

Enabling fast, smart, secure payments

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- Jonathon: [00:00](#) Welcome to Treasury Insights. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision making, creates efficiencies and helps manage risk. Put another way. We want to give you the power to see what's next. The payments environment has changed dramatically in the last three to four years, especially with the rapid pace of digital advancement. As the options for clients grow and expand, so do their questions. Julie Harris Global, Head of Digital Banking Strategy and Derrick Walton, Head of Emerging Payments help to demystify the payment landscape in today's ever growing digital world. Julie, let me start with you. What are your thoughts on the driving trends in digital?
- Julie: [00:43](#) Great, thanks Jonathon. So I'm really excited to be on this podcast today with Derrick as we talk about the evolving nature of payments. So I think about all the conversations that I have regularly with clients around the globe. And there's really three key themes that emerge from those every single client conversation. It's fast and it's smart and secure. So let me dive just a little bit deeper into each one of those and what they really mean. So think about your daily life. My daily life today starts with a QR code on my phone to get into the line at the airport. I no longer need a boarding pass. I'd just have to have my phone.
- Julie: [01:17](#) I scan right in. While I'm waiting in that line. I Zelled my friend from something I owed them over the weekend. And yes, Zelle is a verb now. We'll come back to that later. And then at the same time I'm processing an electronic signature for a rental agreement over the summer. Every part of those three aspects of 30 minutes of my day was fast, smart, and it was all secure. And when you think about security, no part of what our clients do with us as a banking institution will be at the sake of security. So they expect fast, they expect smart. But all of that has to be under the guise of everything being secure. So if you think about our clients, all of you, CFOs, treasurers, your expectations of dealing with us as a financial institution are built upon the activities that you perform in your individual life every single day.
- Julie: [02:03](#) And to that's the piece that brings together smart, fast and secure. And so what I'm also hearing from clients is that when it comes to payments, why are they not fast? They're secure today, but we certainly don't have the aspect of speed. We definitely don't have the aspect of smart. And Derrick's going to get into that as we go through this. So why does it take

two days for my payment to post? I expect things to be real time. So I'm interested in going deeper in this podcast specifically around not only the digitization of payments, but the proliferation of options. And Derrick's going to help us navigate that landscape. And with all of these options, how do I optimize not only when I pay, but when I receive money as well?

- Jonathon: [02:40](#) Thanks Julie. And so turning to you, Derrick, as Julie said, why don't you talk a little bit as our Head of Emerging Payments, what's your approach with clients to helping them contend with all of these options and different methodologies?
- Derrick: [02:50](#) Yes, of course. And again, happy to be here and talk with everyone. The, I think Julie brought up a lot of good points there when we started looking at the characteristics of where we're trying to come in this market. The other part of this now as we have to implement products that meet those goals. So as we start looking at where we are headed and where we're doing, I have to design products that work for our clients across multiple regions, multiple segments in order to address the speed, the security, and let's say the smartness of these payments. So we try to address it in multiple ways. We address it from a, B to C from a business to consumer method and a B to B. Now B to B could subdivide into, B to big B and B to small B, which are very, very different. So we're trying to do now with all these changes that you've mentioned that happened the last few years is we're trying to monitor the client experience and behavior and try to build products that will survive at least the next five to six years before the next innovation that comes through.
- Julie: [03:51](#) And Derrick, we talked about the verbs Zelle which is really payments and receipts when you think about it. And a lot of our clients are really looking for advice on both incoming payments and outgoing. They want people to pay, they want people to pay them and they want to be able to pay people easily and seamlessly.
- Jonathon: [04:07](#) That brings up a good point. I mean, so during, how are we thinking about innovation for the future to help them meet that objective?
- Derrick: [04:13](#) Right. So Julie brought up a point to beginning talking about the optionality that we are starting to see in the market. As you've noticed as we talking about Zelle, we also have out there Check, Cash, Wire, ACH, Digital Wallets. We have PayPal and Push to Debit. Those are all options here just in the United States. We're not even talking about going internationally. So the question is how do we offer that bundle of resources to you, our client and make sure that you know how best to utilize it. Well, it's going to be a concert of people that are gonna help you through that. It's not just offering your product is also teaching you how to use it. It's also looking at how we manage that liquidity.

- Jonathon: [04:52](#) And I think Derrick, that ease of use is critical because as you've just highlighted, the number of options that are available to clients is multiplying exponentially. There's so much more choice out there. And then if I go to you, Julie, I mean you must be seeing a similar kind of landscape globally as well. What, what sort of things are you seeing that excite you from the point of view of the client?
- Julie: [05:10](#) Yes. thanks for that question Jonathon. One of the things that probably excites me the most, and it may sound a little cliché to say this, but it's truly the power to our clients to give them the ability to meet their financial needs because our clients don't wake up every day thinking about banking like we do. They wake up thinking about their business and their employees and their clients on the other side. So we have to take care of the speed, the delivery, the security, because that's just one aspect of making their business grow as their expectations. So I see digital as a better opportunity in this day and age to deliver for our clients. The other thing that excites me about the position of Bank of America is it's not one or the other. It's not digital is the future or you know, relationships are the future. It's both.
- Derrick: [06:01](#) But our clients certainly have these problems that they're always dealing with. And so no matter what payment option is out there, they have problems that they're trying to solve for. And I think that is where we make that connection to say, are you having problems getting your payment from A to Z in a timely manner? Well, let us explain to you what the best option is, but let's say if that isn't your issue, let's say being fast is not the most important piece, but having the amount of data that goes with that payment is important.
- Jonathon: [06:28](#) So actually what we're saying is these, the proliferation of different methodologies is actually allowing us to be more granular and more focused in what we're delivering to our clients by way of a business outcome as a consequence of using that methodology. Right? So Derrick, given that context and that there's a proliferation of options, are there any misconceptions that clients may have out there that we can potentially help them clear up on this broadcast today?
- Derrick: [06:52](#) I think the one that I always hear is, well, which one is better? And there is no sense in speaking as a payment purist of, I will say that there is no better option over one or the other. There are certain ones that are taken a lot more, let's say, capabilities or features into the payment, but there's not one that's better.
- Derrick: [07:11](#) So for example, it could be check, but then again, there's also people working in the energy sector who prefer checks over digital payments just because of the amount of information or the size of the payment. Those are two very different demographics who still want the same payment

option. But then again there could be a very young demographic in both those areas who definitely want to get digital payments. So all these different options need to be offered to the consumer or to the beneficiary in order to make the operation a lot easier.

- Derrick: [07:38](#) One of the things that we're starting to notice with all these different upgrades is we're looking to, and I'm going to go back to I think the three key tenants you brought up, which was speed, smart and security. Thank you. Is that the technology that's associated with it is also having to be upgraded. Our clients can't just use a, their infrastructure they've had for the last 40 years and say I can use it. So now we're starting to see is that not did they just want to use this? There is a level of upgrading in their infrastructure that they have to do in order to be able to utilize some of these payments. And so that's where again, it comes back to what would we advise our clients the best do in those situations where their operations, their technology and their future all have to sort of come into play.
- Jonathon: [08:17](#) You mentioned an interesting point there. You talked about upgrading, but by the same token you also referenced the different generations if I may, are going to want to use different methodologies. So it's also preserving what they've already got and expanding its capabilities, right?
- Derrick: [08:30](#) That's right. So you need to be able to offer the old and the new at the same time. Say I'm offering the old like checks or wires, ACH, they still have a very necessary component in the market, but now we can start getting a lot more data that gets associated. That comes back to us. So before, and I'm gonna use an example. If I sent a wire payment over to the UK and once it gets there, the only confirmation I know that it's gotten there is my beneficiary told me they received it. That is a very legacy way in which I know received a wire. Now we're starting to get to the point where I can still send that same wire, but I can now get information back from that beneficiary's bank that says the payment has been received back to your ERP system and it gets told back to your mobile. All that can happen within minutes and hours or seconds.
- Julie: [09:14](#) FedEx package tracker of payment.
- Derrick: [09:16](#) That's right. That's a huge change and we really haven't really changed the payment. All we're doing is changing how we interact.
- Jonathon: [09:21](#) That's great. Thanks. Thanks Derrick. I mean, so I'll keep my fax machine for now, but if I turn back to you Julie, I mean we're talking here about proliferation of certainly data I can see as well and sometimes I know clients raise concerns about that. All this information swimming around. Yes it gives you a great deal of transparency but is it secure and I just want to know, if you could give us your thoughts on that from a, from a

global digital strategy perspective.

- Julie: [09:46](#) Definitely. So Derrick said that the question he gets asked is which one is better and I often get asked which one is safer and if it's my parents or if it's a client saying I'm concerned, I'll give a great example about mobile payments because that feels less secure than if someone's in the office. And the use case, I use our highest payment last year was well over a billion dollars. And if you think about it, digital actually allows you to add additional security. So a lot of our conversations come in educating clients and especially when it comes to payments, unlike the consumer where if I Zelle it to you or any other payment verb, it just, it goes to the number that I sent. Within the corporate space, the business space, commercial space, you have payment approvers.
- Julie: [10:41](#) So knowing that my team can improve anytime, anywhere, why not add additional layer of security and add three approvers because they have to log in biometrically and approve that within a certain time period. We literally had one client tell us, you changed my CFO's life. You know, he's getting on an airplane; he can't get into the computer. We've got to get the payment back to my first point because we've got a supplier that we've got to pay to be able to serve our clients. And you've made that ability anytime, anywhere and you have the added capability of biometrics. And we know today that almost 70% now of our clients are using biometrics on their phones. And so when you add that additional capability, the additional ability for your teams to add approvals, you're enhancing the security by going digital. And so that's just a misperception, I think more than it is a concern of mine Jonathon. And that's an area where we spend a lot of time with clients educating. How do you use our tools that we provided to enhance the security of what you have today?
- Jonathon: [11:42](#) So you can actually add more layers of security which don't impact the speed or the ease of use. Is that fair, Derrick?
- Derrick: [11:49](#) A hundred percent fair and I would go back to Julie's example when she's talking about the multiple approval models and using biometrics in which to send in approved payments, even receiving payments as the exact same security. One of questions I think there was always assumptions like, well, if I send it to a phone, how do I know that person gets it? Well, because we use facial technology, we use biometrics in order for people to approve the sitting of payments. Can you imagine if today want to go back into our legacy payments? When we send a payment, we don't really send it to a person. We send it to an account number and a routing code or an I band and that's where we become very used to but pretty well. What we're talking about is, let me send it to a phone number, which is a person who parametrically accepts it when they see it.
- Derrick: [12:28](#) That's a very different experience and very different behavior. But also it

allows us to move a little bit faster if we're getting to a 24 by seven world where we can accept payments and send payments on planes. And right before we go anything, the, the speed of commerce is moving so much faster. We need to have the capability to accept or if you need to receive on Saturday and Sundays, one of our first big clients that we're starting to see on real time payments is looking at making payments for mortgages and escrows over the weekend. For a lot of us, you always had to wait till the start of the work week to get that back. Can you imagine how that might just change the housing community or buying and selling of property because you don't have to wait until weekday to do a closing. You could literally do it on the weekend. So those are some of the changes that we're already starting to see that's starting to inter our daily lives.

Julie:

[13:14](#)

Yeah. And if you think about it, you asked about mobile payments, Jonathon, and it's not just generational, but one fact that we do know is all of us, all of our clients are employers. And the fact that 60% in the next year and 75% in the next five years of our workforce are millennials and generation Z or gen Zed, and they have 90% smartphone adoption. So it's an imperative to have that. And, and we see that today. And you also see it as you were talking about around the world differently. When you look at India as mobile payments came to the forefront of India within two years, it was the fastest growing, uh, area of mobile payments around the world. And you look in the U.S. you've got Venmo, PayPal and Zelle and all of those combined. The adoption rate is far surpassing anyone's imagination. So I think a lot of what we want to convey here to our clients is that we expect those options to continue. And it's not a matter of resisting those, it's a matter of embracing it and using it to your advantage of getting your end customer, the goods and services that they need faster, all while keeping things secure and having the data that still allows you the straight through processing or the data analysis that you need to your ledger that you would have from checks. And that's what we're really here to help.

Jonathon:

[14:31](#)

Yeah, it's interesting listening to the both of you, you both talk about speed, efficiency, but you know the security and the enrichment I guess of the transactional flow. But the other thing I think you're touching on as well, and you mentioned it Derrick, with buying the house is it's actually also enabling our clients to transform their client's experience of doing business with that company. And I guess I'd love you both to comment on how you see that's working, particularly with things like real time payments.

Derrick:

[15:01](#)

One of the things that I find very interesting is we started talking about, let's use the word salaries. Salaries get paid every two weeks. That's what we've all grown to know. That's what we're used to. But now we starting to get this gig economy, which they're saying, well, pay me after I do my

services and job for you.

- Derrick: [15:15](#) So we're starting to pay that little more regularly. And then people started to ask the question, why do we have to wait every two weeks to receive a payment? Why can't I get paid every day for the work I've done every day? And we've already started to see a few clients, especially more in the fast food or retail space, where they have sort of hourly workers to start moving into that direction to start paying everyone on a daily basis for the work they've done. That's a huge change where we're not going to say, how much do you get paid a year? You're gonna start saying, how much do I get paid via an hour? Or how much do I get paid a day? But the reason that's a big difference is because right now quite a few Americans or even people from around the world use credit because we don't always, we're waiting for our next paycheck or people live paycheck to paycheck or are working off credit a little bit. But if you get paid every day, that might reduce the amount of credit card you use.
- Julie: [15:59](#) And so, Derek, I have another great example. I mentioned the client that said you changed my CFO's life. I had another client that said, you changed my end customer's life. And here was the example, it was a theater performing arts center and they have, you know, great Saturday night show and, and much of what you just talked about, the performers and the performance want to get that paycheck and they pay them after the show based on the ticket sales. And he said now with the cash pro mobile, we are able to set everything up, evaluate the ticket sales and then I can release and approve the payments that night after the show. And it's just a great example of how innovation and investments that we've made in fast, smart and secure is a pass through to not only their end clients but their employees as well. And at that's embracing of technology really was an eye opener to them on how they could meet their end objectives.
- Jonathon: [16:48](#) Wow. I mean that's a real pay for results almost or pay for delivery your point Derrick. I mean, I mean it's great. We've got all these features and everything. What would you say to customers in terms of helping them to get ready? Because to me, if you're going to have a real time payments or near real time, let's call it that, a facility with lots of different options, then you probably need to have a business. That's geared towards real time as well. Now is there anything we can sort of give our clients by way of advice to help them get ready for these kinds of channels and opportunities?
- Derrick: [17:18](#) I guess I will look at it in a few ways in, I'm going to kind of use the Bank of America logo here and say I would ask them what do they want the power to do? Some people have been constrained for a while by the capabilities of what they were having to offer.

- Jonathon: [17:30](#) What do you see as the things sort of coming down in the next sort of five to 10 years that our clients should maybe start thinking about or even getting ready for?
- Julie: [17:36](#) Yes, definitely. I'd summarize it into a couple of different things. We talked a lot about the pace of change and at the same time the world getting smaller. So how does a company like Bank of America, how can we differentiate in the client experience? And number one is that client experience. So it's not just about product or capability, it's how our clients feel when they interact with us. And that is an extension of here today I'm with Derrick, with Jonathon. It's an extension of the people that I know. But when you're not sitting in front of me giving me advice, how does it feel when I'm trying to open a new account or get a new deal done? How does it feel to interact if I have a service issue? And that expectation is really high and today's environment around that experience. And so client experience and that combination of the high touch and high tech is really important in a big area of focus for us.
- Julie: [18:27](#) So not just the capability but the actual experience and ability to get things done anytime, anywhere because we are an around the clock society. And the second one is the ability to integrate. And Derrick touched on this a lot, it's not about our platform and our capabilities, it's about you as a client and the infrastructure you have and the ability for us to integrate, whether that's with platforms and capabilities that we built or partnerships that we have with the likes Swift. These are Fintechs that we're partnering with. They've come through all of our rigor of legal and compliance and we're able to leverage our banking as a platform to deliver that to you. So I really think the future is all about client experience and integrated platforms versus siloed products and capabilities. And then of course we've for Bank of America talk a lot about intelligent treasury, which brings all of that together. And you touched on this, Jonathon, as being an advocate for our clients and helping them navigate this changing environment. So I'm really excited and looking forward to see what the next few years bring.
- Jonathon: [19:28](#) Great, thanks. What about you Derrick?
- Derrick: [19:30](#) Well, I feel like Julie just answered the question perfectly. I think the only thing I would add and more just to kind of dive deeper into what she may have already said about this, but I think that now you have all these different options and as we get to know our clients and the segments better, we're able to really kind of offer very unique-solutions for different verticals. Exactly for what they're asking for. So for some ways we say, like we can imagine in the past we had a very core group that said, hey, our offers are, we can use ACH and wires and this way or checks. But now I could say, so your insurance company, I'm going to offer you, let's say a recipient choice portal. So now your beneficiaries can

select how they get paid. All we need from you is their phone number, their email address. That's a very big difference, right? Just for that market. And then I think as we start looking at doing cross border payments, we start saying, we can offer this for you if you're paying consumers, we can offer this. If you're paying big businesses, like we're starting to get into the detail of how their operations work and offering different payment rails or different payment experiences depending on where they are.

Jonathon:

[20:29](#)

That's wonderful. So I want to thank you both. I mean we've had an insight into the future of payments and the digitization of those payments, but I think you both brought areas like client experience. You both brought controls, security and risk to and dealt with some of those issues. You've thought and articulated how that can transform our clients experience for their end users and their end customers. It's been a fascinating journey, through the options that are available to us. So I thank you both very much for that. Thank you. Thank you. And you've been listening to Treasury Insights as each day brings innovation and opportunity. We are dedicated to working with you to turn technology advances into intelligent treasury.

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