

RTP[®] Network Readiness Checklist

for Banks and Credit Unions

Version 1.0
September 2020



RTP® Readiness Checklist

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This document is provided for educational purposes only, and does not constitute legal advice. As with any new bank product or service, each RTP Participant should engage its own counsel and compliance professionals to conduct its own review of the risks, compliance obligations, and other relevant legal issues that RTP may implicate.

When considering whether to become an RTP Participant, it is important to understand RTP system functionality and the obligations of the RTP Rules, including the RTP technical specifications. Such understanding will be imperative as prospective Participants review their business practices and procedures, and consider appropriate changes and controls needed to comply with the RTP Rules and technical requirements.

Educate your organization on RTP® network capabilities

✓ Getting to know the RTP® network

<p>What is the RTP network?</p>	<ul style="list-style-type: none"> The RTP® network is industry infrastructure, created for all U.S. financial institutions (FIs) to use. It's the first new payments infrastructure in 40 years, and specifically built to support the digital way people live and work today.
<p>What makes it unique?</p>	<ul style="list-style-type: none"> The RTP® network provides consumers and businesses the ability to send and receive funds directly from their accounts at FIs – immediately, anytime, 24 hours a day and 7 days a week. Network payments clear and settle individually in real time with immediate finality. FIs can use RTP capabilities to create new unique offerings for their retail and corporate customers.
<p>How do payments flow?</p>	<ul style="list-style-type: none"> RTP payments are executed through a sequence of message transmissions. A Payer with an account at an FI on the RTP network sends a payment instruction to his/her FI. The Payer's FI creates an RTP Credit Transfer message, which is sent to the RTP network for routing. <div data-bbox="641 1123 1133 1333" data-label="Diagram"> </div> <p>If the message passes validation, it is forwarded to the Payee's FI, which confirms, accepts and makes the funds available to the beneficiary account immediately. (The Payee's FI may also reject for certain reasons specified in the RTP Rules.)</p>
<p>Are there more than payments messages?</p>	<ul style="list-style-type: none"> The Clearing House (TCH) has adopted the ISO 20022 standard for RTP network messaging. The foundational messages on the network are the Credit Transfer, Messages Status Report (Confirmation), Request for Payment, Request for Information, Remittance/Invoice Detail, Request for Return of Funds, and multiple system administrative messages. These message are the building blocks for FIs to move money for their customers and develop new products and services.
<p>Resources</p>	<ul style="list-style-type: none"> https://www.theclearinghouse.org/payment-systems/rtp RTP Backgrounder Payments Nerds podcasts On Demand Training

Define the value of RTP® network participation to your FI

✓ Complete your business case

Identity your P&L drivers	<ul style="list-style-type: none"> • Deposit growth and retention • Customer retention and enhanced product capabilities (e.g., instant payroll) • Reduced cost of exceptions and adjustments • Elimination of settlement risk
Identify new sources of growth	<ul style="list-style-type: none"> • Fee income from enhancing existing products • New product fee income • New customer acquisition • New line of business/venture opportunities
Deliver digital transformation	<ul style="list-style-type: none"> • Support digital growth initiatives (online account opening, all-digital accounts, etc.) • Digitization of FI processes; many opportunities for internal bank usage of RTP payments
Obtain enterprise support	<ul style="list-style-type: none"> • Educate and communicate the positive long-term opportunity to key stakeholders and secure internal stakeholder support • Engage organization-wide teams to identify opportunities to support digital growth initiatives and digitization of internal FI payment related workflows using real-time payments
Resources	<ul style="list-style-type: none"> • https://www.theclearinghouse.org/payment-systems/rtp

Connect to the RTP® network

✓ Determine how you will connect to and implement RTP

<p>What are the options?</p>	<ul style="list-style-type: none"> TCH has two methods for an FI (RTP Participant) to connect to the RTP network; connect directly or connect by way of a Third Party Service Provider (TPSP). FIs will also determine the message types they implement by selecting a “Message Persona.” Each persona has certain mandatory and optional RTP messages. Your FI will determine which Persona it will implement and seek certification for during your onboarding process.
<p>What is a TPSP?</p>	<ul style="list-style-type: none"> Participants can connect to the RTP® network using an electronic connection provided by another entity, referred to as a TPSP, such as a core processor, a hosted gateway, a bankers’ bank or a corporate credit union. The TPSP acts on the Participant’s behalf to send/receive its RTP messages.
<p>Can TCH help my FI find a TPSP?</p>	<ul style="list-style-type: none"> TCH does not endorse TPSPs and FIs are responsible for their own due diligence and vendor management with respect to any TPSP they use. TCH performs technical testing with TPSPs to confirm they are capable of processing messages in accordance with the RTP technical specifications. We have a current list of TPSPs that have met TCH’s technical testing requirements and continue to add more as the network expands. This list includes major bank core providers. We are happy to provide you the current provider listing as you begin your process to join the RTP network.
<p>Are there legal documents?</p>	<ul style="list-style-type: none"> If a Participant will connect using a TPSP, both the Participant and the TPSP are required to sign the TPSP Designation Agreement.
<p>Resources</p>	<ul style="list-style-type: none"> https://www.theclearinghouse.org/payment-systems/rtp

Determine your RTP® network funding model

✓ Select your pre-funding model

<p>How does the network settle?</p>	<ul style="list-style-type: none"> RTP uses a prefunded, real-time, gross settlement model. Prefunding is held in a special deposit account at the FRBNY that is jointly owned by Funding Participants and Funding Agents (the “Prefunded Balance Account”). A Participant may be either a “Funding Participant” (which satisfies its prefunding obligations on its own) or a “Non-Funding Participant” (which uses a Funding Agent to satisfy pre-funding obligations).
<p>What is the settlement flow?</p>	<ul style="list-style-type: none"> RTP continuously maintains a Net Position for each Participant (regardless of their funding model). The RTP system settles each payment in real time by decreasing the Net Position of the Sending Participant and increasing the Net Position of the Receiving Participant within the system. These Net Positions are backed dollar-for-dollar by the funds in the Prefunded Balance Account Funding Participants and Non-Funding Participants that use a Funding Manager may request a disbursement of Excess Liquidity from the Prefunded Balance Account during Fedwire operating hours
<p>Does my FI have to fund for itself?</p>	<ul style="list-style-type: none"> A FI Participant may either fund for itself or enter into an arrangement with a Funding Agent to provide funding on its behalf. The RTP network has multiple Funding Agents available today and continues to onboard new Funding Agents. Non-Funding Participants may select from one of two types of Funding Agent: <ul style="list-style-type: none"> Funding Manager, which provides separate funding for each Non-funding Participant Funding Provider, which provides shared funding for Participants in its “Non-Funding Group.”
<p>Are there agreements related to funding model?</p>	<ul style="list-style-type: none"> Participants that fund for themselves and Funding Agents must sign the RTP Joint Account Agreement with the Federal Reserve Bank of New York. TCH facilitates this process.
<p>Resources</p>	<ul style="list-style-type: none"> https://www.theclearinghouse.org/payment-systems/rtp/-/media/f9e4a3f02e6e4986b7b7a97468623021.ashx

Join the RTP® network as an FI participant

✓ Sign the RTP Participant Agreement and Indemnity

<p>Is an agreement required?</p>	<ul style="list-style-type: none"> • FIs are required to sign the Participation Agreement and Indemnity to become a RTP® network participant. Other agreements may be required depending upon whether it will connect to the RTP system directly or through an agent (TPSP) and funding model. By signing the Participant Agreement, a Participant agrees to the RTP Rules and Technical Specifications.
<p>Are there supporting documents & schedules?</p>	<ul style="list-style-type: none"> • FIs should review the RTP Rules (including schedules) and RTP Technical Specifications to ensure they understand their obligations as a Participant, and can meet the technical requirements for the system, including the ability to operate on a continuous, 24x7 basis, to send and receive various RTP messages, and to make certain information from RTP messages available to customers. • Participants should also review other documents referenced in the Participant Agreement: <ul style="list-style-type: none"> – Supplement to RTP Technical Documentation – RTP Fee Schedule
<p>What else?</p>	<ul style="list-style-type: none"> • National banks should provide notice to their OCC EIC 30 days before they intend to go live in the system. See, OCC Interpretive Letter 1157, PNC Membership in the Clearing House’s Real-Time Payment System (December 2017). • State chartered banks and credit unions should consider whether notice to their primary regulatory is necessary before going live in the system.
<p>Engage your technical teams early</p>	<ul style="list-style-type: none"> • We do expect the vast majority of community banks and credit unions to connect to the RTP network via a TPSP such as their core provider who will manage the technical integrations. • Those FIs who are building (vs. buying) typically have to traverse a learning-curve with message specs and coding effort. Introducing ISO2022 and fully understanding the message flows and message specs may take some time and we recommend starting early in the process.
<p>Resources</p>	<ul style="list-style-type: none"> • https://www.theclearinghouse.org/payment-systems/rtp/document-library

Begin the RTP® network onboarding experience

✓ Kick-off the implementation process

<p>What support will I receive when using a TPSP?</p>	<ul style="list-style-type: none"> • Please discuss the support your TPSP will provide with your selected provider. • If you will use a TPSP that has not yet tested and connected with the RTP network, the TPSP and your FI will be assigned a TCH onboarding resource and will schedule a TCH kick-off meeting to map out the tasks and timelines
<p>What support do I receive when connecting directly?</p>	<ul style="list-style-type: none"> • If your FI will connect directly to the RTP® network, it will be assigned a TCH on-boarding resource. You'll attend a TCH kick-off meeting and receive an on-boarding package. TCH will provide a project manager and plan to guide your FI through the process. FIs with direct connections will need circuit and router installations that will drive the timeline to production
<p>Do you support FI system integration efforts?</p>	<ul style="list-style-type: none"> • Your FI is responsible for its strategy to enable messages to flow to customer service and customer-facing systems. TCH supports setting up the FI connectivity/message delivery between the RTP network and the FI. There are multiple resources in the industry supporting system integration if you need them.
<p>Do you support testing?</p>	<ul style="list-style-type: none"> • TCH supports testing for FIs that connect directly as well as TPSPs' onboarding efforts. We provide the TCH Test Tool for pre-certification testing purposes. The FI/TPSP has access to this tool at all times. Once the FI/TPSP receives the pre-certification certificate from the test tool, the FI/TPSP moves to the TCH Bank Test environment for end-to-end testing. Once certified in the Bank Test environment, the FI will move into production.
<p>Resources</p>	<ul style="list-style-type: none"> • https://www.theclearinghouse.org/payment-systems/rtp/document-library

Prepare your operational environment for real-time payments

✓ Ready your operations staff for these new transactions

<p>What should we prepare for?</p>	<ul style="list-style-type: none"> • FIs should review their business and technical practices and procedures and consider the appropriate changes needed to comply with the RTP Rules and Technical Specifications. • Your FI will have a new transaction posting workflow to integrate into your operations environment. Real-time processing brings a continuous 24x7 message processing model to your organization. Each FI participant (with its TPSP if using one) must be able to accommodate the 24x7 availability requirements of the RTP network managing to the growth in message types and administrative messages
<p>How do we manage RTP payment activity?</p>	<ul style="list-style-type: none"> • The RTP Management Portal is available to all FIs participating on the network. The Management Portal is designed to provide each RTP participant visibility into its activity on the RTP® Network. From the Management Console Participants can, as applicable, manage certain configuration data, view transaction details, view both their own and other Participant’s status on the Network, manage their current position, perform inquiries, and obtain reports.
<p>Are there rejects on the system?</p>	<ul style="list-style-type: none"> • Rejects occur in the RTP® network when a message fails RTP system validation or when a message fails business validation by a receiving FI’s systems or it has another valid reason to reject under the RTP Rules. The RTP system does not settle rejected Credit Transfers.
<p>Are there returns on the system?</p>	<ul style="list-style-type: none"> • Settled RTP payments are final and irrevocable transactions. When a Receiving Participant accepts a Credit transfer it must provide immediate funds availability. Receiving participants are not required to “hard post” the credit transfer and may “memo-post” as long as the accountholder receives real-time availability of funds. • There will be transactions for which an FI sent a Credit Transfer and will send a Request for Return of Funds Message. While FIs are not required to return funds, they are required to reasonably cooperate in attempts to recover unauthorized and erroneous payments. FIs are also required to provide a Response to Request for Return of Funds message to the original request for return of funds message to close out the request.
<p>Resources</p>	<ul style="list-style-type: none"> • https://www.theclearinghouse.org/payment-systems/rtp/document-library

Prepare your customers/members to receive real-time payments

✓ Prepare your customers/members for these new transactions

<p>What product will be your first use case?</p>	<ul style="list-style-type: none"> • Define the product(s) you will deploy within your FI. Use ideation sessions to build requirements <ul style="list-style-type: none"> – Define use cases and product offering – Build customer journeys – focus on customer experiences – Utilize the TCH staff to aid that process
<p>Will you require changes to your customer documents?</p>	<ul style="list-style-type: none"> • These RTP transactions are new payment types with unique attributes. Plan on coordinating with legal/compliance staff to review your customer documentation to determine appropriate changes to your agreements, T&Cs, online disclosures, training materials etc. TCH has model disclosures for FIs to use with consumer customers that it can provide upon request
<p>Prepare your customer-facing teams</p>	<ul style="list-style-type: none"> • To assist customers with recognizing RTP® network transactions on their statements or online/mobile devices, and with general RTP familiarity, plan to educate your customer facing staff to assist with customer adoption and support of this new payment method. Utilize the TCH resources available on the TCH website to aid that process
<p>How do we become a RTP Industry Advocate?</p>	<ul style="list-style-type: none"> • Aggressively engage your customers and educate on the benefits of real-time payments. Become a vocal advocate for real time payment capabilities with your colleagues and your customers.
<p>Resources</p>	<ul style="list-style-type: none"> • https://www.theclearinghouse.org/payment-systems/rtp/-/media/cad1b67ca4514e4f90dcdd8b048e0503.ashx • https://www.theclearinghouse.org/payment-systems/rtp/videos-and-demos • https://www.theclearinghouse.org/payment-systems/rtp/institution

Understand your ongoing obligations as a RTP® Network participant

✓ Know your ongoing rule obligations

<p>Do we have post-live audit requirements?</p>	<ul style="list-style-type: none"> RTP FI Participants must complete an annual audit to verify compliance with the RTP Participation and Operating Rules. Participants that “go live” on the RTP system by June 30 of a calendar year are subject to the self-audit requirement for that calendar year (and each year going forward)
<p>Do we have key availability obligations?</p>	<ul style="list-style-type: none"> A Receiving Participant must immediately respond to a Payment Message (with an “Accept,” “Reject” or “Accept without Posting” message), as specified in the RTP Technical Specifications. For all accepted RTP Payments, the Receiving Participant must provide immediate funds availability to the relevant customer’s account Participants must immediately make available information regarding the status of an RTP Payment to their customers. Participants must make available to their customers any information from the message fields designated as required to be made available in the RTP Technical Specifications
<p>What are other types of key RTP Rules obligations?</p>	<ul style="list-style-type: none"> Sending Participants must utilize multi-factor authentication to authenticate the identity of customers who initiate RTP Payments. For RTP Payments originating from consumer Accounts, the Sending Participant must provide the Sender with the Receiver’s name. Participants are required to have a written OFAC compliance program reasonably designed to promote and monitor compliance with OFAC sanctions programs and regulations Participants may not reduce the principal amount of an RTP Payment as a means of collecting fees
<p>Additional topics to meet our requirements?</p>	<ul style="list-style-type: none"> Participants are required to act on alerts from TCH regarding suspected fraud, and to report fraud to TCH and the other Participant. Participants must also comply with the RTP Risk Management and Fraud Control Requirements (a schedule to the RTP Rules). Other important topics addressed in the RTP Rules include certain prohibitions (no foreign payments, no searching for accounts), requirements regarding use of the Accept without Posting and Request for Return of Funds messages; as well as obligations regarding prefunding, non-bank “Payment Service Providers” and Requests for Payment.
<p>Resources</p>	<ul style="list-style-type: none"> https://www.theclearinghouse.org/payment-systems/rtp/self-audit https://www.theclearinghouse.org/payment-systems/rtp/-/media/D8765383FC804BC6A8F5E4CCE2E1BE61.ashx