

Bankers' Bank

Funding Agent Solution
for



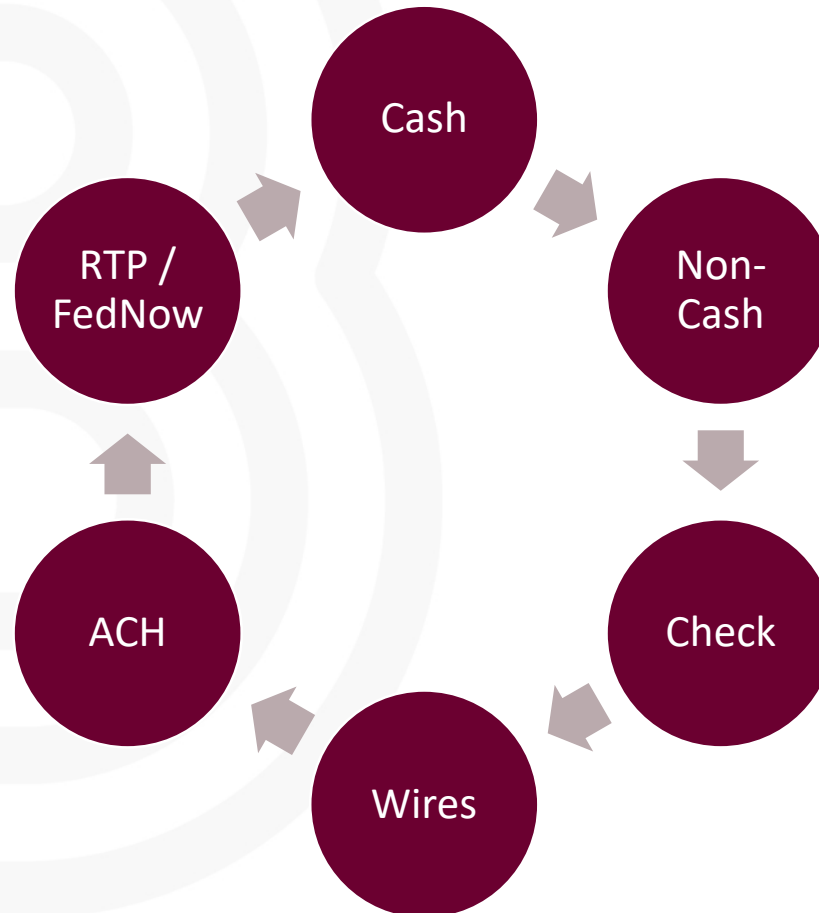
AGENDA

- Types of Payments “aka rails”
 - Examples of Payment innovation
- Trends in Faster Payments
- What is Real Time Payments/Faster Payments
 - Examples of RTP transactions (receive)
 - Example of RTP transactions (send)
- Questions

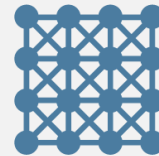


Payments History Innovation

Payments “rails” in the US.



Making Payments Faster



Checks

- Not going away!
- Faster than paper clearing, but still not fast

Wire

- Can be real-time, but expensive
- Not suited for low-value or spontaneous payments

ACH

- Now offering Same-Day clearing and settlement, but it's still batch

Card

- Near-real-time, but require days to settle

The payments industry continues to focus on improving the speed of clearing and settlement...



Faster Payments

Todd Koehn, VP, Faster Payments

Faster payments trends



54% of existing DDA's in RTP network as of July 2020

\$4.6 million in payroll delivered via RTP network during a 2 week period in early June

FedNow will augment private systems, not replace, available 2023 - 2024

Faster payments in the future



Upwards of 70% of existing DDA's in RTP network at the end 2021, Zelle live on RTP network in 2021

Fintechs/POS providers looking to joining RTP to speed up settlement, improve liquidity for SMB's

300 to 400 Community Banks in the network by end of 2021

Traits of a real time payments

24x7x365	Payments are sent and received all times of the day, every day of the year
Instant	Payments are sent within seconds
Irrevocable	Once sent, payments can't be recalled
Certain	Payments are actively acknowledged or rejected along the transaction chain, providing transparency
Settlement	Periodic net settlement between participants occurs after the payment is made

RTP/FedNow – consists of two things

Transactions

- Use of a certified 3rd party
- Direct

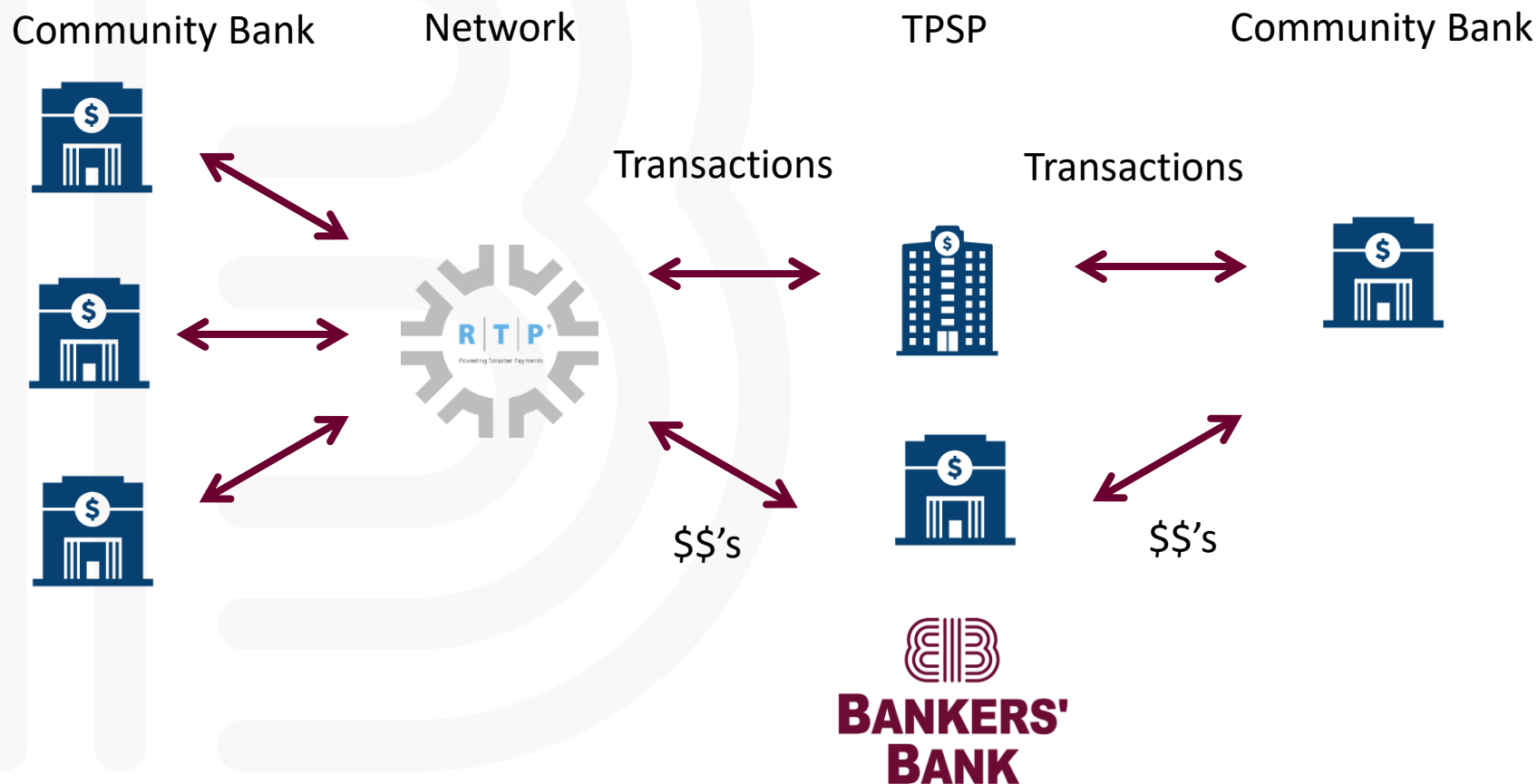
Settlement

- Use of a certified 3rd party
- Direct

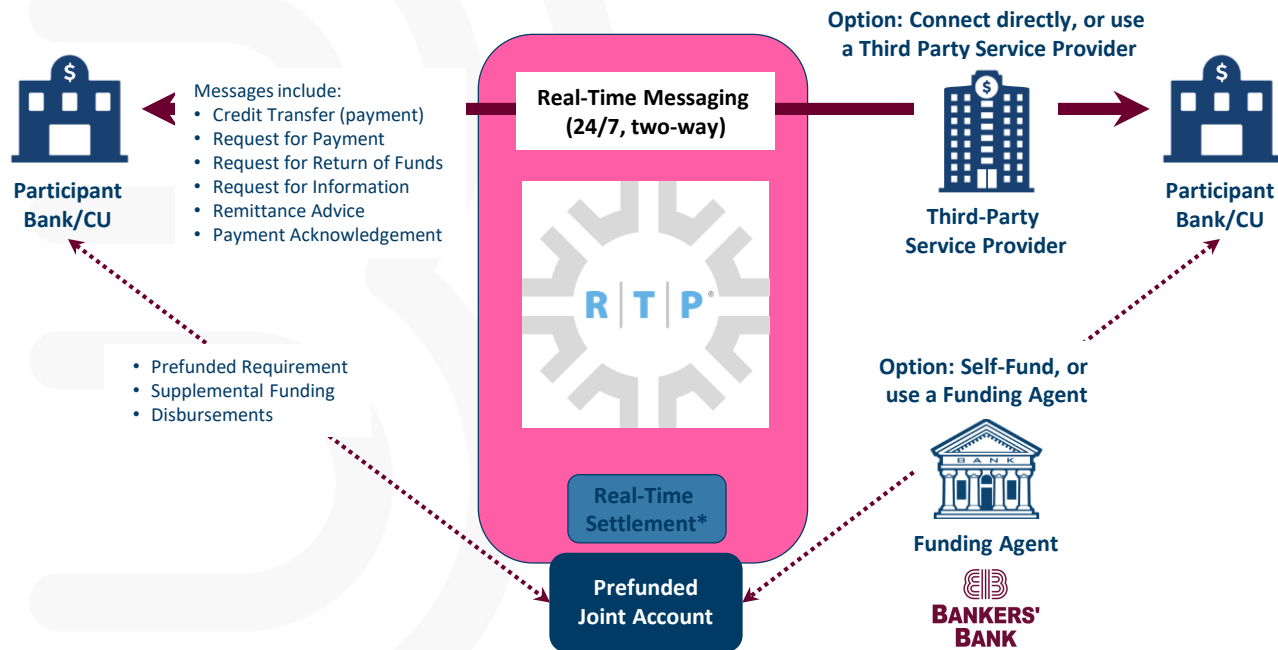
What this means for you

- Integration with key systems is critical when selecting a transaction partner.
- What transactions do you hope to offer your retail vs. commercial customers?
- Education is critical – Bankers' Bank can help.
- How do you manage you managing your settlement in account in a 24x7x365 world?

Most financial institutions need a Funding Agent and a Third Party Service Provider (TPSP)




RTP Explained: 24/7 two-way messaging, with a real-time, prefunded settlement model



* RTP settles each transaction in real time by debiting the Sending Participant's position and crediting the Receiving Participant's position, which are backed by funds held in the Joint Account.

Characteristics of Bankers' Bank Funding Agent



1 Provides seamless delivery of funds to and from the prepaid account ensuring effective use of bank dollars and operational staff

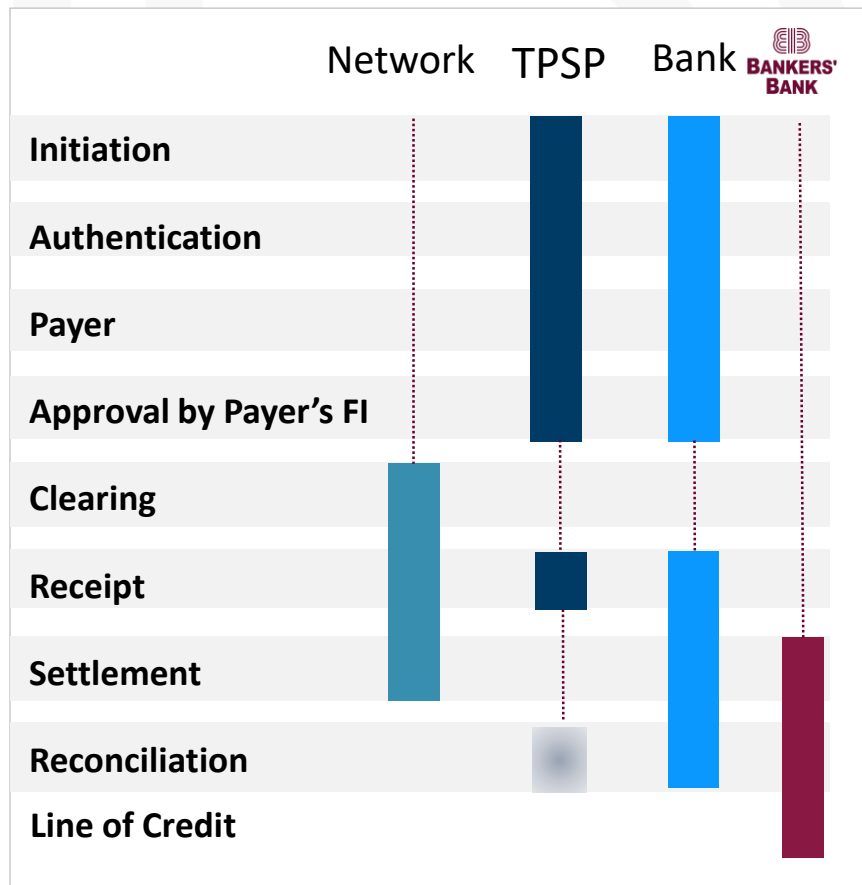
2 Provides reconciliation reporting and advices for ease of daily bank balancing

3 Monitors prepaid balances to ensure adequate funding is available

4 Removes back office calculation and initiation of drawdowns and fund ups through a managed solution

5 Keeps the bank informed on position and recommends changes based on activity to optimize use of bank funds

Leveraging a Funding Agent and a TPSP



TCH/FedNow – Network Operator

- Processes eligible transactions
- Routes transactions to Participant FIs
- Settles activity to FI network accounts
- Defines and manages network rules and compliance

Third Party Service Provider (TPSP)

- Enabling FIs to initiate, receive, and connect to TCH/FedNow

Financial Institution - Participant

- Transaction posting
posting entries; stand-in processing; manage flows
- Transaction initiation
funding entries; fraud monitoring; user interaction
- Settlement Management

Bank Settlement

- Enabling FIs to fund, manage and settle funds at the bank settlement level
- Utilize Line of Credit when Bank is unable to fund account

Activity at Bankers' Bank



Transaction Activity - Settlement



FASTER PAYMENT SETTLEMENT SOLUTIONS

123456789

Effective Date: Jul 8, 2020

ABC Bank
123 Main Street
Anytown, USA 12345

Bankers Bank has credited to your account, 123456789 on Jul 8, 2020 the total of \$ 1,993.21 for settlement of your RTP transactions from Jul 7, 2020 4:05 PM to Jul 8, 2020 4:00 PM Central Time.

Receive Transactions

Transaction ID	Tran Date/Time (ET)	Receiving Account Number	Amount
20200707021000021P1BRJPM00630035117	Jul 7, 2020 7:45 PM	100668243	\$ 203.68
20200707021000021P1BRJPM00610041434	Jul 7, 2020 10:36 PM	100681980	\$ 82.07
20200708021000021P1BRJPM00000018614	Jul 8, 2020 1:50 PM	201012585	\$ 1,000.00
20200708021000021P1BRJPM00610020244	Jul 8, 2020 1:52 PM	201001058	\$ 650.00
20200708021000021P1BRJPM00020024836	Jul 8, 2020 4:09 PM	100681980	\$ 57.46

Total : \$ 1,993.21

Send Transactions

Transaction ID	Tran Date/Time (ET)	Sending Account Number	Amount
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Posted to DDA – Cash Management

ACCOUNT # 123456789	DATE	DEBITS	CREDITS	BALANCE
=====	=====	=====	=====	=====
LEDGER BOOK BALANCE 2020-07-07				250,864.51
197 AGENT INVESTED FUNDS RETURNED	07-08-2020		3,396,000.00	3,646,864.51
810 AGENT INTEREST EARNED	07-08-2020		7.07	3,646,871.58
445 OWN.IT CASH LETTER CREDIT	07-08-2020		9,755,868.44	13,402,740.02
125 RETURN ITEM CREDIT	07-08-2020		10,486.93	13,413,226.95
115 ACH CREDIT-FRB	07-08-2020		330,298.70	13,743,525.65
115 ACH CREDIT-FRB	07-08-2020		782,596.70	14,526,122.35
115 ACH CREDIT-FRB	07-08-2020		1,900,472.40	16,426,594.75
115 ACH CREDIT-FRB	07-08-2020		6,337,878.51	22,764,473.26
115 ACH CREDIT-FRB	07-08-2020		3,423.64	22,767,896.90
115 ACH CREDIT-FRB	07-08-2020		477,225.52	23,245,122.42
115 ACH CREDIT-FRB	07-08-2020		34,080.80	23,279,203.22
100 INCOMING WIRE	07-08-2020		955.50	23,280,158.72
100 INCOMING WIRE	07-08-2020		1,330.00	23,281,488.72
116 SAME DAY ACH CREDIT	07-08-2020		20,481.21	23,301,969.93
100 INCOMING WIRE	07-08-2020		52,800.61	23,354,770.54
115 ACH CREDIT-FRB	07-08-2020		41,587.47	23,396,358.01
116 SAME DAY ACH CREDIT	07-08-2020		84,372.99	23,480,731.00
116 SAME DAY ACH CREDIT	07-08-2020		32,603.04	23,513,334.04
100 INCOMING WIRE	07-08-2020		3,314,249.65	26,827,583.69
9955 RTP SETTLEMENT	07-08-2020		1,993.21	26,829,576.90
CREDIT - Settlement				
RTP Txns - Period Ending				
130 RETURN IMAGE CL PRESENTMENT	07-08-2020	4,861.84		26,824,715.06
140 CASH LETTER DEBIT-FRB	07-08-2020	3,497,587.49		23,327,127.57



Questions

Thank you!

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Faster Payments Resources

- Bankers' Bank

<https://www.bankersbank.com>

- The Clearing House

<https://www.theclearinghouse.org/payment-systems/rtp>

- The Faster Payments Council

<https://fasterpaymentscouncil.org/>

- FRB Payment Improvement Process

<https://fedpaymentsimprovement.org/>