

Banker's Bulletin

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Understanding Real-Time Payments

With RTP, businesses can offer workers immediate access to their earned wages, while also waiving employee transaction fees.

What is the real-time payment network?

The RTP® network from The Clearing House is a real-time payments platform available to all federally insured U.S. depository institutions for use in payments processing. Leveraging The Clearing House RTP network, businesses now have an efficient system with which to immediately pay employees for time worked.

What are the main aspects of real-time payments?

Generally speaking, real-time payment platforms include instantaneous, around-the-clock electronic fund transfer services and the ability to access these systems through the full range of smart devices (phones, tablets, digital wallets). Aspects include:

- Authorization (the means to certify accurate payment)
- Posting (making funds immediately available)
- Notification (alerting both a business and an employee with confirmation that the transaction has taken place)

As noted, the speed of the system is among its most appealing and efficient aspects.

Benefits of using RTP payments

In a time when traditional payments have been adversely affected by the effects of the pandemic, real-time payments make life much easier for employees who must balance the need to return to work with many other concerns. RTP payment benefits include:

- The fastest way to pay employees
- System availability 365 days a year (including weekends and holidays), as opposed to ACH, which is available only on Mondays-Fridays, during certain hours and not on bank holidays
- The ability to run payroll on the check date (instead of ahead of their check date), thus ensuring companies will have payroll funds collected from them later

Risks of using real-time payments for employers

In some cases, a receiving bank won't accept RTP because they don't belong to the RTP network. This means that the check will be processed by the next available direct deposit transaction window (be it same-day ACH or next-day ACH). Other key concerns revolve around the potential for fraud with respect to RTP, simply because of the speed of the process:

- Quicker transactions reduce time to monitor potential fraudulent transactions
- Any large-scale transaction that takes place within the digital realm leaves open the possibility of cybertheft and other digital crimes.

These concerns highlight the need for businesses to engage the services of reputable providers (such as Paychex and The Clearing House), who follow industry standards for sound security and authentication protocols.

To find out more about [Paychex and the real-time payment option](#), contact your Paychex rep today!