

Building a Foundation for a Faster Payments Ecosystem

An Update from the Directories and the Rules, Standards, Laws and Regulations Work Groups

In late 2018, a diverse group of 300 industry stakeholders came together at the FedPayments Improvement Community Forum to engage in inclusive dialogue focused on improving the U.S. payment system. Through general sessions and topic-specific workshops, Forum attendees provided their candid feedback about the latest payment modernization efforts.

Members of these two works groups discussed their processes and output to inform a governance framework to support a faster payments ecosystem. They also shared their personal takeaways learned through the process of this work group collaboration.

DWG and RSLR Work Groups Update

In its [final report](#) in July 2017, the Faster Payments Task Force specified 10 recommendations for achieving ubiquitous receipt by 2020.

Three of the recommendations called for the formation of industry work groups to provide foundational groundwork for a future faster payments governance framework.

To this end, the [Directories, and the Rules, Standards, Laws and Regulations](#) work groups were formed to support the U.S. Faster Payments Council ([FPC](#)), which launched in November 2018.

The Directories Work Group ([DWG](#)) concluded its work effort in July 2018. It was formed to evaluate various payment directory models that could enable interoperability in a multi-operator faster payments ecosystem.

To arrive at its conclusions, the DWG:

- Completed a gap analysis and benchmark of existing directories.
- Identified potential models for directory capabilities that could facilitate faster payments between multiple solutions.
- Determined the best approach for standing up a body to oversee the ongoing operation and/or governance of a faster payments directory model.

The DWG divided into three work streams - Operations, Architecture and Governance - and ultimately reviewed four proposed directory models against a set of previously agreed-upon design considerations to reach a general consensus on a federated model that would be a hub, or a one-to-many directory of directories. While the group aimed

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Panelists

Laura Yens, Counsel
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Navigant

Bradley Wilkes, CEO
Open Payment Network

to build consensus, establishing guiding principles and models that had broad support was challenging given the diverse perspectives group members brought to the discussion. The group ultimately settled on definitions and a set of starting principles that it believes offer a foundation that the industry can support.

The Rules, Standards, Laws and Regulations ([RSLR](#)) work group will conclude its efforts in December

2018. More than 40 leaders from across the payments industry formed two work streams. Each was charged with the following:

- Describe how rules and standards could be used to mitigate risk, remove barriers, and encourage interoperability, ubiquity and accessibility for faster payments.
- Identify and prioritize areas of laws and regulations where there may be need for change.

The RSLR work group will conclude its effort with a white paper for the FPC that outlines principles for when a rule, standard, law, regulation or other tool may be most appropriate to address a given need, along with examples of how these tools are used in existing systems. It will also identify gaps that may exist within existing laws and regulations.

Highlights From the Panel Discussion

Identifying gaps in laws and regulations. Laura Yens of Alston & Bird explained how many existing laws and regulations do not cover faster payments and how some gaps and inconsistencies could be addressed to support faster payments development. She noted that the RLSR work group is conscious of the balance that exists between payments industry participants and is mindful about

proposing changes to laws and regulations. Market forces may address a given issue.

Not every issue was resolved.

Bradley Wilkes of Open Payment Network reported that the DWG discussed keeping settlement separate from a directory look-up and came to agreement on some design considerations. However, not every issue was completely resolved. Questions remain on who owns the multi-operator directory, what preferences may emerge for routing data in real time, and how end users can update their own data.

Momentum builds through quick wins.

Jonathan Shiery of Navigant noted that for the RSLR work group, upfront scope development was an important first step for successful collaboration. The group looked for quick wins and areas of clear agreement to build momentum as a team. The work group established guardrails and a purpose statement at the beginning, modifying the guardrails as needed. Breaking into sub-groups made the work manageable and encouraged participation.

How the work groups create value for the faster payments ecosystem.

The panelists broadly agreed that by achieving industry consensus on high-level principles for hot topics, the U.S. Faster Payments Council will get started

on firm ground and with momentum. The panelists also agreed that furthering dialogue on issues will help the industry make a stronger case for self-governance.

Reflections on contributing and collaborating in these work groups.

Bradley Wilkes expressed his high expectations for what the industry can accomplish. “The U.S. payments system is important for the good of the nation,” he said.

Bob Steen of Bridge Community Bank urged the industry to commit to a course of action. “Choice is the key for end users and in the industry,” he said.

Laura Yens felt that members of the RSLR work group, “left their agendas at home and really thought about what is best for country and industry as a whole.”

Jonathan Shiery believes that competitive spirit drives innovation. “The open, competitive spirit in the United States creates challenges, but also creates the potential for a better solution,” he said.

Kassi Quimby noted, “On points of disagreement, where group members were unable to reach one view, varying viewpoints were noted so that everyone on the work group could support the final output.”