

## Card Based Faster Payments in Today's Digital Economy



Immediate gratification and the ability to move money in just minutes are expected by consumers and businesses alike. That expectation includes instant disbursement—from payroll to P2P to insurance benefits. However, the current money movement ecosystem has challenges that need to be addressed. Financial institutions need a payments strategy that addresses the needs of today. One option is Visa Direct, which makes faster payments more accessible (both geographically and in volume), closing the gaps left by other payment rails. In a Banking Exchange hosted [webinar](#), Jaspreet Singh, Head of A2A/P2P Commercialization, and AI Griffin, Payments Practice Lead at Alacriti, discussed Visa Direct, its use cases, and how push-to-card helps financial institutions extend the reach of faster payments.

### How U.S. Consumers are Moving Money Today

Research suggests, on average, that U.S. consumers have eight<sup>1</sup> financial accounts, and through those accounts, they conduct at least fifteen transactions per year which are purely money movement transactions. For example, moving funds to brokerage accounts or high-interest savings, or sending money to others. With so many financial service providers and FinTechs targeting consumers for specific services, it is expected that the number of accounts will grow even further in the future.

<sup>1</sup>Aite Group and Visa Inc.'s Banking and Brokerage Consumer Study 2020, survey of 1,957 U.S. consumers

In the last few years, there has been explosive growth in the FinTech space, in both P2P providers or new banks. P2P providers have evolved into full-fledged financial service providers, adding brokerage, crypto, and many services that are typically associated with traditional financial institutions. There's a lot of focus on identifying a key need that a customer has and then optimizing the user experience to build their user base. From there, the service providers expand into various territories and continue to innovate on their products and the customer experience.

Financial institutions have been trying to keep pace by offering some of the products and capabilities that FinTechs provide. However, there is still a key gap in the user experience, e.g., onboarding, personal finance tools, or UX design. The gap is even more evident when it comes to money movement. FinTech platforms have optimized the user experience around money movement—offering multiple payment options.

Money movement between financial accounts has traditionally taken place on ACH and bank wire rails. These traditional methods can present inefficiencies, such as longer time to settle, limited availability (business days and hours), lack of cross-border options, and a lack of real-time authorization. However, 90%<sup>2</sup> of surveyed consumers (~2000) want the flexibility of real-time transfers between their financial accounts, and 74% indicated that they may switch accounts to an institution that offers real-time payments in the future. In addition, 70% of consumers prefer debit card numbers over bank account and routing numbers for payments. "I think it's really important to think about real-time services on your platform because most of the FinTechs are offering real-time payment services," shared Singh.

## Visa Direct

Visa has a real-time money movement platform—Visa Direct. From an origination standpoint, the Visa platform has two transactions. There is an AFT transaction (Account Funding Transaction) and OCT transaction (Original Credit Transaction). As the name suggests, the AFT transaction is used for funding an account. For example, if you have to move money from an external bank account to your bank account, then AFT is the transaction. That's used to move money in real-time. And if your customer wants to move money out of your bank account to another bank account, then OCT is the transaction type that gets used. The application of these transactions and the use cases could vary. You could apply the same transactions in different scenarios, such as me-to-me transactions, A2A, B2B, or cross-border transactions. These transactions flow through the traditional VisaNet, which comes with the benefits of fraud tools that are available through Visa.

Visa Direct is a mature product, doing 5B+<sup>3</sup> global transactions across over 500 programs, with ~120m active cards. It can be used in the U.S. or any other country. There is a cross-border solution where your customers can now send money across the globe to any debit card or any bank account. Not every country is the same—in some countries, debit card prevalence is not as high as bank account prevalence. The Visa Direct connection enables both sending cross-border to a bank account and to

<sup>2</sup>Aite Group and Visa Inc.'s Banking and Brokerage Consumer Study 2020, survey of 1,957 U.S. consumers

<sup>3</sup>Visa FY 2021 Q4 Earnings Transcript

a card account. Visa Direct also has a domestic and cross-border reach of around 180+<sup>4</sup> countries, which is a key differentiator as other payments in the market tend to be mostly domestic.

## Use Cases

There are many use cases where Visa Direct is beneficial. For example, an Uber driver who wants to get paid immediately or a customer requesting a claim from an insurance service provider. In the financial services space, funding a crypto account or sale of crypto and moving the fiat off the platform. In the account-to-account scenario, a customer can move money into or out of their banking or financial accounts. Also, all of the P2P platforms currently use Visa Direct. It can also be applied to cross-border remittances.

### Visa Direct Spans Across a Variety of Different Use Cases

<b>Insurance</b> 	<b>Gig Workers</b> 	<b>Earned Wage Access</b> 	<b>Marketplaces</b> 	<b>Content Creators</b> 
<b>Gaming</b> 	<b>Merchant Settlement</b> 	<b>Supplier Payments</b> 	<b>T&amp;E</b> 	<b>Crypto</b> 
<b>Healthcare</b> 	<b>A2A</b> 	<b>P2P</b> 	<b>Remittances</b> 	<b>Government</b> 

Singh explained that the benefits go beyond the user experience. “We believe that user experience is one area where you should always be working because that leads to customer stickiness and engagement for your platform. But in terms of building a business case internally, think about scenarios where your customers are trying to open a new account. At the time of new account opening, they’re prompted to enter their bank account details to pull the funds. And you know, in many instances, they don’t have the information available, and there’s no guarantee that they’re going to return to fill in that information. A debit card is a readily available payment method that’s in your wallet all the time. By offering this debit card based real-time funding option, you can optimize the new account opening process and even regular funding of an account. Not only could you optimize the overall experience for the customer, but you can also make the customer account operational right away because the funds are available. In working with many clients, what we have realized is that once that option is enabled, customers want to do more and more.”

<sup>4</sup><https://www.alacriti.com/card-based-faster-payments-in-todays-digital-economy/>

From a customer standpoint, they need the flexibility to move funds in and out the way they want. Ninety-two percent<sup>5</sup> of surveyed customers report it's important to have the ability to transfer funds into their account in real-time, while 93% believe it's important to be able to transfer funds out of their accounts in real-time. With the ability to enable P2P transactions and cross-border transactions, financial institutions can enable a frictionless experience, leading to top-of-mind awareness for their financial institution and debit card, leading to more usage and debit lift on the spending side.

## Advantages to Business Customers

Account opening is a clear benefit in terms of convenience, and it benefits the financial institution by preventing abandonment. Also, think of scenarios where your customers might be going to another remittance service provider. Is there a business benefit for you to provide that use case to your customer? If your customer base is such that it does a lot of remittances and there's a monetization opportunity, these remittances could turn into a revenue stream. It's not just the user experience. There's a real business benefit from revenue generation. In addition, consider that faster payments help liquidity management in businesses, which is another key feature.

## Safety

On the webinar, it was asked how ownership of the debit card is validated. For example, if someone finds a debit card, can they request an AFT? Visa offers services like address verification and CVV checks. Mismatches can be figured out from there. In addition, some best practices and controls can be applied based on the number of cards the customer can load on their account or based on the typical behavior of the accountholder. Some tools are available with direct APIs that can be accessed right away. In addition, when people send money back and forth on Visa Direct, they do not share debit card number information for P2P. There are two aspects of a P2P transaction on Visa Direct—domestic and cross-border. When initiating an OCT (Original Credit Transaction), Visa requires the originator to provide the sender information (send name and send address). Also, acquirers and originators have to comply with all of the rules and regulations applicable in the jurisdiction. Visa does do some OFAC screening on the centers and requires the service providers to do the OFX scanning on both centers and recipients as well. Visa also has transaction and velocity limits on the OCT message (for example, \$10,000 per transaction for P2P).

## Today's Choices

Griffin noted the rapid advancements in the payments industry of late, "The payments landscape seemed to be very static for so long. Now, it seems that every six months to a year, there's something new coming up demanding more speed, liquidity, and fraud protection. So there's a lot of different choices now for consumers and businesses to send their payments, whether it be through the Visa Direct push-to-card (which has the advantage of being both domestic and international),

<sup>5</sup>Aite Group and Visa Inc.'s Banking and Brokerage Consumer Study 2020, survey of 1,957 U.S. consumers

the RTP® network, the FedNow<sup>SM</sup> Service (which will launch in 2023), Zelle, or ACH. Even NACHA can support a faster payment now because of the ability to do same-day ACH. All of these rails work together to provide your customers and your business customers with the solutions that they're looking for. It is important to understand your customers' needs and use cases to facilitate the available payment rail choices and settlement speed. One rail is not going to fulfill all the demands of consumers and business customers."

## Connecting to Visa Direct

When thinking about your payment objectives, think about how you're going to deliver to your customers—e.g., through the online banking channel or mobile channel. What does that mean from a development standpoint for those points of contact with your customers? How fast can that occur to meet the use cases? This is something that Alacriti can facilitate with the [Orbipay Cosmos](#) payments platform—delivering overlays to enhance the workflow and the solution to make sure you're able to provide customers with the payment capabilities they're looking for today.

A key feature of Visa Direct is that it offers both domestic and cross-border payments. Whether it's getting money from an account at one financial institution to another or sending money to family members who are abroad. This avoids the fees associated with foreign exchange wires. Another key feature is global ubiquity—the chances of being able to move money from card to card are very high, whereas we're still growing with the RTP network. The Visa network is an established network that can process the exchange from end-to-end, utilizing all the services from fraud detection that Visa provides as well as the fraud protection Alacriti will provide from the Orbipay Platform, which will tie into your enterprise fraud solution.

[Orbipay Push-to-Card](#) is fast (funds mostly settle in 30 minutes), secure, convenient, and 24/7/365. It works on all eligible Visa debit and reloadable prepaid cards, so it doesn't have to be a specific type. This has a reach of over 16,000 financial institutions and over 2 billion cards globally. This is just one of the services of the Orbipay Platform, which is ISO 20022 native, and microservices enabled. Alacriti offers open APIs and single sign-on capabilities. Also, Alacriti provides the UI/UX overlays that work in conjunction with what financial institutions have today. Smart routing provides the user with different options based on the amount and the timeframe in which they want the transaction to occur.

Griffin shared his perspective on the various choices of rails available. "With all of the options, such as ACH, Visa Direct, the RTP network, etc., there is a space for each of those. They're all based on the different use cases and the demands that your clients are looking for. It's not a one size fits all. It's really a global offering of all these types of payments rails to meet the demands of your customers, so they're able to get the money moved, where they want to move, in the time they want to move it. And customers really don't care how it gets there—all they care about is having the tools they need as well as proactive fraud checking, which we're able to provide."

If your financial institution is a Visa acquirer, you'll get started by filling out a project information form, which takes two to three weeks to process. At that point, Alacriti can take over and get you up and running in a matter of weeks. This is important

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considering the data showing a preference for instant payments speeds and that customers are more likely to work with a business that offers faster disbursement through push-to-card.

When thinking about your strategy, think about what your users are looking for, what your businesses are looking for, and how you can meet those needs through the various payment channels and use cases. The Orbipay Platform puts you in the driver's seat—allowing you to take control of where you want to start in the process from a receive to send perspective on a fast timetable.

## Why Go With a FinTech for Visa Direct

Alacriti provides the ability to have all of the rails through one solution and essentially pay as you go. Because the back office integration with your core is already done, it's just a matter of enabling the rail and doing whatever certification is required of the rail provider, whether that be FedNow or Visa Direct. It can help facilitate how you can distribute those user experiences to your customers for the different use cases that come up and how they can apply to one rail versus another.

To learn how Visa Direct can help financial institutions address the dramatic rise in faster payments, watch the full webinar, **Card Based Faster Payments in a Today's Digital Economy**, featuring Visa and Alacriti.



WEBINAR PLAYBACK

### Card Based Faster Payments in Today's Digital Economy

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The graphic features a dark background with a faint image of a Visa credit card. A large white play button icon is centered in the middle. The text 'WEBINAR PLAYBACK' is at the top in light blue. Below it, the title 'Card Based Faster Payments in Today's Digital Economy' is in white. A blue button with 'WATCH NOW' in white text is positioned below the title. At the bottom, the Alacriti and VISA logos are displayed in white.

Alacriti's centralized payment platform, *Cosmos Payments*, provides innovation opportunities and the ability to make smart routing decisions at the financial institution to meet their individual needs. Financial institutions can unify payment processing all in one cloud-based platform—ACH, the FedWire Funds Service, TCH RTP® network, Visa Direct and soon, the FedNow<sup>SM</sup> Service. To speak with an Alacriti payments expert, please [contact us at \(908\) 791-2916](tel:9087912916) or [info@alacriti.com](mailto:info@alacriti.com)