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Problems with Today's Payment Systems

We live in a time when financial payments in the United States and abroad are changing rapidly, with new payment methods, payment types and payment technologies. Payments are becoming more complex and convoluted, as legacy payment service providers compete with new payment innovators. These new innovations are often lacking the following attributes that are most critical: the safety of the payment system, the efficiency of the payment system, and the accessibility of the payment system. Given that payments drive economic activity around the globe, payments systems (both new and old) remain the underpinning of all aspects of the transfer of monetary value.

Making payment systems more efficient from 'end to end' is a most critical function in this new world of payments. From the point of payment origination or initiation to the point of the payment receipt, safety, accessibility and efficiency are most important. The Federal Reserve is currently very focused on this key area: that payment system improvement's meet the needs of the end users, who ultimately benefit from the payment systems. While some new systems today do accommodate the payment acceptor or end-user, most do not have a large customer base. This makes it impossible for in-network users to make or receive payments to out of network end users. The goal of the Federal Reserve is to make innovative payment systems be end-user focused, without sacrificing the efficiency advantages of ubiquity.

Let's look at the some of the problems with today's payment systems:

- Check writing persists because it is nearly universal and very convenient
- While end-users may not like paper checks, they exhibit little control over how a payment initiator may pay
- The USA payment system does not support real time ubiquitous payment systems
- Most new payment innovations have minimal participation because they require both a payment sender and payment receiver to enroll in the closed loop system
- The legacy payment systems are lacking many of the features end-users demand
- There is no real time validation for the payee to ensure that the payer's payment is good
- There is no assurance to the payee (end-user) that that the payment will be returned
- There is no real time posting of funds
- Payment cards possess some of the needed attributes, but not all of them
- Federal wire transfers (bank to bank) possess some of the needed attributes, but not all of them

- Check and ACH payments generally lack all of these features

Mobile devices and mobile wallets have the potential to affect many aspects of the current payment systems. However, there is much confusion and consistent standards have yet to evolve in the mobile world. Businesses continue to have payment and accounting systems that are complex and costly to change, so any new payment system must adapt to this reality. Also, consumers continue to have fears about payment security and this has caused limited adoption of new forms of electronic payments.

Legacy payment systems do provide a strong foundation for payment services. However, the systems (such as check and ACH) rely on old processes, such as batch and paper, which are not real time and surely not efficient. End users are demanding real time transactions, along with informational features. The challenge for the financial payment industry is to provide payment systems that combine aspects of the legacy systems with the technology and innovation of the new payment methods, types and systems.

Vizant and its team of professionals are uniquely qualified in all aspects of financial payments. We are the payments expert and only specialist operating in all realms of the payments industry. We never view any payment system or payment type in a silo or narrow minded approach. Any new payment technology, new payment device, or new way to transfer monetary value must seamlessly fit into the business operations and financial requirements of an organization.

If you want to work with an expert in this ever changing and complex world of payments, Vizant is the 'go to' source.