Again, as I mentioned earlier, it was built to sort of bridge the gap of some of the gaps that exist in current payment rails.

So one of those is irrevocability. So it is an irrevocable payment type, which eliminates any sort of return risk that you would have with something like an ACH. So a great example of that is in collections, where you may be at risk of having returns. If you have customers with credit issues, that irrevocability of real-time payments is really attractive.

Another feature is the availability of funds. So real-time payments makes funds available immediately. So as soon as the payment is transacted and it’s successful, those funds have to be made available to the recipient immediately per the network rules. So that’s going to help with cash flow and things like that.

Another one is speed. So as the name implies, it is real-time. And what that really means when you start talking numbers is that a transaction that happens on the real-time payments network has to be completed end to end in less than 15 seconds. I can tell you it typically happens much faster than that. We actually just did a — we worked with another bank today to help them out doing some testing, and we did a transaction for them, and that happened in less than ten seconds.

And what else is important about the speed is really payment certainty more than it is speed. And really, even, it’s more important than availability of funds when we’ve talked with most of our clients. It’s the fact that funds are making it there immediately, and I get a confirmation that I know that those funds have been successfully delivered.

The fourth item I’d like to touch on is just rail availability. So unlike current payment systems that exist that are subject to banking hours, have to happen during weekdays — in other words, they can’t happen on weekends, they can’t happen on holidays, they can’t happen in the evening — real-time payments is available 24 hours a day, 7 days a week, 365 days a year. So what I always tell people is, “You can send a transaction on Christmas Day at 2 a.m. and it will happen immediately. It will happen within that 15 seconds. Those funds will be made available to the recipient immediately regardless of when they’re sent.”

And so this is really important for a lot of use cases, but some of them are use cases where maybe you can’t do certain types of business today, but because of now the 24/7 availability, you can. So think about disbursing funds at a closing, for example. Those things can happen outside of banking hours because you can now disburse those funds on weekends, on evenings and holidays, which is more convenient for your customers.

Enriched Messaging is another really attractive one. It's probably the most attractive to corporates that we're speaking with if I look kind of just broadly across industries. And the idea is that traditional payment types today have remittance information, but it tends to be unstructured, free-form remittance information. Those real-time payments have structured remittance information, which means there are specific fields in a payment for things like invoice number, for including electronic documents. If you are short-paying a payment for some reason, there are reason codes you can put for short-paying, among many others. There's hundreds of pages of fields that can be populated in a real-time payments message, as well as the transparency that comes with the messaging.

So when you send a transaction, you get acknowledgment back, an acknowledgment message. So you know the status of a payment at all times. Even though it's quick, 10 seconds, in that period you are getting a message back telling you what the status of that transaction is. So instead of what probably happens today oftentimes is that you send a transaction or maybe a customer sends a transaction to you, and then they're calling, saying, "Hey, did you get my transaction?" or, "Hey, I sent you a transaction, and then I sent you an email with all the remittance details." All of that information can be included in real-time payments, so there's no need for email, there's no need to make a telephone call because all the information's included with the payment and you're getting the acknowledgment that they actually received it.

There's also some two-way messaging capabilities that are really interesting for things like requests for information. So if you receive a real-time payment credit transaction and you're not sure how to apply those funds or maybe they haven't indicated why they short-paid something, instead of picking up the phone and making a phone call, getting a voicemail, or sending an email waiting for a response, you can actually respond within your banking application or within your ERP system and ask why that is. So in other words, why did they short-pay? How do I apply these funds? What's the invoice number? And they can respond back, and you can respond back and forth and have that communication. And what happens is all of those messages are tied back to the original payment.

And then lastly, I'll talk briefly about security. So real-time payments is a credit-push-only system, so from a security standpoint, that's really good because you won't have any unauthorized debits. But just keep that in mind, that there's no concept of like an ACH debit that occurs today. It is a credit-push-only transaction, although there are some message texts we'll talk about later that could potentially supplement that.

And then lastly on fraud is that financial institutions, per the network rules, are all required to do real-time fraud screening, so you can feel confident that everything is safe in that regard.

All right, so there is a lot of confusion in the industry about real-time payments. And what I mean by that is I get lots of questions about, "Well, what's the difference between same-day ACH, or is real-time payments the same as Zelle® or ePayments? I've even had someone brought up to me, they said, "Oh, is real-time payments, is that like the same thing as real-time ACH?" And real-time ACH isn't a thing. There's same-day ACH and there's real-time payments.

So I kind of like to frame it this way. You've got faster payments, this sort of very broad category that I would say same-day ACH, Zelle, and real-time payments all fall into. And then you've got immediate payments, which is more along the lines of real-time payments and Zelle. And then you have real-time payments, which is actually just real-time payments. It's a payment rail. However, I will say they get used interchangeably all the time in the industry. But there is a difference. There is a difference between in the same four or five-hour window versus getting funds within minutes versus getting funds within seconds.

So if we look at the three from a network perspective, same-day ACH is just riding the ACH rails. ePayments, if you've heard of that, it would be similar like a Zelle payment, is also actually in the background, riding ACH rails, but they've got some different agreements in place that make funds available in real time. And then you've got real-time payments, which is not riding any existing rails. It is truly its own rail in the [inaudible] rail.

From a network availability perspective, same-day ACH is subject to banking hours. They do have windows that exist today, and it's all sort of done in batch. ePayments or Zelle and RTP are both 24 hours a day, 7 days a week networks.<sup>1</sup> Funds availability, we just talked about. The same-day ACH is same day. Zelle is within minutes typically, anywhere from 5 to 30 minutes, depending on the setup.<sup>2</sup> And then real-time payments is within seconds. Again, that service-level agreement among all the banks is that it has to happen in less than 15 seconds.

Zelle and real-time payments are both credit-push only, whereas same-day ACH has both credit and debit capabilities. From a finality perspective, both Zelle and ACH, because they do ride the ACH rails, have the opportunity for returns and reversals. RTP is not; it's irrevocable, which I think is important because on the receivable side, that's really great, and customers love that. On the origination side, sometimes we do get concerns from people who say, "Well, what happens if I send it to the wrong person? I can't get the funds back." It's partially true. There is a message type called a request for return of funds, and so we can send a request for return of funds to the receiving financial institution, and they will try to recover your funds, but it is on a best-efforts basis. I will just also add that there are opportunities to leverage services that will help ensure that you're sending payments to the organization or person that you think you're sending them to, and so we do offer those sorts of services as well.

From a dollar amount perspective, there is a transaction limit on both real-time payments and same-day ACH, and that's \$25,000 per transaction. If you're doing a batch file, that's not \$25,000 per batch; it's \$25,000 per individual transaction.

From a messaging perspective, same-day ACH is going to be similar to what you have with ACH. The addenda records are all free-form text. Same thing with Zelle. It's 200 characters of free-form remittance information. Real-time payments, again, structured data. They have some additional remittance messages that can go with it, so it's quite extensive.

And then lastly is this confirmation. So there is end-to-end confirmation in Zelle and RTP. Same-day ACH, you're only get that if the transaction gets returned. And then from a routing perspective on how you send the payment, same-day ACH, ACH, and real-time payments all operate in the same way, in that you have a routing number and an account number that you use to route your payments or send your payments. Zelle is actually using an alias, an email address or a mobile phone number and does also require registration by the recipient.

All right, so I'll quickly just walk you through an example of kind of how a basic RTP flow works. So what will first happen is the sending company or individual will initiate a real-time payment with their financial institution. Here at PNC, you can do that via our online banking portal, you can do that via APIs, you can do it through a direct file transmission, so really through all of our channels. That transaction will come to the sending financial institution. They will do a variety of checks and things like that — fraud checks, [inaudible] checks and others. And then they'll drop that onto The Clearing House network.

The Clearing House network does their own sort of checks — again, keep in mind this is all happening within seconds — and they'll deliver it to the receiving financial institution. What will happen then is that receiving financial institution is required to notify the receiver of the payment. So they'll do that typically through some kind of event notification system that they have, so they'll likely get an email or a text message of some kind to let them know the funds have been received. And then they have to make those funds available in real-time.

Simultaneously, what they're doing is they're actually sending — number three here — they're sending back a confirmation through the network. So it's going to flow through the network, and it will ultimately get delivered to the sender of the payment to let them know that the transaction was completed.

There's also number four. There are some optional two-way messages as well that the sender and receiver can transmit back and forth. And all of those messages will all get linked back together to the original transaction, using a unique ID.

So if we go to the next slide here, these are all of the message types that are available. So there is the credit transfer, which is what we've been talking about. This is just sort of your normal transfer of funds via real-time payments. There's some structured remittance data in there, but there's also 140 characters of free-form remittance information if you want to put it in there. There's a message confirmation message, and this is the automatically generated one that happens when the receiving financial institution receives the transaction — successfully receives the transaction.

And then there's the payment acknowledgment message. The payment acknowledgment message is one of the optional messages that a recipient can send to the sender to basically just communicate that, "Yes, your account's been updated. We've got it."

Then there's the Request for Payment message type. And this is a really unique one, and we're getting a lot of interest from our clients on. And the idea here is that it's essentially a form of an electronic invoice. So it gets delivered to your recipient's bank or ERP system and it's basically requesting funds. Within that message, you can include lots of structured remittance data, so you can include the invoice number that you're requesting funds for. You can include an electronic copy of a document if you want. And then what happens is when the recipient of that request for payment responds to that request for payment with an actual RTP transaction, those two things are linked, and all of the data that you included in your request for payment travels back to you with the payment.

What's important about that, and where we're seeing the most interest, is that allows the recipient of the credit transaction to actually now do some sort of automated reconciliation. It gives them that opportunity, because they've got all of the data they need to actually reconcile that payment.

Another message is a Request for Information message, which we talked about, so this is if you've got an inquiry, you're not sure why you got a payment or what the request for payment is for, you can send a request for information and sort of have a two-way dialogue back and forth.

And then the last one is remittance advice. So this is a really large remittance message that can travel with your credit transfer, and this includes really complex sets of remittance information. So you can actually include like individual line items from an invoice. I mentioned short-paying. If you short-pay something, there's actually reason codes that you can say why you short-paid it, among many other fields as well.

All right, so we spent a lot of time kind of talking about the kind of fundamentals of RTP, the RTP attributes and the messages available. I think one of the key takeaways about RTP is that it's going to provide you with an opportunity to sort of re-imagine the way that you're doing business. As I kind of mentioned earlier, companies have sort of put artificial restrictions around their businesses based on what's available with existing payment rails. And this network really allows an opportunity to sort of remove a lot of those barriers and think differently about the way you're doing business, about the products and services that you're offering to your clients as well.

So I'd like to just quickly kind of talk through some of the issues that we identified with some of our clients and how RTP is addressing some of those problems. So one of them is just slow delivery of funds. RTP, just by its very nature, is fast, with 15 seconds to receive the funds. You get immediate availability of those funds. We talk about restrictions on banking hours. Again, 24/7 by 365.

Manual reconciliation is one that we hear a lot about. There's lots of overhead, they start throwing bodies at it to do the reconciliation. And this is an opportunity for straight-through processing and reconciliation. It allows organizations to deploy those resources in more value-add activities.

Payment inquiries is one that was kind of interesting when I was out talking with customers. So in one instance, they said, "Hey, moving to an electronic payment type is great, away from checks, for example. But we're concerned that we're going to get lots of phone calls to our customer care line saying, 'Did you receive my payment?' or if they're disbursing payments to them, 'Hey, why did I get this payment? I don't understand what this is for.'" So that's true if you're looking at something like ACH, if you're looking at something like same-day ACH because of the limited remittance information and the unstructured nature of it and the fact that it takes — you don't get any sort of confirmation, and it takes a number of days, oftentimes. But RTP's immediate and you're getting an immediate status report. So if someone's sending you a payment, they're likely not going to call you because they've got a confirmation that you received the funds and they've been applied.

But also on the reverse end, if you're sending a payment to someone, they're likely not going to call and say, "What's this payment for?" because you can include all of that information in your remittance advice within the message itself.

And then lastly is fraudulent payments and return risks. So we get a lot of these questions when we're talking about collections or we're talking about clients who might have customers who aren't necessarily really credit-worthy, I guess would be the nicest way to say it. And so RTP's irrevocable, so that helps in that regard. I have actually talked to a client before in the past who was turning away customers who didn't meet some pretty stringent creditworthiness requirements because of returns. And so they were really interested in real-time payments because it's an irrevocable payment type. Now they've opened up a whole group of new customers that they can potentially do business with.

All right, so I wanted to provide just a couple of examples of how a real-time payment could work in an actual real-life scenario. So this is related to a vendor payment. So let's just say, for example, you provide a service or a product to your customer and you want to be paid. And I'm sure people in your finance and accounting departments want to make sure that you get paid as well.

The way that this could work is the first thing that would happen is you generate a request for payment for the services that you performed or the product that you delivered. Again, that request for payment can include a copy of an electronic invoice if you want it to, like a paper document within the message itself. And when that request for payment is sent, it's going to be delivered to the recipient by their financial institution. So they'll get some sort of notification that they've received a request for payment, and then they'll be able to see that within their banking channel or their ERP system. Once they've reviewed that request for payment, including any sort of document that you've included, they can decide whether or not to pay that.

Let's just say theoretically that they do decide to make the payment. It's as easy as, really, a click of a button to say, "Yes, I want to make a full payment," to respond to that request for payment. And so what that will do is that will generate a real-time payment back to you, and all of that information that was in the request for payment is going to travel back with that payment as well.

Once that's occurred, then there's going to be an immediate confirmation delivered to each party, so you'll get a notification that says you've received the payment. The sender of the payment will get a notification that it's been successfully accepted by the financial institution and it's been delivered to the customer, or their customer or vendor, and everyone's systems will be updated as well.

All of the remittance details that were included in the request for payment and the payment itself can all be ingested into your ERP system to support any sort of auto-reconciliation activities. So what the real benefits are here is just really, one is the elimination of paper invoices and checks, so it's a better customer experience for you, it's a better customer experience for your customer to electrify all of this.

And it's going to potentially accelerate collections, so you'll potentially get paid earlier. It is possible that they'll just hold onto the payment until the payment due date. But even if they do, you'll still be able to apply those funds faster due to the straight-through processing.

Another example would be mortgage or escrow disbursements. So if you needed to disburse funds related to a closing or an escrow account, you could use RTP to do that. This one's pretty straightforward. So an agent would determine that funds need to be disbursed. They'd initiate a real-time payment with all the details of the disbursement they could include in that payment, so they would be delivered to the recipient. Those funds would get delivered to the payee. They'd be notified that they received the funds — again, all happening in seconds. And then their financial institution would notify them in real time that they've got that. You'd receive a confirmation indicating that the transaction was successful and that your customer has received the funds. And then again, this could all be integrated into your bank information reporting.

Again, the kind of benefits related to this sort of a transaction is just the on-demand aspect of it, that you're not batching these things; you're doing them on an as-needed basis, a just-in-time basis. And it's immediate and you're getting confirmations in real time. It also gives you the opportunity to do things any time, so 24 hours a day, 7 days a week, and it's going to improve the experience for everybody involved.

All right, so if we talk about kinds of real-time payments just generally sort of across the board, across all industries, we're seeing use cases in really, in all sort of use cases, so B2B, B2C, C2B spaces. And so what it lets you kind of do, to just run through some examples, maybe it might trigger some thoughts in your mind of use cases that you might have or how they might apply to your business. And then really, what each of those kind of use cases values about RTP, because I think it is different. There are certainly niche use cases where there is one aspect of real-time payments that's sort of unique, maybe in the B2B space for this use case that they value and maybe not other B2B use cases, but these are sort of just in general, a summary of that.

So in the business-to-business transaction space, we're seeing a lot of vendor payments looking to replace checks and just sort of improve the experience and improve the reconciliation activities around that. Just-in-time payments is another one, so if you think about direct store delivery where they're showing up to a store, they're delivering products or goods. They may not have a set order. It may be based on how they have to stock a shelf, and so they're sort of generating an invoice on the spot. And now they can utilize the request for payment functionality to do the request for payment and get paid in real time using a hand-held device of some kind.

Emergency payments is another big one that we're seeing related to weather-related emergencies, power outages and things like that — anywhere where they need to do an immediate disbursement.

And so what we're finding is really in the B2B space is just a high value on remittance information and really, the data payload that can travel with a payment. If we look at the business-to-consumer space, refunds is a really hot topic right now, whether that be in healthcare, whether that's insurance premiums, insurance claims, even store refunds in a retail environment is another use case. But just the opportunity to get those transactions to the parties who need them as fast as possible.

Expense reimbursement is another one, so like employee T&E and just keeping employees happy, getting their funds refunded as quickly as possible. We've talked with some clients about referral credits, off-cycle payroll, payroll. There's a lot of interest in the payroll space. Whether it be for emergency payroll or on-demand payroll, so if you worked a week out of your two-week pay cycle and you want to be paid, being able to request those funds mid-pay cycle, as well as sort of the gig economy space and being able to pay folks as they complete work.

And so what we're finding there is there's just a high value on the delivery verification and just making sure that funds are actually making it to the recipient. And so that immediate notification of real-time payments is really valuable so that they know in real-time, "Yes, those funds got delivered, and now I can sort of move on." These tend to not be kind of value-added transactions that are occurring, so what most clients that we're talking to want, is they're like, "We just want the transaction to happen. We want it to be completed. We want to know it was successful, and we want to move on with our lives or our day."



In the consumer-to-business space, rent payments has come up quite a bit, so rent payments as well as any other sort of collections. So if you think about rent payments in a consumer-to-business scenario, oftentimes those payments are being made last-minute, and so consumers want to be able to make payments in the evenings when they're not at work, outside of banking hours, but they also want to make sure that those funds get delivered on time so they're not incurring late fees. It also helps to reduce calls to the recipient to say, "Hey, did you get my funds?" because they do get the immediate confirmation that they were delivered. And again, the speed is — it's immediate.

On the earnest money deposits, we're seeing some interest there. So you're buying a house using the request for payment to collect good funds from those folks. I think the request for payment also applies in the previous example in rent payments as well. So you can send a request for payment, for example, for rent or for earnest money that may not be due for two weeks, for example, but you have the ability to send an updated request for payment or an additional request for payment as that due date gets closer as sort of a reminder. And so I think there are opportunities that you could potentially automate that request for payment, kind of secondary reach-out as a reminder as well to try to collect the funds.

We've talked to you about closing-related funds transfers, so just sort of funds movement during any sort of a closing. Donation collections is one that I've talked with a number of folks about. So using, again, the request for payment functionality to request donations for a nonprofit from their donor base.

And I think all of the sort consumer-to-business scenarios really value speed and certainty. So the fact that it happened quickly and I feel confident that my funds actually got delivered.

So kind of to sort of summarize the way that we've seen business sort of re-imagining the way that they're conducting their operations, I wanted to focus on a few areas. So one is we're seeing companies really focus on improving the customer experience using RTP. So using order processing, or improving sort of the order processing process, so using the data that's included in real-time payments messages, that data payload to automate things like shipping activities after payments have been received.

Another one is communicating the order status in real time to their customers and having the transparency related to the status to reduce call volumes. So reducing the need for customers to really call about the payments and understand where they're at.

Another area is in streamlining transactions and transaction processing. So funds are available faster, they're available within seconds, they're available all hours of the day, and inquiries get resolved a lot faster with the messaging.

So for example, the two-way messaging that we've talked about, the request for information. Again, that request for information activity happens within your banking application or your ERP system. It's quick, it's streamlined, there are notifications to individuals when they get those types of messages and they can — so those sort of inquiries can get resolved rather quickly, whereas today traditionally, it's done via email, it gets lost in your email box and you've got to try to figure out when did you send the message and things like that.

And then lastly, it's just a confirmation to the sender and the receiver. So using the acknowledgment message to make sure you're closing the loop on a transaction is enabled through real-time payments.

We're also seeing companies do this by using RTP to simplify work-flows. So if you look like at a receivables work-flow, that can be automated via straight-through processing. Lots of interest in that area, as I mentioned earlier. Also, cash and checks can be reduced. So I think there's a lot of focus on how is real-time payments going to replace something like wires or ACH. And I think that there will be some replacement of those, and it makes sense just based on the data, the speed, the irrevocability and a lot of the other aspects we talked about. But I think what gets overlooked oftentimes is the fact that it will replace cash and checks as well, and so just making that conversion from paper to electronic because of the data that can be included in the payment can substitute some of the documents that might be sent with those other payment types including invoicing, for example.

Also, messages get delivered to your workstation. So for example, PNC is focused on enabling all of our channels, which includes APIs. We understand that customers want to stay within their workstations if possible, and so RTP will be available via APIs that can be leveraged within your workstation.

And then lastly is just focusing on the connected process or payment cycle. So quick-fix element and transparency of the status can be a differentiator for your business, so think about connecting fulfillment with payment status and even including invoicing in that whole process, and you can potentially use RTP for sort of the full payment life cycle.

And then remittance and payment information are staying linked with sort of no reconciliation required. Again, sort of the straight-through processing but the ability to link not just sort of the request for payment, which is like an electronic invoice with an actual payment, but also all of the other non-monetary messages that can be sent related to a transaction can all be sort of linked together and housed in one place.

So it has a lot of information, and I've just sort of touched the surface of what is possible with RTP. In my opinion, I don't know that myself or anybody, really, in the industry can really imagine the ways that these rails and the data that travels along with these payments is going to be used in the coming years, so it is an exciting time in payments. And we're seeing a lot of not just innovative companies, but also more traditional companies who are really sort of chomping at the bit and trying to figure out how they can leverage RTP, jump in, be a part of the network, and solve a lot of the problems that they're seeing today.

Ron, I'll hand it back to you.

**Ron Rockovich:**

Great, thanks, Scott. Sorry about that — I had myself on mute. Now we will move into the Q&A portion of the webinar. As a reminder, you can ask questions using the Q&A window located on your screen. If you do not see the Q&A window, simply click on the questions widget found in the lower center portion of your screen.

So with that, let's maybe take a look at the first question. So the first question is, "Do you see real estate using this more for payables or receivables?"

**Scott Jones:**

Yes, so I think it's going to be used for both. I think it's probably going to be more heavily used in one or the other, based on use cases and sort of what your role in the ecosystem of real estate is. Request for payment is a really hot topic right now, so I would imagine that just with corporates, that using the request for payment functionality is going to be used pretty extensively once sort of all the banks get onboard with using it and have enabled that capability. So you'll likely see a lot of receivables activity as a result. But yes, I do think it depends on the use case, but I think receivables is where we're seeing most of the interest from corporates.

**Ron Rockovich:**

Okay. Either just — putting a little bit of a real estate spin from my perspective on that, too, I think receivables probably is the opportunity for real estate clients as well. Although everybody is looking to become more efficient in the payables space, we've been seeing increasing difficulty in posting receivables just because of all of the new payment types. And it's a little bit counterintuitive in that the electronic payments seem like they might be easier to post than the paper payments on the surface, but in reality, that's not true. The electronic payments tend to be a little bit more difficult just because of the way the data comes in, in the different formats and the fields are not necessarily matched up the way I think everybody would like them to be.

And I think what RTP provides is kind of a fresh start in terms of what you're asking for and how you're receiving it. And so the standards around the data that will move with those transactions, as well as the very common messaging, as I keep saying, I think creates an opportunity for real estate to really improve the posting process and get that straight-through processing that Scott is referring to.

So the second question is, "What else should I be thinking about as it relates to this? There was a lot of data presented, so anything else that I should be thinking about?"

**Scott Jones:**

Yes, so I think there's a number of considerations. So one is just do you have a routing number and account information? So initially today, real-time payments requires you to have a routing number and account information. So there are a lot of use cases out there where you don't have that information and you're potentially sending a check today and you're saying, "Well, hey, can't I use an email address or mobile phone number?" That's true. You could use that potentially with Zelle in certain instances. I think that's going to change over time for real-time payments. There are a number of groups and organizations working on figuring out, "How do we enable an alias of some kind or directory services where we don't necessarily have to have a routing number or an account number for a recipient?" So I think that will change over time. But at least initially, your use cases for RTP are likely going — you're going to have to have that routing and account information. So that either means you've got it today or you've got to collect it somehow.

If you've got sort of persistent relationships, so I'm going to use an insurance claim example. If you've got a persistent relationship where you're interacting with that individual prior to disbursing the funds, that may be a lot easier to collect that information versus if you're doing something like a healthcare disbursement where they've made an overpayment, and now it's after the fact and you've got to try to get those funds back to a patient.

The other one I would mention is that it does open some new opportunities, so the ability to receive funds 24 hours a day, 7 days a week, or to send funds 24 hours a day, 7 days a week, and it is an irrevocable payment type. So just considering that, both from an operations perspective, but also as an opportunity.

And then the last one would just be that it does use an ISO 20022 message format, and that message format was chosen because it's sort of the international standard for faster payments. And the idea is that in the future that this could be an international-capable payment rail. Today it's domestic only, but it has been built to have international operability.

So kind of one of the questions would be for yourself is, "Hey, if we're making updates to our ERP systems and our IT systems, should we consider this?" and I would say yes. I would at least take it into account, even if you're not using real-time payments today, that you may want to include real-time payments and any sort of requirements. We are doing some things related to enablement in helping our customers adopt real-time payments, even if they're not making those changes, so just like the ability to accept a NACHA file, for example, and we'll do conversions for you into the ISO format. But just things you might want to consider.

**Ron Rockovich:**

Great, thanks. I think the ERP one's a really important one. As it is still a little bit early in the process of real-time payments and people understanding and being aware of what it is, I think the ERP systems — it's interesting, in that I don't know that they've necessarily caught up to it just yet, either. And so we're having those conversations with lots of folks around that subject, and it's probably worthwhile for our clients to have those conversations as well with their ERP providers to make sure that they are also thinking about real-time payments.

**Scott Jones:**

Yes, I think they will welcome that. We've worked with a number of ERP providers, or have talked with a number of them. I know The Clearing House is working with them, and they are working on enabling real-time payments. So I do think they'd be open to those conversations.

The other consideration, too, is just APIs. If you're using APIs today or even if you're not using APIs today, do you want to consider using real-time payments as an opportunity to start introducing that into your organization? It is truly real time, so being able to use an APIs allows you to sort of leverage the full capabilities of that speed and real-time capability of RTP.

**Ron Rockovich:**

Great. So this one kind of dovetails into that. "Is it too early to start thinking about RTP?"

**Scott Jones:**

And I would say no, absolutely not. So as I think you mentioned in your introduction, RTP has been live for about a year. Companies are out there adopting it today. We have clients that have adopted RTP as well as all of the other banks that are live. Oftentimes they're just dipping their toes in the water and they're using sort of a specific use case or kind of piloting a use case. But we're getting really good feedback from all of these clients, saying that they really like the network, they like the capabilities. And so I think you're going to — we're even seeing it now.

The volumes are growing, and I think as we get closer to ubiquity — you might hear that a lot when you talk about real-time payments, and that's just really related to how many U.S. DDAs are we able to reach via the network. As Ron mentioned, PNC's really sort of an early adopter of RTP. We've sort of been leading the charge in terms of development and capabilities in the space. But the other banks are starting to enable a lot of these capabilities, and so you're going to start to see the opportunity to reach more and more U.S. bank accounts grow over time. So I think in the next month, they're projecting that RTP will be able to reach about 50% of U.S. DDAs, so really almost all of the major U.S. banks. And then throughout next year is when you'll start to see the smaller community banks and credit unions start to onboard and enable the functionality. And the sort of projected reach is roughly 85% next year of all U.S. DDAs.

**Ron Rockovich:**

So this one dovetails as well. "What other key factors do you think will drive greater adoption of RTP?"

**Scott Jones:**

Yes, so I think, obviously, the more banks that are live on the network is going to help drive adoption. The more accounts that you can reach is going to help drive that adoption. And I don't think that's a matter of "if," it's really a matter of "when." They're all working on it. These are multi-year projects to connect to the network. As I mentioned, I've been working in the real-time payments space for three years, and the network just went live a year ago. So banks have been working on this for a long time. So it's just a matter of going live, and I think you're going to see a big uptick here in the next year or so, maybe even six months.

The other one is our request for payment capabilities. So as banks go live, they're typically going live with the ability to receive payments. I think once they get past that, they start enabling the ability to originate, the ability to do a request for payment and things like that. I do think the request for payment functionality and the ability for banks to receive requests for payments is, once that becomes more broad, that's going to be — you're going to see a big uptick in usage on the network as well and a lot of adoption because again, as we talk with clients, that's where a lot of the interest lies just because of the data.

And then I think you're just going to see, just generally speaking, you're going to see more and more demand for real-time payments, just because customers — business folks are consumers as well, and we've seen it for years. Consumers continue to demand faster, faster everything. They're demanding more data-rich experiences in everything that they do. And existing legacy payment rails just aren't able to deliver on those demands, and RTP can. So I think you're going to see those consumer demands are going to creep into the corporate environment as well.

**Ron Rockovich:**

Okay. Maybe one last question. I know we're bumping up against time. So it seems that we've gotten a lot of questions on the \$25,000 limit. So as I'm looking at the various questions based around the fact, do we think the limit will be changed, and when? Is that limit per transaction or per day? I think that probably sums it up for the \$25,000 questions.

**Scott Jones:**

Yes, great question, and I get that question all the time. So the current limit is \$25,000 per transaction. So the other question I always get is, “So if I send you a batch file and it’s got \$30,000 worth of transactions, does that mean I can’t send it?” The answer is no. It is for each individual transaction within that file. So if you’ve got 100 transactions in the file, you can send 100 transactions that are each \$25,000 apiece. So it is on an individual transaction level.

The question about will the limit be raised. I think the intention — well, I know the intention is that yes, that limit is going to increase. I can’t tell you when. I’m involved in some of those conversations at The Clearing House and get to provide my input, but I certainly don’t get to make the decision. Ultimately, I will say that I think that if you talk to most financial institutions, they’d like to see that limit raised. I think if you look at other payment systems across the globe that are similar to ours — specifically, the UK’s faster payment system — I suspect we’ll follow a similar trajectory as they did. So I think — I’m hoping that we’ll see, in the next year at some point, we’ll see that limit raised. But I have no real insight as to whether or not that’s going to happen or not. But I think across the industry, I think you hear most folks saying they’d like to see a jump up to \$100,000 or more.

**Ron Rockovich:**

Great, thank you. And my apologies if we did not get to your question. I will make sure that we do log those questions and funnel the answers back through your assigned Treasury Management Officer.

So we’re almost out of time, but I’d like to thank Scott for a great presentation today. A PDF of today’s presentation is now available for you to download from your green resource list file folder widget in the lower center portion of your screen.

And Greg, with that I will hand it back to you.

**Producer:**

Great, thanks, Ron. And ladies and gentlemen, in just a moment you will see a link to a feedback survey in your slide frame area. And when you click the link, it will open the survey on a separate browser tab. Once you’re finished, be sure to click the Submit button at the bottom of the form. We really do appreciate your feedback.

So that does conclude the audio portion of today’s webinar. Thank you so much for joining us and have a great day, everyone.

**Sources:**

**1** ePayments is limited to business-to-consumer (B2C) transactions. Recipients can receive payments 24x7x365.

**2** To receive money within minutes, the recipient’s email address or U.S. mobile number must already be enrolled with Zelle with an applicable demand deposit account (DDA) or Debit Card.



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