

It's Time..... Faster Payments Are Here

Holger Ebert
Division Manager, Treasury Management
Government & Institutional Banking
Wells Fargo Bank, N.A.

October 8, 2018

Together we'll go far

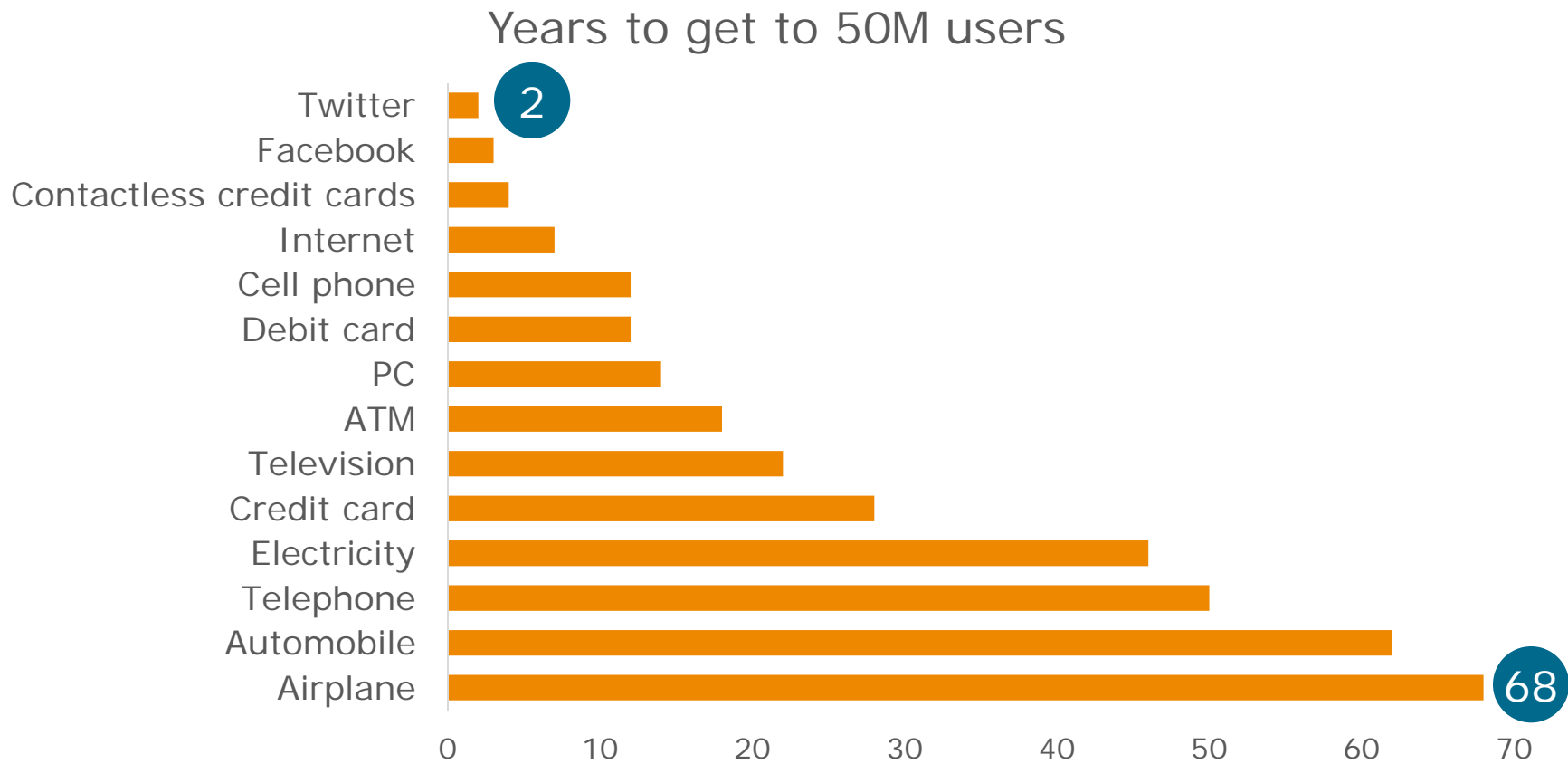


Hold on to your seats

The pace and promise of change has never been greater

A word cloud of adjectives representing trends and promises of change. The words are arranged in a roughly rectangular shape and include: newer, bigger, brighter, smarter, sharper, faster, newer, cheaper, better, safer, brighter, cheaper, sharper, bigger, safer, and better. The words are in various colors (green, purple, orange, blue, brown, grey) and orientations (horizontal and vertical).

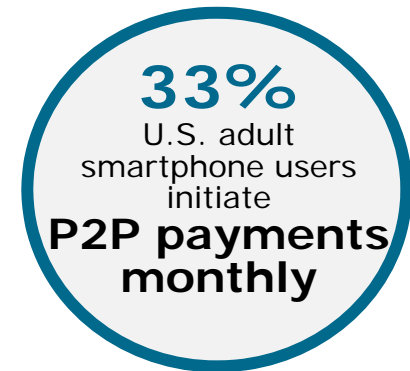
The pace of change is getting faster



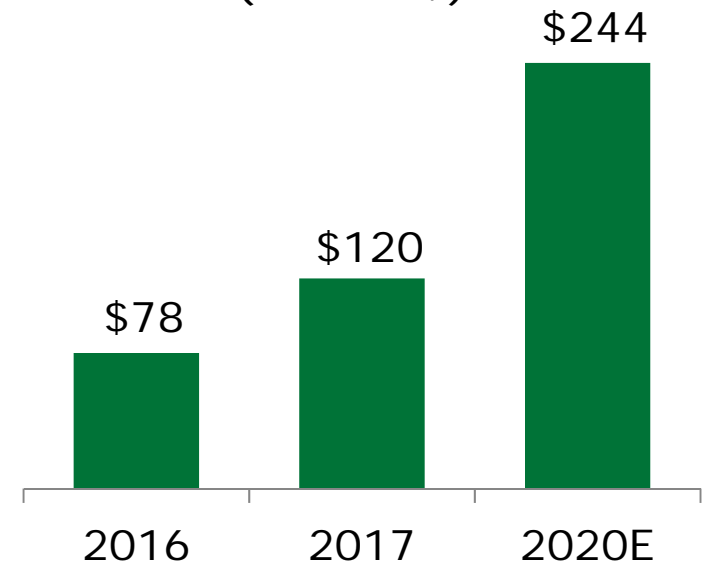
Oracle and Efma, "Digital transformation," February 2016, adapted from Banking 3.0 by Brett King

The Need for Speed “Drivers”

Digital payments are catching on



U.S. P2P mobile payments
(Billion \$)



Sources: Gartner, eMarketer.com, Mobile Commerce Press, Mintel

The payments landscape is changing **fast**

“Mobile P2P [peer to peer] payments have been driven by the desire for **convenience**, on-demand payments and the widespread adoption of smartphones.”

The Need for Speed “Boosting”

A catalyst for innovation



- Simple API integration lowers barriers to entry, accelerates development cycles, and cuts time to market.
- Ease of sharing data between platforms drives open technology strategies, composite products across providers, and coopetition.
- Check weather, buy an umbrella and have it same-day delivered to your hotel – all from an airline app before you leave home.

Businesses that
were once on
every corner

And then on
any screen...

Are now inside
every app, and
anywhere else

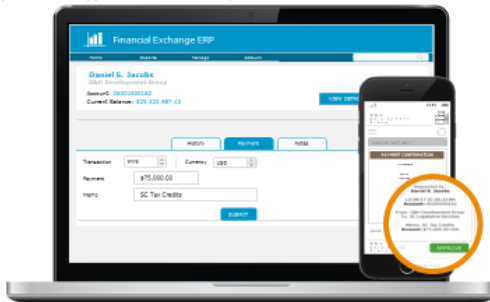


API | Application Programming Interface

An API is a **real time message between two different systems**. One system initiates a message/request and the 2nd system replies with a response that occurs within seconds.

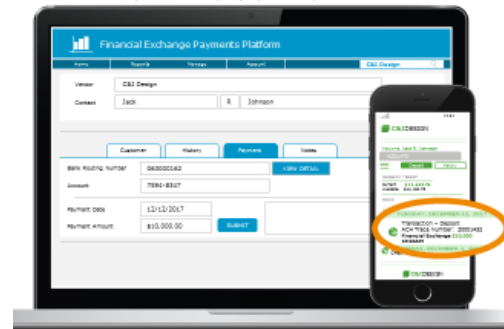
Wires: Easily send wires any time

Wire payments and approval built into entity's ERP



ACH: Easily send ACH any time

ACH payment to vendor directly from entity's payments platform



Account Balance: Retrieve balances real time

Account Balance automation is built in entity's ERP



ACH: Quickly search and retrieve status real time

ACH status search built into entity's mobile app



Wires: Quickly search and retrieve status real time

Wire status search built into entity's ERP



Transaction Detail: Search and view real time

Account transaction search built into entity's customer service system



Same Day ACH



< 12 hours



What is Same Day ACH?

Use a bank account number, routing number, and established ACH network to send or receive payment

Funds available to receiver by 5:00 p.m. RDFI local time

Same Day ACH use cases

In 2017, 75.1 million payments totaling more than \$87.1 billion.¹



G2C

- Emergency payrolls
- Hourly workers
- Insurance Claims
- Refunds



G2B

- Vendor payments
- Tax payments
- Payments to release goods or provide services



C2G

- Consumers can make bill payments on their due dates
- Faster credit for late payments



C2C

- Consumers can move money between accounts
- Person to Person Payments

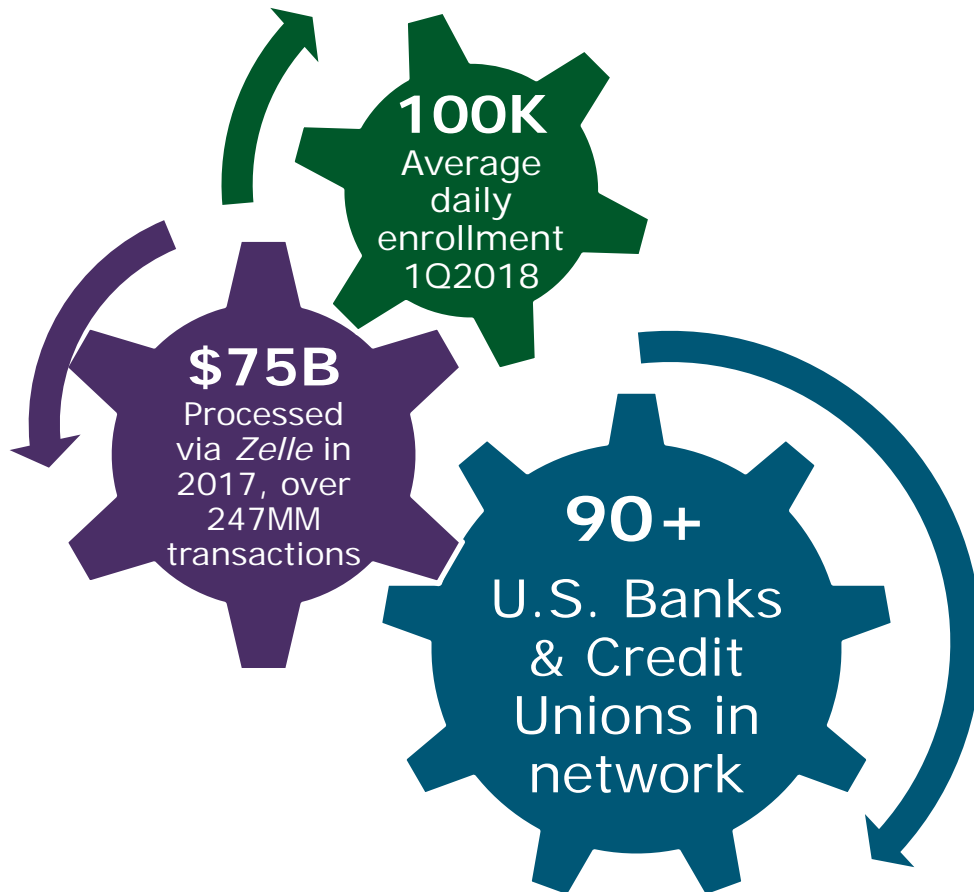
¹ Source: NACHA

Business to Person (B2P) payments via Zelle[®]



< 2 days

The *Zelle* network



zelle[®]

Alias-based directory

Supports Peer-to-Peer (P2P) and Business-to-Consumer (B2C) disbursements

Connects nation's leading financial institutions

Registering with *Zelle*

Who can register?



Any individual with a domestic account
No need to bank with an in-network bank

What is needed?



An email address or U.S. mobile phone number
& a personal domestic checking or savings
account, or a debit card linked to such account

Where to register?

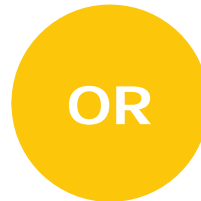
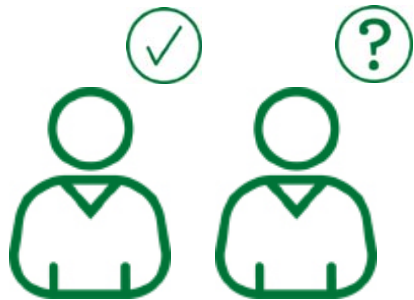


Individuals can go to zellepay.com to get started. For individuals who bank with an in-network bank, they can also register through their bank's online portal or bank app

Payee is not enrolled with *Zelle*?

If your payee is not enrolled with *Zelle* at time of payment origination, payment failures can be avoided using one of the following optional features.

These features reduce the need to ensure payees are registered prior to payment origination.



Unregistered Payee Option

- If payee is not enrolled at time of payment origination, some Providers offer the option to email payee a one-time registration invitation, including instructions for enrollment to receive the electronic payment

Check Completion Option

- If payee is not enrolled at time of payment origination, some Providers will automatically issue a check payment
- You include complete check instructions along with the *Zelle* payment request

Push to Card





What is Push to Card?

Near real time, settles
in seconds

Direct issue of credit to
a customer's debit card

No need to collect or
store customer banking
information

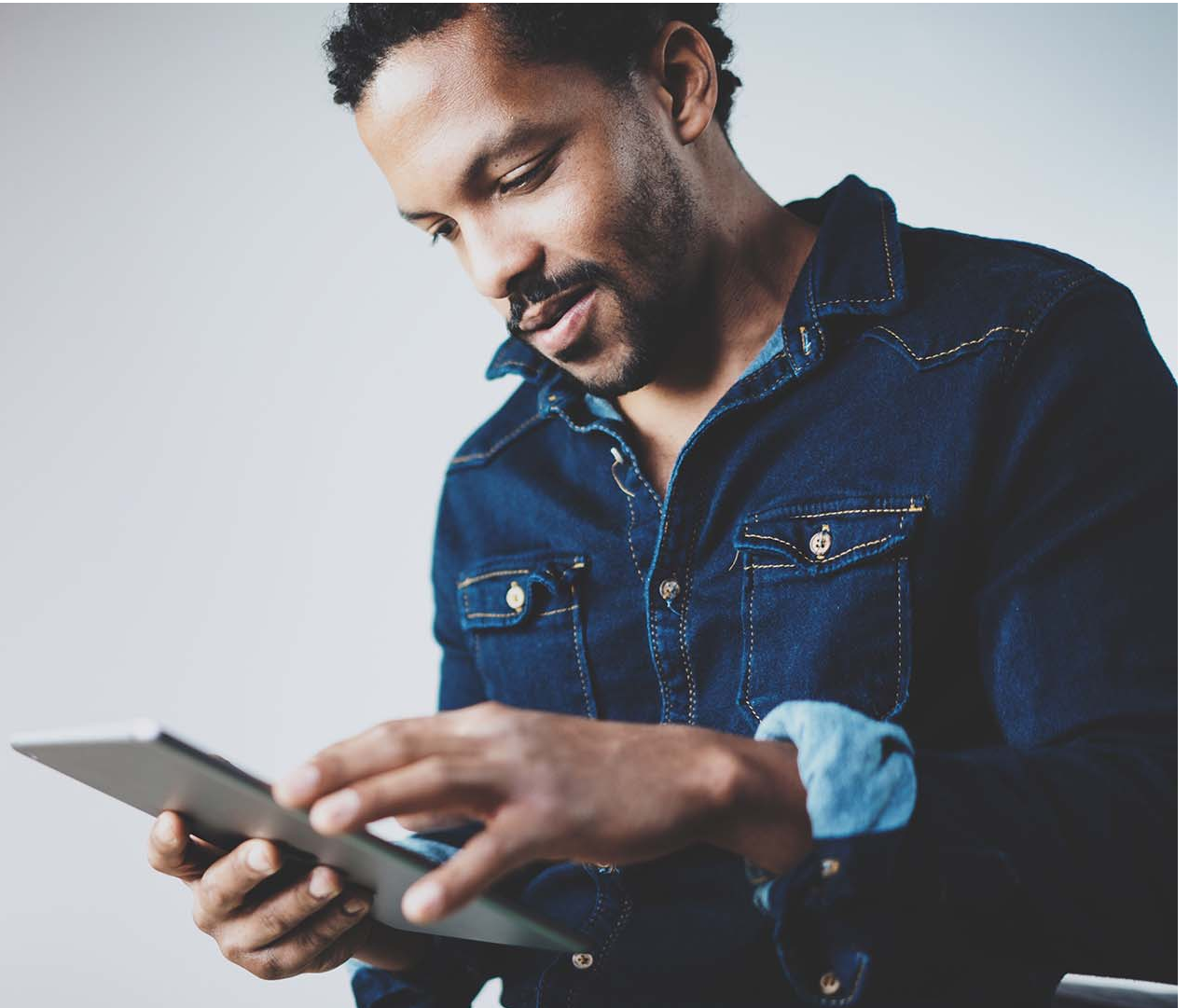
Why choose to integrate it into your business strategy?

Real time, anytime

Flexible and scalable

Efficient

Saves money



Real-Time Payments

tomorrow



Real Time Payments

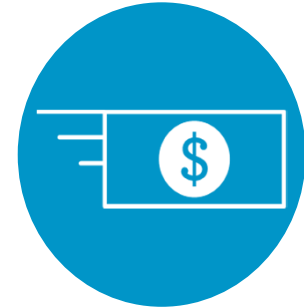
Really Fast ➔ 24/7/365

Send or receive payments at any time
Settle within five seconds
Request for Payment (RfP)
in lieu of debit pulls



Immediate credit

Up to \$25K credit push only
Instant confirm of receipt
Non revokable




Real-time messaging

Rich data options and remittances
Global ISO20022 standard



↑ cash flow ↓ cost

Hold onto your funds longer
Lower cost than wires
Quicker reconciliation



What to consider when preparing for RTP

Changes to the way you will **reconcile** – Faster Payments will post instantly to your account

Irrevocable transactions, like mini-wires

Cash Flow changes – hold onto your funds until the very last second

Technology – Do you have the ability to send payments in real time and obtain status back in real time (e.g. APIs)?

The Need for Speed Risk Management

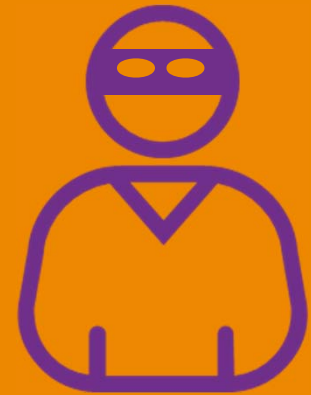
Fraud trends

Fraud attacks are evolving...

> **400 businesses**

are targeted by **business email compromise (BEC) scams** every day, with small- and medium-sized businesses the most targeted.¹

64%



of companies have been exposed to **impostor fraud**.²

Are your fraud protection efforts keeping pace?



Check fraud

\$1,000 – \$2,000
per occurrence



Wire fraud

\$130,000+
per occurrence



System fraud

\$1 mil. - \$10 mil.
per occurrence

Typical payout ranges for common forms of fraud³

1. According to the FBI BEC Notice in May 2017.
2. The AFP Fraud and Control Survey, 2017.
3. "Understanding Payment Fraud to Prevent Attacks", TreasuryXpress, 2017.

Faster transactions reduce your window to detect fraud

Check



Days

ACH



Days

Same Day
ACH



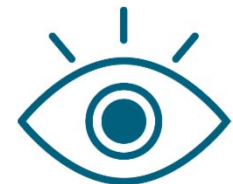
Hours

Wire
transfer



Minutes

Instant
payment



Seconds

Know what you need to protect



Data

Hacking, data breach, misuse



Credentials

Account takeover fraud



Identities

Impostor fraud, phishing, social engineering



Reputation

Counterparty risk, financial fall-out, loss of confidence

Due diligence questions to ask

- Who has access?
- How will systems connect?
- What security protocols are in place?
- How will the data be protected?
- Who is responsible?

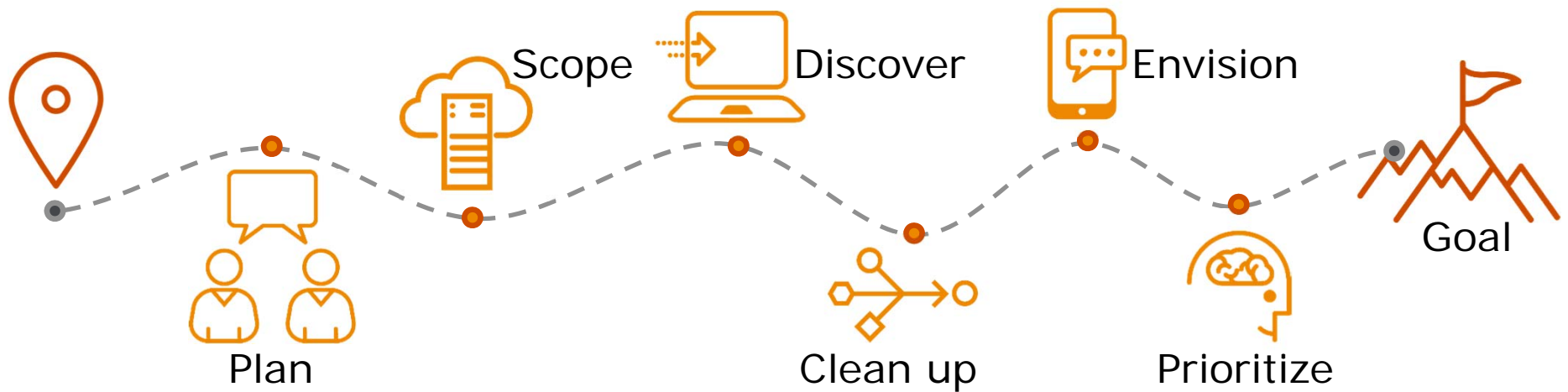


And for payment methods:

- What is authorization process?
- Can we manage it with dual controls?

The Need for Speed
Where do I begin?

How can digital tools transform your treasury?



Your digital transformation is a journey

Invite the right team to the table



**Treasury
leadership**

IT

**Frontline
staff**

**Key Depts
/ Agencies**

Bank

Digital Transformation – Why care?

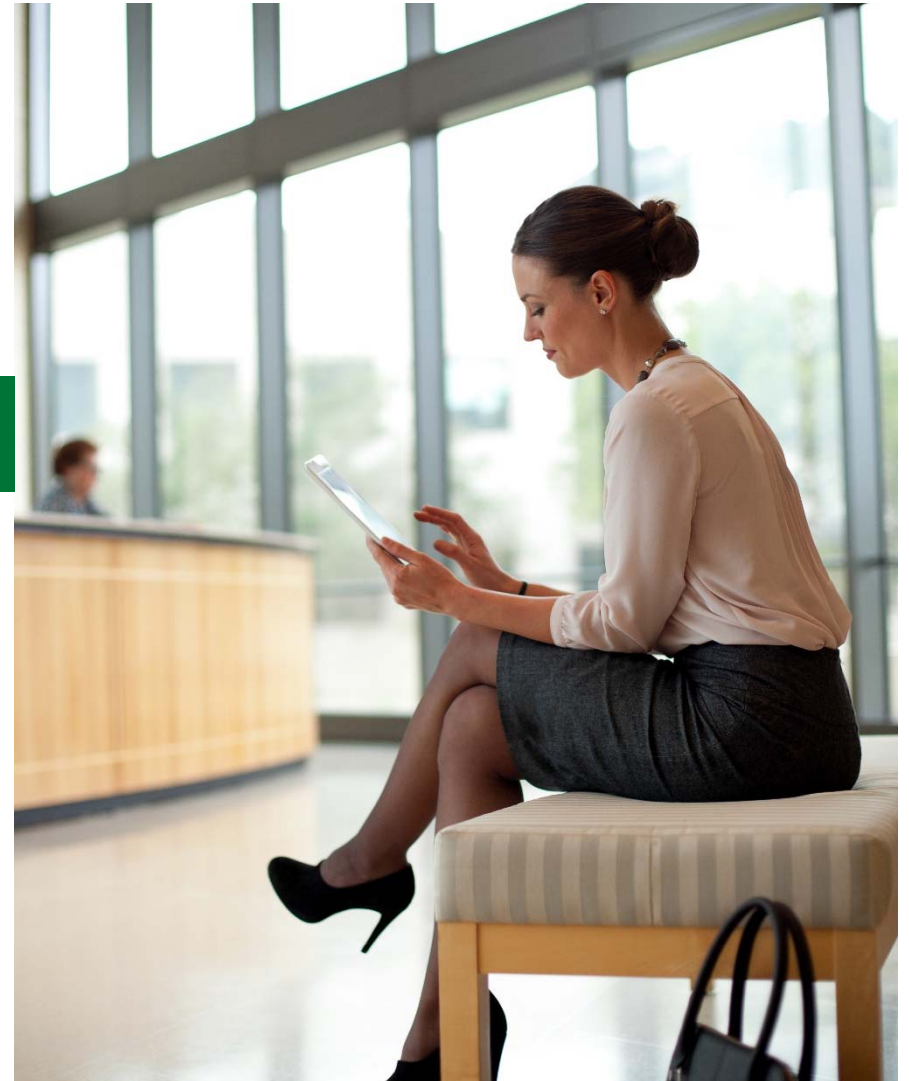
- Your constituent base is changing
- Your workforce is aging
- The desire for convenience is stronger than ever
- Millennials care about technology
- Millennials have a different view of dealing with issues

Evolving expectations mean adopting new tools

Must haves:



- Mobile experiences
- Real-time speed
- Omnichannel access



You know more than you think you do

Technology doesn't change your core business
but helps you change how you run it.

Holger.Ebert@wellsfargo.com

Division Manager

Government & Education Treasury Management

704.410.0727

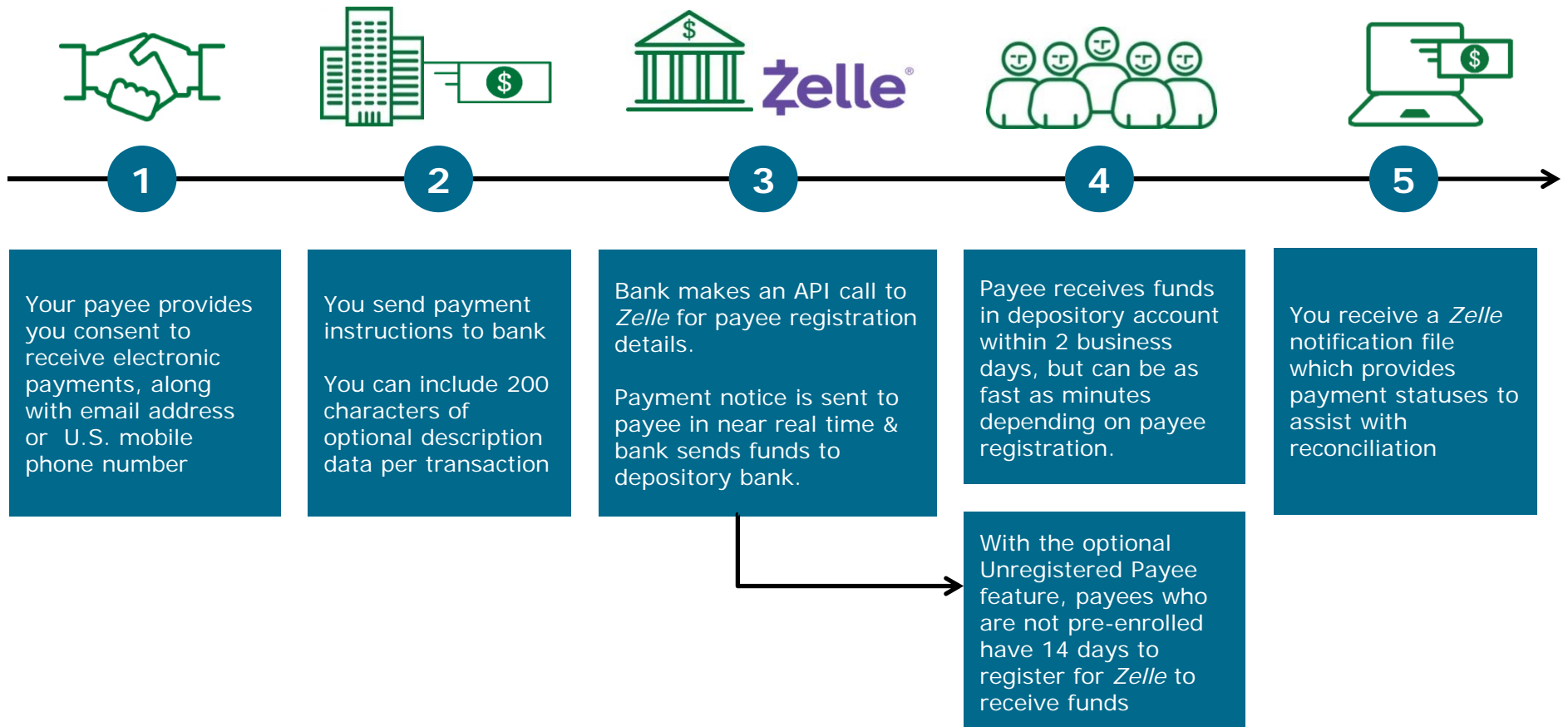


Thank you

The Need for Speed

Appendix

How *Zelle* payments work



Sample webpage signup for *Zelle* payments

ACME Insurance Insurance Finances Claims Customer Care My Accounts

Claim Detail

William, you have an outstanding payment owed to you in the amount of: **\$2,000.00.**

If you make no changes, we will mail you a check for the full amount on 11/20/2015 to the address we have on file:

William Fargo
123 Main Street
Any Town, USA 12345

[Click here](#) to change this address

NEW! You also have the option to receive the money electronically via your email address/mobile number:

Learn how this works by [clicking here](#) :

Send money to the following email address/mobile number:

Please re -enter your email address/mobile number:

Check this box to acknowledge **Terms and Conditions** of the service

My Claim Contacts

Henry Wells is handling:

Collision
Phone: (877) 123-4567 ext. 12
Fax: (800) 123-4567 (Please include your claim number in the fax)

Claim Team is handling:

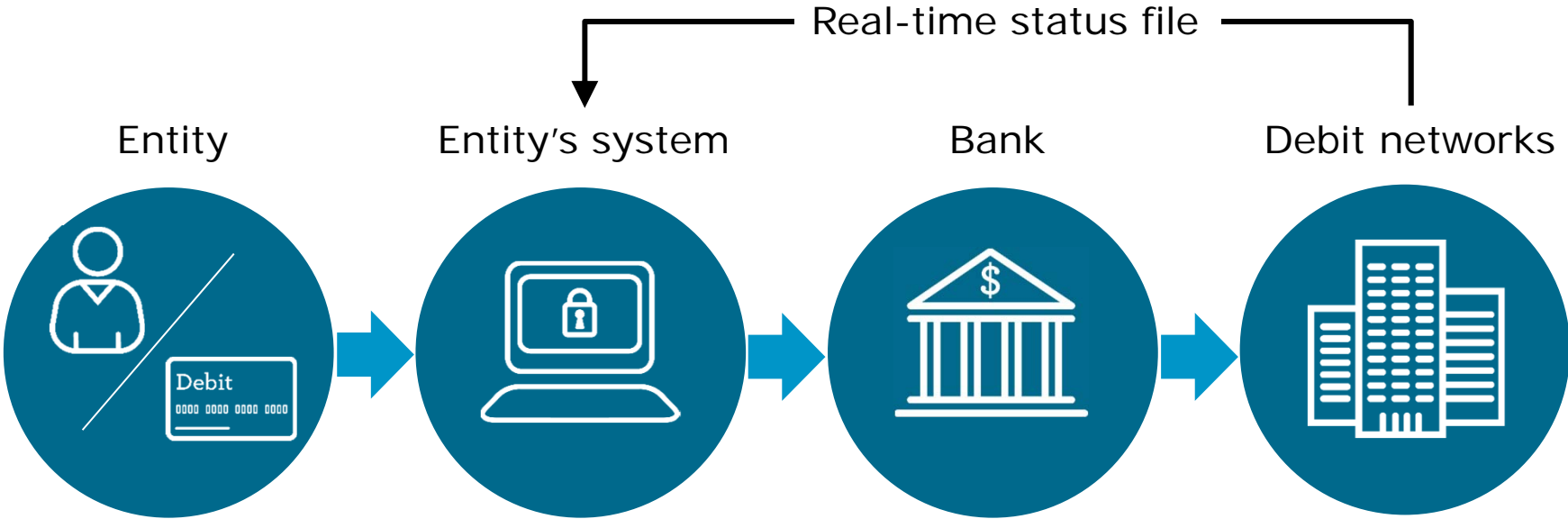
Rental Reimbursement
Phone: (844) 333-4567 ext.123
Fax: (855) 222-1234 (Please include your claim number in the fax)

See the [Overview](#) tab for more details

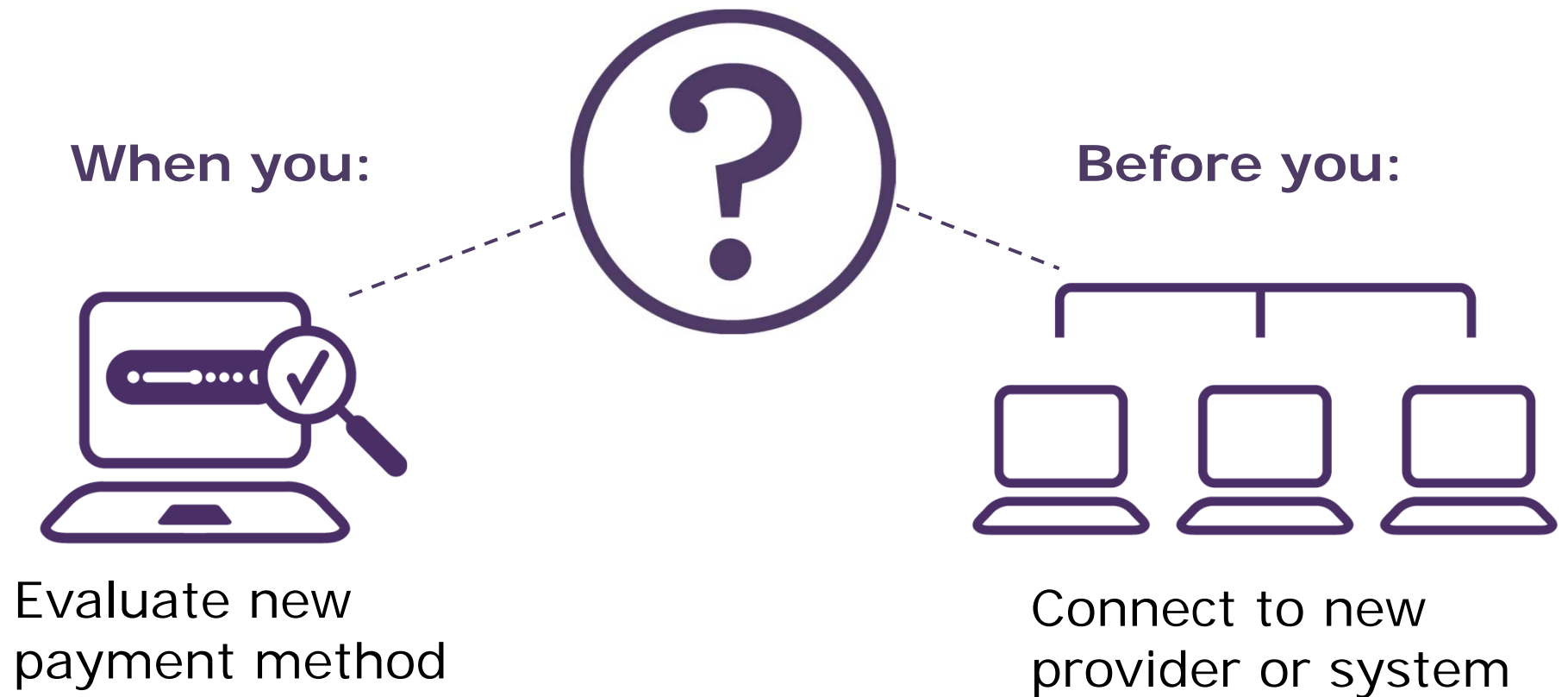
Explain the Claim

- Report
- Initial Contact
- Investigate
- Common Coverages
- Liability Coverage
- Rental Coverage
- Medical Coverages
- Other Coverages
- Estimate & Repair
- Subrogation
- Damage Assessment
- The Repair Process
- Staff Written
- Getting a Rental
- Payment
- Claim Payment
- Close

Push to Card — workflow



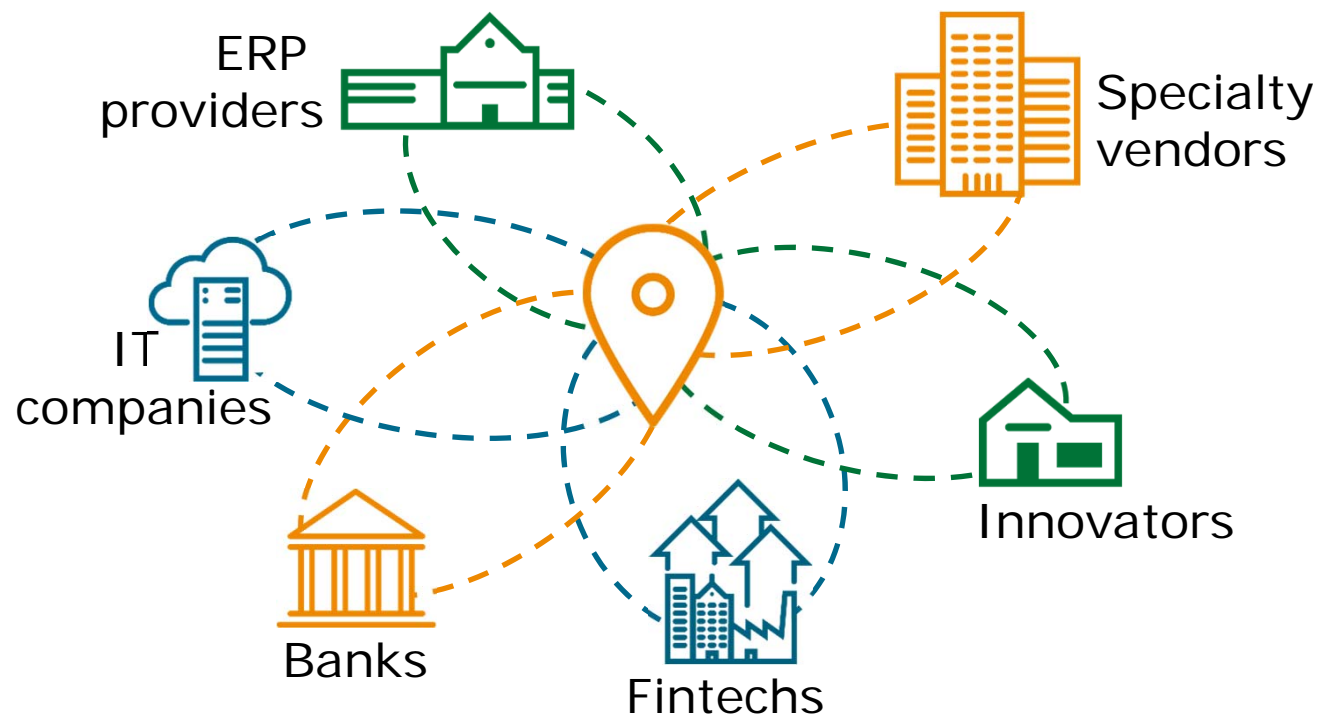
Two instances when due diligence is vital



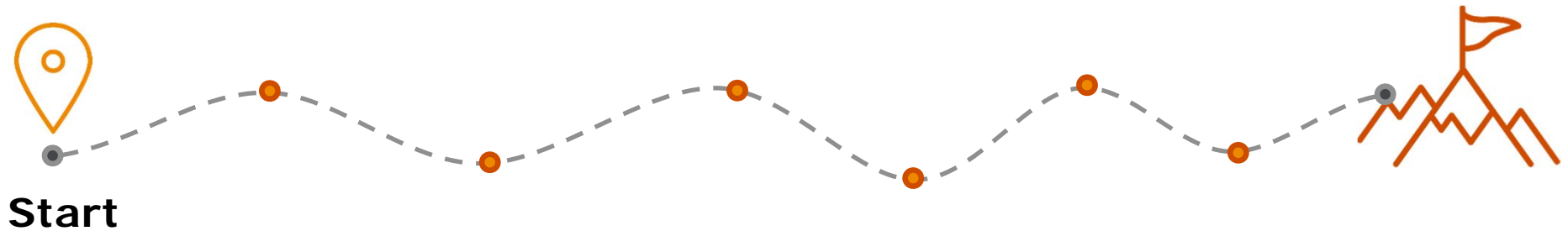
You'll need to manage three generations of technology—all at the same time



Complexity will increase as you evaluate and work with new providers



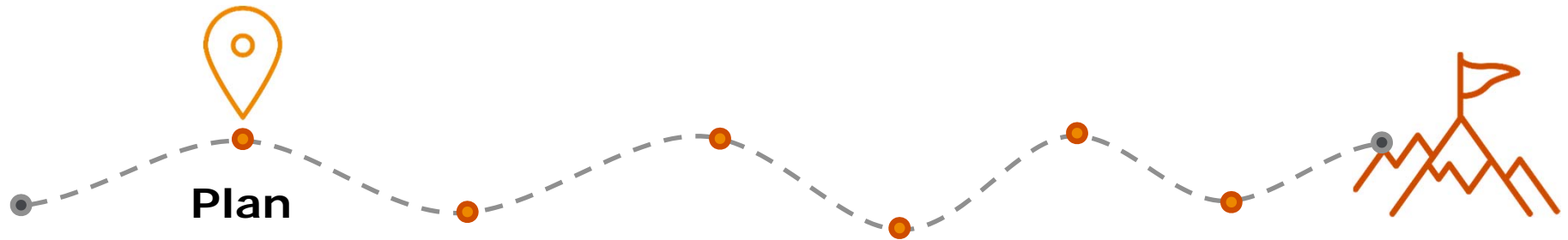
Begin with a destination in mind



Link your strategy to:

- Entity priorities
- Treasury management goals

Use as a tool for making high-level decisions

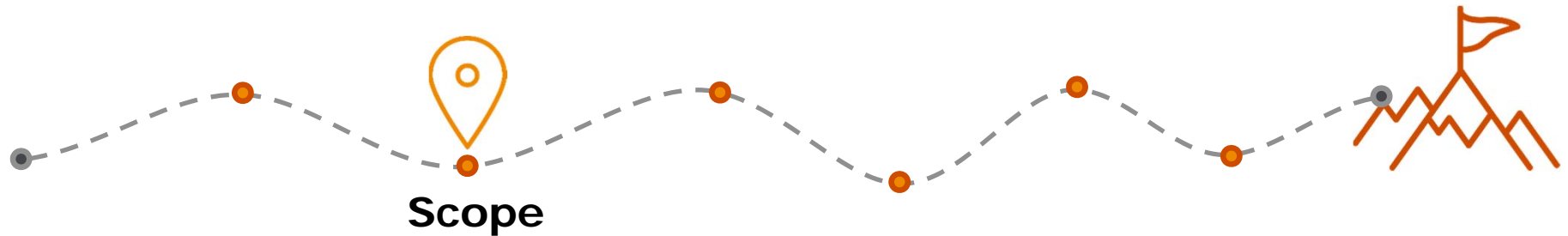


How: Build vs. buy; new tool vs. enhance existing

When: This year vs. longer term; independent schedule vs. simultaneous with other upgrades

Who: In-house vs. external resources; current vs. new providers; to serve customers vs. suppliers

Define a manageable scope



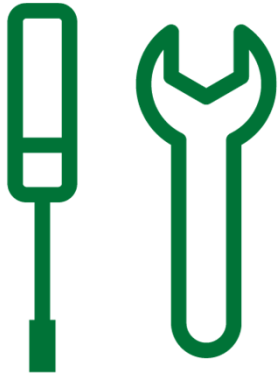
Tackle one area at a time:

Procure-to-pay

Order-to-cash

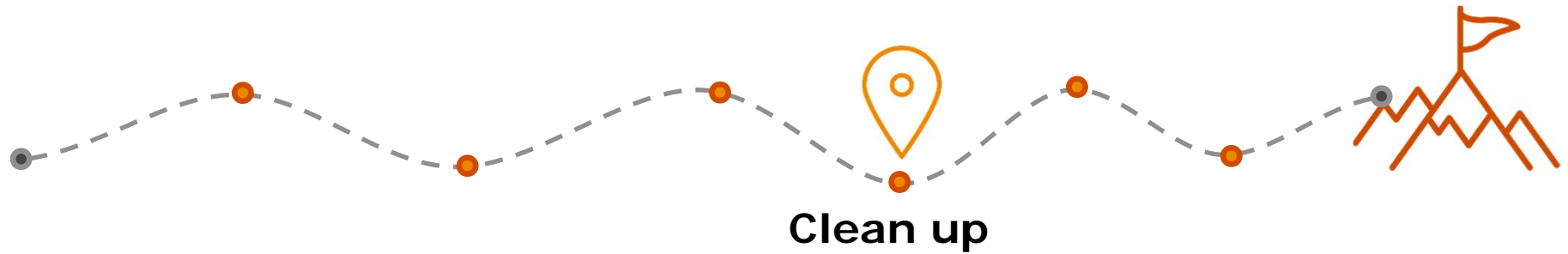
Cash management and liquidity

Understand your current processes



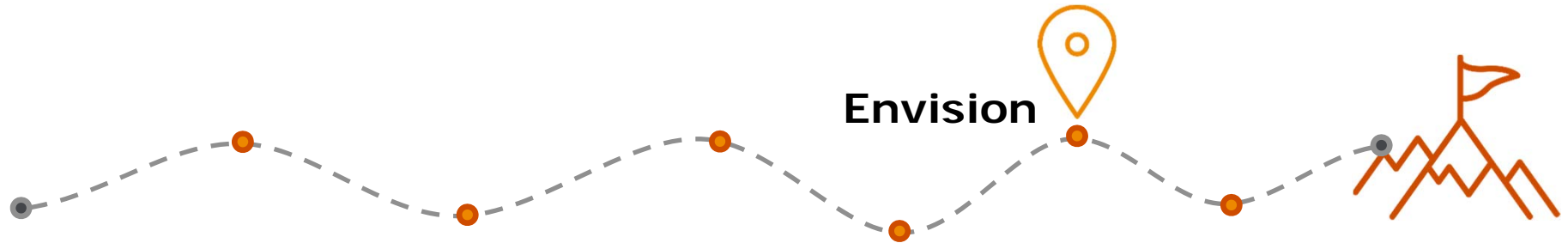
- Document your work flows
- Obtain front-line input
- Attach real numbers
- Conduct usability studies

Make good data a priority



No more "garbage in, garbage out"

Envision a better way to work

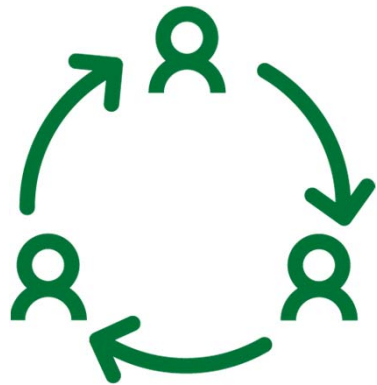
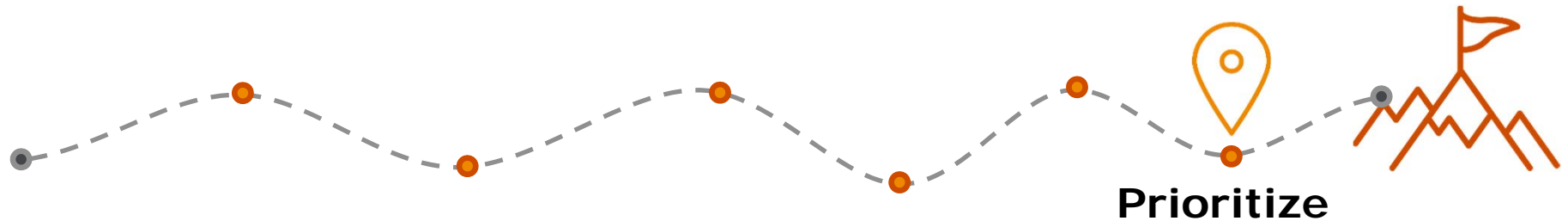


Think differently

- Break down internal silos
- Take an outside-in perspective
- Consider user experience
- Assess information needs



Prioritize and define your path



- Evaluate your options
- Involve IT and outside resources

Goal: Match your level of investment and pace of change to your goals