

Payment networks are seeking speed and confronting payment method choice

Article



Payment networks provide the infrastructure (rails) through which funds flow between payers and recipients. They come in different flavors based on settlement speed, supported

transaction types, costs, and operational hours.

How do payment networks work?

- **Card networks route and police card transactions between acquirers and issuers.** These 24/7 networks are most used for purchases and bill payments. They include dual-message networks like Visa, Mastercard, American Express, and Discover, which send authorization and settlement communications separately. Single-message (PIN) debit networks, such as Interlink, STAR, and Pulse, bundle them into one message.
- **Automated Clearing House (ACH) networks route electronic funds transfers between payer and payee accounts.** In the US, these transactions are routed through two not-for-profit networks—the Federal Reserve and The Clearing House. Transactions are categorized as debits withdrawn from payers' accounts (recurring bill payments) or credits to those accounts (direct deposits or tax refunds). The average ACH transaction costs payees pennies per transaction, versus rates as high as 2.5% for card transactions.
- **The account-to-account (A2A) instant payments network FedNow has joined the club.** Launched in July 2023, the government-run service processes transactions in real time and, like ACH, for a lower cost than card transactions. However, transactions cannot be reversed once complete. FedNow is available to all US banks and credit unions regardless of size.

Card payment networks capture around \$130 billion in US revenues

- **Revenues among the Big Four US card payment networks topped \$129 billion in 2023.** They're in the business of making money, unlike ACH networks and FedNow. Visa and Mastercard earn network fees from other parties to the transaction. American Express and Discover network operators also earn revenues via direct acquiring relationships with merchants and issuing their own cards. All four also earn revenues from value-added services.

Card Network Transaction Value, by Company

US, 2024, trillions

Visa

\$6.445

Mastercard

\$2.727

Other

\$1.487

American Express

\$1.107

Discover

\$0.220

Note: represents the aggregate dollar amount of purchases made with company and other branded cards; includes consumer and commercial cards; includes cash advances and value of other payment products; excludes returns, balance transfers, cash advances and other activity; other includes purchases with debit, prepaid debit, open and closed-loop cards

Source: Insider Intelligence | eMarketer, August 2023

Insider Intelligence | eMarketer

What's happening with payment networks?

- **Card networks are diversifying into value-added services.** For Visa and Mastercard, this segment handily outpaced total net revenue growth in Q4 2023. Mastercard, for example,

got a boost from its cyber and intelligence solutions, as well as from its marketing, data analytics solutions, and consulting services.

- **And they are diversifying into multirail payment solutions.** Visa Direct and Mastercard Send route card and noncard payments at near real-time speeds. They also route ACH and FedNow transactions. This reduces their threat to Visa’s and Mastercard’s card revenues, while expanding both networks’ ability to capture new payment flows. This also helps these networks meet merchants’ and consumers’ demand for greater payment choice.
- **ACH networks are meeting customers’ need for speed.** Eighty percent of all ACH payments now settle in one banking day, per Nacha. And Q3 2023 same-day ACH volume grew 20% YoY—almost seven times the rate of ACH transactions overall. The Clearing House’s Q4 2023 real-time payment value grew at an even faster rate—up 15% from the previous quarter.

To find out what else is happening with payment networks—and what it all means for the payments ecosystem—[read the full report.](#)

Report by David Morris Feb 23, 2024

Key Participants in a Payment Transaction 2024

