



ARTICLE

Prepare for instant payments in cash and treasury

Get ready for real-time payments

Global events and changing consumer expectations continue to accelerate digital and mobile commerce, prompting the need for a more modern payment system.¹ Now, for the first time in 40 years, the Federal Reserve is rolling out a new solution designed to modernize the US payment system: the FedNow Service. As a result, individuals and businesses can expect to send and receive instant payments (near real time) when interacting with financial institutions that are part of the FedNow program.² FedNow is expected to launch in 2023.

Banks and other entities are being urged by global regulatory agencies to educate and ready themselves for the impending payment changes. Whether it is Pay.UK, Payments Canada, or the Federal Reserve, they're each encouraging financial institutions, fintech firms, and businesses to prepare to leverage and capitalize on the benefits of instant payments. The Federal Reserve in the US has recently launched web content, an education series, and a short overview video that offer information and guidance.

Today, financial services organizations are more focused on what's necessary to safeguard business continuity and solvency. Much of this begins with greater visibility and reliability of key data to help drive critical business decisions, especially during critical market changes. Whether you call it faster payments, immediate payments, instant payments, or fast money, RTP technology has gained a solid foothold in the payment processing world.

Ensure you have the right tools for intraday cash and liquidity management

For you to effectively manage liquidity risk with increased payment speed, you must consider how instant payments will be integrated into your processes. Internal systems and functions that are designed around the business day and batch process will need to adapt or be replaced.

Financial services organizations should invest in monitoring tools that are specifically designed to help reduce cash and collateral buffers that are provisioned for business-as-usual operations, as well as stressed scenarios. With the increasing complexity of regulations, operations, processes, and unexpected disruptions, achieving efficient and low-cost cash and liquidity management at minimal risk to the company should be an integral part of a financial services organization's global treasury functions. These tools help the treasurer work smarter, not harder.

Establish intraday liquidity monitoring capabilities

Banks and financial services organizations bound by intraday liquidity regulations have an opportunity to build a stronger competitive position. According to Consulting firm Oliver Wyman: "Analysis indicates that a 25–50% reduction in intraday liquidity costs is well within reach. Further, banks will also stand to benefit from optimal efficiency, improved risk management, and timely decision-making around this scarce resource."³ There are numerous financial and non-financial benefits, as well as new technological tools that simplify these complex treasury functions.

For true cash visibility, financial services organizations need to be able to monitor all intraday activity. Analytical tools for liquidity management and real-time intraday control also provide guidance for maintaining compliance with emerging regulatory requirements.

These tools empower the treasurer with key capabilities that increase value and decrease risk to the business as follows:

- **Improve intraday liquidity management**—An Intraday liquidity management tool offers comprehensive visibility into an organization's settlement activity across all of its direct and indirect accounts.
- **Optimize cash, collateral, and liquidity instantly**—True intraday control is achieved when an organization can monitor its actual account activity, compare this against expected activity, and manage any discrepancies and risks that arise in real time, every minute of every day. This ensures that liquidity is in the right place at the right time at just the right amount.

Gain complete, real-time intraday cash visibility and liquidity monitoring

Getting ready for instant payments requires that treasury employ the right processes and analysis to effectively manage cash information in real time. The paradigm shift can create significant cash and treasury issues for organizations that lack modern treasury technology; while organizations that are technologically enabled are much better positioned to respond to volatility and gain a competitive advantage in the utilization and deployment of cash.

The intraday aspects of financial services organizations' liquidity strategies have become the focus of increasing attention from regulators through compliance reporting, resolution planning, stress testing, and expensive liquidity buffer requirements. Financial services organizations must understand their intraday liquidity usage and drivers and be able to optimize funding and liquidity across the organization's range of accounts, under both normal and stressed conditions.

Forward-thinking financial services organizations recognize that gaining liquidity control in real time is critical to running an efficient and compliant business, especially in this evolutionary transformation of capabilities. True liquidity control is when the treasurer can monitor its external account activity in real time, compare this to predicted activity, and manage any discrepancies and risks that arise.

Launch your new payments infrastructure

As our daily lives move at an increasingly quicker pace, people expect payments to move just as fast, even instantaneously. Now that the payments industry has an idea of what the initial capabilities will be, there are many steps industry participants can take to position themselves as drivers of innovation and successful builders of functionality that provide a strong foundation for innovation. A significant goal of this ongoing dialogue and interaction is to establish a strong and reliable ecosystem that drives development of instant payment capabilities across the value chain.

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AUTHOR

BYRON BYRD

Director, Banking Solutions, Infor

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1. "It's a new year: Resolve to get ready for instant payments!," Federal Reserve Bank.
2. Ken Montgomery, "The Future of Payments is Instant," Progressive Grocer
3. Oliver Wyman, [Intraday Liquidity: Reaping The Benefits Of Active Management](#), p. 1

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641 Avenue of the Americas, New York, NY 10011

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