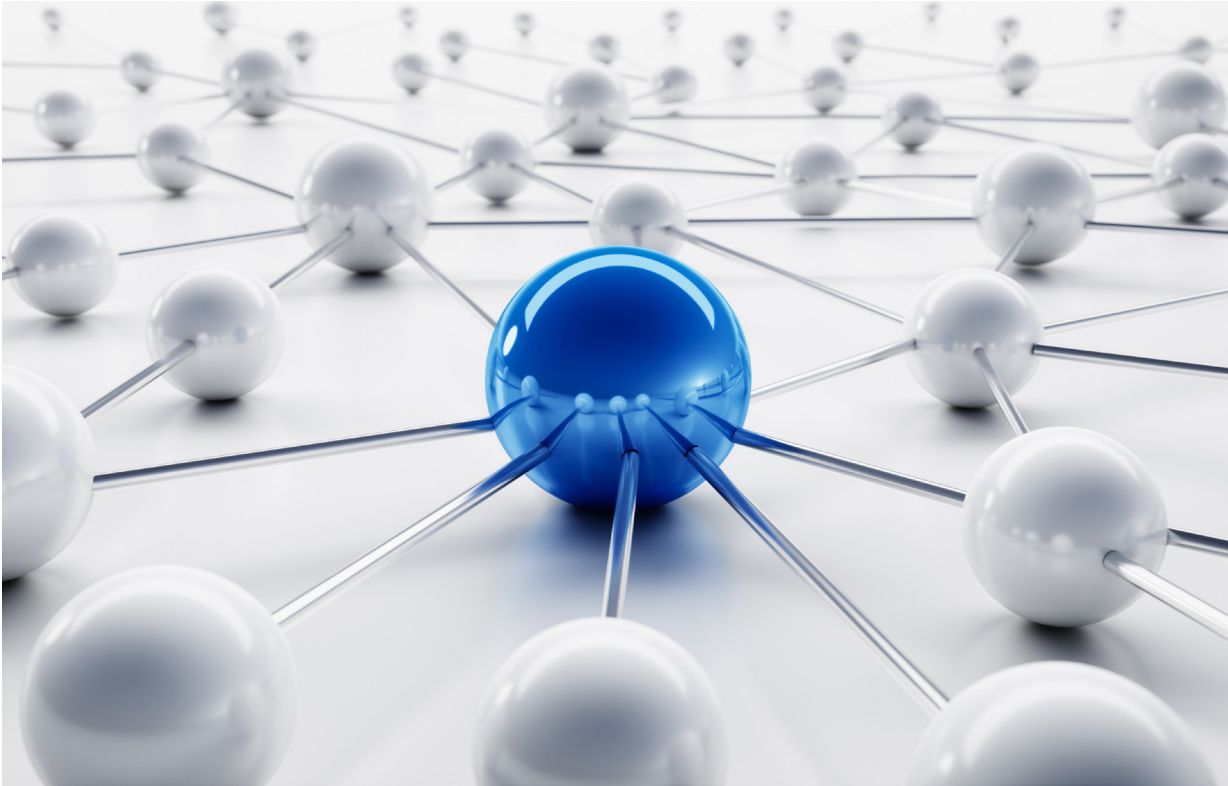


## RTP: How to Connect?

### Current Options to Connect to RTP



In the market, there is some confusion between real-time payments and faster payments. Let's begin here by clarifying the difference. Real time payments are under the category of faster payments. However not all faster payments are necessarily real-time. Real-time payments (or generically denoted "RTP") refer to payment clearing and settlement systems that share a few characteristics. First, they are real-time, initiating, clearing, and settling in a matter of seconds. Second, real-time payment networks are 24x7x365, meaning they are always online and available. Payment channels that don't match these categories, but provide a greater advantage in respect to speed compared to heritage or legacy payment systems, are faster payments.

As defined by the [Federal Reserve's](#) Faster Payments Task Force, faster payments are: "A ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments, supported by a flexible

and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality.”

There are several ways to connect to provide your customers or members with the advantages of real-time payments.

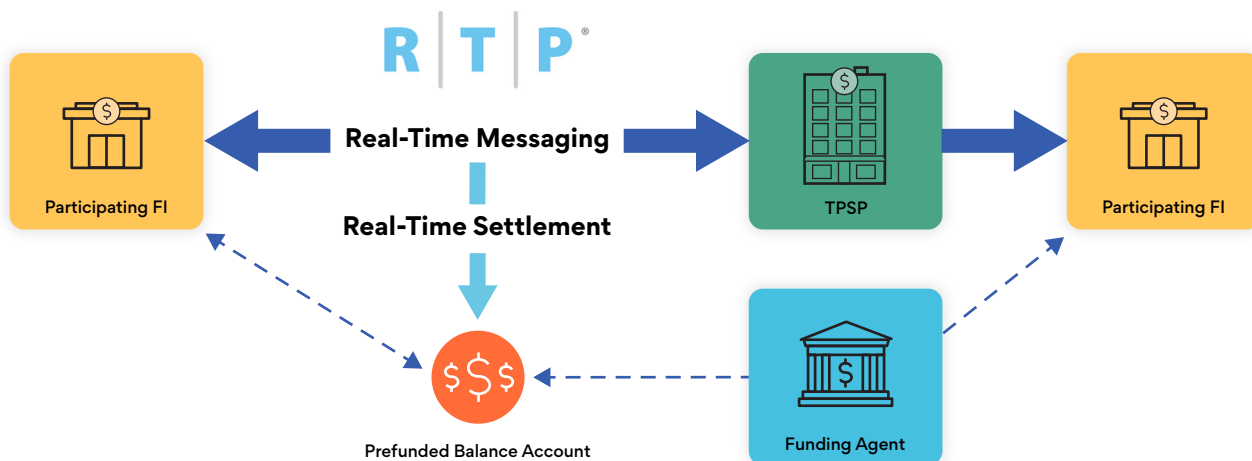
## RTP® Network from The Clearing House (TCH)

The only live real-time payments network in the U.S. that meets our two criteria is The Clearing House’s RTP® network which went live in 2017. The [RTP network](#) was built for financial institutions of all sizes and enables them to deliver new products and services to their customers. The network provides payment processing services, orchestrating the movement of payments and value-added messages to and from FI participants. It also provides fraud detection services to scan and report network-level fraudulent activity.

Financial institutions can integrate into the RTP network directly through third-party service providers (such as a core processor, a hosted gateway, a bankers’ bank, or a corporate credit union). This network delivers real time payments for several use cases such as B2B, P2P, Payroll, and Request for Pay (RfP).

### RTP Connecting and Funding Options

- Connect directly or through a third party (core processor, gateway, bank)
- Self-fund or use a funding agent



[Webinar: Realizing the Value of Real-Time Payments for Credit Unions](#)

# Ways to Connect:

## Fintechs/Third-Party Service Providers

Financial institutions that connect to the TCH RTP network [almost always](#) work with a technology provider to help make and maintain the connection. According to TCH, if you're a bank or a credit union, your best path to enabling RTP for your customers or members is through a fintech. Technology providers like Alacriti provide a range of different RTP-related services that provide an easy path to access the network. [Alacriti](#) can also help financial institutions and businesses figure out which networks beyond RTP serve their needs, as it can be pretty complicated to parse out the different aspects.

## Third Party Aggregator

Smaller institutions might choose to connect through a third-party aggregator, such as a:

- Core processor provider
- Correspondent bank
- Banker's bank
- Community bank
- Corporate credit union

These entities provide connections to the RTP network as well as settlement services for FIs that may not want to connect directly to the RTP system due to the planning and process integration needed for implementation. Correspondent banks offer connectivity and liquidity services. However most still require a Third Party Service Provider for connectivity to the network. For the settlement account, they also act as funding agents that manage a financial institution's position in the funding account if they choose not to.

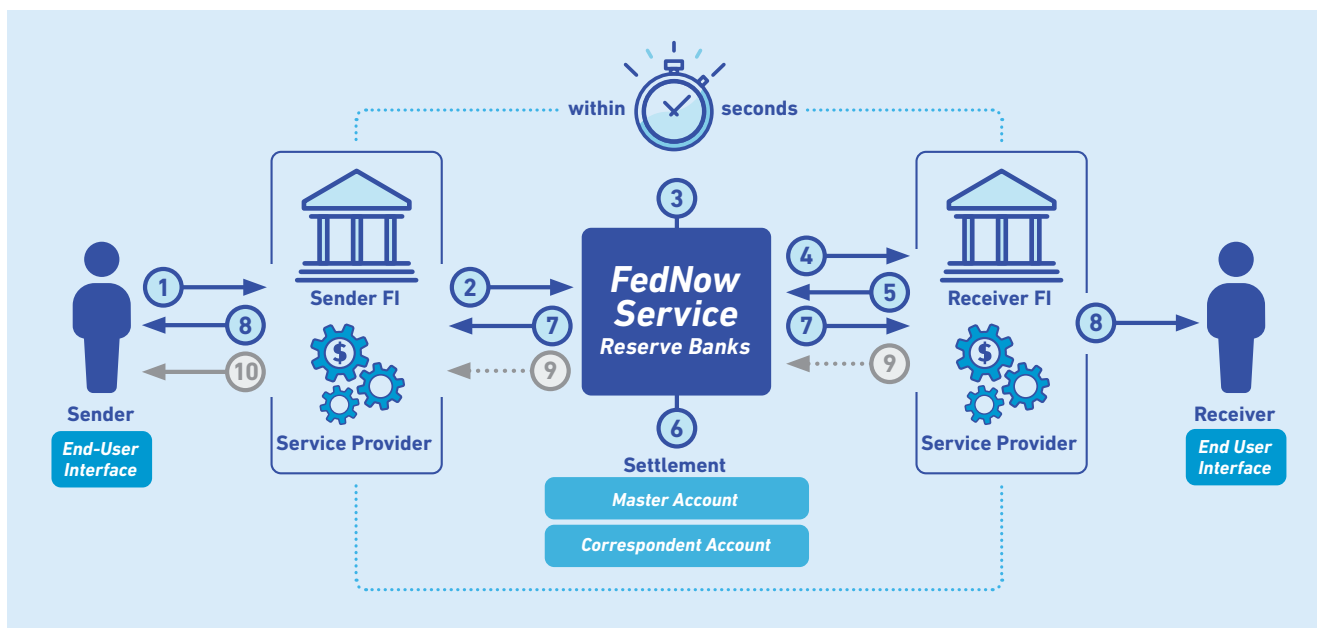
## Directly to TCH RTP Network

Financial institutions have the ability to directly connect to the core RTP infrastructure to provide real-time payments capability and value added payment-related services to their customers or members. However, this is typically reserved for the largest banks in the U.S. as it requires a significantly higher level of investment both from a time and resources perspective.

## FedNow from the Federal Reserve

The Federal Reserve launched its own Real-Time Payments network in July 2023 (the Federal Reserve refers to real-time payments as instant payments). The FedNow® Service is an “interbank 24x7x365 RTGS service with integrated clearing functionality to support instant payments in the United States”. It’s intended to be an efficient payment system that creates a foundation for depository institutions to build modern, innovative, and safe instant payment services. It’s accessible to virtually all U.S. depository institutions—including smaller institutions in rural and remote areas of the country.

The FedNow Service works by settling obligations between depository institutions through debit and credit entries to balances in their master accounts at the Reserve Banks. There’s a requirement that participants make the funds associated with individual payments available to their end-user customers immediately after receiving notification of settlement from the service. Fraud tools are also included, such as the ability to set lower transaction value limits and specify conditions where transactions would be rejected. In Jan 2021, the FedNow pilot program launched which Alacriti had the opportunity to participate in. The program had over 200 financial institutions and processors that helped support the success of the FedNow launch.



*The Federal Reserve FedNow Service*

## Ways to Connect:

Similar to the options for TCH's RTP, participants are able to access the network through third-party service providers and fintech's that have a sponsored connection to the Fed via FedLine Direct. Additionally, third party aggregators and correspondent bank setups similar to the Fedwire setups today are used.

### **Conclusion: Start Your Real-Time Journey**

There is a lot of action in this space today, and still, plenty of dust to settle in terms of volumes and use cases. Alacriti sits on the U.S. Faster Payments Council's Education and Awareness working group. In this group, discussions on new use cases and which networks can support what functionality takes place real-time, as details of the new networks become available and operating rules and transaction limits change. Working closely with a fintech will help you navigate today's changing landscape and maximize your flexibility to adapt to this rapidly changing market, all while meeting your client and members' needs of today.

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*Alacriti's centralized payment platform, [Orbipay Payments Hub](#), provides innovation opportunities and the ability to make smart routing decisions at the financial institution to meet their individual needs. Financial institutions can take full ownership of their payments and control their evolution with ACH, Wire, TCH's RTP® network, Visa Direct, and the FedNow® Service, all on one cloud-based platform. To speak with an Alacriti real-time payments expert, please [contact us](#) at (908) 791-2916 or [info@alacriti.com](mailto:info@alacriti.com)*