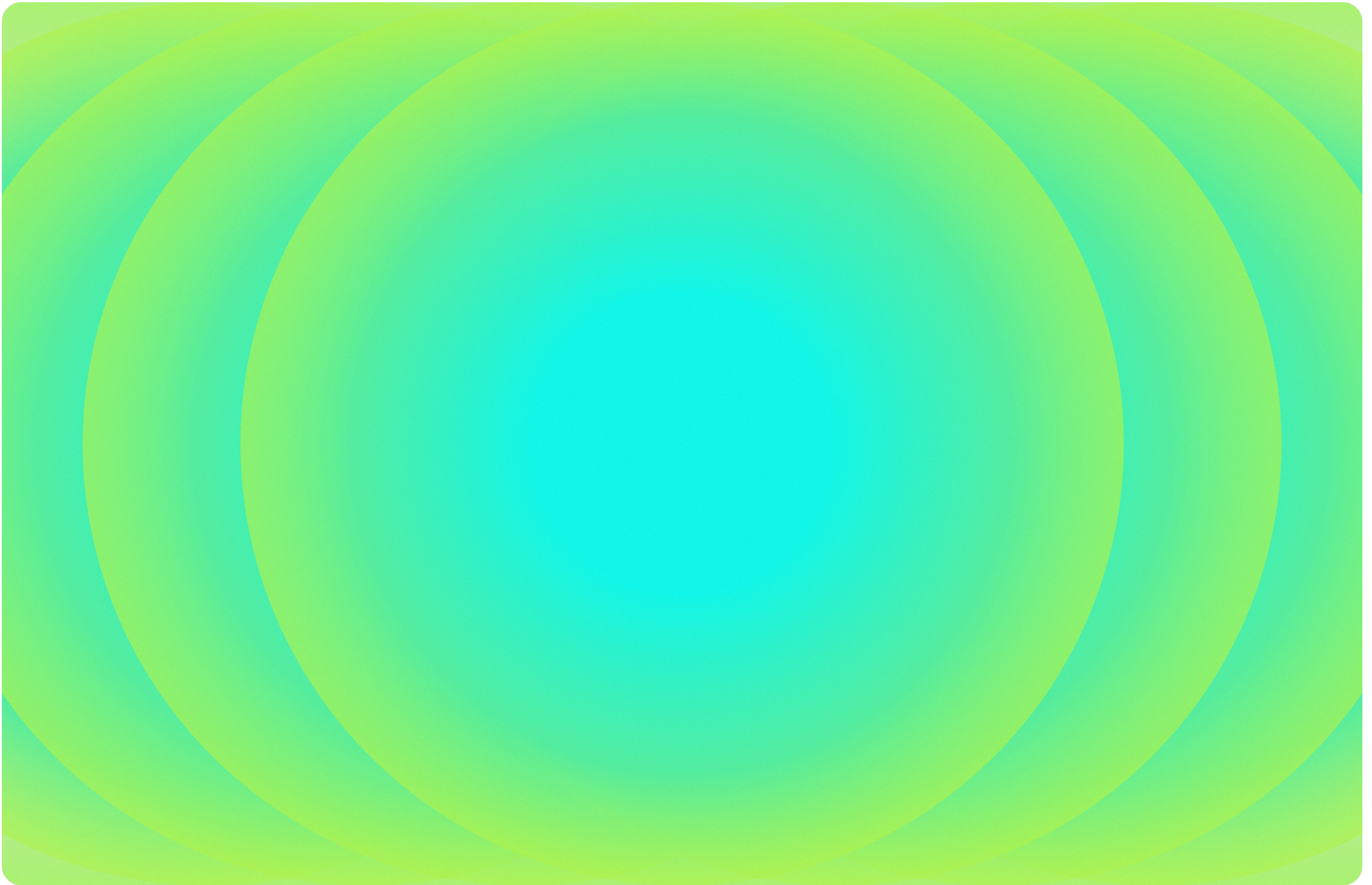




Built To Pay Fast:

The Instant Settlement Playbook For Fintechs, PayFacs, ISOs, And Vertical SaaS Platforms

For SMBs, settlement speed is cash flow, and cash flow is survival. The average US small business holds only 27 days of cash buffer. A single delayed payment cycle can trigger missed payroll, delayed supplier payments, and in the worst cases, insolvency. The infrastructure to solve this problem is ready. FedNow and RTP combined processed more than \$2 trillion in 2025, with over 2,700 financial institutions participating. Push-to-card via Visa Direct and Mastercard Move enables near-instant delivery to any eligible debit card. Technology is not the bottleneck. The platforms that understand this will win the next decade of merchant relationships.

The Settlement Gap: How 2-3 Day Delays Cost SMBs More Than They Know

What is the true, fully-loaded cost of slow settlement?

Start with a number: 27 days. That is the average cash buffer held by US small businesses, according to the Federal Reserve Small Business Survey. Not 90 days. Not 60. Twenty-seven days of operating runway before a cash flow disruption becomes a business continuity problem.

Now consider what happens when a merchant processes a Tuesday sale and receives that payment on Thursday or Friday. Two to three days of working capital are tied up in the settlement window. For a business operating on 27 days of reserves, that gap is not a minor inconvenience. It is a structural vulnerability, and it repeats every week, for every transaction, across every vertical your platform serves.

The Direct Cost: Working Capital Trapped in the Settlement Window

Every day of settlement delay is a day of working capital your merchants cannot deploy. For a restaurant processing \$50,000 per week, a two-day settlement window locks up roughly \$14,000 in receivables at any given moment. That capital cannot pay staff, restock inventory, or negotiate supplier discounts. Merchants who process through platforms with two-to-three day windows increasingly bridge that gap with merchant cash advances and factoring arrangements, paying effective annualized costs that frequently reach triple digits on money they have already earned. The platform that processed the sale is not capturing that revenue. A financing intermediary is.

27

Average days of cash buffer for US small businesses

Federal Reserve Small Business Survey

15-yr

High in corporate bankruptcies, driven by SMB cash flow stress

S&P Global, 2025

44%

Of B2B credit sales paid late in 2025, adding to SMB cash flow pressure

Industry estimates, 2025

The Competitive Cost: Merchant Churn You Cannot See Coming

Merchant churn attributed to settlement speed is largely invisible in cohort data until it shows up in exit surveys and competitive displacement conversations. Merchants rarely say they are leaving because of settlement speed; they say they found a better fit. The settlement speed gap is the structural explanation that does not make it into the win/loss report. In high-cash-flow-sensitivity verticals, specifically restaurants, personal services, retail, and gig economy platforms, merchants now routinely ask about settlement timing during the sales evaluation process. A platform that cannot offer a credible answer is not competing for the most valuable accounts in those segments.

“Every week I talk with platforms that are focused on their integration roadmap, their pricing tiers, their onboarding flows. And then they tell me a merchant just left. Settlement speed. It comes up in exit surveys, in competitive deals, in renewals. It is the kind of loss that does not show up in a product roadmap review until it is already a retention problem.”

Mark Reeves Head of Money Movement Sales, Highnote

HIGHNOTE IN ACTION



Ferry, a financial technology company serving the hospitality industry, became the first Highnote subscriber to activate Instant Payments in December 2025. Today, Ferry powers over \$200 million in automated, same-day payouts annually, flowing directly to employee payroll cards and linked accounts. Their platform eliminated a separate disbursement vendor, reduced reconciliation overhead, and gave workers immediate access to earned wages.

For Ferry's merchant customers, same-day access to funds is not a premium feature. It is the product. The settlement gap that the hospitality industry had tolerated for years became Ferry's competitive differentiator, and Highnote's unified platform is the infrastructure that makes it real.

Cash Flow as Your Competitive Advantage: How Merchants Choose Platforms

How does settlement speed influence merchant acquisition and retention decisions?

There is a threshold at which a feature stops being a differentiator and becomes a qualifying criterion. For settlement speed, that threshold has been crossed. In the verticals where cash flow sensitivity is highest, the question is no longer whether a platform offers faster settlement. The question is how fast, and what it costs.

The Sales Cycle Signal

Merchants now routinely ask about settlement timing during platform evaluation. Three years ago, settlement speed was a post-signing ops conversation. Today, it is a sales-cycle question. Buyers at PayFacs and ISOs report that merchant prospects in restaurant, retail, and services verticals are asking about payout timelines in initial discovery calls. Because merchants in high-cash-flow-sensitivity verticals have above-average transaction volumes and above-average lifetime value, losing them in the evaluation process is a concentration of loss at the top of the merchant quality curve.



We are past the point where instant settlement is a premium feature. In restaurant, retail, services, the verticals where merchant cash flow pressure is highest, it is now a qualifying criterion. Platforms that do not offer it are not competing for the most valuable merchant relationships. That is the market signal that changes the strategic conversation.”

TJ Grissom GM, Acquiring, Highnote

The Verticals Where Speed Is the Deciding Factor

Cash flow sensitivity is not uniform across merchant categories. The businesses with the highest dependence on rapid settlement access share common characteristics: high transaction frequency, thin operating margins, limited access to institutional credit, and labor cost structures that require near-daily liquidity. Restaurants, personal services, and gig economy platforms sit at this intersection. In these verticals, settlement speed has become one of the top three deciding factors in platform selection, alongside pricing and integration complexity. A platform offering T+1 settlement is not competitive against one offering same-day access in a head-to-head evaluation with a restaurant operator who processes 300 transactions per day.

Settlement Speed as a Retention Moat

The commercial value of faster settlement is not limited to acquisition. A platform that delivers same-day or instant settlement creates a switching cost that is genuinely difficult to replicate. The merchant's operational model adjusts around the liquidity access pattern. Staff scheduling, supplier payment cycles, and inventory purchasing all adapt to the assumption of daily access to funds. Switching to a platform with a two-day settlement window is not a neutral migration. It is a disruption to an operating model, and that dependency compounds over the lifetime of the merchant relationship.

The platforms still only offering batch ACH settlement are not just losing acquisition battles. They are managing churn in slow motion, losing their best accounts to competitors with better infrastructure, one renewal conversation at a time.

HOW HIGHNOTE DELIVERS THIS



Highnote's unified platform includes configurable funding schedules and merchant-facing settlement dashboards that give platforms the ability to offer differentiated settlement experiences without building separate disbursement infrastructure. Settlement speed becomes a product decision, not an infrastructure project.

The Real-Time Settlement Architecture: RTP, FedNow, and Push-to-Card Explained

What rails and infrastructure actually power instant settlement, and how do they work together?

The most common objection to instant settlement is infrastructure readiness: that the rails are not broadly enough adopted, that coverage gaps are too significant, that fraud exposure is too high. That objection no longer holds. Three primary mechanisms power real-time settlement today. Understanding how they work together, through intelligent orchestration across a single integration, is where the durable infrastructure advantage lives.

RTP: The Clearing House Real-Time Payments Network

The Clearing House's Real-Time Payments network averaged approximately 1.3 million payments per day in 2025, with single-day peaks exceeding 1.8 million transactions. The network raised its per-transaction limit to \$10 million effective February 2025, enabling high-value B2B settlements. RTP operates 24 hours a day, 365 days a year, with final settlement in seconds and irrevocable funds delivery. The irrevocability is a feature in most merchant contexts: once the merchant receives funds, they are theirs, with no ACH return window exposure.

FedNow: The Federal Reserve's Instant Payment Service

FedNow reached approximately 1,600 financial institution participants by end of 2025, with more than 500 new institutions joining during the year. Its coverage profile is complementary to RTP rather than competitive: the two networks together cover the vast majority of US bank accounts, and a platform routing across both reaches nearly the full addressable market. The argument that real-time rail adoption is still too sparse to build a business case around is a 2022 argument. The infrastructure reality in 2026 is fundamentally different.

Push-to-Card: The Fastest Path to Instant Settlement

Push-to-card via Visa Direct and Mastercard Move represents a distinct and often overlooked settlement pathway. Unlike RTP and FedNow, which require both parties to have bank accounts on participating institutions, push-to-card reaches any eligible debit card, regardless of the cardholder's banking institution. For gig economy platforms, hospitality operators paying tipped workers, and any use case where the recipient may be unbanked or underbanked, push-to-card is frequently the fastest path to instant funds delivery. It also carries different fraud risk characteristics than ACH because there is no return window to exploit.

“Single-rail instant settlement is a floor, not a ceiling. RTP covers bank accounts. Push-to-card reaches cardholders who do not have one, or who need funds on a timeline that even FedNow does not always match. The platforms building real competitive moats are the ones that route dynamically across all available paths based on merchant profile, amount, and timing. That is the architecture that delivers a genuine instant settlement promise.”

TJ Grissom

GM, Acquiring, Highnote

Intelligent Rail Routing: Why Orchestration Beats Single-Rail

The platforms that will build durable infrastructure advantages are not those that implement one rail and declare instant settlement a capability. They are the ones that orchestrate across all available paths, dynamically selecting the optimal settlement route based on recipient profile, payment amount, timing requirements, and cost structure. A \$500 restaurant settlement on a Friday afternoon goes push-to-card because the merchant needs immediate access and the amount does not justify the FedNow fee structure. A \$15,000 weekly settlement for a regional services platform goes via RTP because the amount warrants the irrevocability guarantee and the receiving institution is fully participating. The routing logic runs automatically, invisibly, and continuously against the platform's full merchant portfolio.

HOW HIGHNOTE DELIVERS THIS



Highnote provides a single API that orchestrates across push-to-card (Visa Direct and Mastercard Move), ACH, RTP, and FedNow. Platforms do not need to build or maintain separate integrations for each rail. The routing logic, fee management, and reconciliation happen within the unified platform. The result is a genuine multi-rail instant settlement capability delivered through a single integration point.

Instant Funding as a Product Line: Monetization Models for PayFacs and ISOs

How do you turn faster settlement from a cost center into a revenue stream?

The most common framing mistake that PayFacs and ISOs make when evaluating instant settlement is treating it as a cost. Infrastructure investment, rail fees, integration overhead: these are real, but they are the wrong frame. Instant settlement, properly structured, is a product line with premium pricing power, strong attach rates in high-sensitivity verticals, and a direct line to working capital revenue that today flows to financing intermediaries outside the platform relationship.

Model 1: Fee-Per-Use Premium Pricing

The most straightforward model charges merchants a per-transaction premium for instant settlement access over standard batch settlement. A restaurant operator who processes \$50,000 per week and pays a 0.5 percent instant settlement fee is spending \$250 per week for access to capital that would otherwise sit in a settlement queue. That same operator may well carry a merchant cash advance to bridge exactly this gap, paying effective annualized costs that frequently reach triple digits. The platform that delivers instant settlement at a fraction of the MCA cost is displacing a financing relationship that the merchant had to build because their platform did not offer a better option.

Model 2: Tiered Subscription Bundles

A second model bundles settlement speed with other platform capabilities in tiered subscription structures. The instant settlement tier offers same-day or real-time access alongside premium analytics, advanced reconciliation features, and dedicated support, at a monthly price point that increases overall platform ARPU while reducing price sensitivity. The merchant evaluates the total value of the premium tier, not the per-settlement cost in isolation.

Model 3: Higher Take Rates in Cash-Flow-Sensitive Verticals

Platforms operating in verticals where instant settlement is a qualifying criterion can position the capability as a justification for above-market take rates. A merchant paying a lower take rate to a competitor offering slower settlement, and then separately paying financing fees to a factoring company, is paying more in aggregate than a platform offering integrated instant settlement at a premium take rate. Made clearly in the sales process, this argument transforms a fee negotiation into a cost savings demonstration.

Model 4: Working Capital Products

The most strategic monetization opportunity is the most underexplored. Instant settlement infrastructure is a prerequisite for working capital products: revenue-based advances, earned wage access, and liquidity facilities tied directly to settlement flows the platform already manages. The US MCA market captures nearly \$20 billion annually from small businesses because platforms have historically been unable to offer merchants faster access to funds they have already earned. A platform with instant settlement infrastructure and real-time ledger visibility is positioned to offer those working capital products directly, with settlement receivables as collateral, capturing revenue that currently flows outside the platform relationship.

“The platforms that figure this out early are not just solving a merchant pain point. They are building a revenue line. Merchants who are already paying for faster access through factoring and cash advances will pay a premium for instant settlement through their existing platform. The economics are compelling, and the infrastructure to deliver it is already here.”

Mark Reeves

Head of Money Movement Sales,
Highnote

HOW HIGHNOTE DELIVERS THIS



Highnote’s programmable disbursement controls, fee logic, and tiered payout configurations give platforms the underlying infrastructure to implement any of these monetization models without building the settlement plumbing from scratch. The unified platform’s real-time ledger provides the transaction visibility required for working capital products. Platforms can build the revenue model. Highnote provides the foundation.

Risk, Fraud, and Chargebacks in an Instant-Payout World

Is instant settlement safe? How do leading platforms manage risk at speed?

Risk and fraud concerns are the most common objections to instant settlement, and they are worth addressing directly. Not by minimizing the risks, which are real, but by explaining why faster settlement does not automatically mean higher risk, and how modern risk management frameworks make instant settlement not just viable but, in some respects, safer than the batch ACH environments most platforms currently operate.

The Misconception: Speed Equals Risk

The ACH return window, which for unauthorized consumer account transactions can extend to 60 days, is commonly understood as a safety net. It is also a fraud attack surface: bad actors actively exploit it by initiating ACH transactions knowing they can be reversed after the merchant has delivered goods or services. The return window imposes disproportionate costs on legitimate merchants, who must hold reserves, accept delayed settlement, and manage disputes that exist precisely because of the vulnerability the window creates. Removing it is not simply removing a safeguard. In many cases, it removes the mechanism that bad actors depend on.



The risk objection is the one I hear most and find least convincing. Faster settlement does not mean less risk management. It means different risk management, and the tooling to do it well exists today. Real-time KYC, AML, fraud scoring, programmable spend controls, these are not aspirational capabilities. They are production-ready. The platforms sitting on batch ACH because they believe it is safer are accepting merchant churn in exchange for a risk comfort that modern infrastructure already eliminates.”

TJ Grissom GM, Acquiring, Highnote

The Real Risk Profile of Real-Time Rails

RTP and push-to-card have fundamentally different fraud profiles than ACH. Because RTP payments are irrevocable and push-to-card transactions do not carry extended return windows, the ACH attack surfaces are structurally absent. The fraud risk that remains is concentrated at the authorization layer, where real-time KYC, identity verification, and behavioral scoring tools are most effective. Industry surveys have found that attempted fraud incidents on real-time payment networks occur at a fraction of the rate seen on ACH and checks. The risk profile of instant settlement is different, not categorically higher. Because real-time payments are irrevocable, risk management emphasis shifts toward prevention at authorization rather than recovery after the fact, which is exactly where modern platform tooling is strongest.

Chargebacks and AML in Instant Settlement Flows

Chargebacks are a contractual mechanism for consumer dispute resolution and are not affected by the settlement rail used for merchant payouts. A merchant who processes an instant settlement remains subject to chargebacks through the card network dispute process. What changes is the platform's reserve and holdback logic: platforms operating instant settlement programs typically implement risk-tiered holdback models, holding a percentage of settlement funds in reserve for a defined period calibrated to the merchant's chargeback history and vertical risk profile. This model is well-established and does not require delaying the majority of a merchant's settlement to manage tail risk. AML obligations similarly do not change with settlement speed, only the architecture required to meet them. Real-time settlement requires real-time compliance: KYC at onboarding, ongoing transaction monitoring, and sanctions screening operating at the speed of the rails.

HOW HIGHNOTE DELIVERS THIS



Highnote's unified platform includes native KYC and AML screening, sanctions and OFAC monitoring, a real-time risk engine with programmable spend controls, and configurable holdback and reserve logic. These capabilities are not add-ons to a legacy stack. They are built into the same platform that processes the settlement, which means the compliance controls operate at the same speed as the payment.

The Build Roadmap: Evaluating and Implementing Real-Time Settlement Infrastructure

What does it actually take to move from batch ACH to instant settlement, and how do you get started?

Every chapter to this point has made the case for why faster settlement matters, what infrastructure makes it possible, how to monetize it, and how to manage the risk. This chapter addresses the practical question that follows: what do you actually do?

Phase 1: Assess

Assessment begins with an honest evaluation of current settlement architecture: which rails you are using, what settlement windows you are offering by default, which merchant segments are most affected, and where the highest-value quick wins exist. For most platforms, this analysis surfaces two or three merchant segments where a settlement speed improvement would have an immediate, measurable impact on retention and NPS. It also often reveals that existing FI partnerships nominally support same-day settlement but have not been operationalized, providing faster paths to initial capability deployment than a full platform migration implies.

Phase 2: Pilot

The pilot phase launches instant settlement in one vertical or merchant segment, with the explicit goal of generating ROI data before committing to full infrastructure replacement. A well-designed pilot answers three questions: what is the merchant attach rate for instant settlement at a given price point, what impact does instant settlement access have on 90-day and 180-day retention, and what operational adjustments are required at scale. Real retention data and attach rate evidence from a single segment, generated through a 60 to 90 day pilot, is a more compelling board-level investment argument than a theoretical financial model.

Phase 3: Scale

Scaling instant settlement across a full merchant base requires the intelligent rail routing logic described in Chapter 3: automatically selecting the optimal settlement path for each merchant and each transaction based on amount, timing, recipient profile, and cost. At this phase, the infrastructure investment compounds. The platform is no longer offering instant settlement as an option. It is operating a money movement capability that covers the full merchant base, supports multiple monetization models, and creates the ledger infrastructure required for working capital product expansion.

The Build-Versus-Partner Decision

The most common strategic question PayFacs and ISOs face at this point is whether to build settlement infrastructure internally or partner with a purpose-built platform. The build argument is appealing for the same reason it is appealing in every infrastructure domain: full control, margin capture, and strategic independence.

The counterargument is also the same: building rail relationships, maintaining compliance obligations across multiple networks, managing fraud operations, and keeping pace with regulatory change is a full-time operational investment. The engineering and compliance resources required to build and maintain real-time settlement infrastructure are resources not building the core product differentiation that drives merchant acquisition. The platforms that partner early compound the advantage through speed to market. The ones that build from scratch spend 18 to 24 months closing a gap that a partner could have closed in weeks.

“Building settlement infrastructure is a long-term investment that gets harder to justify the longer you wait. The platforms that partner early do not just move faster. They compound the advantage. Every year they are on modern infrastructure is a year their competitors are managing ACH batches and chasing bank relationships. The gap widens, and it is very difficult to close.”

Mark Reeves

Head of Money Movement Sales,
Highnote



Built for Real-Time Business

Highnote delivers money movement as a native capability within a unified platform that includes issuing, acquiring, credit, and a purpose-built general ledger. No middleware. No patchwork rails. No separate vendors for compliance and reconciliation.

[Talk to a money movement specialist →](#)

[See how Ferry solved this →](#)