MVLCO

MVLCO CENTRE FOR BANKING AND FINTECH

(A division of MVL Consulting Private Limited)

Deep Dive into US Payment Systems

MASTER THE US PAYMENTS LANDSCAPE

CERTIFICATION COURSE | ■ ***Duration:*** *16 Hours* | ■ ***Mode:*** *Live Virtual Classroom + Recording*

COURSE CONTENT

1. Setting Context & Refreshing Basics:

- Overview of message – clearing – settlement cycle
- Types of payment techniques
- Key types of payments
- Correspondent banking & cross-border payments
  - Real Time Gross Settlement (RTGS)
  - Real Time Net Settlement (RTNS)
  - Deferred Net Settlement (DNS)

2. Overview of USA Payments Landscape

- USA Federal Reserve Structure
- Overview of USA Payment Systems
- Choosing method of payment and routing of transactions
- ABA Routing Code / Routing Transit Number
  - High value instant transactions – Fedwire, CHIPS
  - Low value instant transactions – FedNow, RTP, Zelle
  - Bulk transactions – ACH and National Settlement Service

3. Fedwire RTGS System

- Participants in Fedwire
- Fedwire specific terminologies (as per Operating Circular 6)
- Fedwire connectivity mechanism – Fedline Direct and Fedline Advantage (including Fed Payments Manager and Account Management Information)
- Types of transactions
- Fedwire operating hours and its significance
- Fedwire ISO 20022 messaging (value messages and non-value messages)
- Liquidity management in Fedwire including intra-day credit limit, net debit cap for uncollateralized overdraft, interest computation
- Fedwire charges structure for banks
  - Special Account / Customer Transfer / Bank Transfer
  - Push Payment / Drawdown
  - Business application header (BAH)
  - Credit transfers – pacs.008 / pacs.009 / pacs.002
  - Drawdown and status – pain.013 / pain.014 / pacs.028
  - Cash management – camt.052 / camt.60
  - Payment returns – camt.056 / camt.029 / pacs.004

- Investigations – camt.110 / camt.111
- System messages – admi.002 / admi.006 / admi.007 / admi.011
- Usage of Local Instrument Codes in Fedwire

Note: Although many of the above messages such as pacs.008/pacs.009 are common across various payment systems, discussion will focus on implementation and peculiarities for the payment system under discussion.

4. CHIPS Payment System

- Participation in CHIPS
- CHIPS specific terminologies (as per CHIPS Rules and Administrative Procedures)
- CHIPS Routing Number and CHIPS UID (including lookup service for CHIPS UID)
- Pre-funding requirements (Primary, Supplemental, Final)
- Position calculations (Primary, Supplemental, Minimum, Maximum)
- Primary and Supplemental channels for payment processing
- End-to-end process flow
- Message priorities and queue management
- Withdrawals from supplemental funding
- CHIPS interbank settlement through Federal Reserve Bank
- CHIPS ISO 20022 based messaging:
  - Messaging model (including message throttling, lookup service and hear-beat messages)
  - Credit transfers – pacs.008 / pacs.009 / pacs.002
  - Payment returns / Delete request – camt.056 / camt.029 / pacs.004
  - Liquidity transfer / Withdrawal from supplemental funding / Reserve for Preference Request – camt.050
  - Modify transaction / Preference request – camt.007
  - Continuation of legacy messages post ISO 20022 migration through wrapper of admi.998 (including balance/position reporting)

Note: Although many of the above messages such as pacs.008/pacs.009 are common across various payment systems, discussion will focus on implementation and peculiarities for the payment system under discussion.

5. Instant Payments in USA –

Part 1: Real Time Payments (RTP) operated by The Clearing House (TCH)

- Participants in RTP including funding participant, funding agent and non-funding agent.
- TCH token service
- RTP pre-funding, supplemental funding and position requirements
- RTP positions and high/low watermark values

- Types of transactions in RTP covering credit transfers and request for payment (RFP)
- RFP warranty
- Transaction limit in RTP
- ISO20022 message types in RTP
- Credit transfer message (pacs.008 and pacs.002)
- Request for payment messages (pain.013 and pain.014)
- Request for return of funds (camt.056 and camt.029)
- Standalone remittance advice (remt.001)
- Administrative messages (admi.004, admi.002, admn.001, admn.002, admn.003, admn.004, admn.005, admn.006)

Note: Although many of the above messages such as pacs.008/pacs.009 are common across various payment systems, discussion will focus on

implementation and peculiarities for the payment system under discussion.

Part 2: FedNow Payment System

- FedNow connection mechanism
- FedNow participant profile
- FedNow ISO 20022 messaging (value messages and non-value messages)
  - Credit transfers – pacs.008 / pacs.002 / pacs.028
  - Liquidity transfer – pacs.009
  - Request for payment / cancellation – pain.013 / pain.014 / camt.055 / camt.029
  - Cash management – camt.052 / camt.054 / camt.60
  - Payment returns – camt.056 / camt.029 / pacs.004
  - Information – camt.026 / camt.028 / camt.029
  - System messages – admi.002 / admi.004 / admi.006 / admi.007 / admi.011/ admi.998

Note: Although many of the above messages such as pacs.008/pacs.009 are common across various payment systems, discussion will focus on implementation and peculiarities for the payment system under discussion.

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6. ACH Payments in USA

- Role of Automated Clearing House in USA
- FedACH and Electronic Payments Network (EPN)
- Parties involved in ACH transactions
- UPIC in ACH
- Overview of Standard Entry Class codes in US ACH
- Overview of process flow for credit transfers and debit transfers

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- Same-day ACH Settlement
- Account validation
- Phixius network for information exchange
- Interbank settlement through National Settlement Service (NSS)
  - ODFI, RDFI
  - Third Party Senders and Third-Party Service Providers
  - Direct Access Participants
  - Settlor

PREREQUISITES

- Understanding of payment processing for domestic and cross-border payments.
- Understanding of ISO 20022 messaging.

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