

# The Future of Payments

# What we talk to our customers about

## Traditional Payments

ACH

Check

Wire

Card

## Faster Payments



Nacha  
Same Day ACH

The Clearing House  
EPN®

THE FEDERAL RESERVE  
FedACH®



mastercard  
SEND

VISA  
Direct

## Real-Time/Instant Payments

R | T | P®

Powering Smarter Payments

*Available Now*  
*Launched November 2017*

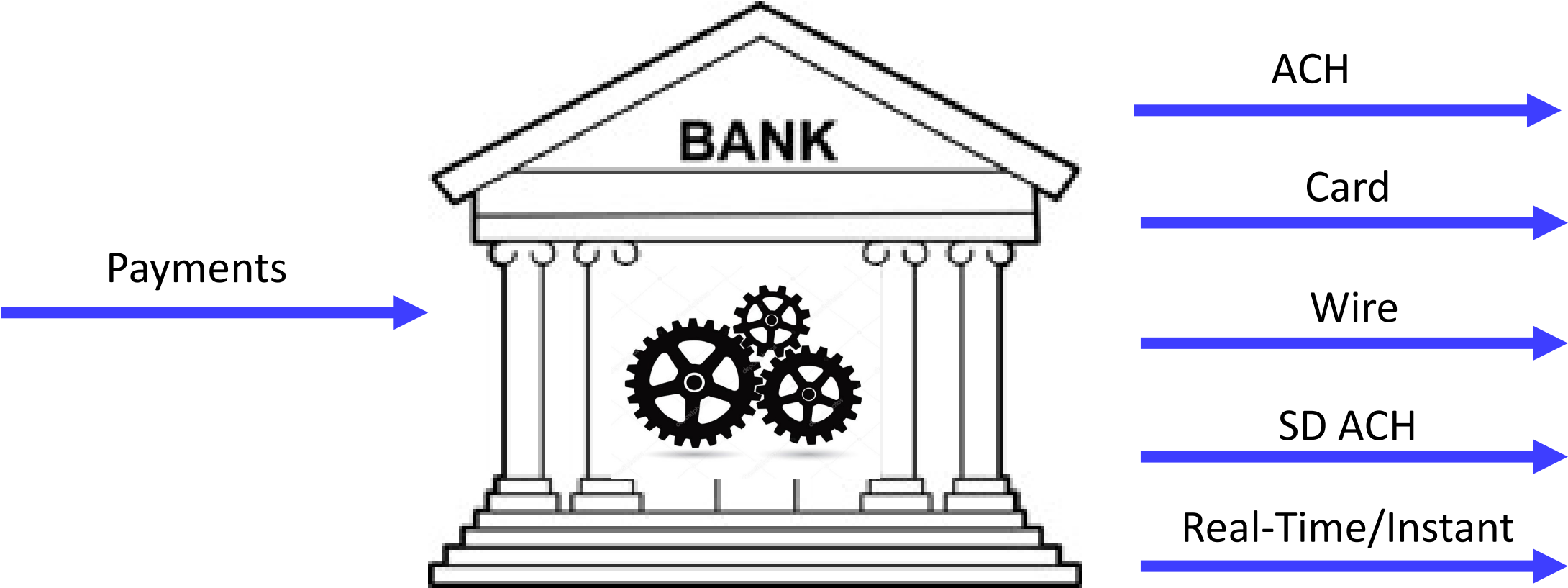
FedNow™  
INSTANT PAYMENTS

*Available 2023*

Credit: Peter Davey, Head of Payments Innovation



# What our Customers Want:



Credit: Peter Davey, Head of Payments Innovation



**A**

**Payment**

**Is A**

**Payment**

**Is A**

**Payment**

Credit: Peter Davey, Head of Payments Innovation



© Alloy Labs, LLC 2022









What customers want: experiences that leverage behavior insights, data and technologies to enhance the movement of money

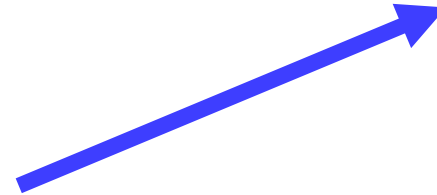


Uber

WYA

# Growth in embedded payments

\$43b  
2021

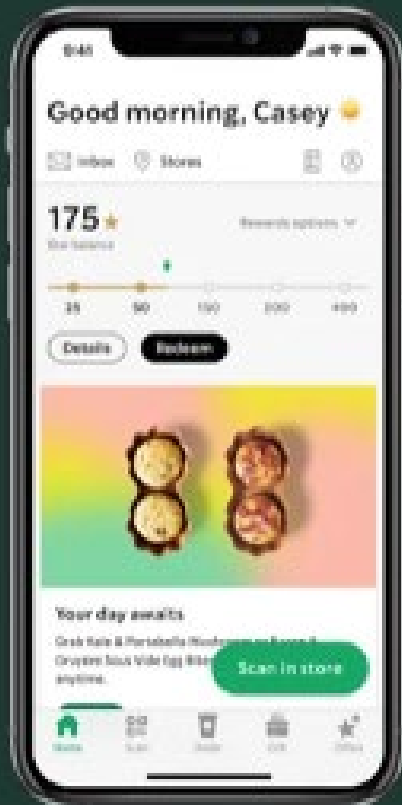


\$138b  
2026

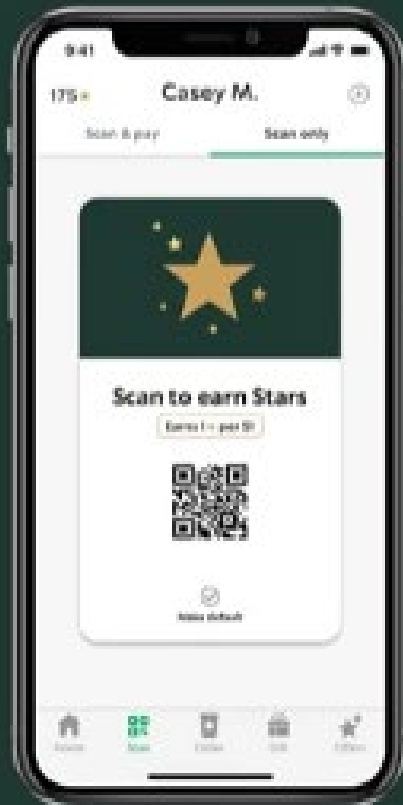
Source: Steve Murphy, Director of Commercial & Enterprise Payments



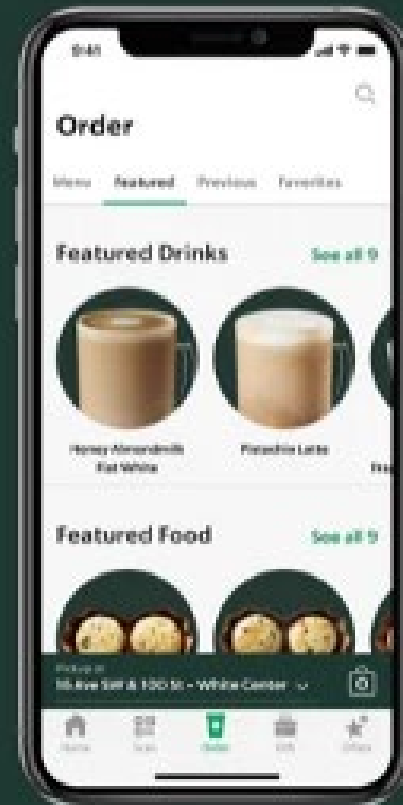
## COLLECT STARS AND EARN REWARDS



## PAY IN STORE



## ORDER AHEAD



## CUSTOMIZE YOUR ORDER

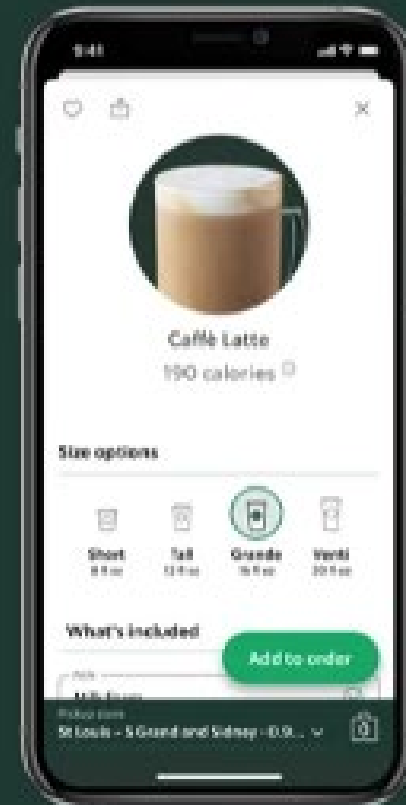
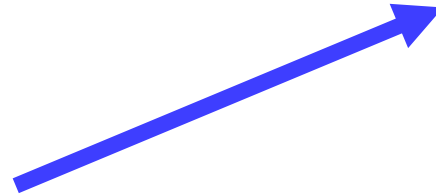


Image from Apple App Store

# Global growth in digital wallet transactions

\$7.5t  
2022



\$12t  
2026

Source:





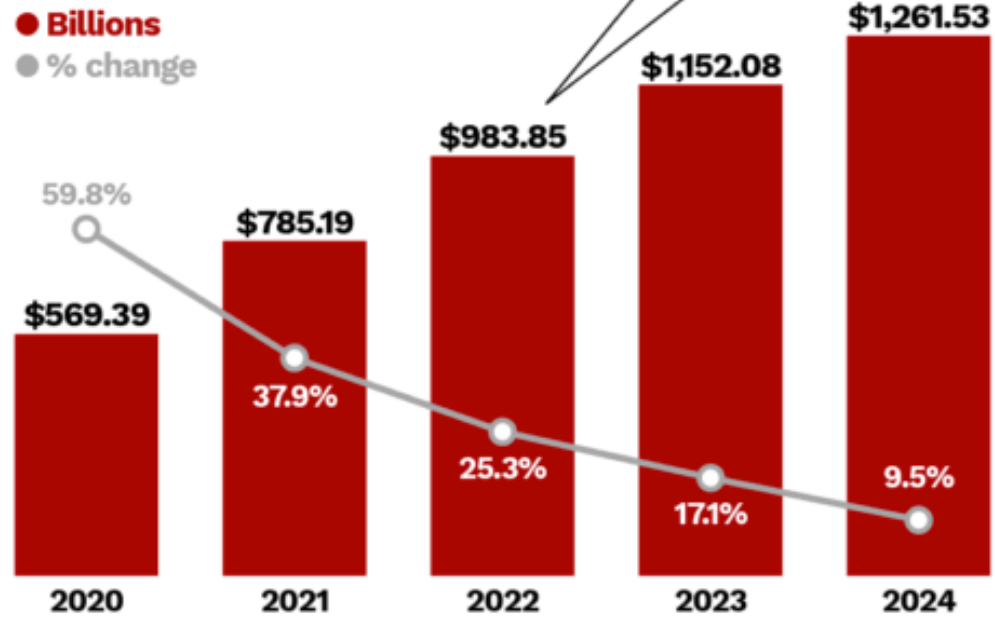




Source: The Census Bureau of the Department of Commerce



## Growth of U.S. peer-to-peer payments



Includes mobile payments of one individual to another via companies like Cash App, Google Pay, Facebook Messenger, Venmo and Zelle. Excludes cross-border transactions and peer-to-merchant transactions.

SOURCE: InsiderIntelligence © June 2021 The Financial Brand





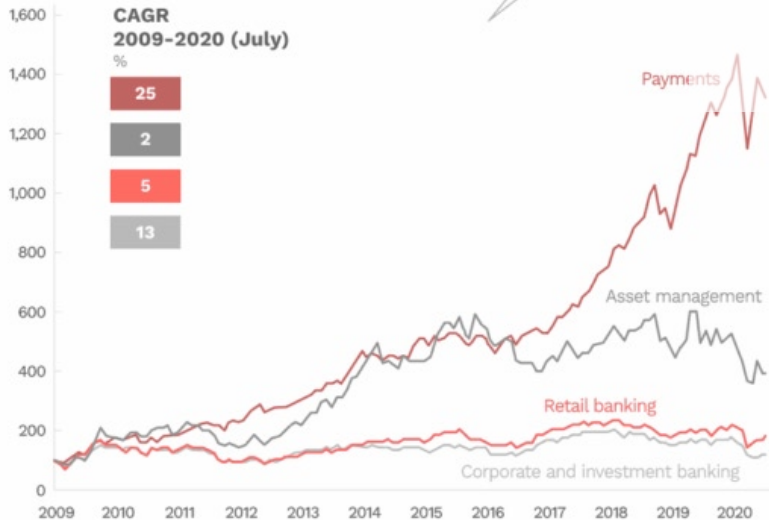
# Widening digital divide forcing more community banks to find buyers

By **Jim Dobbs** November 10, 2021, 1:55 p.m. EST 5 Min Read

Payment company performance vs. other banking companies

# Community banks are also being left behind

Public company total shareholder return  
Indexed to 100 = January 2009



## Why Real-Time Payments Are Quickly Becoming Table Stakes

**SUBSCRIBE NOW** GET THE FINANCIAL BRAND NEWSLETTER FOR FREE - SIGN UP NOW

Amazon can deliver same day in many cases yet the U.S. still trails other countries in implementing instant payment capability. New developments suggest that may be changing, with increasing speed. While real-time payment is still far from common, beyond P2P, there

## Small Banks Must Fight Harder to Stay Relevant in Payments Space

**SUBSCRIBE NOW** GET THE FINANCIAL BRAND NEWSLETTER FOR FREE - SIGN UP NOW

COVID-19 underscored the growing importance of payment apps and other contactless methods. Smaller financial institutions must find ways to maintain a role in this area or risk ceding it to the likes of Starbucks, Apple and Google.

By **Scarlett Sieber**, Managing Director, Chief Strategy & Innovation Officer and **John Macaluso**, Principal at **CCG Catalyst Consulting Group**



# ABOUT ALLOY LABS ALLIANCE

70+

BANK MEMBERS  
NATIONWIDE AND  
GROWING

TOP 20

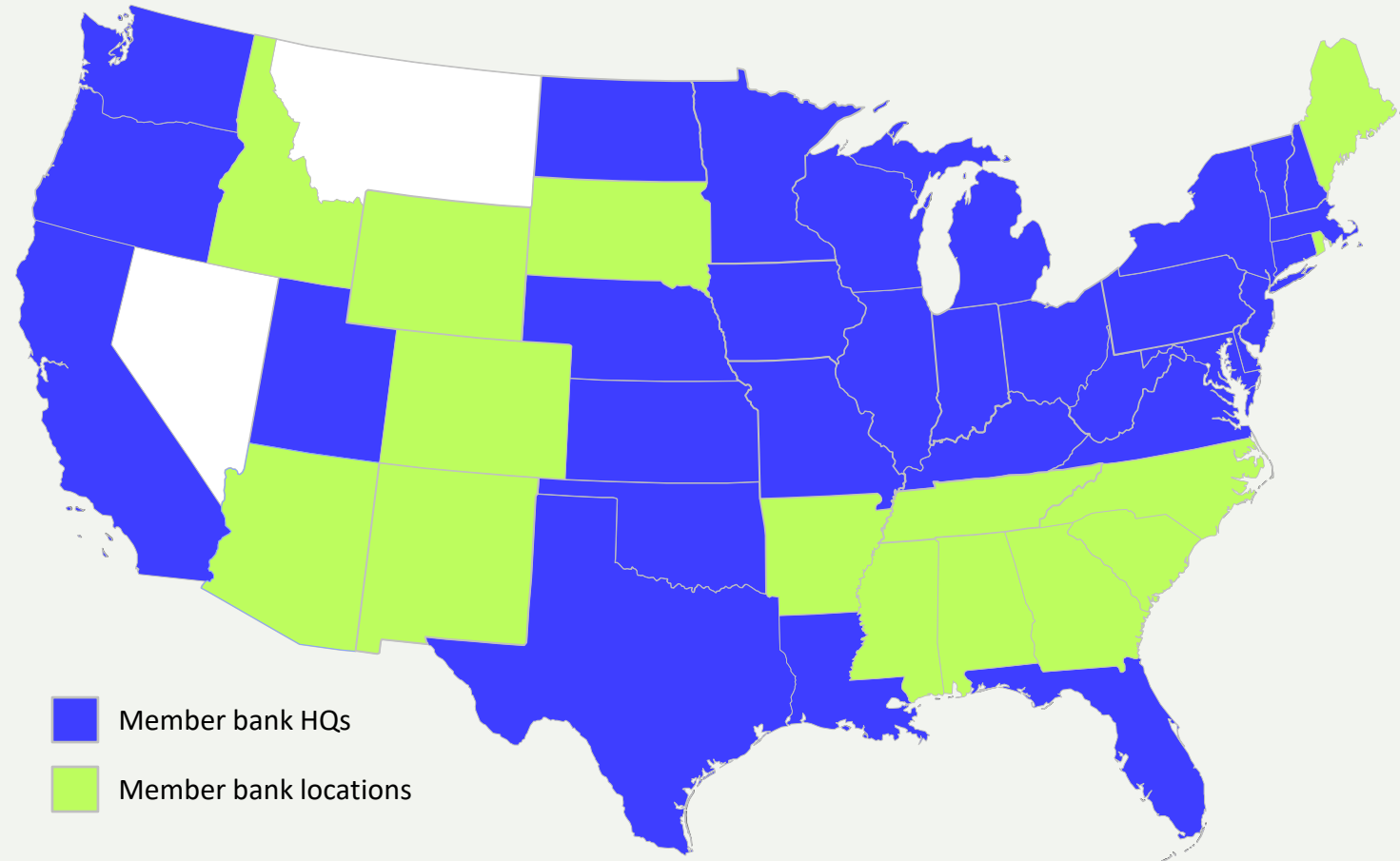
BANK EQUIVALENT WITH  
>\$250B IN COMBINED ASSETS

70M+

CONSUMER  
CUSTOMER BASE

10M+

SMALL BUSINESS CUSTOMER  
BASE



The genesis: To Zelle or not to Zelle?

zelle®

Real question: how should community banks think about participating in the payment revolution?

# Situation Analysis

There are 4 options in response;  
two defensive and two  
offensive.

Negotiate as a group with Zelle

- Defensive move that doesn't differentiate
- Risk is ATM 2.0 e.g. escalating price after mass adoption
- Expensive

Tools from existing providers

- Outdated without a large network
- Defensive

Build our own network

- Capital intensive
- Lacks network effects

Alloy Labs a payment hub with partners

- Differentiates while leveraging existing momentum
- Open platform that is a utility for community banks

What banks need: a cost effective (CAPEX/OPEX/Fraud) yet differentiated way to participate in the payments revolution



# CHUCK Guiding principles

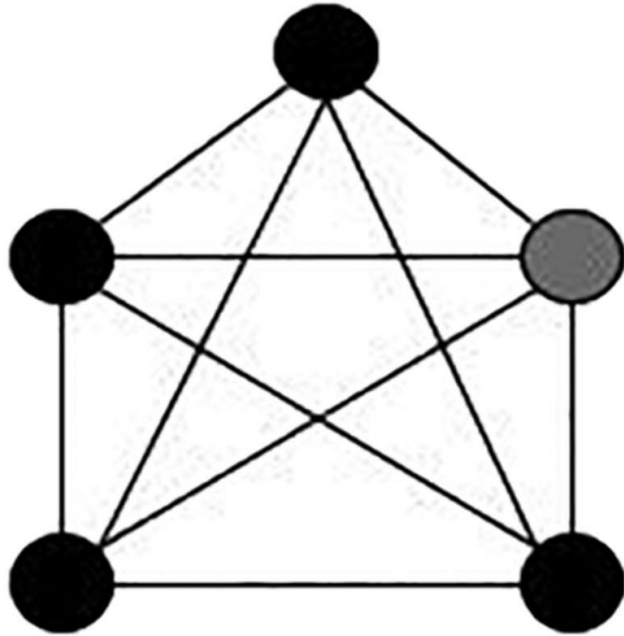
1. Customer first
2. Promote inclusivity
3. Level playing field (for customers and financial institutions)
4. Hub vs. Point Solution
5. Platform that allows FIs to differentiate
6. Open network vs closed

# HOW DO WE COMPETE

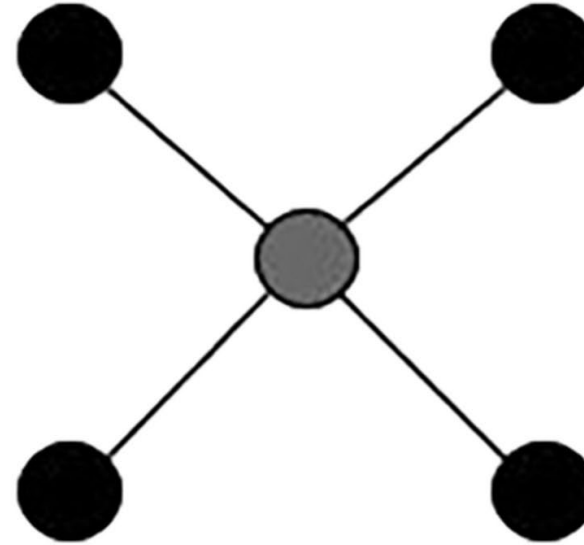


Pains, Gains,  
Jobs to Be  
Done

# OPEN vs. CLOSED NETWORKS



(a) Closed network



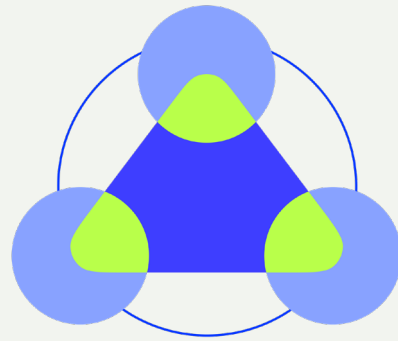
(b) Open network

Source: Wiley Online Library

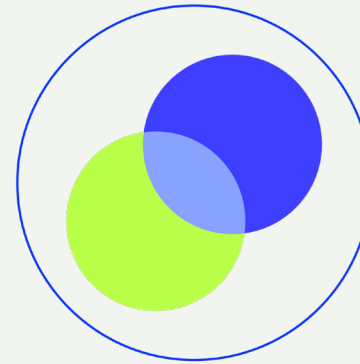
# CHUCK Architecture:



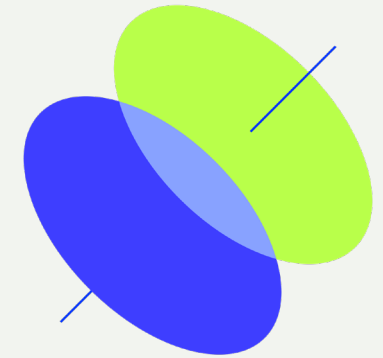
DEVELOP  
USE CASES



AGGREGATE  
PAYMENT RAILS

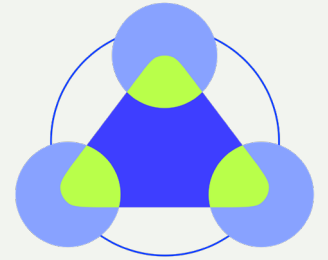


SHARED  
MARKETING



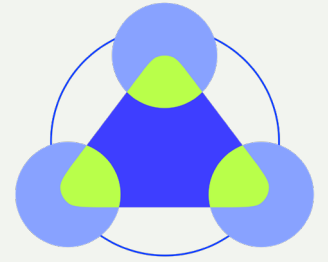
FRAUD  
PREVENTION

# CHUCK FOR FIs: DEVELOP USE CASES



- Customers don't think of payments based on the method by which it is sent but by the *job to be done*
- The job is often a combination of cost, speed, ease, "risk" and ancillary services (escrow/titling/receipt management/lending)

# CHUCK FOR FIs: AGGREGATE PAYMENT RAILS



P2P (Payrailz)

Social Money (Prizeout)

RTP (Southstate/TCH)

FedNow

- Based on identified use cases, CHUCK will develop partnerships & integrations to fulfill the differentiated customer needs

# CHUCK FOR FIs: SHARED MARKETING



Drive enrollment  
Accelerate activation

Deepen engagement  
Benchmark success

- Best practices
- Shared assets
- Shared spending

# CHUCK FOR FIs: FRAUD PREVENTION



Connect the network

Add account level  
understanding

Ability to warn other  
institutions

Flag for senders

Freeze accounts

Recoup Losses

Forensics

- Leverage network (especially BaaS)
- Build partners
- Shared data



# P2P Sender Experience

Reading Cooperative Bank

PAY A PERSON

Julie Thurlow \$1.00

Thank you!

CHOOSE FROM

Cahalane on the go checking \$25,871.97  
Ending in 0167

CHOOSE FREQUENCY

August 9, 2021 One-time

PAY \$1.00

Reading Cooperative Bank

PAY A PERSON

Julie Thurlow \$1.00

Thank you!

**Schedule payment?**

To: Julie Thurlow

Amount: \$1.00

From: Cahalane on the go checking \*0167

Frequency: One-time - Aug 9, 2021

Memo: Thank you!

CANCEL CONFIRM

Reading Cooperative Bank

PAY A PERSON

Julie Thurlow \$1.00

Thank you!

**Payment scheduled**

From: Cahalane on the go checking \*0167

To: Julie Thurlow

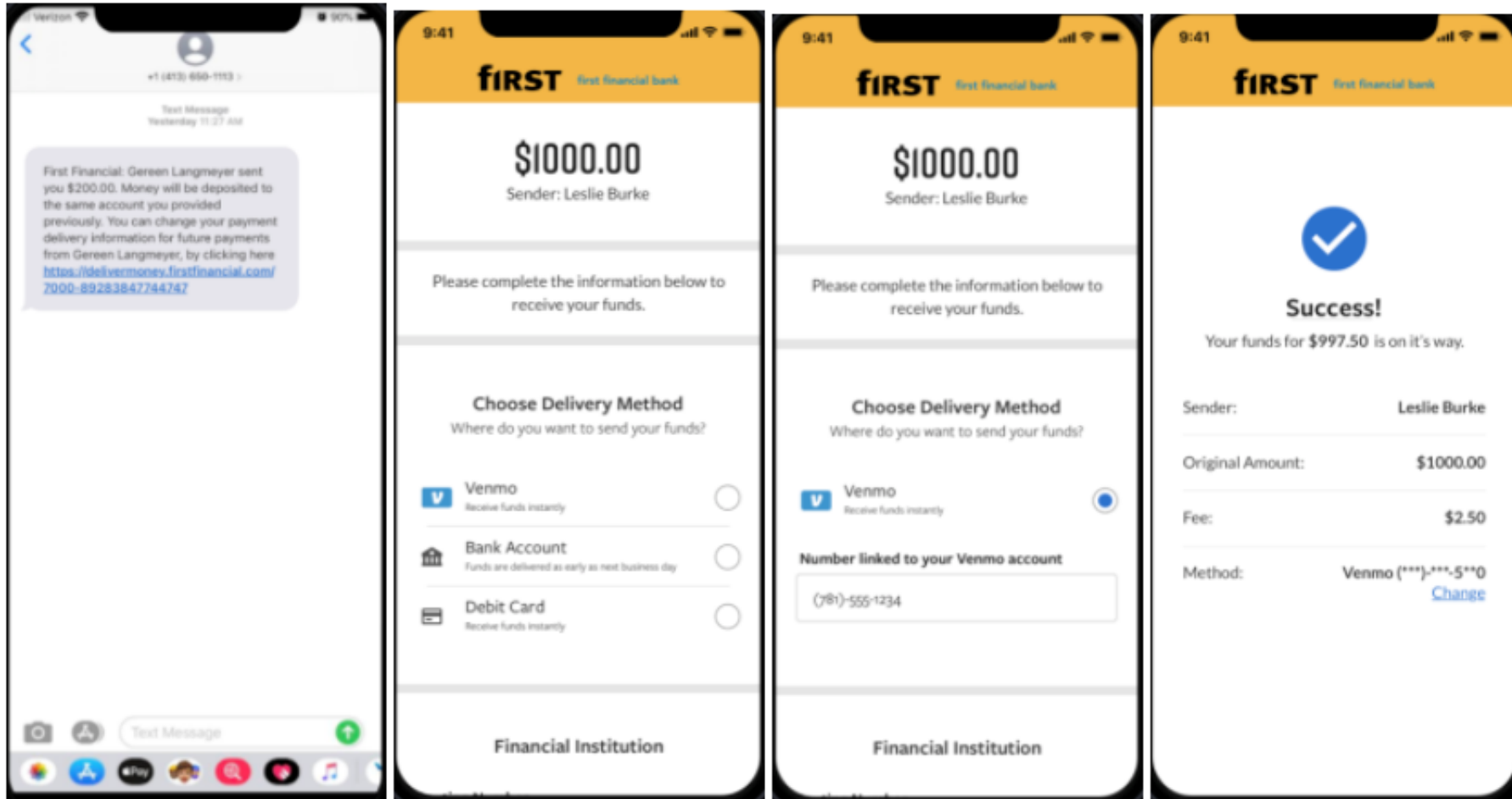
Amount: \$1.00

Frequency: One-time - Aug 9, 2021

Memo: Thank you!

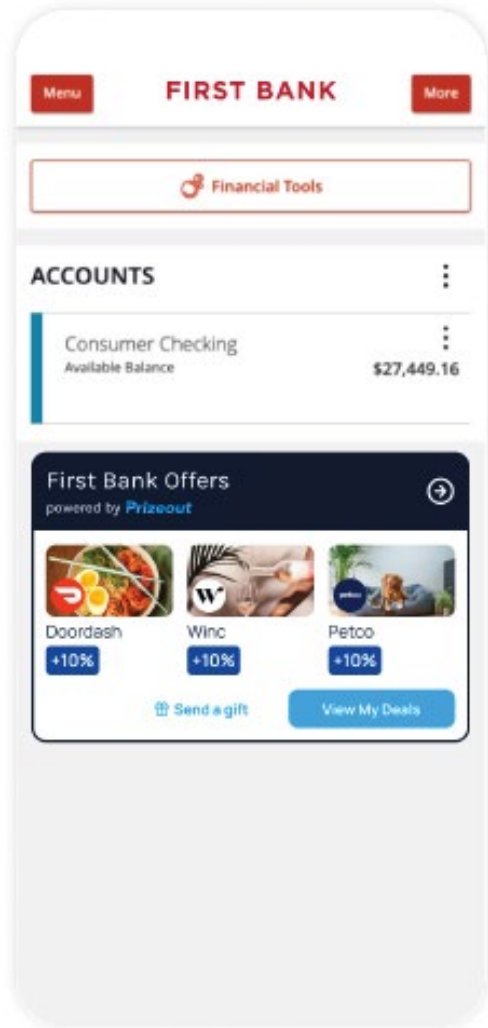
DONE

# P2P Recipient Experience

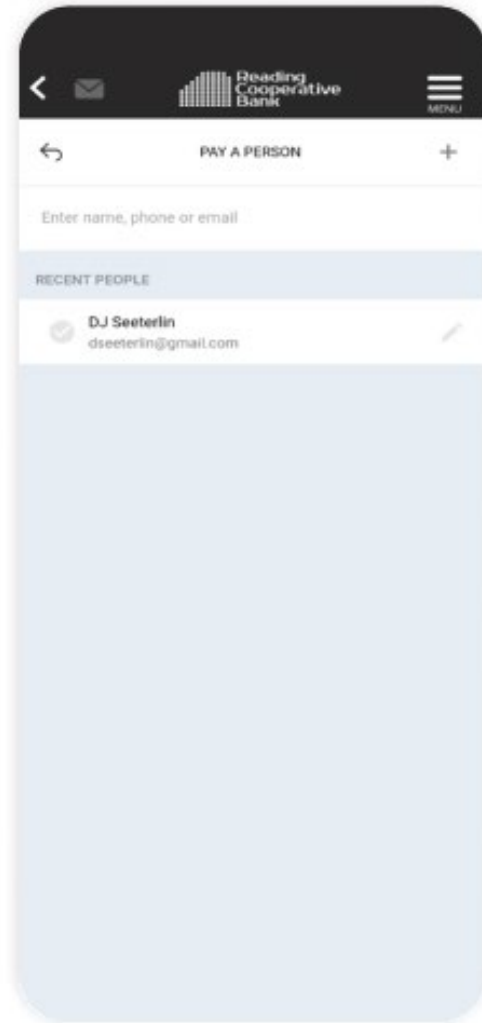


# Send a Gift

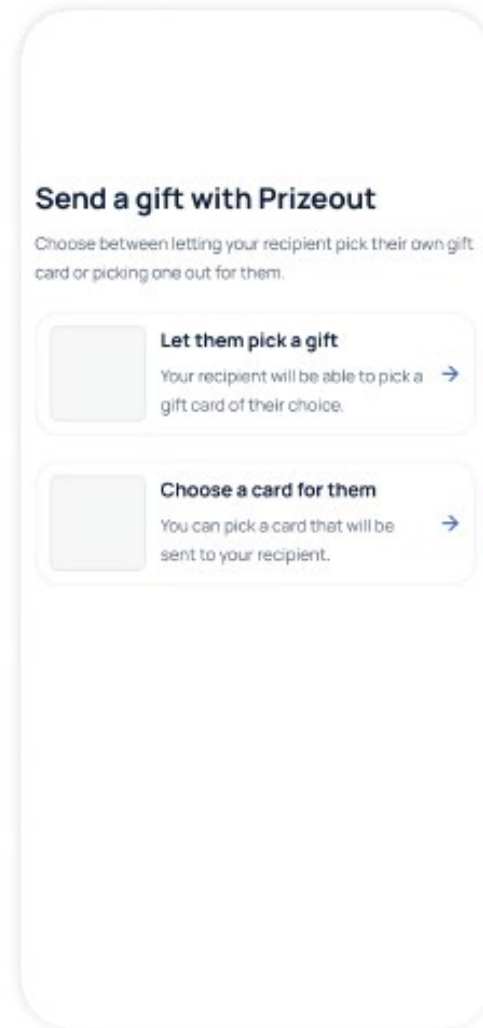
1. Select send gift



2. Choose contact to send to

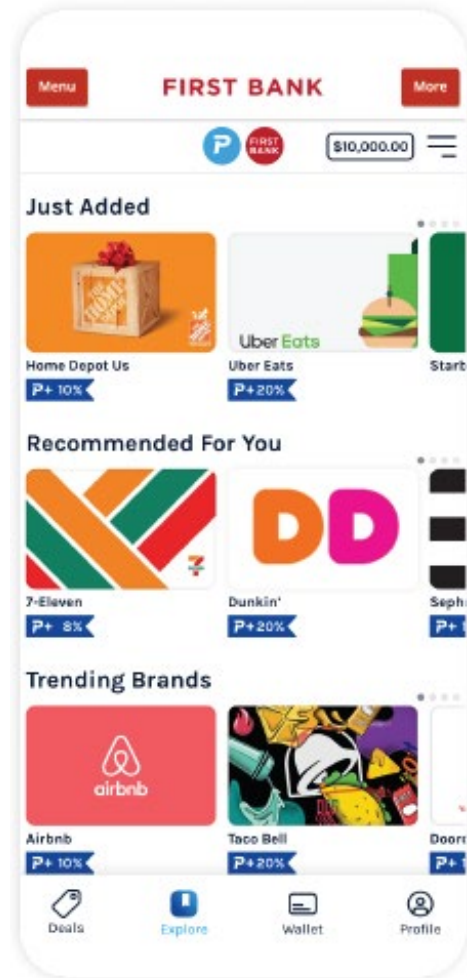


3. Select "Choose a card for them"

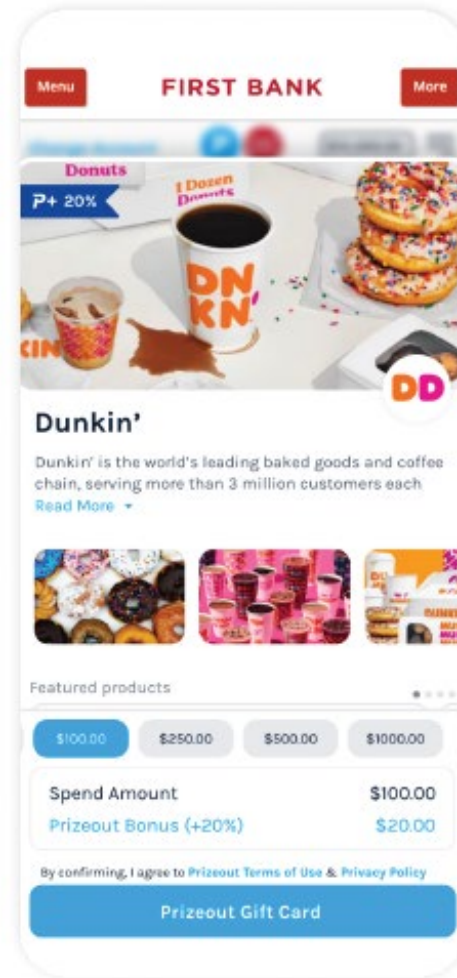


# Send a Gift (Part 2)

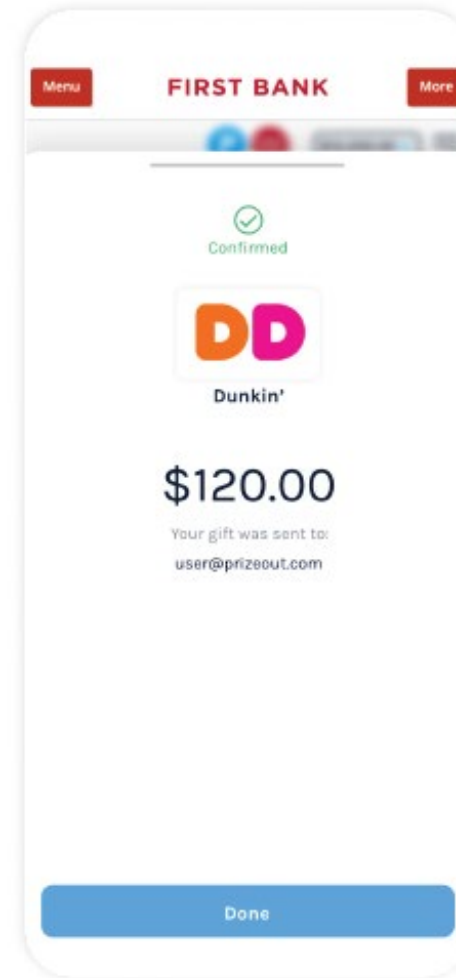
4. Browse marketplace



5. Select gift card



6. Confirmation





# CHUCK

[www.paywithchuck.com](http://www.paywithchuck.com)

# Risk & Mitigants

Risk	Mitigant
Fraud	<ul style="list-style-type: none"><li>• Scams most frequent loss vector</li><li>• Existing bank risk factor</li><li>• Focus on education, limits and 1<sup>st</sup> time recipient verification</li></ul>
Adoption	<ul style="list-style-type: none"><li>• Because the recipient doesn't need to join the network (just have routing/account at an FI) or debit card, the network has utility</li><li>• Banks collaborating on marketing materials, campaigns and performance</li></ul>
Dependence on Payrailz	<ul style="list-style-type: none"><li>• Well financed with potential for additional investment from existing investors and customers</li><li>• Utilizing separate technical resources that could support if necessary</li></ul>
Execution	<ul style="list-style-type: none"><li>• We believe pooling resources and collaboration significantly reduces execution risk</li></ul>