

# Five Faster Payments Updates from a Community Bank Insider

DJ Seeterlin  
Chief Information Officer  
Chesapeake Bank

June 8, 2021

*The opinions expressed in this presentation and on the following slides are solely those of the presenter and not necessarily those of Chesapeake Bank, the Virginia Bankers Association, the American Bankers Association, or any other entity. There is no guarantee of the accuracy or reliability of the information provided herein.*

1. **R | T | P**®

Powering Smarter Payments

2. **FedNow** 24/7  
INSTANT PAYMENTS

## Five Topics



4. **zelle**®

**venmo**



**\$** Cash App





Powering Smarter Payments

**RTP is a Payment Rail**  
Not a Customer Facing "Product"







Powering Smarter Payments

# Payment “Rails” Overview


## Checks

- 352 B.C. – Very Old!
- Processed in batches
- Slowest – (1-2 days) 
- Majority of B2B transactions are still checks
- Delayed Settlement


## ACH

- 50 years old
- Processed in batches
- Slow (2 hrs – 2 days) 
- Business hours only
- Large \$\$ Transactions
- Settlement only – Not Auth
- *Same Day ACH*
  - As fast as 2 hours
  - Max \$100,000



## Card Networks

- 50 years old
- Fast Authorization 
- Slow Settlement 
- 24/7

## Wire

- 150 years old
- Processed Individually
- Fast (<1 hour) – Auth & Settlement 
- Business hours only
- Largest \$\$\$ Transactions

## RTP – Real Time Payments

- 4 years old
- Very Fast (< 1 minute) - Auth & Settlement  
- 24/7
- Processed Individually
- Max \$100,000
- Not Ubiquitous



Powering Smarter Payments



BANK OF AMERICA

BANK OF THE WEST  
BNP PARIBAS GROUP

BARCLAYS

BNY MELLON

Capital One

citibank

Citizens Bank

CITY NATIONAL BANK  
AN RBC COMPANY

Comerica

Deutsche Bank

FIFTH THIRD BANK

HSBC

Huntington

JPMORGAN CHASE & CO.

KeyBank

M&T Bank

MUFG

PNC BANK

REGIONS

Santander

TD

TRUIST

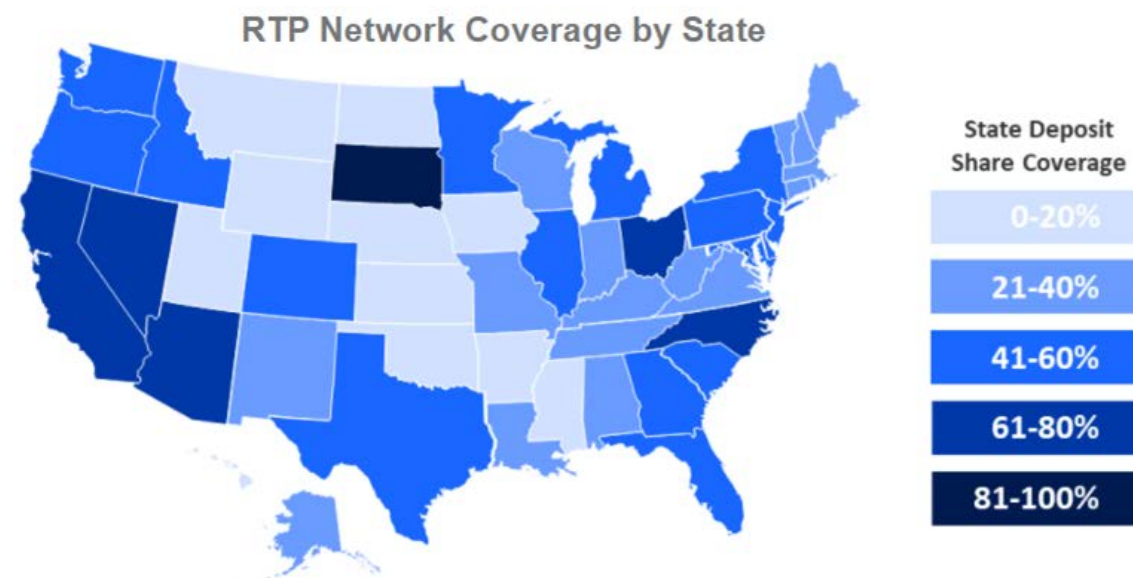
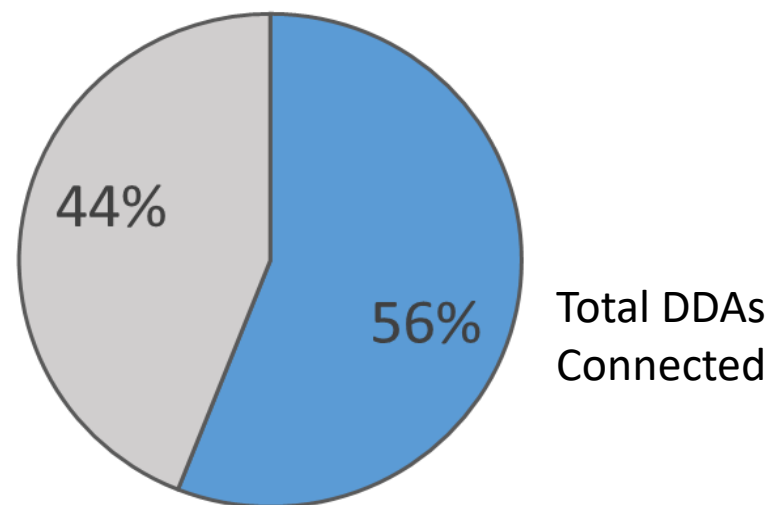
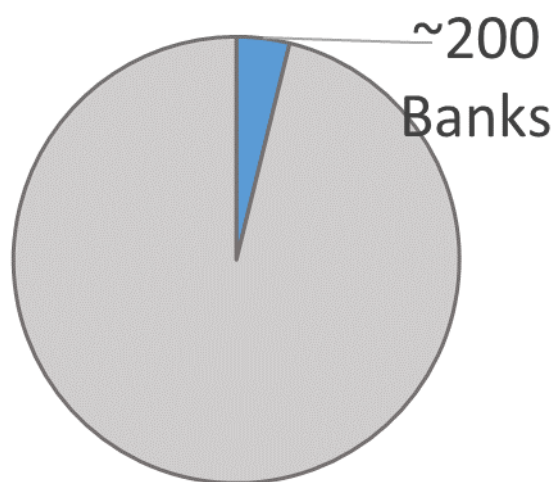
usbank

WELLS FARGO

TCH established the RTP Business Committee to govern the RTP network. .... The RTP Business Committee is comprised of representatives from TCH owner banks and representatives from non-member financial institutions. The participation of non-member financial institutions ensures that non-member financial institutions have an active voice in the governance of the RTP network.



Powering Smarter Payments

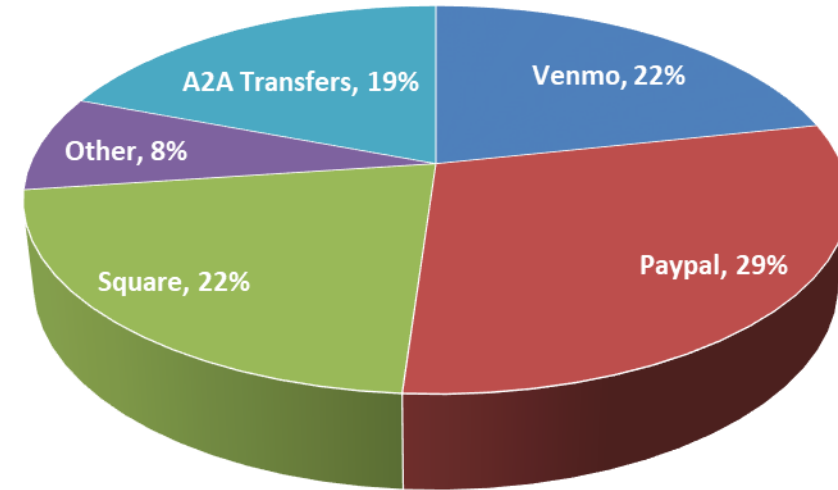


**Source:** FDIC, NCUA, S&P Market Intelligence; deposit data as of June 30, 2020; RTP Participants on network as of end of 1Q 2021.



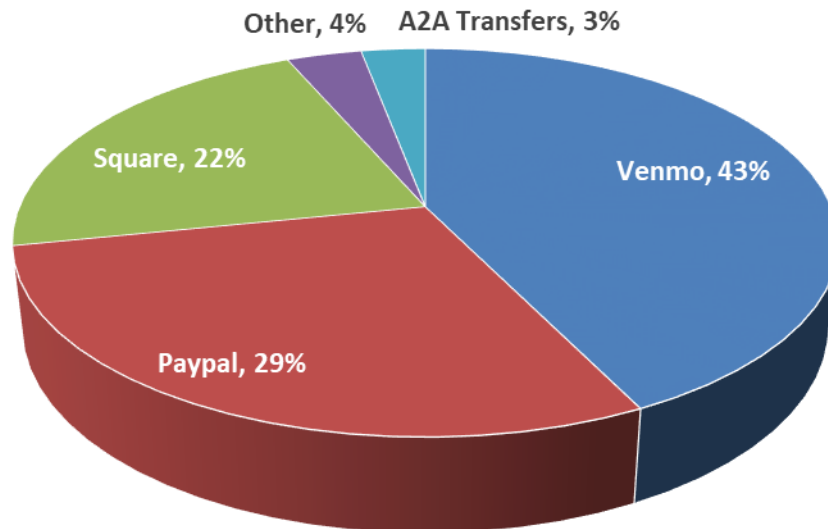
Powering Smarter Payments

## Sources as a % of the Transaction Amounts



Transaction data is based on 1 year history, \$1MM in Transactions at Chesapeake Bank. This may not be representative of the entire industry

## Sources as a % of the Quantity of Transactions



### Other common use cases:

Payroll

Gig Worker instant payroll

Fintechs: Savings automation, Paycheck advance

Future use Cases: Bill Pay, and ????



## Are Both:

- Real-time Processing (Instant)
- Credit Push Only – No Debits
- 24x7x365
- Not Intended to Replace Wires
- Rails Only – Not a Retail Product
- In Need of Use Cases

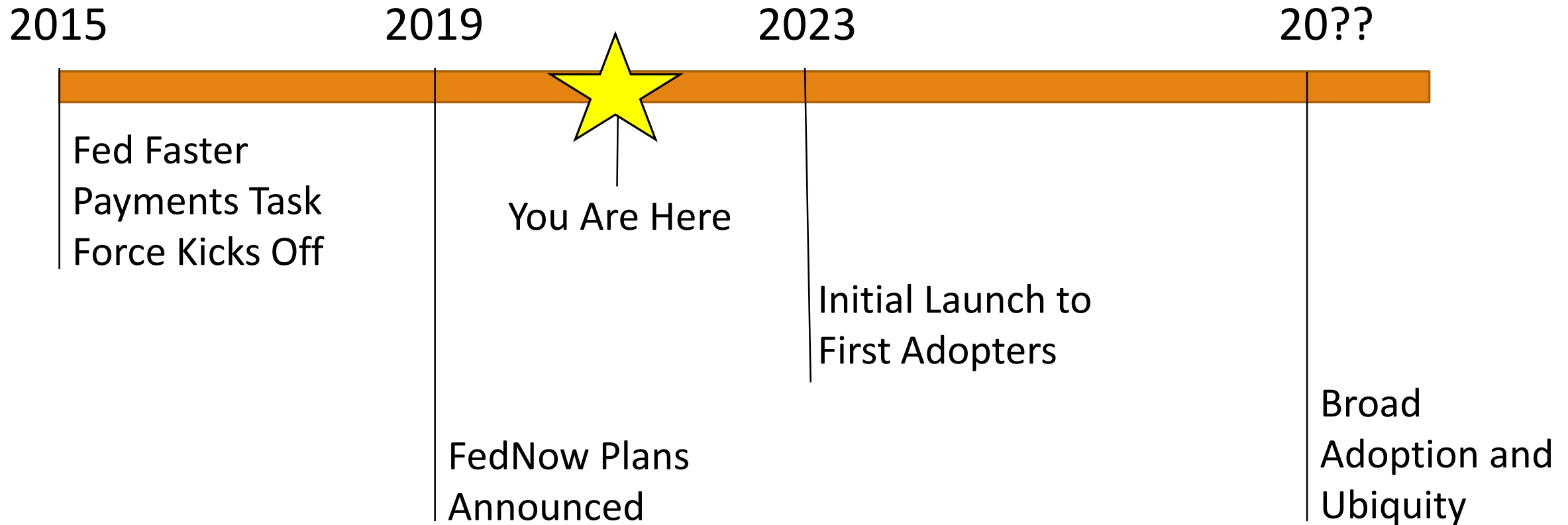


## Differences:

- Fully Managed by the Federal Reserve Board vs Banks
- Not Available Yet



# FedNow...Or FedLater?



# CBDC

CBD = Cannabidiol



CBDC = Central Bank Digital Currency

Also Not the Same as Bitcoin

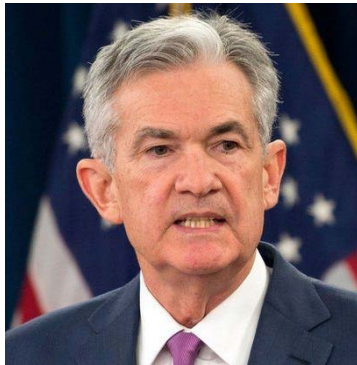


## In the News



*"The Federal Reserve is stepping up its research and public engagement on a digital version of the U.S. dollar."*

Lail Brainard  
Federal Reserve Board Member



*"We expect to play a leading role in developing international standards for CBDCs"*

Jay Powell  
Chair of Federal Reserve Board



WSJ: China creates its own digital currency

<https://www.wsj.com/articles/china-creates-its-own-digital-currency-a-first-for-major-economy-11617634118>



zelle®



Cash App

zelle®

venmo

PayPal

Cash App

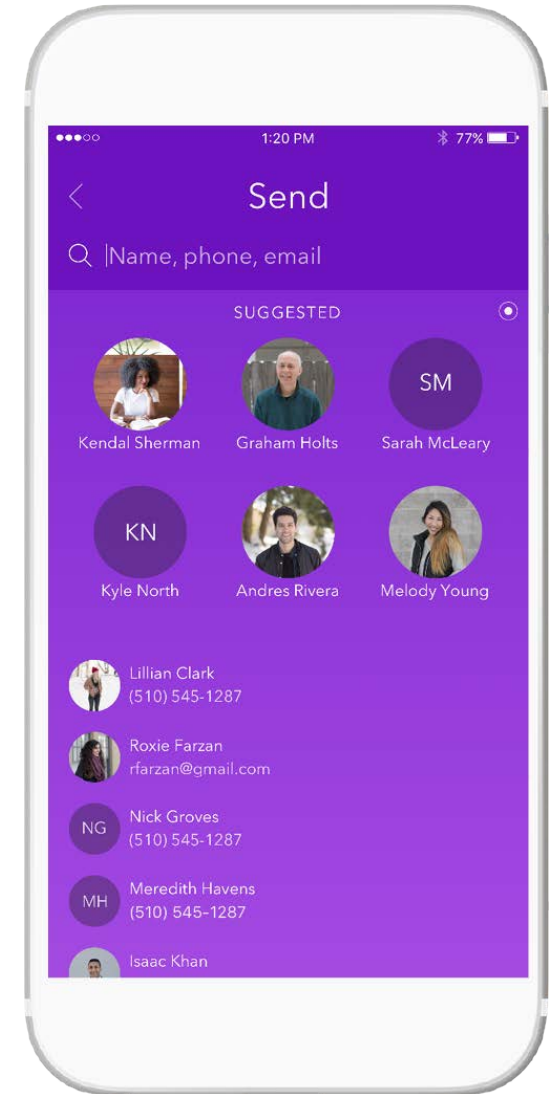


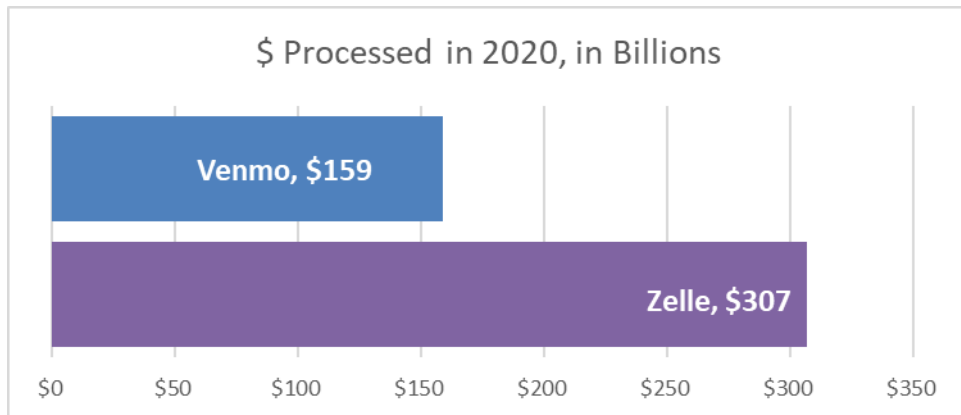
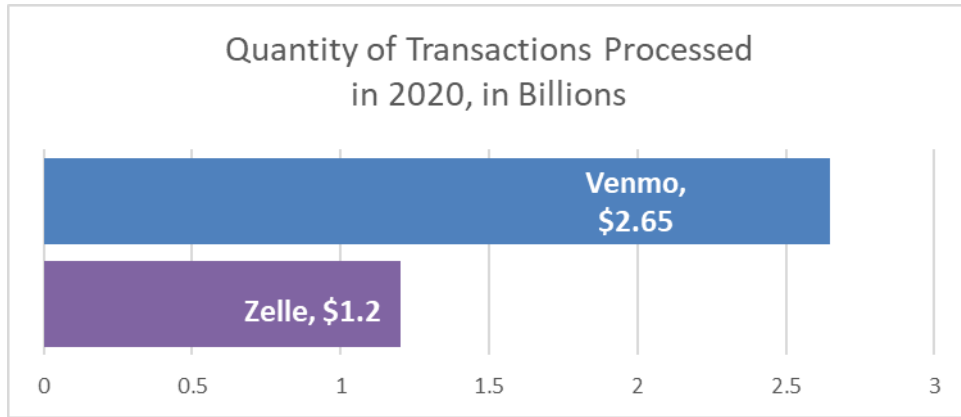
Faster Payments Update



## Key points

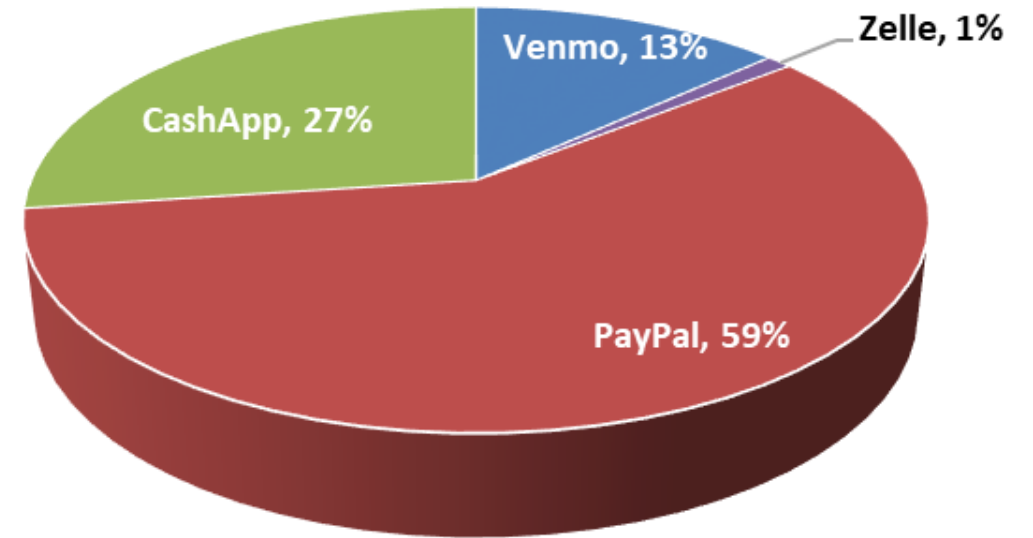
- Created by 7 of the largest banks to compete with Venmo.
- All money stays inside the banking system
- Standardized design and experience across all banks (purple)
- Less name recognition for customers, banks must market this.
- Non-member bank customers can send and receive with member banks over debit cards
- Supports Send and Receive for member banks
- *Future uses cases being built for Consumer to Business*





Transaction data based on Vendor Press Releases for 2020

## P2P Transactions on Average



Transaction data is based on history from a \$2B community bank actively offering Zelle Transactions. This may not be representative of the entire industry

zelle®

venmo

PayPal

\$ Cash App

## Fraud

### Challenges

- Limited Reporting
- Fraud Detection Still Being Built
- Unlikely to win many disputes



### Recent Fraud Scenarios

- Early Zelle Enrollment – Higher Risk Scoring for New Enrollments (1<sup>st</sup> 3 days)
- Cash App Transfers – Increased Monitoring of Higher Risk RTs (LSB, Sutton)



# Faster....Everything!



- 3 Daily Windows
- \$100,000 TX Limit - \$1,000,000 in 2022
- If you're not offering this now, Why not?

Early ACH Credit Availability				
Monday	Tuesday	Wednesday	Thursday	Friday

chime

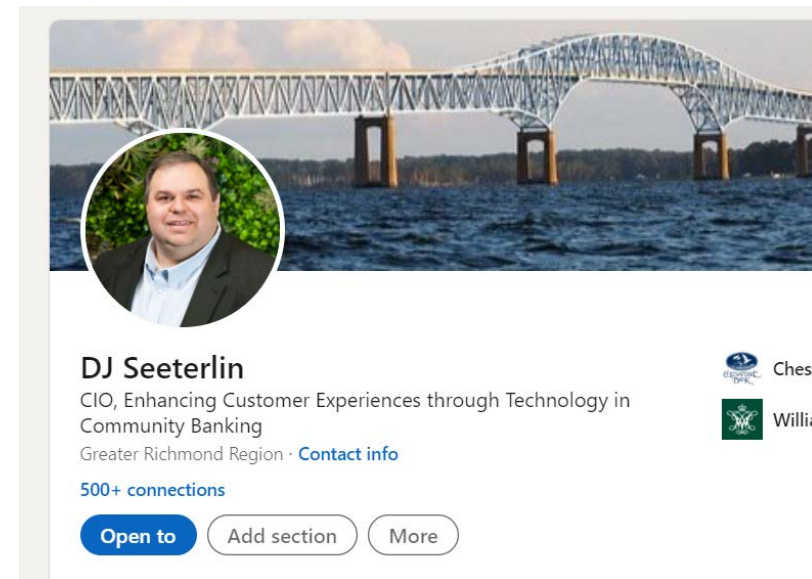


VARO

# Connect with Me

DJ Seeterlin  
Chief Information Officer  
Chesapeake Bank

[dseeterlin@chesbank.com](mailto:dseeterlin@chesbank.com)  
(757) 941-1334



<https://www.linkedin.com/in/dseeterlin/>