Token ID

A Visa Solution

Instant payments - minimizing risk and enabling innovation

Helping central banks and financial institutions manage compliance, make payments more resilient to fraud, reduce false positives, and scale new A2A use cases with account tokenization.

Imagine if we could reduce the risk of fraud for bank account-to-account payments, while approving more legitimate transactions, enhancing the customer experience, and innovating with confidence. The technology is there to change the game for A2A payments.
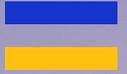
Managing the growth of A2A payments

The financial ecosystem is rapidly evolving, mirrored by the pace of account-to-account (A2A) transactions.

Instant payments – including 'faster' and 'real-time' payments – have been adopted in more than 50 countries[1]. As these use cases grow, financial institutions must comply with a set of increasingly complex regulations, that vary by region.

These include facilitating trust and liability models, sharing and protecting account data and mitigating fraud across a wide and growing range of A2A payment methods, such as open banking, digital wallets, and request to pay.

Meanwhile, fraudsters are increasingly targeting account holders to try and exploit instant payments. Banks are working to combat this, but some technologies can increase false positives, potentially creating friction for customers.

71%
of surveyed financial institutions reported an increase in consumer Account Takeover (ATO) using real-time payment rails in 2022.[3]

$57bn
The value of open banking transactions worldwide in 2023.[4]

266.2bn
Number of real-time payment transactions recorded globally in 2023.[2]

Account tokenization technology leverages a proven process from the card payment world, replacing account credentials with a non-sensitive token. This can help financial institutions manage liability, fraud and compliance, enhance the customer experience, and breakdown A2A adoption barriers.

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1. ACI Worldwide, 2024, https://www.aciworldwide.com/prime-time-for-real-time-report
2. ACI Worldwide, 2024, https://www.aciworldwide.com/prime-time-for-real-time-report
3. Aite-Novarica & Outseer, 2023
4. Statista, 2024, https://www.statista.com/topics/11010/open-banking/#topicOverview

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Account tokenization

Enhancing and securing payment use cases

Similar to tokenization in card payments, account tokenization replaces credentials with unique, non-sensitive values called account tokens that are different for each use case and/or payee.

Banks can set "token rules" to establish their permitted use so they can manage risk exposure and false positive rates. In addition, account tokens help banks and their customers maintain control and traceability over where and how their accounts are used to make payments and move money.

Account tokenization is complementary to existing anti-fraud measures and integrates seamlessly to route tokens through existing payments systems and networks, helping to detect, block, and adapt to quickly evolving scams and fraud.
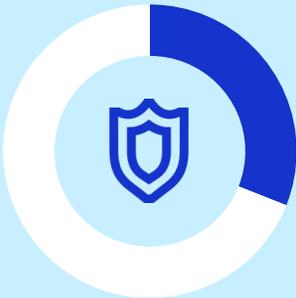
31%
Fraud reduction
Visa Token vs PAN-based card-not-present transactions
Source: VisaNet, December 2023

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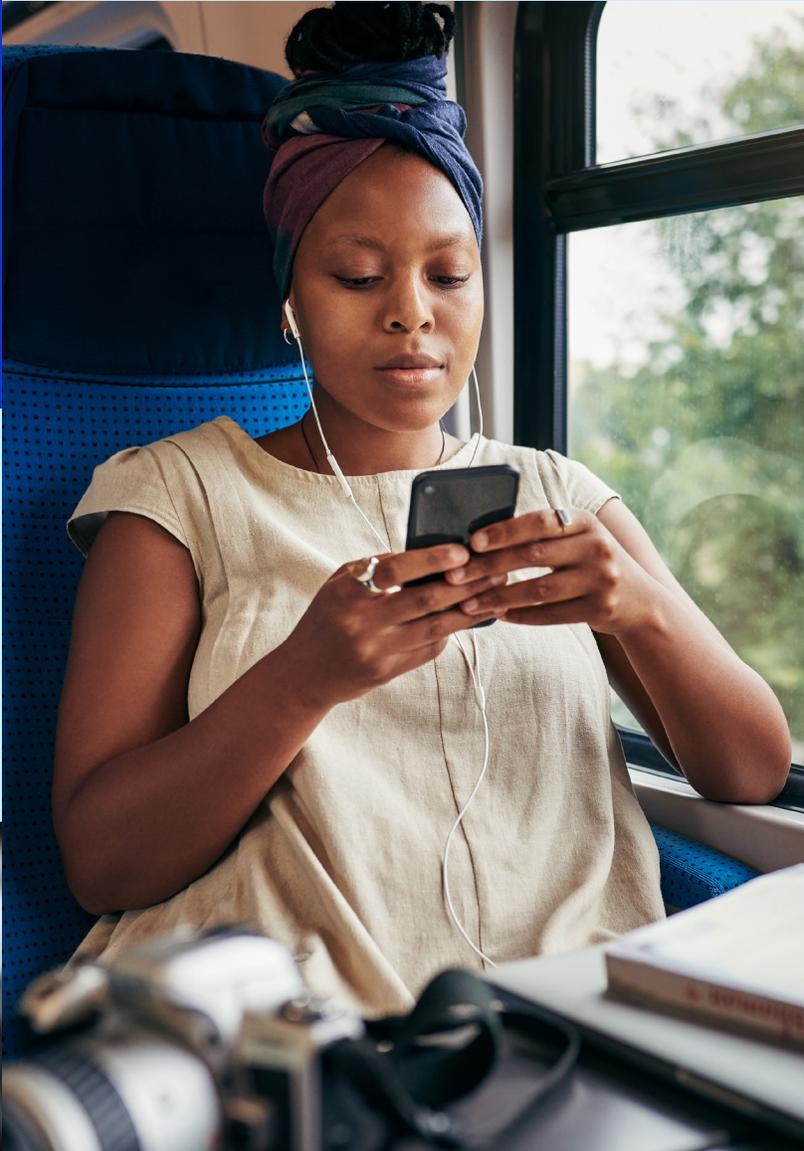
Mapping instant payment challenges

As the adoption of real-time payments and A2A payment use cases grow globally, financial institutions, payment networks and payment service providers face new challenges.

Managing Compliance

Financial institutions must comply with a broad and evolving set of increasingly complex regulations that vary by country. These regulations require facilitating trust and liability models, sharing and protecting account data and mitigating fraud across a wide and growing range of A2A payment methods, such as open banking, wallets, ecommerce, bill payment and request-to-pay.

Improving customer experience while maintaining control

Consumers provide their account details and payment consent to a growing range of merchants, wallets and open banking-enabled applications, creating a challenge for financial institutions to maintain traceability and control over where and how accounts are used to make payments and move money.

Reducing fraud and minimizing false positives

Scams and authorized push payment (APP) fraud losses are constantly evolving and expected to climb to $6.8 billion globally by 2027 at a combined compound annual growth rate (CAGR) of 11%[5]. Mitigating fraud by setting more restrictive payment rules and applying advanced, AI-based fraud analytics helps reduce fraud but at the same time creates false positives, decreasing acceptance of good payments, creating negative customer experience and slowing A2A payment adoption.

5. ACI Worldwide and GlobalData Scamscope APP scam trends in the U.S., U.K., India, Brazil, Australia and Saudi Arabia 2023

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Meeting instant payment challenges head on

With Token ID's Payment Account Tokenization (PAT), financial institutions can protect instant payments without impacting the speed, volume, and transaction flow. It also enables:

Support with compliance
Address certain requirements, including 'commercially reasonable' fraud mitigation, fraud data sharing, validating account is in good standing, full account name check, and more.

Traceability
To know where accounts tokens are stored with consent for use in payments or money movement , building client confidence.

Token-level payment controls
Functionality that allows financial institutions to suspend a specific token, reducing payment reversals and reimbursement requests by enabling a stop on specific token payments when payment terms, breaches or fraud risk require, rather than impacting the full account.

Token-level restrictions
Limit tokens for only push or pull payments, single use or recurring payments, a specific merchant, region, currency, and/or payment value limit or frequency, etc., so each token is used only as intended.

Securely share account insights
Financial institutions can gather more information about the account they are about to send or receive money from, e.g., merchant category, account type (personal, business, charity), time in good standing, velocity parameters, etc., enabling more informed payment decisions.

Manage token-level risk exposure
Risk can be set for each transaction based on the account insights accessed through tokens. This helps make payments more resilient to fraud and reduce false positives.

Enable innovation
Support the creation of new, secure A2A payment services and flows, such as open banking, pay by bank, eCommerce, mobile payments, and P2P, with confidence.
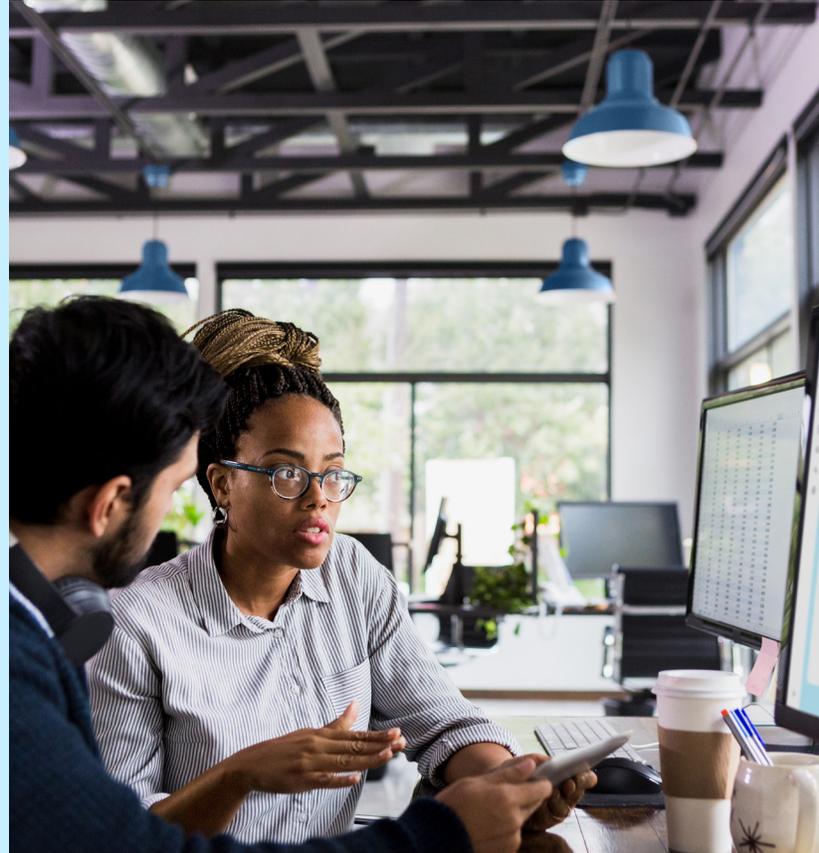
With PAT, banks can enhance security and control for seamless payment experiences by making payments more resilient to fraud and helping to securely scale A2A payment use cases. As payment methods continue to evolve, PAT will be instrumental in helping financial institutions navigate the complexities of real-time payments, ensuring consumers and businesses are protected.

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Take control of account tokens

Token ID's Payment Account Tokenization (PAT) can play a crucial role in addressing the challenges faced by banks and financial institutions. By enabling secure data sharing, reducing false positives, and providing enhanced control over A2A payment scenarios, PAT can help navigate the complexities of the quickly evolving industry and regulatory environment.

For more information on how Token ID's Payment Account Tokenization can help tackle A2A payment challenges and support security and efficiency, please get in touch with our team or visit our website.

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