

# Real Time Payments

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# Real Time Payments

**"We are delighted to be working closely with one of the world's leading suppliers of payments services. We recognized the huge potential for next generation payments technology arising out of new initiatives in the UK, such as the Faster Payments scheme, and the massive changes sweeping the European payments landscape under the SEPA initiative. Our relationship with Voca provides a highly effective channel for bringing our innovative payments technology to this exciting market."**

**—Mike Aston,  
Chief Executive Officer of Distra**

## **EXECUTIVE OVERVIEW**

The world of money transmission is constantly moving, as the need for faster, indeed immediate, details of financial instructions puts more pressure on today's banking systems. This can be seen today in the UK, where all the main clearing banks have to move to a new same day settlement system for electronic payments. This initiative alone, which has been brought about by consumer & government pressures has added more costs to the bank at a time when financial organizations are striving to find ways to streamline their business and reduce costs.

With the Oracle/Distra real time payments solution, banks now have a way to deploy non-stop real time payment systems in a more cost and time effective manner. By using the latest technologies, low cost payment platforms can be made to both perform & behave like much more expensive proprietary payment platforms, in time frames to match the ever-changing business needs.

## **INTRODUCTION**

With more payment types moving onto a real time footing, bank's traditional methods of transaction processing, typically large overnight batch runs, need to be changed to both transmit and receive payment instructions, authorizations and acknowledgments in a real time manner. For those organizations that don't already have real time capable systems, this move can be hugely expensive and create massive disruption to both the business and IT environments. This is because the real time aspect of the financial transaction should in best practice run from instruction initiation through to either acknowledgment or confirmation. This process flow in organizations today typically touches a number of different systems and processes e.g. account validation processes, fraud detection systems etc. However the more straight through processing (STP) a financial institution has for its business processors the more cost effective and streamlined those processors are.

Alongside this move to real time of faster payments, comes the need for real time/faster analytics. In the days of the batch processing window and n-day settlement cycles, there was time to spot erroneous or suspicious transactions or activity. Obviously if transactions complete within a smaller time window, the need for the right analytics in as close to real time as possible is essential. The

Oracle/Distra real time payment solution delivers a lower cost real time payments and analytics platform that allows financial institutions to develop a real time processing platform, or move to a lower cost alternative to current proprietary solutions.

## **THE CHANGING FACE OF PAYMENTS**

There are a number of events happening today around the world of payments, not only direct money transfer between banks, but in the card payment world as well.

- Change in customer preferences and Increase in Transaction volumes
  - 20% - 30% pa through traditional card based transactions
  - Shift from Paper to card transition in the US market
  - Impact of new channels e.g. Internet, wireless, e-commerce
  - Not-for-value transactions e.g. loyalty schemes
- Increased Competition
  - Increased inter-bank competition
  - Growth of 3rd party processors e.g. FDC, EDS
  - Large merchants self-acquiring e.g. Coles Myer, Walmart
  - Non-traditional processors e.g. Telco, utility, oil and gas companies
- Regulation
  - Reduced bank, merchant and interchange fees
  - Transparency of fee structure
  - SEPA, Sarbanas-Oxley, Patriot Act, Check 21
  - Basel 11
- Cost Reduction
  - The constant need to improve operating efficiency and reduce costs

In order to meet these often opposing business challenges, it is important that future payment systems offer the flexibility to adapt their rules and processing to allow for a more agile business, while delivering the necessary high levels of performance and service availability that both your business and your customers demand.

The Oracle/Distra Real Time Payments Solution delivers on both these business and service level requirements.

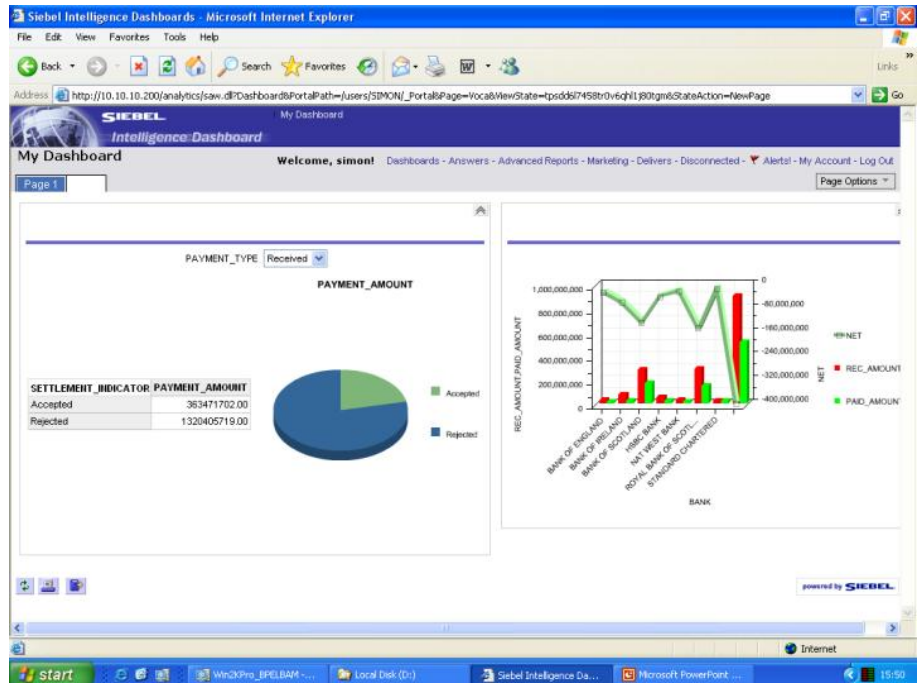
## LOWER COST WITHOUT COMPROMISE

"We selected Distra's technology as a key component of our solutions because its uniquely innovative architecture provides a combination of real-time performance, reliability and agility. Banks are under significant pressure to introduce new services to customers within an ever-changing payments landscape. Distra's technology helps us fulfill their immediate requirements, as well as provide the flexibility to prepare for the future."

—Nick Masterson-Jones,  
Director of Information Technology for  
Voca

Advances in technology now mean that financial institutions can deploy their payment solutions that give the business the same high levels of performance and throughput that they are used to while at the same time meeting all the very stringent service levels this type of application demand on a much lower cost platform.

Because of this, the same platform can be used not only for payments, but also other real time transactions such as ATM and POS, with the analytics covering all types giving the business a true "real-time" view over their positions and exposures and other management information.



The Oracle/Distra real time payments solution also improves service agility. In allowing rapid modification and configuration of the application without the need to take the application out of service means new regulatory challenges and new customer products can be deployed very quickly giving the business competitive advantage.

The real time analytics help improve customer satisfaction through real time research and accurate reconciliation mechanisms that improve both your service and visibility to your customers, merchants and business partners.

## Solution

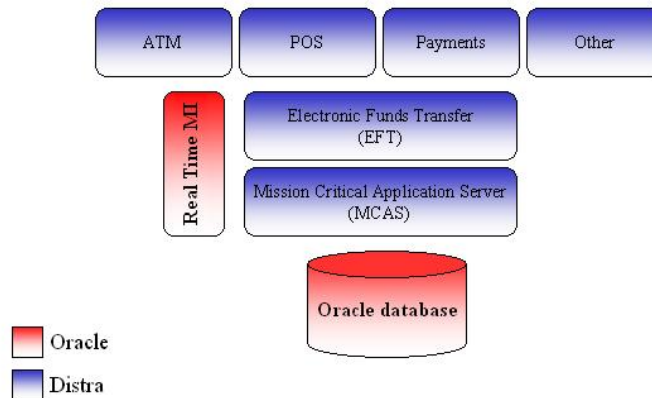
The Oracle/Distra real time payments solution is built around a real time messaging engine that provides financial institutions the ability to support the high volumes typically found in ATM & POS systems.

This real time engine comes from an Oracle partner, Distra, and has already been chosen as an integral component of the new Faster Payments network in the UK,



"Whilst performance is one important dimension, continuous operation is essential in payments processing. Distra, through its unique distributed architecture, provides application level fault tolerance, whereby the application continues to operate without the loss of in flight data in the event of server or database failures. This gives processors the confidence to move away from proprietary, high end servers and mainframes to more modest platform configurations."

— Mike Aston,  
Chief Executive Officer of Distra



by Europe's largest payment processor.

In utilizing industry standard technologies, Java, XML, Web Services, Oracle, the solution can quickly & easily be integrated into existing infrastructures and processors.

Different payment types enter the engine where business rules can be applied, where appropriate, e.g. validations/call out to external systems/pre processing, before logging and routing on to other processing or receiving systems.

- Validation – the ability to validate account information within the solution or to call out to external systems for Fraud checks etc.
- Routing – the ability to route transactions based on different criteria offers different levels of service to customers (e.g. high net worth) and automatic routing to different gateways, CHAPS, SWIFT, ACH etc.

- Business Rules – the ability to build sophisticated business rules to control the flow of the payments, but also the ability to change these rules quickly when trading environments change lead to a more agile payments business.

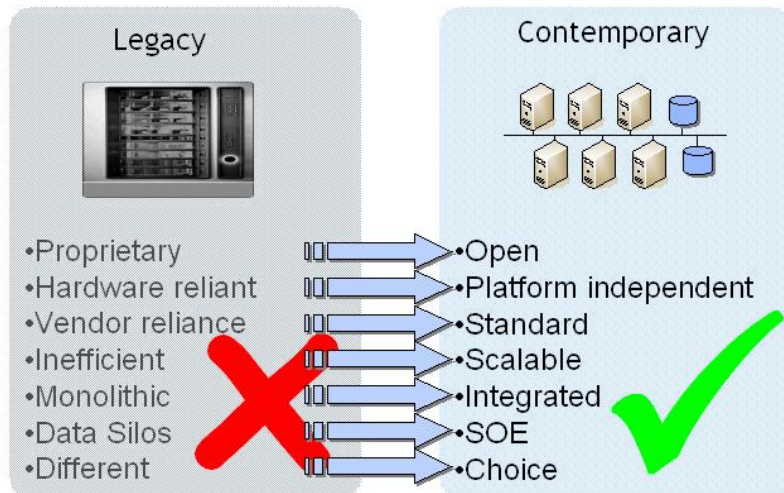
The Oracle/Distra Real Time payments Solution delivers:

- Flexibility:
  - Simplify introduction of new products and services
  - Improve time-to-market
  - Reduce length of application development cycles
  - Enhance flexibility of processing environment
  - Simplify system maintenance
  - Organize around flexibility and adaptability
- Performance
  - Reduce “friction” in the processing environment
  - Increase ability to cope efficiently with rapid and sustained increases in volumes
- Cost reduction
  - Cost reduction throughout the value chain
  - Provide choice in supplier community to promote competitive pressure on infrastructure costs

### THE BUSINESS FOCUSED SOLUTION

Business Drivers	Current Solution	Oracle solution
Flexibility	Proprietary software Legacy architecture Platform dependent Complex, lengthy re-configuration	Modern language platform (Java™) Modern architecture Platform and OS independent Open framework/component approach Open database connectivity
Performance	Non-linear scalability Serial processing Dependent on HW for reliability No dynamic load balancing	Near-linear scalability Highly parallel processing Replication for reliability and availability Distribution for performance and scalability Dynamic load balancing
Cost	Non-competitive fee structure High cost of upgrade One stop shop is only option High cost of fault tolerant HW	Reduced platform costs Reduced TCO Open design leads to choice Utilises lower cost platforms

# Legacy to Contemporary



ORACLE

## CONCLUSION

With increasing transaction volumes, threats of competition and regulation, and an ongoing desire to reduce total cost of ownership is leading financial institutions to reconsider their payments platforms.

To meet these drivers and at the same time increase their business services and value, Financial Institutions are looking at leading technology companies like Oracle to bring them “pervasive solutions”, i.e. solutions that challenge the norm.

The Oracle/Distra real time payments solution’s truly open approach presents a radical departure from closed/proprietary legacy payments systems to give end-users choice in platforms and partners.

With its ability to respond quickly to changing business needs and in rapidly deploying new services, all on a low cost, highly scalable & available platform, the Oracle real time payments solution is truly “pervasive”.

With the Oracle/Distra real time payments solution, Financial Institutions have a real alternative to their current high cost solutions. Not only the initial program costs, but also the year on year investment required in support, maintenance and enhancements that require specialized skills, can all be reduced with this solution.



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