



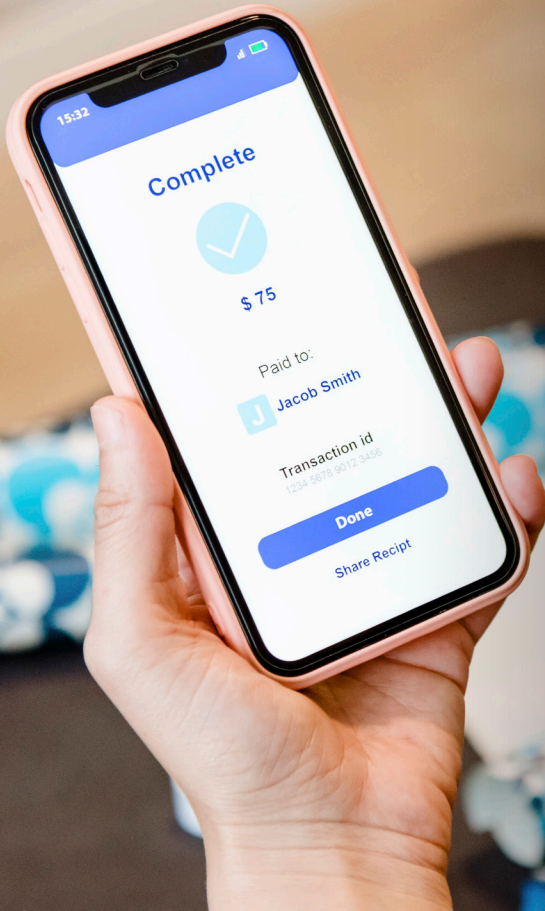
When Is a Real-Time Payment Not a Real-Time Payment?

Is the difference between real-time payments schemes and other fast payment mechanisms sufficiently understood?

When is a real-time payment not a real-time payment?

While this seems like a simple question, the term “real-time payment” is applied to a wide range of payment types that are not always instant. Understanding the subtle distinctions between true real-time payments and merely fast payment methods is especially important from a fraud perspective, and because the COVID-19 pandemic accelerated the global adoption of real-time payments. In many cases, person-to-person payments (such as Venmo) and e-wallet providers (such as Apple Pay and Google Pay) have been referred to as real-time payments in common parlance, if not by industry participants. Though real-time payments may be thought of as a form of faster payment, not all faster payments happen in real time, and they should be considered separately for a number of reasons.





Real-time payments – global growth driven by extraordinary circumstances

Mass adoption of real-time payment schemes exploded due to the global pandemic – but for some, real-time payments are nothing new.

Early adopters include:

- Japan, Zengin, 1973
- United Kingdom, UK Faster Payments, 2008
- Singapore, FAST, 2014

Others launched more recently:

- European Union, SEPA Instant Credit Transfer (SCT Inst), November 2017
- USA, The Clearing House Faster Payments, November 2017
- Australia, New Payments Platform, 2018

More are coming:

- Canada, Real-Time Rail, 2022 (target)
- USA, FedNow, 2023 (target)

Fast payments that aren't "real time" payment schemes

When talking about real-time payments, it is useful to think of them as payments going directly via a defined real-time payments scheme. These are schemes that:

- Are defined as a payments scheme and cover both clearing and settlement (only clearing needs to be in real time; settlement can be periodic)
- Can be made 24/7, 365
- Complete clearing within one minute
- Cannot be reversed by the scheme rules
- Confirm completion or rejection instantly
- Are open loop – payer and payee do not need an account at the same provider
- Operate for consumer-to-consumer, business-to-business, consumer-to-business, and business-to-consumer payments
- Can typically initiate higher value transactions than other fast payment mechanisms; for example, the UK Faster Payment Scheme's limit is £250,000, for SCT Inst it is €100,000, and the Australian New Payments Platform has no scheme upper limit

Here are three categories of payment that see value transferred instantly, or at least very quickly, but are NOT real-time payment schemes.

1 Person-to-Person Payments	2 Facilitated Payment Mechanisms	3 E-Wallet or Mobile Payments
<p>These electronic transactions are made through an intermediary that is not aligned with a bank or group of banks; includes vendors such as Venmo, Dwolla, and PayPal. These are not real-time payments because:</p> <ul style="list-style-type: none"> • They are closed loop – the payer and payee have to open an account with the same provider. • They do not operate a scheme for clearing and settlement. They use one or more existing schemes to facilitate clearing and settlement but this happens outside of the transaction between the payer and the payee. • An accounting process that transfers value may happen in real time, but clearing is not completed until processed by the underlying scheme the provider uses. For example, in the USA, Venmo uses the ACH that clears two times per day. • They can be reversed – whether they are or not is a policy decision by the provider. • The registration of a mobile phone number is required to use them. • They only operate for consumer-to-consumer payments. • To access funds, the payee has to “cash out,” which can take several days to process. 	<p>This is a growing category and covers providers such as Zelle. They could be considered person-to-person mechanisms; however, unlike those:</p> <ul style="list-style-type: none"> • They are aligned with a bank or group of banks. • They are open loop – the payer and payee don’t need to have an account with the same provider. • The payee, as long as their account is at a participating bank, does not need to “cash out” to receive funds but can access them straight away. • Real-time clearing is offered because the banks involved accept the risk between initiation of the payment and clearing of funds. <p>Although they share some features with real-time payment schemes, they are not because:</p> <ul style="list-style-type: none"> • They do not operate a scheme for clearing and settlement. They do clear payments, but this is via their acceptance of the risk of funds not being available before clearance through an external payment scheme such as ACH. • There are more restrictions on value and number of transactions that can be sent using them than when using a real-time payments scheme. • They require the registration of a mobile phone number and/or email address by users. 	<p>Providers such as Google Pay and Apple Pay allow for mobile devices to be used to authorize and initiate a payment. They work within the card system by agreement with card issuers. The mobile device is a proxy for a credit or debit card. They are not real-time payments because:</p> <ul style="list-style-type: none"> • As with cards, settlement to the merchant does not happen for a significant period of time. • The cards scheme is used rather than a direct clearing system. • They can be revoked as per card payments, with chargebacks to merchants. • They only work for consumer-to-business payments (a merchant account is required by the payee).

Why define the different types of fast payment?

It might be considered mere semantics to define the differences between real-time payment schemes and other instant or fast payment mechanisms. However, all of them present different advantages and challenges.

The factors affecting account opening, customer management, and fraud prevention are very different in each case. By articulating the differences, it becomes easier to form a strategy that takes into account the needs of each type of payment, and look for solutions that are adaptable to cover each type you interact with.

How FICO can help you tackle fraud in real-time payments

Banks that give their customers the ability to send payments using a real-time scheme may see an increase in account takeover fraud, or see their customers being defrauded through authorized push payment fraud. To prevent fraud in a real-time environment, it must be stopped at the point of payment initiation, before the loss is incurred. FICO can help you to tackle fraud happening in real time so that you can:

- Identify and prevent fraud before a loss occurs, using behavioral analytics that work in real time and at scale.
- Maintain a high rate of fraud detection with a low rate of false positives by flexible layering of machine learning techniques.
- Evolve your fraud operations by deploying adaptive behavioral analytics to combat emerging threats associated with real-time payments.
- Realize efficiencies and economies of scale by using the same industry-leading fraud solution across all channels and payment mechanisms.
- Resolve fraud issues in collaboration with your customers with sophisticated, integrated, real-time customer interactions.



FICO for real-time payments

FICO gives you the freedom to design, simulate, and implement new fraud and financial crimes strategies without technical constraints. You can confidently support all digital banking interactions across authentication, payments, and account maintenance while exceeding the expectations of your customers. FICO gets you started quickly by providing:

- Pre-mapped data integration for retail banking payments.
- Packaged real-time payments fraud rulesets.
- Workflows, including rules and machine learning orchestration.

Whether compromise happens due to social engineering, phishing, or other sophisticated techniques, FICO delivers the nano-profiling and historical context needed to protect against fraud associated with P2P transfers, mobile payments, ACH, and wires.

FICO for real-time AML

Around the globe, regulators are encouraging organizations to develop and embrace innovations that improve AML performance. FICO provides a path for next-generation and legacy technology to coexist. This allows you to complement your existing AML capabilities with:

- Complex variables and aggregations.
- Profiling of any entity, including beneficiaries.
- Machine learning models with explainable AI.
- Real-time screening and alerting.
- Unified alert and case management across fraud and compliance.

With FICO, you can reduce the cost burden of unnecessary investigations by more accurately detecting suspicious behaviors for review, then automating manual tasks within a flexible, unified case manager.

To learn more about FICO® Fraud Protection and Compliance, visit:

<https://www.fico.com/en/solutions/fraud-protection-and-compliance>



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