Banking Transformed: How Digital Treasury and Real-time Connectivity are Revolutionizing Payments Processes in the U.S.

Digital transformation continues to sweep across the banking and payments industry, delivering critical treasury efficiency and cost savings. New technologies are resulting in real-time connectivity and instant payments, which are setting the stage for the next generation of payments processes in the U.S.

William Artingstall
Director, Emerging Payments and Business Development, Treasury and Trade Solutions, Citi

As a result, corporates have an opportunity to leverage digital capabilities in new ways – made possible through application program interfaces (APIs) – to improve convenience, lower costs and drive tremendous treasury efficiency.

"While modernizing to APIs and accessing real-time systems, it's critical for corporate/businesses/treasury professionals to start first by defining their objectives and working backward to decide if this is right for their business operations."

Tiina Laukkonen, Senior Product Manager, Global Payments, Amazon

On-demand Instant Pay-out via API for Payments

Challenge
For a major commerce company, paying gig workers on a weekly, delayed basis was proving to be a challenge. The company was at a competitive turning point against their peers.

Solution
To address this problem, the company embedded Citi's API for payments into its payments-ordering system. Now, when the service is delivered, the company's system auto-triggers instant payment to earners.

Benefits
Citi's API for payments has dramatically improved the earner pay-out experience by speeding up their payments. And the solution has delivered a competitive edge by shortening the earner payout cycle, which helps retain and attract gig workers.

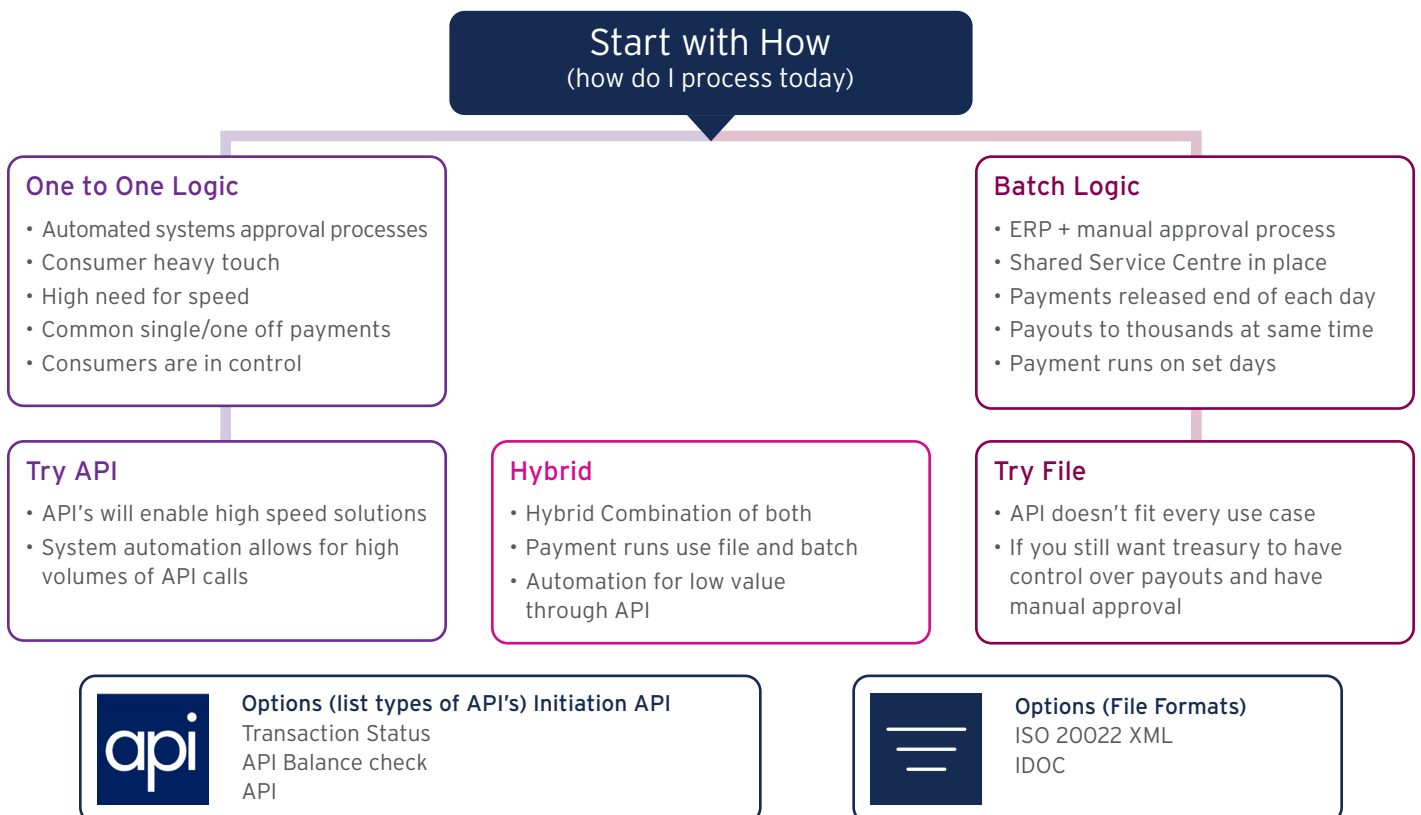## Determining when APIs and instant payments make business sense

While trailing other countries, the adoption of instant payments is on the rise in the U.S. In 2020, real-time payments surged 41% globally over the prior year, which equates to a volume of more than 70 billion.[1] Business are embracing instant payments as a result of increased demand from beneficiaries and the need to improve beneficiary experience. Frequently, APIs are the integration method chosen to drive this experience. However, APIs are not necessarily the right fit in all circumstances. Corporates need to strike the right balance between API and file transfer, based on their own specific use cases.

For corporates, it is important to start by determining if instant payments make good business sense. Will they help grow revenue, enhance the service experience, deliver a competitive edge or position the business for innovative new payments options such as on-demand and micro payments? Will instant payments create operational efficiencies or reveal deficiencies and move the business a step closer to the adoption of real-time treasury?

Once a corporate determines instant payments are the right fit, the next question is how will payment files be handled? Most organizations rely on an XML batch file process for transactions today. Meanwhile, integrations powered by APIs offer a more streamlined one-to-one relationship, with a single message initiating a single payment.

Deciding which file type makes the most sense is often determined by the use case. For example, in the case of a utility company, with a payment cycle that runs once or twice a month, a batch-driven process is likely

[1] ACI Worldwide

Start with How
(how do I process today)

One to One Logic
- Automated systems approval processes
- Consumer heavy touch
- High need for speed
- Common single/one off payments
- Consumers are in control

Batch Logic
- ERP + manual approval process
- Shared Service Centre in place
- Payments released end of each day
- Payouts to thousands at same time
- Payment runs on set days

Try API
- API's will enable high speed solutions
- System automation allows for high volumes of API calls

Hybrid
- Hybrid Combination of both
- Payment runs use file and batch
- Automation for low value through API

Try File
- API doesn't fit every use case
- If you still want treasury to have control over payouts and have manual approval

api

Options (list types of API's) Initiation API
Transaction Status
API Balance check
API

Options (File Formats)
ISO 20022 XML
IDOC

to remain most efficient for the thousands of transactions handled at a time. This activity could even be bolstered with API's, with, for example, the automation of account balance information retrieval in real-time, potentially improving the chances of a successful payment run.

In many cases, corporates will want to support both XML batch file and API processes in a best-in-class hybrid model (see the table below for details around the use of CitiConnect® API vs. CitiConnect® for Files.)

Instant payments, by their very nature, require APIs. While, in the case of ACH payments, traditional batch files may be sufficient for a business's requirements. And in other cases, a hybrid model that relies on payment initiation by file while reconciliation via API may be preferred.

Real-time connectivity through APIs is revolutionizing treasury

APIs hold the potential to revolutionize corporate treasury, delivering real-time treasury practices. Instead of having to pick up the phone, contact your bank, or perhaps log onto an online banking portal to obtain information, APIs enable the automation and streamlining of account and payment queries and initiation.

The ability of APIs to integrate with ERP systems, allowing invoices to be processed more efficiently and for real-time information to be shared more effectively with processors, retailers, suppliers, etc. can be a game-changer for corporates. APIs can augment the payment flows too, by providing payment status reports, delivering much needed visibility and transparency into the settlement process.

APIs are at the cutting edge of new business models that help deliver a more engrossing "on-app" experience by supporting services like; on-demand payments, micro-payments or supporting frictionless payments which are secondary to the app activity. These are the early days and there's a lot more to come.

The ongoing evolution of treasury

While APIs are transforming many treasury processes, enabling instant payment options and fostering straight-through processing, XML batch files remain an effective choice for certain applications. For this reason, hybrid models are likely to remain in the marketplace in the near term. But the shift to APIs will continue, as today's digital technology evolution transforms and modernizes treasury and new use cases are discovered.

These next-generation technologies are enabling scalability, as treasury organizations seek to eliminate cumbersome manual processes and automate reconciliation. Instant payments are increasingly an important option for ensuring time sensitive payments. APIs and instant payments are meeting an important demand from beneficiaries who want more control and faster payment options. Corporates who are adopting these technologies are keeping their business on the cutting edge and attracting more engagement in today's highly competitive marketplace.

The future of treasury is clearly digital, and APIs and instant payments are undoubtedly an important part of this ongoing transformation.

"There is a strong push to at least augment your existing payment and treasury systems with APIs. Real-time access to information, reconciliation efforts, accessing clearing on a faster, more streamlined basis, all have massive positive implications for the business."

Justin Abel, Sr. Director Payment Operations and Risk, FAST

Account Visibility in Real-time via Account Balance API

Challenge
Treasurers at this major corporation needed visibility into various accounts via their treasury management (TMS) system in real-time. Their existing system was only able to send balance reports every 15 minutes by email, which was inefficient.

Solution
After implementing Citi's Account Balances API, treasury is now able to pull account balances in real-time via their TMS, as needed.

Benefits
Treasury can access account balance information for all accounts globally. Armed with this timely information, treasurers can make better informed decisions around FX booking and investments.