



The evolution of instant payments: Insights and future directions from The Clearing House

Cheryl Gurz, VP, RTP Product Management, The Clearing House, October 2024

KeyBank is a pioneer in using instant payments to offer clients more secure fund transfers 24/7/365, to help enhance cash flow management and liquidity. This modern payments solution empowers clients to meet the demand for fast, more reliable transactions and stay competitive in today’s financial landscape. We’re excited to work together with The Clearing House to provide this solution.

When all it takes to make a purchase is the click of a button or a swipe on a smartphone screen, it can be easy for you to assume that the transaction happens instantly. But for banks, the ability to transfer funds in real time, 24/7/365, is a relatively new development. In fact, the RTP® network from The Clearing House is the first new core payments infrastructure in the U.S. in more than 50 years.

Instant payments over the RTP network allow consumers and businesses to send payments directly from their

accounts at insured depository institutions 24/7/365, and to immediately receive and access funds sent to them over the RTP network.

RTP technology is a game-changer for businesses, as it can optimize cash flow, streamline accounting processes, and ensure vendors and employees are paid on time. At The Clearing House, we’re working to bring instant payments to more financial institutions and their customers across the U.S.

Introducing instant payments to the U.S. market

The Clearing House launched the RTP network in 2017, but our journey began in 2013. As instant payment systems were coming to market in other countries around the world, particularly within Asia, leaders in our industry began discussing how we could implement instant payments in the U.S. We collaborated with financial institutions and technology partners, and two years later, the RTP network was live. Today, we have over 700 banks and credit unions on the RTP network, and we reach 70% of U.S. checking accounts.

In the summer of 2024, The Clearing House celebrated a major milestone: On June 28, consumers and businesses sent \$1 billion in payments over the RTP network in a single day. The RTP network also experienced a record 82 million transactions in the second quarter of 2024, valued at a record \$55 billion.

Instant payments in action

Imagine you're a Midwestern tool manufacturer. A local contractor has submitted a large order and wants to pick up the goods right away. They want to hand you a paper check and walk out with their tools. However, a check or automated clearing house (ACH) payment doesn't clear immediately and can be reversed, which means that if the transaction ultimately doesn't go through, you could have a tough time collecting payment for that purchase. With instant payments, as soon as the funds are sent, the money is available in your account.

Instant payments also offer significant value to retailers and merchants. Most of these businesses accept credit card payments, which can take two or three days to settle, especially over a weekend — which can lead to delays in paying vendors or employees. And for business owners who often take care of processes like bookkeeping after hours, instant payments eliminate the wait that is typical for funds processed in batches during traditional banking hours. The business owner can get everything done on their own timeline — and that's a powerful shift for a business.

Why should I use instant payments?

As with any new technology, some users have adopted the RTP network and instant payments more quickly than others. For banking customers who have used payment methods like ACH, check or wires for many years, the case for implementing a new method isn't always obvious at first. They're asking questions such as, "What is this extra payment method?" and, "It's not mandatory. Why should I use it?"

Helping end-users such as chief financial officers, treasury managers, and other finance professionals understand the use cases for instant payments that are most relevant to their organizations is critical to driving adoption. Identifying a use case that can solve a pain point is the key to making the case for instant payments. For example, a company that buys and sells used cars can position instant payments as a competitive advantage. They can pick up the car from the previous owner's driveway and pay for it instantly, and the seller doesn't have to wait for a check or worry about how long it will take the funds to arrive in their account.

The future of instant payments

Looking ahead to the future, expectations for instant gratification in all areas of our lives will only increase. There still will be ACH, and there's a place for batch processing of non-urgent transactions. But we're going to see instant payments take over many of the interactions by consumers and businesses that expect their money to move instantly. You won't need to know or think about which payment method was used — you'll just get your funds when you need them.

As banks' Enterprise Resource Planning (ERP) systems become capable of integrating real-time payments with back-office functions and accounting systems, they'll also be able to post those payments in real time to their business customers' general ledgers, accounts receivables, and accounts payable packages. This has the potential to drive big improvements in efficiency and cash flow management.

As the RTP network continues to grow, we're rolling out new enhancements to deliver more value to customers and businesses of all shapes and sizes. These include:

- Requests for payment to support receivables
- Demand deposit account (DDA) tokenization

The shift toward instant payments has exciting implications for middle market businesses. From trucking companies receiving immediate payment for deliveries, to real estate firms paying agents via an instant payment over the RTP network at closing instead of handing over paper checks, instant payments can provide value across a wide variety of industries. But no matter what kind of business you operate, instant payments can help you better manage cash flow by ensuring payments are made on time.

At The Clearing House, we're proud of the RTP network's growth to date, and we're anticipating that growth will accelerate as more financial institutions, businesses, and consumers recognize the value of a digital payment system built for the modern age.

In July, 268,000 U.S. businesses made instant payments.

Many of them made fewer than five payments a month, which tells us that they're becoming aware of the instant payment opportunity, and they're putting their toes in the water. We're excited to work with KeyBank and other banks to educate businesses and consumers about the value of instant payments, and to see the positive impact as they join the RTP network and implement instant payments in their own organizations.



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