

# DIGITAL<sup>®</sup> TRANSACTIONS

Trends in the Electronic Exchange of Value



THE  
**Card Industry's**  
Endless War

Merchants have rejected the card networks' latest deal on card-acceptance costs. Now it's up to a judge to decide whether the sides can finally achieve peace at last.

**ALSO IN THIS ISSUE:**

Klarna Eyes Banking

The Identity Imperative

Waiting for Instant Payments

Payment Innovation's Driver

Volume Twenty-three, Number Two

DigitalTransactions.net

March 2026

# Meet with Merrick Bank at ETA



At **Merrick Bank**, partnerships come first. As one of the largest merchant acquirers in the U.S., **we support ISOs, PayFacs, and ISVs** with flexible programs, deep expertise, and a relationship-first approach.

- ✓ **Top Merchant Acquirer in the U.S.**
- ✓ **25+ Years of Industry Experience**
- ✓ **Trusted & Reliable Partnership**

When you work with us, you gain access to a **dedicated team that collaborates with you** to build a customized acquiring program, and supports you every step of the way.

**Connect with us at  
ETA in Atlanta**



**Merrick Bank**  
merrickbankacquiring.com

# contents

MARCH 2026 • VOLUME 23, NUMBER 2

## The Card Industry's Endless War

16

Merchants have rejected the card networks' latest deal on card-acceptance costs. Now it's up to a judge to decide whether the sides can achieve peace at last.

### THE GIMLET EYE Stablecoins' Appeal: Stronger Than You Think

2

### TRENDS & TACTICS

4

#### Klarna Looks to Banking Services

The strategy: get customers through payments, hold on to them through banking.

#### Block Goes All in on AI—And Sheds Employees

The 40% reduction in force shocked the industry—but what really accounts for it?

#### Stripe: Visa And Mastercard Agent Tokens, BNPL for Klarna And Affirm

It seems everywhere you turn in payments, you see Stripe. You'd almost think they intended it to be that way.

#### Paysafe: A New Wallet And Agent Commerce for 2026

The processor's master plan has a wide scope. Now, follow-through will be crucial.

Plus, Security Notes lays out the role of crypto in health and wealth, and Payments 3.0 shows why facts must be handled with care.

### SECURITY

12

#### Identity Is the New Perimeter

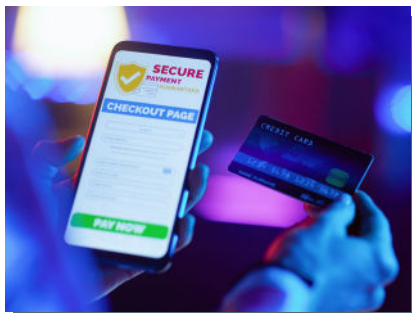
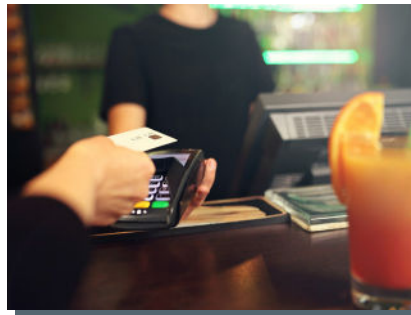
As e-commerce accounts for more and more payment transactions, the need to ensure a transactor's identity is more and more crucial.

### ENDPOINT

25

#### What's Driving Payment Innovation? Ask Higher Ed

The student payments process influences far more than you think.



### NETWORKS

21

#### RTP and FedNow Instant Payments: Where's the Hockey Stick?

Real-time payments networks have been hobbled by the wrong approach. Thinking of them as utilities will make a big difference.

Cover photo: badahos/123rf.com

Digital Transactions (USPS 024-247) is published monthly by Boland Hill Media LLC, 800 Roosevelt Road, Building B, Suite 212, Glen Ellyn, IL, 60137. Periodicals Postage Paid at Glen Ellyn, IL, and at additional mailing offices. POSTMASTER: Send address changes to Digital Transactions, P.O. Box 493, Northbrook, IL 60065-3553.

## STABLECOINS' APPEAL: STRONGER THAN YOU THINK

**ALL YOU FUDDY-DUDDS** out there who routinely trash cryptocurrency, listen up. Research released last month makes the case stablecoins are moving out of niche applications and into the mainstream of international payments, propelled by fast transactions and perceived security.

That's according to the "Stablecoin Utility Report" from stablecoin-technology provider BVNK, with research conducted by YouGov among more than 4,600 digital-currency users in 15 countries, including the United States, France, Germany, and the United Kingdom. Artemis, a company that analyzes blockchain data, also contributed to the effort. BVNK develops financial applications that involve stablecoins.

The survey was conducted in September and October among persons who either hold crypto or held it in the last 12 months or intend to acquire it in the next 12 months.

So what's driving the trend toward the mainstream? A demand for faster and more secure money movement among companies and consumers is a major factor. Some 39% of respondents reported receiving their pay in stablecoins, with the digital currency accounting for 39% of annual income. That's while 27% report using the coins to pay for routine transactions.

Results like that could help dispel doubts in the financial world, the report's backers argue. "If you're sitting in London or New York, you might be thinking: when was the last time I paid for something in stablecoins? When did I see a 'pay with stablecoins' option on a Web site? The skepticism feels rational," Chris Harmise, a co-founder at London-based BVNK, said in a statement.

But if stablecoins are heading into the payments mainstream, they will require ever wider acceptance. That's especially the case as the digital money has evoked demand that is greater than the opportunity to spend. The survey indicates 42% of users want to spend crypto on big-ticket purchases, but the proportion that do so is 28%. Results like that could lead to card-based spending, as 71% of respondents indicated they would be open to using a linked debit card.

To be sure, stablecoin stashes have been growing steadily, with half of those holding the currency having increased those holdings in the past 12 months, according to the report. Holders tend to be young, living outside the West, and inclined to be entrepreneurial—though evenly split between male and female.

But what frustrates stablecoin holders? The irreversible nature of transactions is the number-one sticking point, cited by 30% of users, according to the survey. That's followed by too many steps to complete a payment (22%) and the need to select a specific blockchain or stablecoin (20%). Just 10% indicated they didn't find the process frustrating.

Some fine-tuning is needed, but the momentum is unmistakable.

John Stewart, Editor | [john@digitaltransactions.net](mailto:john@digitaltransactions.net)

**PUBLISHER** Robert A. Jenisch

**EDITOR-IN-CHIEF** John Stewart

**SENIOR EDITOR, DIGITAL**  
Kevin Woodward

**CORRESPONDENTS**  
Jim Daly, Peter Lucas

**ART DIRECTOR/PRODUCTION EDITOR**  
Elizabeth Novak

**EDITORIAL ADVISORY BOARD**  
Eula L. Adams

John Elliott

Alex W. "Pete" Hart  
Former Chief Executive Officer,  
Mastercard International

William F. Keenan  
President, De Novo Corp.

Dr. Gideon Samid  
Chief Technology Officer,  
AGS Encryptions Ltd.

**DIRECTOR OF ADVERTISING**  
Robert A. Jenisch, 630-547-2887  
[bob@digitaltransactions.net](mailto:bob@digitaltransactions.net)

**ADVERTISING SALES REPRESENTATIVES**  
Robert Mitchell, 630-547-2887, x7  
[bmitchell@digitaltransactions.net](mailto:bmitchell@digitaltransactions.net)  
Rob Akert, 630-547-2887, x6  
[rakert@digitaltransactions.net](mailto:rakert@digitaltransactions.net)

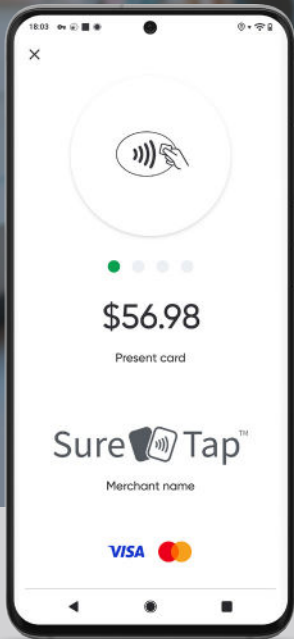
*Digital Transactions, Digital Transactions News,*  
and *DigitalTransactions.net* are publications of  
Boland Hill Media LLC, 800 Roosevelt Road,  
Suite B212, Glen Ellyn, IL 60137

John Stewart, Managing Director  
Robert A. Jenisch, Managing Director

For advertising information, call  
630-547-2887. To subscribe or  
give us a change of address, go to  
[www.digitaltransactions.net](http://www.digitaltransactions.net) and click on  
"Subscriber Care" or call 630-547-2887.

The views expressed in this publication are not necessarily those of the editors or of the members of the Editorial Advisory Board. The publisher makes reasonable efforts to ensure the timeliness and accuracy of its content, but is not engaged in any way in offering professional services related to financial, legal, accounting, tax, or other matters. Readers should seek professional counsel regarding such matters. All content herein is copyright © 2026 Boland Hill Media LLC. No part may be reproduced without the express written permission of the publisher. Subscription prices: \$59/year for subscribers in the United States; \$69/year for Canadian subscribers. All other subscribers, \$119/year, payable in U.S. currency.

# SoftPOS that's Built to Belong



## Introducing SureTap™

SureTap™, powered by Datacap, is a “bring-your-own-device” SoftPOS solution that turns NFC-enabled Android devices into secure payment acceptance tools, eliminating the need for dedicated hardware.

Fully integrated into Datacap’s comprehensive payments ecosystem, it provides a streamlined, holistic experience for ISVs and their merchants.



**SIMPLE  
INTEGRATION**



**DEVICE  
FLEXIBILITY**



**STREAMLINED  
EXPERIENCE**



**ONE VIEW OF  
EVERYTHING**

## Reduce Complexity. Accelerate Growth.

SureTap adds SoftPOS payments to Datacap’s NETePay Hosted™ omnichannel gateway, enabling partners to deliver a seamless, end-to-end payments experience across countertop, mobile, unattended, and ecommerce channels — boasting unified tokens, reporting, remote management and support via one, best-in-class platform.



**datacap**  
systems, inc.



**READY TO OFFER SURETAP? LET'S TALK!**

[sales@dcap.com](mailto:sales@dcap.com) | [datacapsystems.com](https://datacapsystems.com)

## KLARNA LOOKS TO BANKING SERVICES

Klarna AB released numbers in February that indicate the payments company's processing breadth is growing rapidly. News of Klarna's fourth-quarter 2025 performance also came as the company looks to further its growth as a global digital bank.

"We've been executing on a clear plan: acquire customers through seamless payments, then deepen those relationships into banking," said Sebastian Siemiatkowski, Klar-

na's chief executive and cofounder, in a statement. He revealed that the number of customers for Klarna's banking services doubled over the past year, with revenue amounting to three times the total the company gets from its "average consumers."

Stockholm-based Klarna sees an opening in banking created by the behavior of banks themselves, Semiatkowski said. "Consumers are moving away from predatory

revolving credit and we're building the transparent alternative they deserve," he said in his statement.

Consumers appear to be responding to that call. The company finished the year with 15.8 million banking customers, a 101% increase from the end of 2024. It reported 118 million active customers for its payment services, up 28%.

Indeed, Klarna refers to its banking customers as its "most engaged consumers—so engaged that they generate \$107 per user, the company reported, more than three times the \$30 accounted for by the company's average users overall. Meanwhile, Klarna's cards are proving a popular banking product, with 4.2 million active users, a jump of 1.9 million just from the prior quarter.

Overall, the U.S. market is spearheading growth for Klarna, the company reported, as the country accounted for a 58% rise in revenue year-over-year, bettering the 51% growth rate seen in the September quarter. Some 29 million U.S. customers use Klarna.

In payments, the picture looks equally sanguine. Volume for the quarter grew 32% year-over-year, to \$38.7 billion, beyond the top end of the company's guidance. U.S.

### KLARNA BOOSTS REVENUE...

(US Dollars in Millions)



### ...WHILE NET PROFIT SINKS

(US Dollars in Millions)



Source: The company

growth clocked in at 43%. Overall merchant count stands at 966,000, a 42% rise from the same quarter in 2024. Some 115,000 sellers were added in the quarter, a record number, according to Klarna, while overall revenue for the quarter rose 38%, to \$1.08 billion.

Observers are cautiously optimistic. “The number of merchants offering—and consumers using—[Karna’s] payments and financing options is increasing at explosive rates, alongside a surge in overall engagement,” notes Eric Grover, proprietor at Intrepid Ven-

tures. “Over the last several years, Klarna has slashed its headcount, significantly boosting its operating leverage. It seems to be successfully evolving into a hybrid multinational payments and credit platform, as well as a retail bank. We’ll see.”

—John Stewart

# BLOCK GOES ALL IN ON AI—AND SHEDS EMPLOYEES

Block late in February shocked the payments world by announcing it is cutting its headcount by more than 40%. The move—which will leave Block with less than 6,000 employees, down from more than 10,000—comes as the fintech posted one of its best financial performances for 2025, according to company officials.

The staff reductions are driven by Block’s growing use of artificial intelligence, technology that has become more powerful and sophisticated over the past year, Block chief executive Jack Dorsey told analysts during a call to discuss his company’s fourth-quarter and full-year results.

Dorsey also described the workforce reduction as a “choice” by Block to reposition the company for future growth. “A significantly smaller team, using the tools we’re building, can do more and do it better,” he said. “Intelligence-tool capabilities are compounding faster every week.” San Francisco-based Block owns and operates a number of payments services, including

Square, Cash App, and the Afterpay buy now, pay later platform.

Dorsey hinted Block should have acted sooner in anticipating its needs “I don’t think we’re early to this realization. I think most companies are late,” Dorsey said. “Within the next year, I believe the majority of companies will reach the same conclusion and make similar structural changes. I’d rather get there honestly and on our own terms than be forced into it reactively.”

Block’s commitment to AI means the technology will “be at the core” of how the company works, makes decisions, builds products and trust, manages risk, and serves customers, Dorsey said. “We’re moving toward a model where our customers can build their own features directly on top of our capabilities,” he said. “That changes the nature of what we are as a company, and it dramatically increases the value we can deliver per customer.”

## GROSS PAYMENT VOLUME AT SQUARE

(by quarter, in billions)



Source: the company

AI's second benefit is that it will bring "extreme focus" to Block, Dorsey said. The company, he said, will now focus on four things: customer capabilities; interfaces where Block can compose and deliver those capabilities; early intelligence based on Block's real-time data; and an intelligence model to orchestrate operations. "This allows us to best serve the master plan" the company laid out at an investor- day event last year, Dorsey said.

The third expected benefit is speed. "A company of our new size has no excuse for being slow," Dorsey said in a letter to shareholders. "We will decide faster, ship faster, and learn faster. The structure we're building is designed for that. We believe Block will be significantly more valuable as a smaller, faster, intelligence-native company. Everything we do from here is in service of that."

Block posted strong results in 2025. Cash App, Block's 13-year-old peer-to-peer money-trans-

## San Francisco-based Block owns and operates a number of payments services, including Square, Cash App, and the Afterpay buy now, pay later platform.

fer service, finished the year with 59 million monthly active users across the United States, up from 57 million in 2024. Active users brought \$316 billion in inflows into Cash App last year, up from \$284 billion in 2024. During the fourth quarter, monthly active Cash App users brought in an average of \$1,410 in inflows, up from \$1,261 a year earlier. Block defines active users as those making at least one financial transaction within Cash App monthly.

Cash App's consumer-loan origination volume grew 69% year-over-

year during the fourth quarter, and more than twofold for the year. Propelling the growth was Block's effort to scale Cash App Borrow to "new customer cohorts through Cash App Green and increased Afterpay Post-Purchase attach rates," the company said in its letter to shareholders. Cash App Green is a monthly rewards program.

The food and beverage category was Block's strongest vertical during the fourth quarter, with gross product value growing 16% year-over-year. Churn within the category was at one of the lowest levels observed since 2019, the company said. "We believe that what worked in food and beverage is repeatable, and we plan to take our go-to-market approach and product strategy deeper into other verticals in 2026 and beyond," Block said in its shareholder letter.

Overall, Block posted gross profit of \$2.87 billion for the fourth quarter, up 24% from a year earlier. Cash App's gross profit totaled \$1.83 billion, a 33% year-over-year increase, while gross profit for Square totaled \$993 million, up 7%.

But It was the massive layoff that dominated Block's picture, and may do so longer than the company expects.

—Peter Lucas

### MONTHLY MERCHANT METRIC

#### Account Attrition %

This is sourced from The Strawhecker Group's merchant datawarehouse of over 4M merchants in the U.S. market. The ability to understand this data is important as SMB merchants and the payments providers that serve them are key drivers of the economy.

All data is for SMB Merchants defined as merchants with less than \$5M in annual card volume.

**Metric Definitions:** (Only use definitions related to an individual month's release)

**Account Attrition %** - Total attrited accounts in given period divided by total portfolio active accounts from same period of the prior year

**Volume Gross Attrition %** - Total volume of attrited accounts from given period of prior year divided by total portfolio volume from same period of the prior year

**Net Revenue Gross Attrition %** - Total net revenue of attrited accounts from given period of prior year divided by total portfolio net revenue from same period of the prior year

This report is based upon information we consider reliable, but its accuracy and completeness cannot be guaranteed. Information provided is not all inclusive. All information listed is as available. For internal use only. Reproducing or allowing reproduction or dissemination of any portion of this report externally for any purpose is strictly prohibited and may violate the intellectual property rights of The Strawhecker Group.

Date	Account Attrition %	Volume Gross Attrition %	Net Revenue Gross Attrition %
Dec'25 (T3M)	-22.1%	-14.1%	-20.6%



# STRIPE: SUPPORTING VISA AND MASTERCARD AGENTIC TOKENS, BACKING BNPL FOR KLARNA AND AFFIRM

Stripe Inc. has expanded its reach into agentic commerce to include support for buy now, pay later options through deals with Klarna AB and Affirm Holdings Inc. At the same time, Stripe is partnering with Visa Inc. and Mastercard to support the two networks' agentic network tokens.

Affirm and Klarna announced early in March they will deploy Stripe's shared payment token to enable artificial-intelligence shopping agents to offer BNPL as an option at checkout. Stripe says it is expanding use of its shared pay-

ment tokens to BNPL in response to customer demand. Stripe launched the tokens late last year.

"We've seen widespread adoption of SPTs by leading businesses such as Etsy and URBN (including Anthropologie, Free People, and Urban Outfitters). Since then, sellers have asked us for access to more of the most popular payment methods for agentic transactions," says Viraj Gupta, product manager, Cards Vault, for Stripe, in a blog post.

Stripe merchants offering BNPL can see up to a 14% increase in revenue, as well as higher conversion

rates and average order values, Gupta adds.

The deal with Affirm expands the BNPL provider's relationship with Stripe. Late last year, Affirm began making BNPL loans available to in-store shoppers through the Stripe terminal.

Shoppers using AI agents can select Affirm as their payment method on AI platforms that use Stripe's shared-payment tokens. After completing Affirm's real-time eligibility check at checkout, shoppers can choose their BNPL repayment plan and complete



## Digital Transactions News

We deliver the **payments industry news** to your email inbox daily!

- We have been delivering the payments industry news to your email inbox every day for 20 years
- Digital Transactions News is packed with news and information from the 164.3 billion transactions industry
- Two original stories every issue
- Trending stories, so you know what the industry is reading
- Links to Digital Transactions monthly magazine
- Calendar of events
- Plus "In other News" The most complete listing of announcements from the payment community



Subscribe today at [bolandhill.ameda.com/dtr/](https://bolandhill.ameda.com/dtr/)

their purchase within the AI platform. Stripe will process the payment without exposing sensitive credentials.

“As AI agents help people browse and buy, the fundamentals of paying shouldn’t change. Shoppers still expect to see the total cost upfront, choose a clear repayment plan, and avoid late fees or compounding interest,” an Affirm spokesperson says by email. “That’s what Affirm has offered since day one, and is what we’re excited to bring to agentic commerce with the help of partners like Stripe.”

In addition to its partnership with Stripe, Affirm supports Google’s Agent-to-Agent Protocol and Universal Commerce Protocol, the Affirm spokesperson adds.

Klarna says it is deploying Stripe’s shared payment tokens to address a “growing gap in agentic commerce,” AI shopping agents defaulting to card-on-file payments, which prevents shoppers from selecting alternative payment methods, such as BNPL, through agentic-commerce platforms.

“As AI agents begin purchasing on consumers’ behalf, it’s critical that flexible payment options remain available,” David Sykes, chief commercial officer for Klarna, says in a statement. “By supporting Stripe’s Shared Payment Tokens, we’re ensuring Klarna is embedded in this next generation of checkout experiences from day one.”

Stripe has announced support for MasterCard Inc.’s Agent Pay

protocol and Visa Inc.’s Intelligent Commerce.

Mastercard’s and Visa’s agentic network tokens are network-issued digital credentials that allow authorized AI agents to initiate payments on a customer’s behalf without exposing underlying card details.

“Agentic commerce is accelerating the next phase of digital payments, where security, control, and scale are foundational,” Rubail Birwadker, senior vice president, head of growth products and partnerships for Visa, says in the Stripe blog. “Through our partnership with Stripe, Visa agentic network tokens will power agent-driven payments with the same trust, performance, and protections merchants rely on every day.”

—Peter Lucas

# A NEW WALLET AND AGENTIC COMMERCE FOR 2026

Paysafe Ltd. early in March reported mixed results for its 2025 fourth quarter as it works on multiple fronts to spin up momentum from a new wallet product, from an expected rise in volume from small-business clients, and from nascent ventures in agentic commerce.

But overall, “We’re starting 2026 in the healthiest position since going public” in March 2021, declared chief financial officer John Crawford during a conference call to discuss his company’s fourth-quarter and full-year 2025 results.

Rising e-commerce volumes are helping, and the new wallet has already registered 500,000 users. “We’re excited about Paysafe Wallet, we’re kind of flying under the radar with that product,” said chief executive Bruce Lowthers

The negatives for the quarter included a net loss of \$25.2 million as the company swung from a positive \$33.5 million in the same quarter in 2024. Revenue grew 4% nonetheless, to \$438.4 million, partly due to a rise of nearly 10% in transaction dollar volume, to \$43.9 billion. The company’s acquiring unit, Merchant Solutions, was particularly

hard hit by what Crawford called a “soft performance” among the small-and-medium-size businesses that use Paysafe for processing.

Lowthers said much is expected of the new digital wallet, which has been launched in 18 countries so far. As 2026 unfolds, he said, the company will focus on marketing the product in Europe, “where we expect to see growth.” For now, he added, “we have a lot of momentum building.”

On the acceptance side of the business, Paysafe is placing its bets on direct sales, Lowthers said. “Direct is much higher margin”



# Lowthers: Agentic commerce “is not an easy product that will roll out quickly. This will take time.”

than sales through independent sales agents, he told analysts on the call. “That’s why we’ve put so much in resources behind that.” A “great model” for this, he said, is Paysafe’s longstanding agreement to sell Fiserv Inc.’s Clover point-of-sale terminal. “Clover is probably the best solution in the market today for small businesses,” he noted.

In this vein, Lowthers hailed what he called “a new agent program” to target small and medium-size businesses. “It’s a hybrid of ISO and direct,” he noted. “That’s what we’re focused on overall.”

But Lowthers cautioned that the fruit of his company’s venture into agentic commerce may be some time ripening. “It’s extremely complex,” he noted. “What people are talking about now is how do we deal with liability management and governance rules. This is not an easy product that will roll out quickly. This will take time.”

He also predicted that no single organization will claim a commanding market share. “It won’t be a winner takes all,” he predicted. Agentic commerce lets shoppers use a type of code to shop and buy on their behalf online according to specific rules and limits set by the shopper. Lowthers sees the technology helping Paysafe penetrate travel-and-leisure spending, in particular, along with busi-

nesses “adjacent” to the company’s stronghold in i-gaming.

For the full year in 2025, Paysafe processed \$167 billion in volume, up 10% from 2024, generating revenue of \$1.7 billion, flat with 2024. For its digital wallets, it reported 7.8 million three-month active users, up 6%. The new Paysafe Wallet, which includes a personal bank account and debit card, has attracted 160,000 three-month

active users so far, producing \$30 million in revenue in 2025.

The company’s Merchant Solutions unit generated \$142 billion in volume, up 9%, though revenue dipped 6% to \$904.7 million. The digital-wallet unit accounted for \$26.4 billion in volume, a 13% rise, while revenue grew 6% to \$814.7 million.

—John Stewart

**THE ONLY MAGAZINE COVERING THE TOTAL PAYMENTS MARKET**

Subscribe today by going to [Bolandhill.ameda.com/dtr/](http://Bolandhill.ameda.com/dtr/) to start tackling the ever-changing payments market.

In 2019, there were 150.2 billion digital transactions in North America. *Digital Transactions* magazine covered them all. It is the only publication addressing the total market.

# HIDDEN WEALTH AND SOCIAL HEALTH

**HUMANITY FACES** A long list of existential threats, from global warming to viral epidemics, nuclear war, and crushing meteorites, not to mention running out of ketchup. Here is another entry for the list, one that fails to get serious attention: hidden wealth.

Before there was digital money, to open a money account you had to prove your identity: name, Social Security Number, address, phone number, and so on. Your money in your account, by contrast, had no identity; it was just a number.

But when money became digital, the identity equation flipped. Digital coins came with clear, unambiguous identity, while their owners became known as Mr. ij5MM8-9KJhn45ra45 and Ms. 0Jm677EqsLp84u3, and nothing more, no names, no residential address, no phone number.

Privacy triumphs, was the initial response. People can pay and be paid as if with cash payment, with no names and no identity revealed. If I want to buy a book entitled “Why I Hate Government” and I don’t want the government to know, I pay with digital money rather than through my payment card.

It’s freedom indeed. But not far behind a big danger lurks. Two bad things become unstoppable when the owners of money are unidentifiable: trade may be faked, and wealth may become invisible.

BY  
**GIDEON  
SAMID**

[gideon@bitmint.com](mailto:gideon@bitmint.com)



Prices and social behavior are changing as a result of trade dynamics. What type of merchandise sells tells us what society thinks is valuable. Alas, with owners’ obscurity, a single agent can pose as a thousand traders, faking a vigorous trade with rising prices—faking because money does not change hands. Prices rise or fall as the puppeteer decides, leading society to wrong conclusions.

The adage “money is power” is validated in our society time and again. Alas, hitherto the rich and powerful were recognized and visible, making them a target for a social counteraction. Today, as more and more wealth goes digital, more and more wealth brokers go dark. Extremely rich agents remain unrecognized, their money wielded by hundreds of thousands of money-owning entities without drawing any suspicion to the singular point of control.

Any wrongdoing by these hidden wealth cores remains invisible, and no counter movement rises. Invisible wealth will increase its hold on society, as if it were an invisible cancer. And, much as cancer dies when the sick person dies, so wealth

brokers will perish with the rest of us because society lives on the innovative vibrance of its members, as well as on its ethical foundation.

To carry out innovative dreams, we need wealth to be visibly distributed to favor (i) those who can use the money to build something new, and (ii) those who fall between the cracks. If a creative, innovative, energetic person is doing nothing because she lacks funds, then we all suffer. If society allows its poorest to agonize in abject poverty, we lose our ethical foundation.

Money is a tool to steer society through the dangers and opportunities of the future. If money is sucked in to invisible holders, then society surrenders the helm to them. It is a political fact: The candidate who outspends his rival is overwhelmingly likely to win the election. Invisible wealth may turn democracy into a facade.

So, while we are hailing privacy as offered by digital money, and promoting our ability to hide our behavior from surveillance, we should, by all means, find systemic solutions to prevent the ongoing, and ominous, accumulation of hidden wealth.

Fortunately, there are ways to let privacy reign and prevent hidden wealth to accumulate. Pattern recognition is one, as AI has demonstrated. But don’t expect hidden wealth to fund it. **DT**

# FACTS AND HOW TO HANDLE THEM

**THE SCIENCE FICTION** writer Robert A. Heinlein once wrote “you pilot always into an unknown future; facts are your single clue.”

In a time of government shutdowns, AI slop, and post-truth narratives, facts can be hard to find. Nonetheless, as companies develop strategies, there are guideposts for triangulating your position and setting direction.

Government data have long been an important source for business planners who use information like unemployment numbers to inform business forecasts. But faith in government data has been shaken by the government shutdown and the president’s firing of the Bureau of Labor Statistics commissioner after a disappointing hiring report.

Companies looking for facts for planning, outside of government data, can find it in three places: private sources, academic sources, and internal data.

Labor statistics are a good example of how the private sector also offers data about the economy. For example, payroll company ADP Inc. produces its own **ADP® Employment Report**, which drills down into trends by business size and industry type.

Other private companies do research on their sectors. For example, in October Blackhawk Network released its annual holiday report based on a survey of shoppers. It found they are worried about rising



BY **BEN JACKSON**  
bjackson@pa.org

prices and are planning to buy more gift cards.

Another data source is public companies’ SEC reporting. One of my favorite examples is from the 2008 Financial Crisis. Walmart published an 8-K in February 2008, that offered clues about the economy. “Gift card redemptions were below expectations, and customers appear to be holding gift cards longer and using them more often for food and consumables rather than discretionary purchases,” Walmart reported.

Earnings reports, sales reports, and industry analyst reports can all offer facts.

The second major source of data is academic research. Efforts like the University of Michigan’s **Surveys of Consumers** offer data on confidence and expectations. The ADP report mentioned above is compiled in conjunction with the **Stanford Digital Economy Lab**.

When looking for facts from third parties, companies need to figure out how to make sure they are getting useful information. For private data, what your competitors are releasing is the most obvious example. You want to look at companies that might reveal something relevant to your business.

As an example, while gift-card information might reveal shoppers’ general mood, it does not mean that banks should set up gift card malls in their lobbies. But this information could prompt the development of new savings products.

With academic data, companies can research the researchers and find professors and schools studying things relevant to their industries. Academics specialize in all kinds of areas, so a wealth of data might exist around whatever niche is important to your company.

It is worth doing a tabletop exercise with internal teams to ask what information would help them do their jobs better, and how they would know if the information was reliable.

That leads to the third source of useful information for company planning: internal data.

Of course, companies already use internal data for planning, but they need to do next-level analysis on the data they have to uncover new insights. While artificial intelligence often comes up in this regard, it is still possible to do good analysis and generate insights from a spreadsheet.

In a world that seems increasingly chaotic, it is still possible to develop coherent plans for the future. It just requires more information than ever before. That information is out there if you know where to look. **DT**

# security

## IDENTITY IS THE NEW PERIMETER

As e-commerce accounts for more and more payment transactions, the need to ensure a transactor's identity is more and more crucial.

BY KEVIN WOODWARD

**TRADITIONAL NOTIONS OF** identity in payments are quickly shifting, reflecting the growing use of an online component not just for card-not-present but also in-person transactions. It's a changing dynamic further affected by criminal behavior, the speed of payments, and regulatory pressure. The need to ensure someone is authentically who they indicate they are is unending.

What has changed in the past few years is the fraud landscape, says Jason Bartolacci, director of the ProSight Fraud Alert Network, a part of the St. Louis-based ProSight Financial Association. It formed in 2024 with the merger of the Bank Administration Institute and the Risk Management Association.

Now, there are more fraud threat actors. The dollar amount of fraud activity has seen steady increases. Fraud is easier to commit using artificial-intelligence tools that can mimic authentic documents, commit attacks at scale, and make phishing attempts even more genuine-appearing, Bartolacci tells *Digital Transactions*, adding, "Everything is moving to digital channels any way." He points to data from the FBI's Internet Crime Complaint Center as evidence. It says fraud losses totaled \$16.6 billion in 2024, up 33% from 2023's \$12.5 billion.

That shift has pushed payments providers to rethink what trust actually means.

"Trust is now the core currency of digital payments, and proving identity is no longer about static credentials alone. The future of trust in payments is behavioral:



Photo: 123RF/citalliance

it's about continuously verifying whether an action aligns with trusted, real-world economic behavior," says Brigette Korney, global head of performance optimization at the processor Adyen N.V.

Beyond human-driven transactions, new models are also reshaping identity risk.

That means digital identity is a frontline issue now, in part because agent-led commerce is distancing humans from interactions, says Tyler Kattre, president of Madison, Wis.-based Wind River Payments. This is making digital identity a critical payments issue. "As automated systems increasingly initiate transactions, payment platforms need systems to confirm that an agent was authorized by a real, verifiable individual," Kattre says.

## FRAUD ON AN 'INDUSTRIAL SCALE'

What appears to be emerging is multiple avenues not only to the authentication of legitimate payments initiators but also to the weeding out of threat actors.

One tool that's growing in use is behavioral indicators, says Dan Holmes, vice president of product planning and strategy at Feedzai.

Fraud and identity had existed as separate factors, but that is changing, he says. Fraud is no longer just about a fraudster getting someone's credential, but getting an individual to act on the fraudster's behalf. "Behavioral identity diverts from traditional identity," Holmes says.

This evolution of fraud and fraud prevention has added an intent element. It's not enough in some instances to verify a user is legitimate. Now, it's crucial to tell whether the action he or she wants to make aligns with his or her intent or that of a criminal manipulator. "It's now changing from access to identity," Holmes says. "And the intent of the Web session."

One culprit is the rise of artificial intelligence into the greater arena, beyond just business uses. "AI makes it much easier to spin up nonexistent businesses," says Dan Frectling, senior vice president of product and strategy at LegitScript, a Portland, Ore.-based compliance-services provider.

"AI-driven tools allow criminal networks to create fraudulent identities and storefronts at scale, faster than manual monitoring teams can detect them," he says. "AI generators produce unique imagery and professional-looking Web sites, helping criminals evade

detection tools that typically flag recycled stock photos or duplicated content."

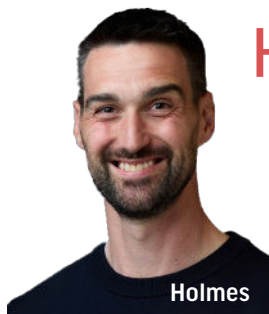
That pressure is codified by programs such as Visa Inc.'s Acquirer Monitoring Program, which consolidates fraud and dispute monitoring into a single platform with streamlined remediation and ongoing thresholds, Frectling says.

The result of all this change is the potential for a new trust model, one that incorporates behavioral-identity elements, multiple layers of signals, and assessments of the risk of each piece of identity data.

"With the accessibility of generative AI tools, it has become so much easier for fraudsters to impersonate someone," Philipp Pointner, chief of digital identity at Jumio, a Sunnyvale, Calif.-based identity-intelligence company. "Personal data that is easily compromised online is being fed into AI systems, enabling hackers to generate fraud at an industrial scale. Fraudsters are generating thousands of synthetic identities in minutes with the click of a single button."

## 'LOG IN AND PAY'

In practical terms, this threat could also make traditional organizational silos more permeable.



**Holmes: It's crucial to tell whether the action a user wants to make aligns with his or her intent or that of a criminal manipulator.**

“What we are witnessing is the need for different kinds of teams to work more closely to solve this puzzle,” says Andy Mortland, vice president of product and development at Accertify, an Itasca, Ill.-based fraud-prevention services company owned by private-equity firm Accel-KKR.

“Risk, fraud, and loss prevention teams have historically been the most obvious groups to look after anything related to payments,” Mortland adds. “But increasingly, we see [chief information security officers] and [information security] teams getting involved, as they have different types of visibility into accounts, identity, [and] protecting customers. We think there is increased urgency for finance and risk teams to get closer to their CISOs, combine signals and intel, and work together to solve some very challenging identity-related challenges.”

Technologies to counter this include better liveness detection, behavioral data, device intelligence and session integrity, biometrics, and agentic AI use, observers say.

“We’ve reached a point where human intuition or the digital-verification strategies of yesterday are no longer enough—we need AI to fight AI,” Pointner says. “Advanced

liveness detection is necessary with the sophistication of today’s deepfakes. This AI technology can analyze a person’s face and check for signs of life, such as blinking, subtle movements, and lighting, to prove the person behind the screen isn’t just a camera injection.”

Elements such as device intelligence and session integrity are important because they can provide context for a user’s actions.

“We are moving toward a world where identity and payments are no longer disjointed events, but rather a single, unified action, sometimes described as ‘Log in and Pay,’ says Israel Mazin, chief executive and cofounder of Memcyco Inc., an Israel-based digital risk-protection company. “By establishing trust upstream through continuous session integrity, we ensure that manipulation is detected before it turns into an authorized loss.”

## CONTINUOUS VERIFICATION

Detection has always been the key. In the near term, it becomes more important as payments companies adopt agentic AI in their fraud-prevention efforts, more consumers adopt digital wallets, and technology consolidates to make AI easier to access.

“Within two to three years, I believe there will be a mass rollout of digital identity that will become as seamless as [what] tap-to-pay did for payments and it will live on your phone like a digital wallet, effectively ending the era of carrying physical plastic cards,” Pointner says.

“In this end state, when you provide proof of identity, the vendor receives the verification they need, but the proof stays with you,” he continues. “This eliminates the creation of centralized data honeypots that are attractive to hackers and creates a more secure and seamless digital environment where identity is portable and privacy-centric.” Europe, for example, has a digital-wallet mandate requiring each member state to create at least one certified and interoperable wallet by year’s end.

A realistic end state could include continuous verification that replaces point-in-time checks. It would also likely include portable and reusable digital identities, adaptive authentication, and clear accountability, such as the ability to explain and defend why a merchant was approved and retains support, “not simply that onboarding requirements were met,” says Leo



**Bartolacci: “Every feature or convenience for a user also is a convenience for a threat actor, too.”**

Patching, chief executive of Kompliant, a LegitScript company.

“That shift is being driven by two forces,” adds Patching. “First, card-network programs now measure real outcomes, like fraud and disputes, and require remediation when thresholds are exceeded, rather than relying on static compliance artifacts. Second, the industry has recognized that transaction-monitoring explains what already happened, while merchant intelligence determines who you are still funding.”

### ‘HITTING WALLS’

Coordinating all of this will take more collaboration among payments companies, Bartolacci says, especially as more digital channels emerge and their use grows. “Every



Pointner

Pointner: “Within two to three years ... there will be a mass rollout of digital identity that will become as seamless as [what] tap-to-pay did for payments.”

feature or convenience for a user also is a convenience for a threat actor, too,” he says.

A view that fraud prevention is a journey, not a destination, can be helpful in the emerging digital-payments arena.

“Today, the most successful use cases blend identity, authentication, and payment authorization into one continuous, adaptive process,” says Saurabh Joshi, president of payments at Fort Worth, Texas-

based CSG Forte Payments Inc.

“Meanwhile, agentic AI-powered risk engines evaluate context in milliseconds and decide when to step up or silently approve,” he adds. “For customers, behavior and biometrics do most of the talking, so they rarely need to take more steps with passwords and onetime codes. Good customers almost never feel the machinery, and bad actors keep hitting walls.” **DT**

# THE ONLY MAGAZINE COVERING THE TOTAL PAYMENTS MARKET

In 2022, there were 170.3 billion digital transactions in North America. Digital Transactions magazine covered them all. It is the only publication addressing the total market.

Financial institutions, independent sales organizations (credit and debit ISOs, ATM deployers and value added resellers), processors, along with the top tier retailers all turn to *Digital Transactions* for the trends affecting the payments market and, more importantly, their livelihoods.

Covering the payments business for 20 years, *Digital Transactions* magazine is your independent source for changes affecting the payments market. *Digital Transactions* is also available in a digital edition on our web site, DigitalTransactions.net



Subscribe today!

Visit [Bolandhillmedia.com/dtr](https://Bolandhillmedia.com/dtr) to start tackling the ever-changing payments market.

# THE Card Industry's Endless War

Merchants have rejected the card networks' latest deal on card-acceptance costs. Now it's up to a judge to decide whether the sides can finally achieve peace at last.

BY PETER LUCAS



**Talk about a forever war.** After more than 20 years of legal wrangling and rejected settlement offers, no end appears to be in sight for merchants' ongoing battle against Visa Inc. and Mastercard Inc. over interchange fees.

The latest offer from the defendant card networks, which includes temporary interchange caps, changes to their honor-all-cards rule, and a higher cap on any surcharges that might be levied by merchants, was rejected by plaintiff merchants in November. A final hearing will be held to approve or reject the offer, after hearing oral arguments over merchants' objections.

The latest offer was crafted after Judge Margo Brodie, who was overseeing the case at the time, in June 2024 ordered defendants to revise a settlement offer without giving it preliminary approval. U.S. District Court Judge Brian Cogan has since been assigned to the case.

The first settlement offer came as long ago as 2012. That offer was rejected and sent back to the defendants for revision. Given the inability of both sides to reach an agreement, the case has essentially languished all these years, even though the case is reportedly ready for trial.

At the heart of the impasse is that merchants claim the card networks have failed to address the central issue of the case, which is that Visa and Mastercard set interchange rates for card issuers. Under Visa and Mastercard rules, card issuers are prohibited from negotiating rates directly with merchants.

Merchants argue that prohibition creates cartel pricing, rather than competitive pricing, says Doug Kantor, a Merchants Payments Coalition executive committee member and general counsel for the National Association of Convenience Stores. Neither the MPC nor NACS is a plaintiff in the lawsuit.

"The defendants did not address the court's concerns in their latest settlement offer," Kantor says. "They tinkered at the edges a bit, but no major changes were made that addressed the central issue [of the lawsuit]."

With a resolution seemingly nowhere in sight, the case raises two key questions: can it be settled without a trial; and, if a settlement is reached, how will it change the landscape of the card industry?

## **'IT'S PERPLEXING'**

Under the terms of the settlement offer, Visa and Mastercard will implement a 10-basis-point interchange reduction for five years and cap the rates for standard consumer credit cards at 125 basis points "for at least 8 years," as the offer puts it.

The settlement also provides allowances for merchants to negotiate interchange rates with individual card issuers, as well as at the brand and product levels. That provision extends for at "least another eight years" an expired Department of Justice consent decree that requires Visa and Mastercard to permit discounting at the brand and product levels, according to the agreement.

"Mastercard has not previously permitted issuer-level discounting. Visa permits issuer-level discounting, but that policy is not reflected in its rules," the settlement offer says.

Modifications to the honor-all-cards rule will for the first time permit merchants to decide which cards they will accept within three card categories—commercial, premium consumer, and standard consumer. Merchants will no longer be required to accept digital wallets "because they contain a Visa or Mastercard branded card," according to the settlement offer.

The card networks also upped to 3% of the transaction the percentage merchants can levy for surcharges to offset the cost of swipe fees, a term merchants use as a reference to interchange fees. Those fees are typically in the 2% to 3% range, according to payments experts. The settlement also stipulates both networks will amend their rules to allow for merchant surcharging.

Based on plaintiffs' documents filed with the court, the networks' latest settlement offer is projected to collectively save merchants more than \$200 billion in card-acceptance costs over the course of the multi-year period covered by the proposal, according to

the Electronic Payments Coalition, which represents networks and issuers but is not a defendant in the case.

“There are greater savings to be had by merchants in the latest settlement offer than would be realized under [the proposed] Durbin-Marshall legislation (a.k.a. the Credit Card Competition Act),” says Richard Hunt, executive chairman of the Electronic Payments Coalition, in an email message. “Merchants wanted changes on the honor-all-cards rule and they got it, but rejected the offer anyway. It’s perplexing and it is looking like nothing is ever going to be good enough for merchants.”

The CCCA first surfaced in Congress in 2022 and proposes that big banks be required to offer merchants a choice of at least two networks for all credit card transactions. The bill was backed by Senators Richard Durbin and Roger Marshall.

## MEANINGFUL RELIEF?

As payment experts digest the components of the settlement offer, doubts are rising that the interchange relief being offered will be meaningful for most merchants, especially small ones.

Verisave, a Salt Lake City, Utah-based consulting firm that specializes in helping merchants reduce credit card processing fees, estimates that, on average, the 10-basis-point reduction will result in savings of about \$100 a month for most retailers, though the largest merchants are projected to see greater savings.

“The reduction eases pressure on interchange rates, but I’m not sure that is going to be enough to move the needle for most merchants,” says Jeremy Layton, Verisave chief executive and founder.

Questions are also emerging about whether card issuers will try to recoup lost interchange revenue if the settlement is approved. “For every action, there is a reaction.

If interchange revenues are lowered, do issuers layer on fees to make up the lost revenue or do they tighten chargeback rules and fraud screening?” asks Brian Riley, head of payments for Javelin Strategy & Research.

“It’s important to remember that card revenues have to be in line with the risk level. When you start chipping away at card revenues, something else will happen [downstream]. Decisions can’t be made in a vacuum,” adds Riley.

Proposed changes to the honor-all-cards rule is another component of the settlement receiving a lot of scrutiny. Enabling merchants to choose which cards they will accept poses a potential threat to the universality of card acceptance, Riley argues. With honor-all-cards in place, consumers don’t fret about a merchant refusing to accept any Visa- or Mastercard-branded card in their wallet.

Allowing merchants to pick which cards they accept also means they can refuse to accept higher-cost cards, such as rewards cards. “Changing the honor-all-cards rule creates less consumer confidence in the system because consumers won’t know what cards they can use at any given merchant until they are at the point of sale, and that is harmful,” says Riley.

But Verisave’s Layton contends permitting merchants to choose which cards to accept has more potential “to move the needle” than temporary interchange reductions. “Flexibility on the honor-all-cards rule will be vital to any settlement, because that type of flexibility is the most impactful [to merchants],” Layton adds.

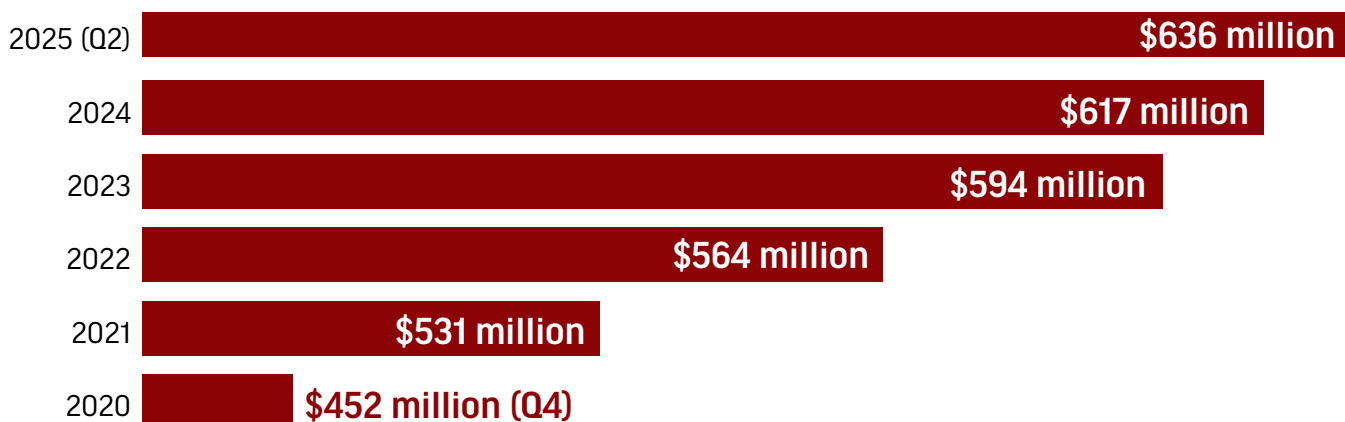
But if the current settlement offer is sent back to defendants for further revisions, it is questionable whether Visa and Mastercard will agree to further modifications of the honor-all-cards rule. “How far Visa and Mastercard are willing to go on this is unknown,” Layton says.



**Mott: “There are a lot of moving parts to this case that keep the enmity between banks and merchants in the headlines.”**

# CREDIT CARDS BOOM 40% IN HALF A DECADE

(Cards in issue in the U.S.)



Source: Bankrate, Sellers Commerce, Creditcards.com

## 'A LOT OF MOVING PARTS'

The right to choose which cards they accept is important to merchants, but equally important is the right to negotiate interchange rates with individual issuers, says the MPC's Kantor. The latest settlement offer does not address this issue.

"Card issuers should be the ones setting interchange, not Visa and Mastercard," Kantor says. "This is [the] redress merchants want."

Key questions around this issue are whether issuers want to negotiate interchange with individual merchants and whether merchants will expect issuers to strike across-the-board deals, as opposed to deals that vary by individual seller, according to payment experts.

"Is there any bilateral appetite among issuers and merchants to negotiate rates individually, that's the question," says Steve Mott, principal at payment consultancy BetterBuyDesign.

Mott adds that merchants' push to negotiate interchange with individual issuers addresses a fundamental issue in the lawsuit, which is "who has the power of the purse over interchange."

How that issue will play out is uncertain because the payments world has become more politically charged across the more than 20 years the case has been litigated. "The payments world has become more political over who controls the future of payment economics," says Mott.

In many ways, Motts adds, the politics around the case are now more about how quickly Visa and Mastercard will move away from their duopoly model, "while not giving up the ghost" on being able to set interchange rates.

"There are a lot of moving parts to this case that keep the enmity between banks and merchants in the headlines," Mott adds. "If pushed, Visa and Mastercard will continue to refine their offer, but I don't expect any great changes to how they manage the card business."

## 'A GAME OF CHICKEN'

Nor are merchants immune to political agendas in the case. Payments experts agree that merchant needs around card-acceptance costs differ based on their size, which can lead to friction when it comes to agreeing on a settlement. For example, the largest merchants may want to hold out for completely eliminating the honor-all-card rule, because anything less would be seen as a hollow victory, some payments experts argue.

"Different merchants have different agendas, as do the attorneys representing merchant groups. That can make it hard to reach a settlement," says Mott. "That's part of the politics."

Some payments experts predict the latest offer will be rejected and sent back to the defendants. "There's going to be a lot more back-and-forth on this," says Verisave's Layton. "Yes, the latest offer eases some of



## Kantor: “Card issuers should be the ones setting interchange, not Visa and Mastercard. This is the redress merchants want.”

the pressure [from interchange costs], but it does not fundamentally change the system.”

Even if the lawsuit languishes in the courts for years to come, it is unlikely merchants’ disputes with the card networks over interchange and network fees will prompt either merchants or issuers to turn their backs on the card-payment system.

“No one will walk away from the card industry, because card acceptance is a mutually beneficial arrangement between merchants and issuers. But a pill does have to be swallowed at some point,” says Javelin’s Riley. “Right now, it is a game of chicken.” **DT**

## Illinois’ Assault on Interchange Gets New Life

Card issuers began to feel the heat in January when a ruling was handed down upholding a key portion of the Illinois Interchange Fee Prohibition Act—exempting interchange from being levied on the sales-tax and tip portion of purchases, such as restaurant tabs. The ruling paves the way for the IFPA to go into effect July 1, one year later than originally intended.

In addition, United States District Court Judge Virginia Kendall ruled in favor of plaintiffs’ request for a permanent injunction against the IFPA’s Data Usage Limitation provision. This provision would have prohibited entities involved in electronic payment transactions from using, distributing, or transferring transaction data, except to process the transaction or as required by law.

The split decision was not what organizations representing financial institutions expected. “The decision was a surprise,” says Ben Jackson, executive vice president of government relations for the Illinois Bankers Association.

While plaintiffs in the case, which include the Illinois Bankers Association, plan to appeal, Jackson acknowledges that member banks are deeply concerned about how this law will affect the payments ecosystem in Illinois and beyond.

One of the key issues facing financial institutions, processors, and merchants is the preparedness of each entity to comply with the law. “There is anxiety about the level of readiness, especially among smaller banks,” Jackson says.

Concerns have also arisen that Judge Kendall’s ruling will set off a wave of legislation in other states to regulate interchange. As of July 2025, such bills had been introduced or pre-viewed before lawmakers in 22 states, according to the Electronic Transactions Association.

“There are concerns the ruling will lead to contagion and trigger other states to follow suit, which is why we will move quickly on appeal,” Jackson says.

While the appeals process proceeds, Jackson says there likely will be no efforts to overturn the IFPA in the Illinois legislature. “The [Illinois] legislature has traditionally respected the ruling of the court while the appeal process plays out and defers to the court proceedings,” Jackson says. “As of now, no allies are pushing to repeal the law.”

# networks

## RTP AND FEDNOW INSTANT PAYMENTS: WHERE'S THE HOCKEY STICK?

Real-time payments networks have been hobbled by the wrong approach. Thinking of them as utilities will make a big difference.

BY **STEVE LEDFORD**  
AND **LEE KYRIACOU**

**THE LAUNCH AND** rapid national deployment of true real-time payments has been an unprecedented undertaking in U.S. payments history and a major accomplishment. While payment volumes at the two fully instant U.S. payment networks—The Clearing House's RTP and the Federal Reserve's FedNow—have certainly grown since launch, there has not been the kind of “hockey-stick” growth that many (including the authors of this article) expected. Despite clear advan-

tages, these truly instant payment networks lag far behind the alternatives.

Consider recent payment volumes for RTP and FedNow. At year-end 2025, RTP was handling north of 40 million payments a month, or more than a million payments a day on most days. FedNow was getting close to processing a million payments a month. While collectively this is respectable volume, it is still a fraction of the more than 3 billion monthly U.S. ACH transactions, or roughly 25 billion monthly U.S. payments via all networks.

And though volumes for both networks continue to grow, there is no sign of exponential growth, whether you call it a hockey stick, an “S-curve,” or other share-shifting displacement.

It is highly instructive to look at the overall U.S. faster-payments market. We believe (as explained below) the relevant market definition here includes all U.S. payments that involve instant or near-instant funds availability to the receiving account holder (more on that definition shortly). The bottom line is: RTP and FedNow combined have something like 3% market share—neither a barnstorming nor rapidly changing performance.



Photo: 123RF/robertprzybysz

Alternative faster payment methods—for example, Zelle, Push-to-Card, digital wallets, even same-day ACH credits—process much higher volumes than RTP/FedNow, despite relying on legacy card and ACH networks with delayed settlement (though Zelle, Venmo, and other wallets use RTP to some extent). When you consider the inherent advantages of instant payments—instant messaging, immediate funds availability and confirmation, a rich ISO20022 message set—the obvious question is, why?

## LATE TO THE GAME

Fundamentally, there are three major reasons RTP/FedNow has not achieved the exponential growth many expected.

1. U.S. instant-payment networks were late to the game;
2. Ubiquity is difficult in the U.S.; and

3. End users fundamentally don't care about instant settlement.

Let's look at these reasons one at a time.

**RTP and FedNow were late to market.** By the time RTP launched in 2017 and FedNow debuted in 2023, digital wallets, push-to-card, and same-day ACH were already well-established faster-payment options, relying on the existing, ubiquitous payment systems, and they were leveraged by early adopters.

Zelle joined the competitive mix shortly before RTP launched, leveraging largely next day ACH and but also push-to-card (and later RTP settlement). Although RTP and FedNow are faster than ACH and have clear advantages over push-to-card, the older alternatives were working well enough and seized the first-mover advantage.

**Ubiquity means connecting all the way to the user interface.** RTP

and FedNow faced a further disadvantage because they had to build reach from scratch. By contrast, faster payments leveraging ACH and/or card networks went live with essentially ubiquitous consumer reach and banks already enabled to initiate payments for their customers.

It has taken years for RTP to reach more than 70% of U.S. checking-account balances. FedNow has more financial institutions connected to receive than RTP does, but is not yet at that percentage reach.

The process of enabling RTP/FedNow requires much more integration with bank systems than a simple telecommunications link.

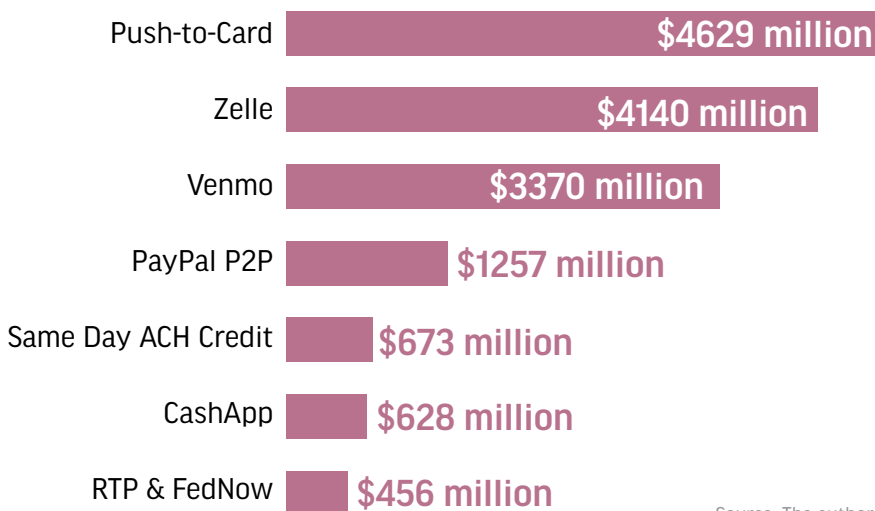
In particular, sending (rather than just receiving) instant payments requires connecting a variety of products, digital channels, and services—including bill pay, A2A transfers, P2P payments, APIs, online and mobile banking, treasury portal channels, various disbursement services, payroll services, integrated payables and industry-specific solutions. Each of these integrations is a major project for any FI or its third-party processors.

By contrast, the P2P apps and digital wallets—Venmo, Cash App, PayPal, and, later, Zelle—leveraged existing ACH and card networks, allowing them to focus on the consumer-value proposition and user interface, rather than building ubiquity.

**Instant funds availability—not settlement—matters to end users.** If the payment experience—and, in particular, funds availability—happens in real time, immediate

## SHARE OF U.S. FASTER PAYMENTS 2025

(in millions)



Source: The authors

settlement is, in general, irrelevant to the end user. The payer hits the send button and the receiver is notified immediately that they have and can use the money. Who cares if the receiving bank extended credit to its customer or actually got the funds? Only the bank.

The P2P apps and digital wallets, including Push-to-Card, understood this and flourished. By leveraging existing ACH and card networks, they were able to quickly focus on the consumer-value proposition and user interface, without having to deploy completely new payment networks. By the time RTP launched in late 2017, one of the primary use cases for instant payments, P2P transfers, was already well served, as were many other use cases.

Zelle has effectively won the P2P portion of the instant-payments market, and will continue to take market share in that application. On the commercial side, the card networks are priced higher than RTP, but, with first-mover advantage and low marginal cost, they will be difficult to dislodge.

Bill pay is a very large use case that has not seen much adoption of faster payments. Many billers, however, give customers instant credit for payments made by ACH Web debits or debit card, so there the payer experience is immediate satisfaction.

## A UTILITY ORIENTATION

While billers may prefer the certainty of being paid by RTP or

FedNow, the process based on the Request for Payment message will take a long time to deploy widely, requiring extensive investment by both merchants and consumer banks, with unclear consumer need. Putting the Request for Payment into the Zelle front end may facilitate adoption, but it's not clear that consumers will find this a dramatically better way to pay than current methods.

Does this mean RTP and FedNow are destined to be minor players among payments networks? We don't think so. Fully instant payments have some clear advantages over alternatives.

To thrive, however, the industry needs to think differently: RTP and FedNow are not themselves products to be sold to end users. They

# Get the latest news impacting the **payments market**

Today and every day follow  
DIGITAL TRANSACTIONS  
**@DTPAYMENTNEWS** on 

Do not be left behind.  
Follow Digital Transactions on X,  
formerly known as Twitter  
**@DTPaymentNews**



are underlying infrastructure connected to checking accounts, to be used by banks and fintechs to build their products and to improve bank and large-entity payables and receivables processing. End users don't care how the plumbing works. Payment-service providers do.

Current usage of RTP provides examples of how a utility orientation can succeed. A handful of banks use instant RTP instead of ACH to settle Zelle payments, and fintechs are using RTP for wallet downloads, earned-wage access, and merchant settlement. These are uses where RTP offers a clear end-user advantage over same-day ACH or Push-to-Card.



Steve Ledford



Lee Kyriacou

In all these cases, instant payments don't define the product, they just make it better. And when RTP and FedNow were launched, TCH and the Fed never thought of these use cases among those touted for the new networks. It was the providers of wallets, payroll services, and merchant processors that figured out that instant payments were good for business.

End users may not care about instant settlement. The providers of financial services to end users, however, do. They also care about the other advantages of instant payments, such as confirmed delivery, 24/7 availability, low rates of failed payments, and others.

## PRICE FOR VOLUME

We believe instant payments should become more a use-case-agnostic utility. In essence, the instant networks need to remember they are payment rails and not payment solutions. Let the FIs and fintechs focus on end users.

A utility orientation can simplify the work of instant-payment networks and broaden implementation. Both RTP and FedNow have rules, technical specifications, and other requirements that are driven by use cases and assumptions about end-user experience. We believe many of these are artifacts of an unnecessary use-case orientation.

Consumer protection is best done by the regulators of banks and payment-service providers and their products. Payment networks are in a weaker position to define user experiences that meet the evolving needs of consumers

and businesses. Where consistency is needed, overlay services such as P2P transfer brands or B2B networks can operate directories and set standards.

This approach also helps overcome the gap in ubiquity across bank channels noted earlier. Each bank can focus on enhancing those products that benefit most from instant payments, without waiting for every bank to implement a full suite. Even a small number of sending banks can serve fintechs that harness instant payments to enhance their products.

Finally, networks need to price their services like a utility. If you don't price for volume, you will never get volume. Instant payments can and should be expanded to be a general ACH replacement, priced at a fraction of the current 4.5 cents paid by the sending bank, including a charge to the receiving bank, which gets immediate interest-earning funds.

Very low, two-sided pricing will allow banks and large payers to reap operational efficiency benefits from instantly settled and confirmed payments.

In short, we believe that thinking of instant payments as a utility, rather than as an end-user service, is the way for instant payments to thrive in the U.S. **DT**

---

*Steve Ledford was senior vice president and led the RTP product team at The Clearing House until his retirement in 2022.*

*Lee Kyriacou was a senior member of the RTP product team at The Clearing House until his retirement in 2024.*

## WHAT'S DRIVING PAYMENT INNOVATION? ASK HIGHER ED

The student payments process influences far more than you think.

BY **DON SMITH**

Don Smith is senior vice president and general manager at Integrated Payments



**THE BIGGEST FORCE** reshaping the payments landscape isn't just technology, innovation, or regulation. It's consumers. People expect more flexibility, more control, and more immediacy in how they pay.

They're trained by e-commerce, subscription services, retail checkout flows, travel apps, and digital wallets that update in real time. These everyday interactions set the baseline for expectations in every part of their financial lives. Higher education is now feeling that same shift because those expectations show up through its students.

Students are today's most digitally fluent consumers, and they bring their everyday payment expectations directly into the enrollment and tuition experience. They expect the same level of choice they have everywhere else because those expectations are formed long before they ever reach campus. This represents a significant opportunity for institutions to unify their systems, simplify their operations, and create payment experiences that mirror how students already navigate their financial lives. Why? Because colleges can leverage this as a point of differentiation.

Students assemble tuition the same way consumers piece together

modern checkout practices—through multiple sources, with different timing and requirements. Scholarships, grants, employer contributions, payment plans, and third-party sponsorships have become part of a flexible funding mix for students.

According to **The Higher Ed Innovation Index 2025**, institutions are responding to these expectations:

- 49% offer payment plans
- 51% are expanding scholarship options
- 49% help students apply for grants
- 63% are seeing growth in employer-sponsored tuition
- 27% report rising third-party sponsorships

This flexibility supports enrollment and makes education more accessible. Options like these mirror real consumer behaviors and preferences.

The same patterns shaping payments across industries are now playing out on campus. This introduces a layer of complexity that legacy infrastructure was never designed to handle, especially as the cost of education continues to outpace inflation.

Campus leaders feel pressure:

- 29% cite cost pressures as limiting enrollment recovery, with affordability concerns affecting student decisions
- 52% of institutions experience delays in receiving funds from mixed sources
- 44% incur an increase in costs associated with managing diverse payment platforms
- 40% incur increased operational strain
- 37% report increased administrative workload

These challenges don't signal that institutions are behind. Rather, they reflect that broader consumer-driven shift. Students bring modern expectations into systems that are evolving at a different pace.

## A TREND ACROSS SECTORS

What we see in higher ed mirrors what's happening in retail, travel, health care, and financial services. When consumers gain more payment choice in one area of their life, they expect it everywhere. That continuity is exactly why the shift is reaching higher education now. Think about it:

- Retailers adopted buy-now-pay-later because their shoppers demanded flexible spending.
- Airlines combined loyalty and payments because travelers wanted unified experiences.
- Health-care providers offer payment plans because patients expect affordability options. Students are no different. They're consumers first, shaped by the same experiences that define expectations every-

where else. They carry those expectations directly into their campus interactions. Their payment experience doesn't just influence convenience; it's shaping how they perceive value, accessibility, and the overall usability of an institution. And it influences where they ultimately choose to enroll.

## A CLEAR OPPORTUNITY

Research shows institutions are modernizing quickly and making measurable progress. More than half of schools now accept digital wallets, and payment plan options are expanding—but integrating back-end systems remains a work in progress.

Colleges are consolidating payment flows, reducing delays, and improving reconciliation, all with the goal of creating a more transparent and seamless financial experience for students. Increasingly, they're aligning systems with seamless digital experiences students expect.

By unifying their payment stack, automating reconciliation, and centralizing financial data into a single view, colleges are cutting administrative costs, eliminating delays, and moving closer to the real-time, intuitive service model students now expect.

Colleges are also recognizing that the payment experience itself is part of the value they offer and a key differentiator in a competitive landscape. As student expectations continue to evolve, delivering a seamless, digitally aligned payment journey is not just operationally smart—it's a strategic advantage.

## THE TAKEAWAY IS...

The story is that consumer expectations are evolving rapidly and consistently across every industry, and higher education is now feeling that same shift through its students, who are also consumers. Students interact with fast-moving digital platforms dozens of times a day, and those experiences define what they consider "normal" in terms of choice, clarity, and control. When they pay for their education, they bring those expectations with them.

That shift represents a meaningful opportunity for institutions. By unifying systems, simplifying operations, and creating payment experiences that mirror how students already navigate their financial lives, colleges can transform what has traditionally been an administrative requirement into a point of differentiation.

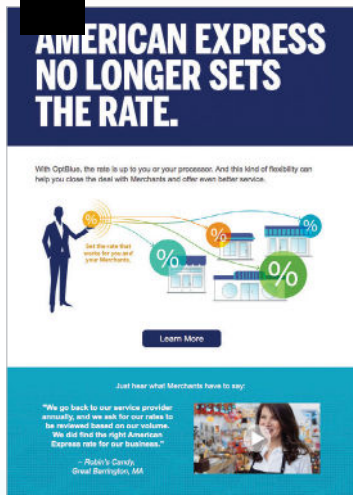
A clearer, more flexible, more modern payment experience reduces friction behind the scenes and signals to students and families that the institution understands how their financial realities are changing.

Institutions that embrace this consumer-driven moment will be best positioned to exceed expectations. They will make it easier for students to manage the cost of attendance, reduce the confusion and delays tied to multi-source funding, and build a more resilient financial foundation by replacing fragmented systems with streamlined, real-time infrastructure.

This is the inflection point. Institutions that modernize in response to students' behaviors and expectations will deliver both a better student experience and a stronger operational future. **DT**

# Co-Branded E-Mail Marketing

## Get the Results You Need



**AMERICAN EXPRESS  
NO LONGER SETS  
THE RATE.**

With OptiRate, the rate is up to you or your processor. And this kind of flexibility can help you close the deal with Merchants and offer even better service.

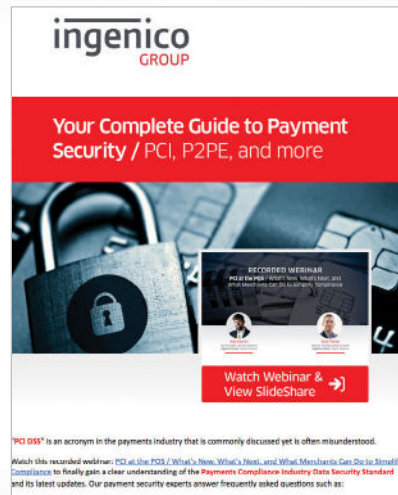
Get the rate that works for you and your Merchants.

Learn More

Just hear what Merchants have to say:

"We go back to our service provider annually, and we ask for our rates to be increased based on our volume. We did find the right American Express rate for our business."

-Robin's Candy, Great Barrington, MA



**ingenico  
GROUP**

**Your Complete Guide to Payment Security / PCI, P2PE, and more**

Watch Webinar & View SlideShare

PCI DSS is an acronym in the payments industry that is commonly discussed yet is often misunderstood. Watch this recorded webinar: PCI at the DSS / What's New, What's Next, and What Merchants Can Do to Stay in Compliance to Really gain a clear understanding of the Payments Compliance Industry Data Security Standard and its latest updates. Our payment security experts answer frequently asked questions such as:



**TOP 3 WAYS**  
to Grow Your Opportunities with

BlueStar  
Business Solutions

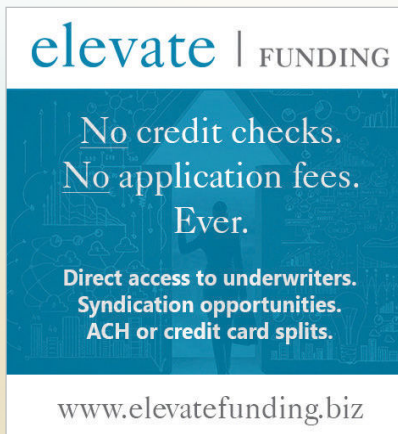
Download the PDF Starter Kit and avoid leaving money on the counter.

Today's mobile solutions with integrated peripherals make it easier than ever to add revenue within your existing client base. Let BlueStar show you how

GET THE KIT

What's included:

1. The Top 3 Business Growth Opportunities
2. Steps to Obtain a Retailer License
3. Areas to Expand in the Marketplace



**elevate | FUNDING**

No credit checks.  
No application fees.  
Ever.

Direct access to underwriters.  
Syndication opportunities.  
ACH or credit card splits.

www.elevatefunding.biz

## Here's how it works

You select the part of *Digital Transactions'* subscribers you want to reach, sorted how you need it, by function, location, or title. Just ISOs? No problem. Just executives on the East Coast? No sweat. Just CEOs? No worries. Or choose our entire circulation base. It's up to you! You give us your HTML creative. We create both a text version and a Web version of the e-mail deployment. After the deployment, we track deliveries, opens and clicks, and give you all the stats.

## It's really that easy!

To get started, contact Bob Jenisch today.  
630-547-2887  
bob@digitaltransactions.com