

**IFP 2019**

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# **Beyond Speed: Emerging Payments Application in the Real World**

**Erasmo Pacheco, CTP**



**Julie Schwierling, CTP**



**Donald L. Williams**



# Session Overview

- **Speaker Introductions**
- **ePayments and Real-Time Payments Overview**
- **Grand Peaks: Adapting Payments to Tenant's Expectations**
- **Phillips Edison & Company: Redefining Landlord-Tenant Billing Cycle with Real-Time Payments**
- **Panel & Audience Q&A**

# Julie Schwierling, CTP

VP of Treasury Services



## Corporate Information

- One of the nation's largest owners and operators of grocery-anchored shopping centers
- A mix of national and regional retailers in strong demographic markets throughout the U.S.
- Provides asset management and property management services to more than 335 shopping centers — 34.4 million square feet across 32 states

## Role

- 20 years of combined experience in accounting and treasury
- Provides strategic direction for the treasury function
- Focuses on meeting company's long-term objectives in cash management, bank relations, collections and covenant compliance

# Don Williams

Controller, Grand Peaks Property Management



**GRAND PEAKS**

## Corporate Information

- Acquire, renovate and develop and manage multifamily assets in core markets across the nation
- Properties and offices in Colorado, Arizona, Oregon, Florida, Texas and Washington
- Focus is on projects across the U.S. of 150 units or more with a market value greater than \$10 million
- Grand Peaks investments:
  - 30 properties
  - Current assets of \$2 billion
  - 19 construction projects/renovations

## Role

- 40 years of accounting and related experience
- Spent the first 14 years in the petroleum and retail industries, the last 26 years in real estate.
- Accounting, analytical analysis and financial strategies enables handling the varied requirements of a large multifamily property portfolio

# Erasmio Pacheco, CTP

VP, Client Success Manager & Strategy  
Treasury Management – National Real Estate



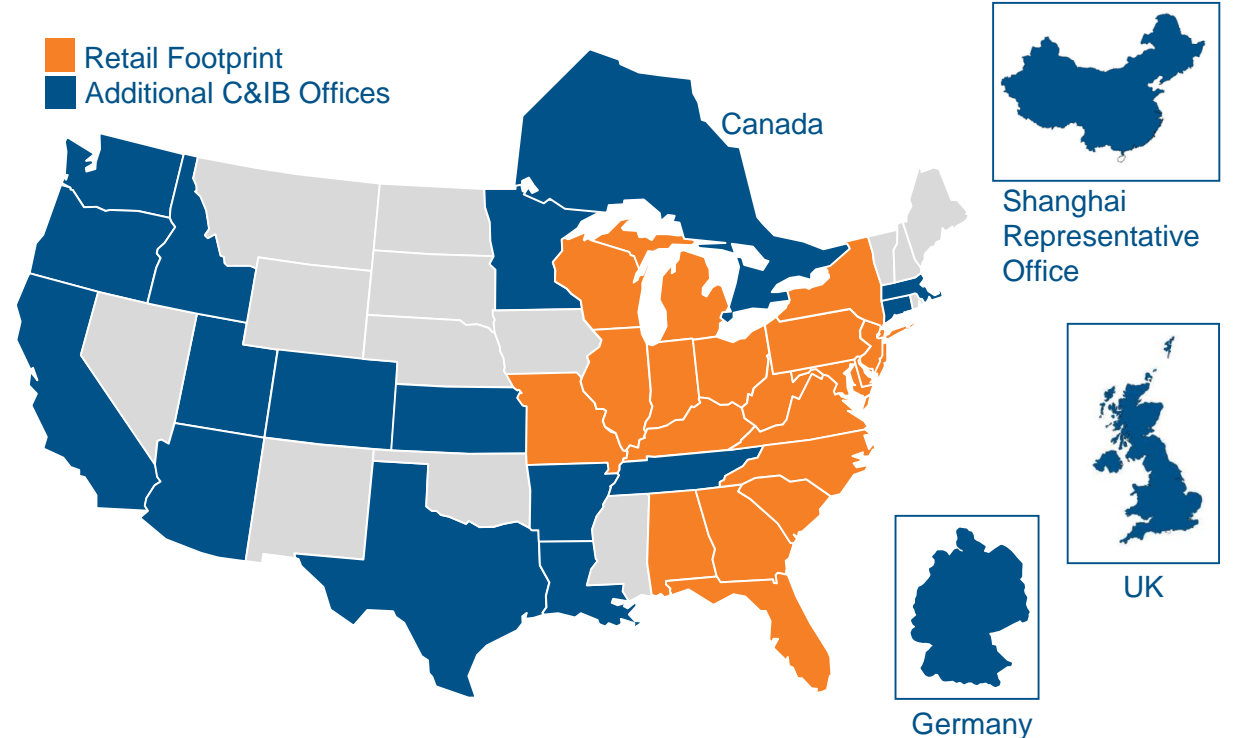
## Corporate Information

- Playing a leadership role in the development of RTP®
  - Ownership stake in The Clearing House
  - Board memberships in other RTP-related organizations
- One of the largest diversified financial services institutions in the U.S.
- Assets of \$406 billion as of June 3, 2019

## Role

- Develop consultative solutions for PNC's Real Estate clients' strategic and operational treasury initiatives

## PNC Locations Worldwide



## PNC Business Segments

Corporate & Institutional Banking

Asset Management Group

Retail Banking

BlackRock Ownership Stake

# **ePayments & Real-Time Payments (RTP<sup>®</sup>) Overview**

# Surveying the Current Landscape

## Payments Are Speeding Up around the World



- Many countries are developing ‘faster payment’ systems to increase the speed transferred funds are made available to recipients
- Over 20 immediate payments systems in operation or planned
- Majority of countries that have or will implement new payments systems had regulatory mandates to institute them



- Traditional U.S. payment system infrastructure doesn’t enable ubiquitous, faster e-solutions that make immediate funds movement possible
- The U.S.’s RTP system is being driven and developed by the private sector

# Emerging Faster Payment Channels



## Real-Time Payments

- Developed and hosted by The Clearing House
- Consistent with design principles of Federal Reserve's Faster Payments initiative
- First truly new U.S. payment channel in 40 years
- Focus on payer-controlled credit push — complemented with integration of Request for Payment messaging
- Key attributes
  - Network availability 24/7/365
  - Speed < 15 seconds
  - Irrevocable
  - Transparent
  - Collaborative



## Payments through P2P Network

- Enables expedited, electronic payment without associated banking information
- Payee email address is the token used to execute notification and payment
- Expedited payment (minutes) for in-network banks, 1–3 days for out-of-network banks
- Network reach
  - 148 network banks — representing 60% of consumer accounts
  - Close to 30 million users
  - Accounts at non-network bank can also be registered
- Options for prepaid card and check issuance for recipients who decline to participate

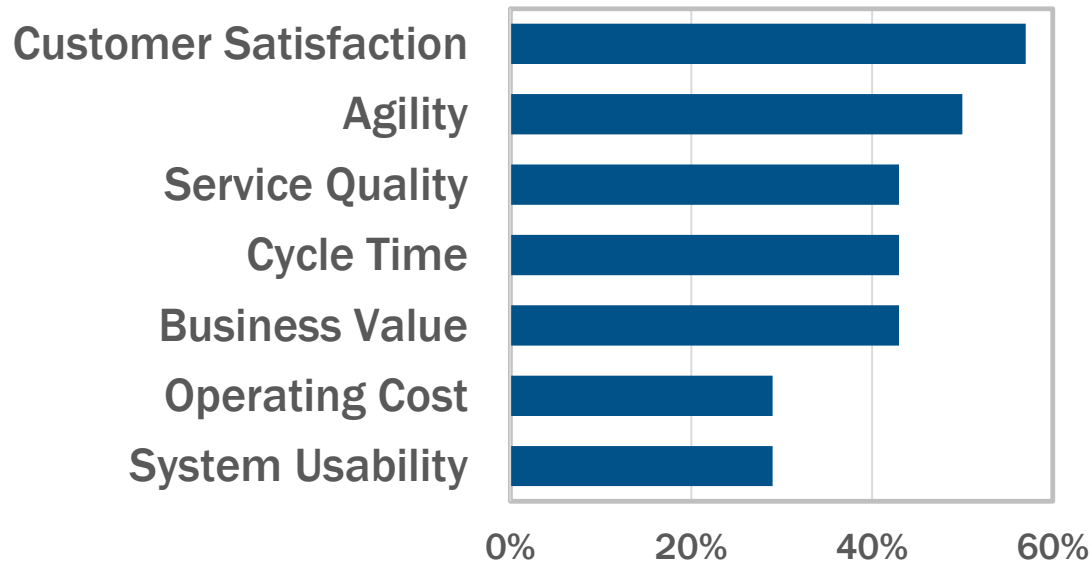


# Adapting to Meet Customer Expectations

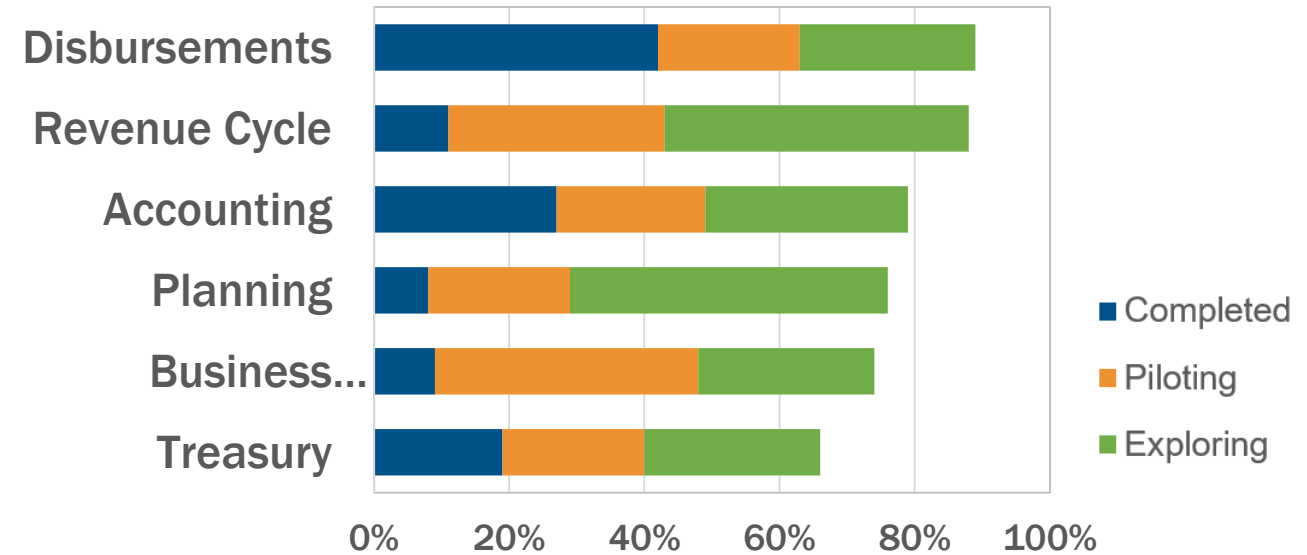
## Digital Transformation Initiatives Impacting a Variety of Business Processes

### Key Transformation Value Drivers

Identified by Respondent Top Performers

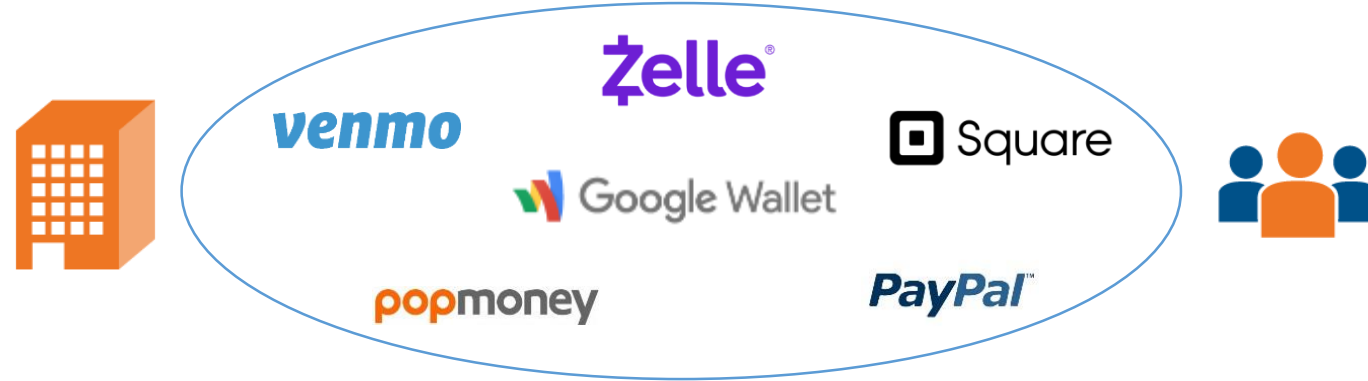


### Where is the Most Activity?



# Adapting to Consumers' Payment Preferences

## Peer-to-Peer Networks Offer New Financial Connection Channels



### Millennial Phone Access

Average smartphone users tap, click or swipe their phones **2,617** times per day [dscout 2017]



### Peer-to-Peer Network Growth

Electronic-based payments are projected to increase at a CAGR of 19.4% – reaching \$133.8B by 2018, expected 188MM users [Statista 2018]

# Surveying the Current Landscape


## Migration to New Information Standard




International  
Organization for  
Standardization

- From ANSI / BAI to **ISO...**
- ISO 20022 first connected large financial institutions, then was leveraged by multinational corporations, and is **now moving into the mainstream**
- Adoption of ISO positions organizations to **take full advantage of the data** that can be sent within the ISO messages – remittances/invoices
- **ERP systems** are adopting ISO 20022 as standard inputs and outputs – for domestic and international transactions
- For organizations operating on dated, legacy systems, it will be **important to partner with banks** that can accept and translate existing outputs into this format


# RTP Messaging: Complementing Complex B2B Processing Activities

- 
- Transfers funds to a receiver
  - Provides 140 characters of remittance
  - Currently limited to \$25,000

- 
- Provides confirmation to sender and receiver message sent successfully
  - Automatically generated by system

## Payment Acknowledgement

- Provides confirmation to sender payment received
- This is an optional message that can be used to communicate account status, etc.

- 
- Requests payment from an individual or organization
  - Customer can respond with a credit transfer or decline the RFP

## Request for Information (RFI)

- Requests additional info from payment's sender to facilitate reconciliation
- Messages linked so conversation history is retained

## Remittance Advice

- Sends complex data with a payment to provide additional remittance capabilities
- Linked to a credit transfer or RFP for reconciliation

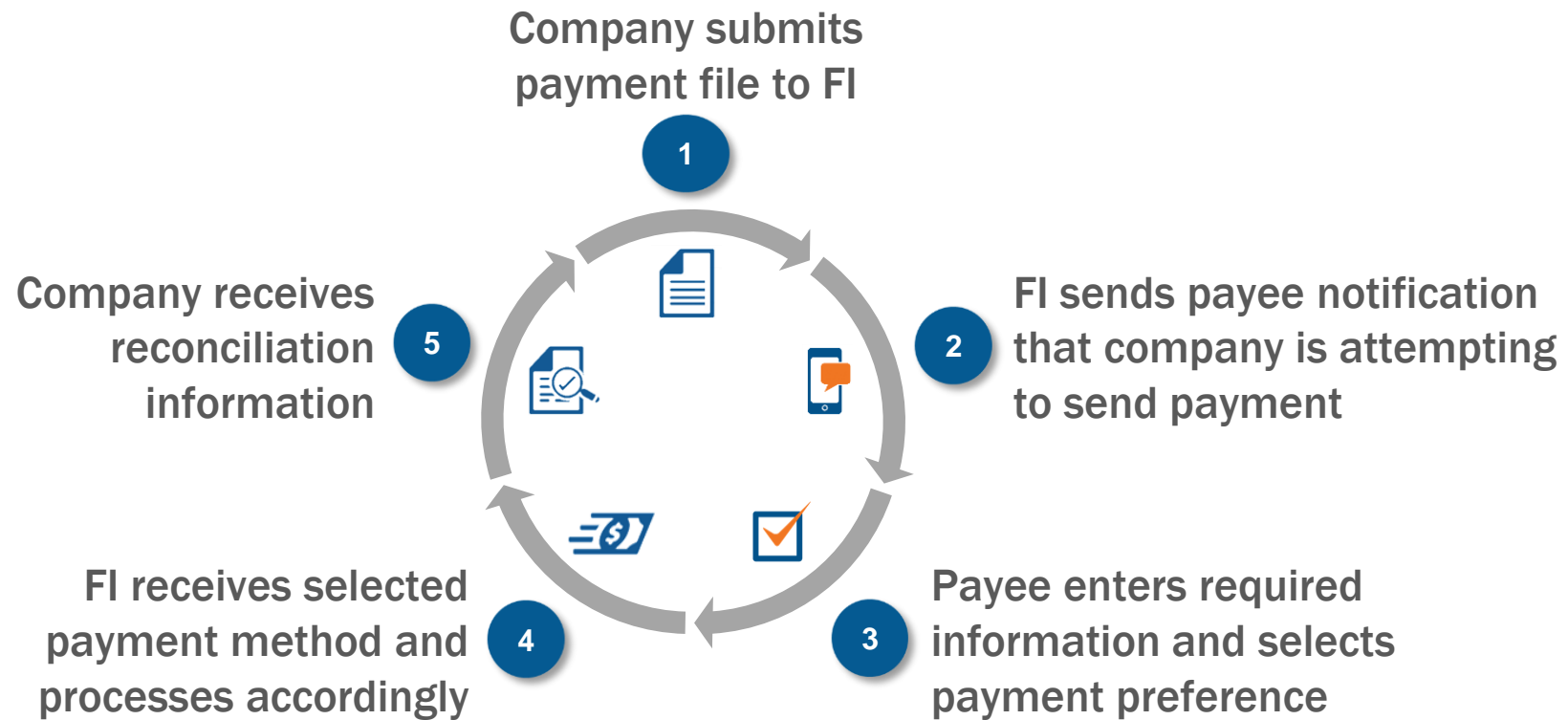
# **Adapting to Tenants' Payment Expectations with ePayments**

# Adapting to Tenants' Payment Preferences

## ePayments – Directing Consumer Payments through P2P Network

*Enables expedited, electronic payment without associated banking information.*

*Payee email address is the token used to execute notification and payment*



# Adapting to Tenants' Expectations

## Grand Peaks' Experience



### Challenge

- Tenant security deposit reimbursements made exclusively by check
- Tenants and property managers press Treasury for electronic reimbursements

### Tenants' Electronic & Mobile Experience

- Tenants expect mobile platform interaction in all rental aspects
- Leasing, payment and maintenance requests are all online
- Offer electronic reimbursement via a method that they use for their own activity

# Adapting to Tenants' Expectations

## Grand Peaks' Experience



Coordination  
with Property  
Managers &  
Leasing



Technical file  
and front end  
development  
with ERP  
provider



Coordination  
with bank  
provider in  
testing,  
execution and  
roll out

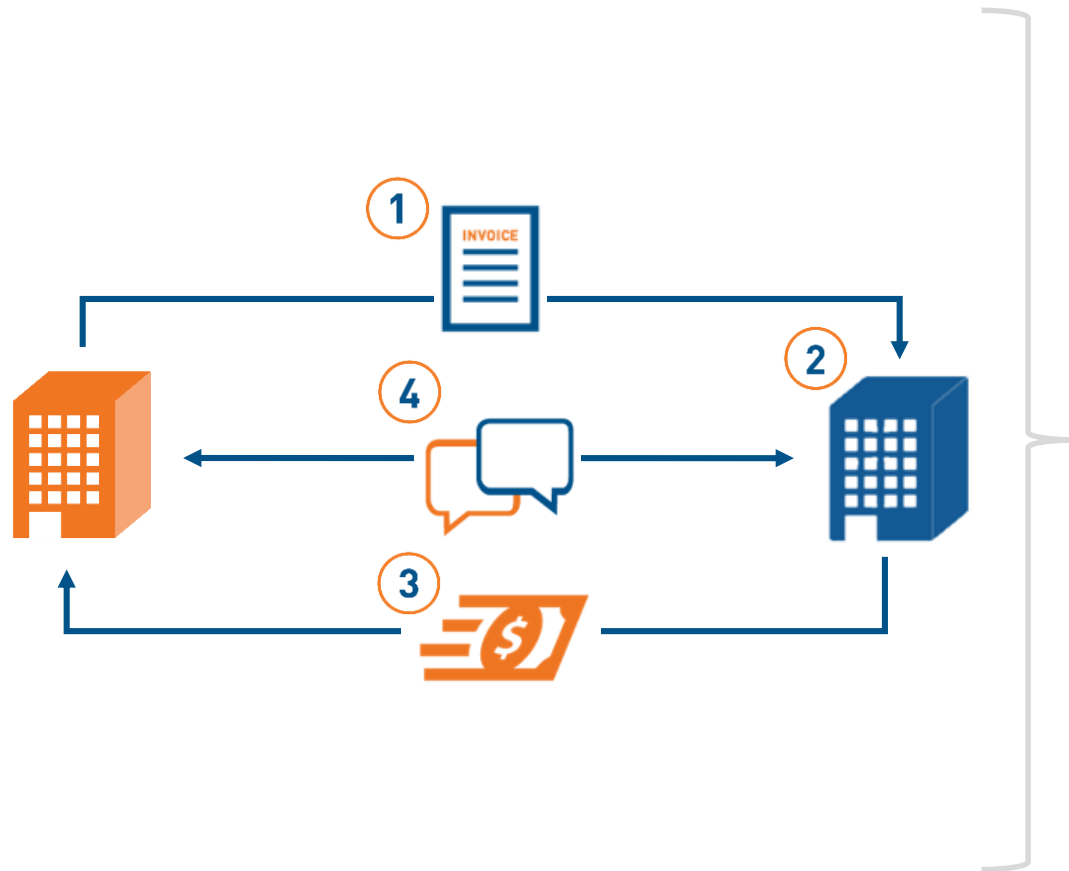
Grand Peaks Treasury



# **Redefining Landlord-Tenant Billing Cycle with Real-Time Payments**

# Redefining Landlord-Tenant Billing Cycle

## RTP Makes this Vision Possible in the United States



- 1 Request for Payment:** Landlords can deliver remittance document from their ERP or billing systems in a variety of methods — web, batch, API
- 2 National Tenant:** Deliver ISO-formatted data consistent with ERP or AP workflow system required specifications  
**Regional ('mom & pop'):** Delivery through retail banking mobile and web channels
- 3 RTP Credit:** 24/7/365 ability to execute a payment with extended remittance capability, both sender and receiver are notified in real time (Payment Acknowledgement)
- 4 Request for Information:** Landlord can create a message asking for additional details on a received payment, original payment details consolidated with subsequent communication

# Redefining Landlord-Tenant Billing Cycle

## Phillips Edison & Company (PECO) View



### Challenges

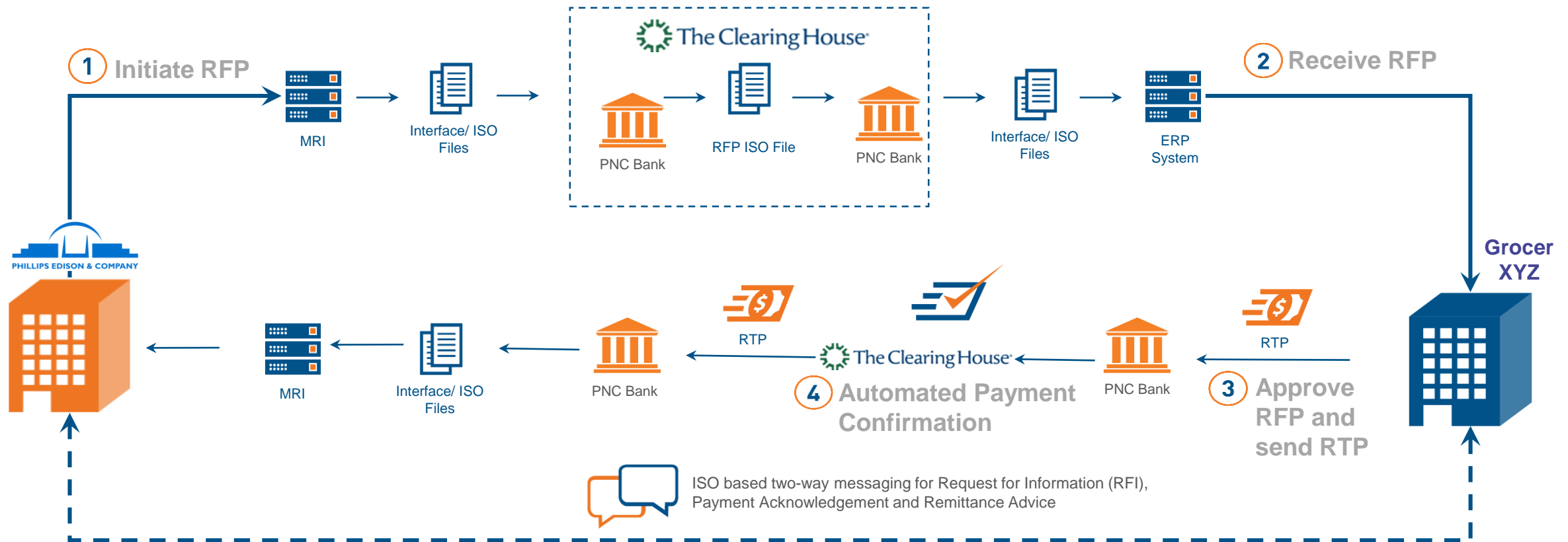
- Lease-driven billings with unique payment aspects leading to frequent disputes
- Mixed success in automated cash application

### A More Seamless and Transparent Tenant Experience

- Tenants are unlikely to make systematic changes for one relationship
- API-driven connectivity with a universal payment and messaging format
- Framework to clearly identify what's being paid and why

# Redefining Landlord-Tenant Billing Cycle

Illustration of how PECO, which uses MRI, is exploring incorporating RFPs into its monthly billing of national retailers. In this example, Grocer XYZ is a national retailer that also banks with PNC for their disbursements.



# Panel Q&A

## Session Takeaways:

- 1. Faster payments are a reality and quickly becoming the expectation in B2C transactions.**
- 2. Request For Payment capabilities of RTP provide a blank canvas to redefine B2B and B2C payment interaction.**
- 3. The “real world” value of faster payments extends beyond speed, offering companies new tools to tackle age-old problems.**

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