Governance Framework Formation Team
Operating Vision for the U.S. Faster Payments Council

Request for Stakeholder Feedback
April 24, 2018

Executive Summary

Over the last eight months, the 27 Governance Framework Formation Team (GFFT) members, commissioned by the Faster Payments Task Force and representing the broad array of payment system stakeholders, have been deliberating on a shared vision and design for a faster payments governance framework[1]. Through a consensus-oriented process, the GFFT has worked to incorporate the diverse views and positions of its members and their respective industry segments in drafting a goal and operating vision for the U.S. Faster Payments Council (FPC).[2] In some cases, the hard work to find consensus is ongoing and open issues remain, including around Board structure and authority, and funding. The GFFT now requests stakeholder feedback on this work-in-progress draft of the Operating Vision, as this will help inform the ultimate resolution of these open issues.

"The goal is a ubiquitous, world-class payment system in 2020 where Americans can safely and securely pay anyone, anywhere, at any time and with immediate funds availability."

A number of new and innovative payment solutions have come to market and others may be emerging soon. With these developments as the starting place, an open and inclusive organization focused on facilitating broad collaboration can help get the industry to ubiquity faster than through bilateral cooperation alone. The FPC will help:

- Drive the emerging faster payments infrastructure toward interoperability;
- Foster a high-quality user experience for all; and
- Enable stakeholders to expand their reach and leverage their investments across a broader base of transactions.

The FPC will focus on facilitating **interoperability** as a key to ubiquity because it will enable payments and payment information to move seamlessly, regardless of the varied solutions end users may be using. As an open and inclusive association, the FPC will complement existing industry efforts by bringing additional networks, solution providers, and end users together for the purpose of addressing gaps. Various approaches will be considered to achieve

[1] Although the FPC will determine the key characteristics of a "faster payment," for purposes of this document, the term "faster payment" is consistent with the Committee on Payments and Market Infrastructures definition: "a payment in which the transmission of the payment message and the availability of final funds to the payee occur in real time or near-real time on as near to a 24-hour and seven-day (24/7) basis as possible."

[2] The term "U.S. Faster Payments Council" is a placeholder for the eventual name of the governance framework.

interoperability, including, for example, minimum standards for end user expectations and protections as well as business process and message format standards.

The FPC will also focus on **broad adoption** of faster payment solutions as a key to ubiquity, initially by working to make it possible for all end users to *receive* faster payments, as this will make origination more attractive to payers. Among other things, the FPC will: enhance public trust and confidence in faster payments by promoting safety and security; develop and implement coordinated education and awareness campaigns; and engage core technology providers on syncing their product roadmaps with the 2020 goal and providing their customers access to the variety of faster payment networks in the market.

From the outset the FPC will focus on pragmatic, *private-sector* approaches to solving problems and removing barriers to achieving ubiquity.

Examples of the kinds of issues the FPC will tackle include: infrastructure gaps, safety and security practices, end-user awareness, and legal and regulatory uncertainties. In all cases, the FPC will seek the lightest touch approach needed to effectively address the issue and allow for fairness and flexibility in the way it is implemented by the membership. The FPC will craft these approaches in a way that does not convey a competitive advantage to any particular member, being informed by a balanced analysis of the potential impact on all stakeholders. The FPC will rely on a variety of tools, starting with education programs, guidelines, policies and service standards. Where these approaches do not achieve the desired results, technical standards, rules, certification processes, and/or other resolution mechanisms will be considered subject to support by the FPC membership within the decision-making framework.

Guiding principles are at the core of how the FPC operates

- *Openness and inclusiveness*: All members have a voice through equitable Board representation and open opportunities to serve on committees and work groups.
- *Flexibility and responsiveness*: The FPC has a flexible structure that can evolve with changing needs, and its processes for establishing policies, guidelines, standards, and/or rules, when deemed necessary, are designed to allow flexibility in implementation.
- *Fairness and transparency*: The FPC respects the competitive prerogatives of its member organizations, and strives for equal treatment and consensus in all decisions that have a significant impact on any individual organizations and stakeholder groups. It also provides safeguards for members to share information and collaborate on issues of common interest.

The structure and decision-making processes of the FPC conform to the guiding principles

The FPC is open to *all* stakeholders. The members elect the Board of Directors, which is accountable to the members for setting strategic direction and ensuring processes, activities and decisions are consistent with the guiding principles of the FPC. The composition and voting structure of the Board is designed to be inclusive and represent the diversity of payments industry stakeholders while balancing infrastructure investments and risk exposure. In addition,

participation in committees and workgroups is open to all members and is the primary avenue for influencing significant decisions affecting the direction of the FPC and its priorities. Decision-making processes strive for consensus on matters that significantly affect individual members. Adherence to this approach means that members who do not support the majority view have the opportunity to be heard, and the majority has a responsibility to consider modifications that address the concerns of the minority.

The FPC's approach to funding supports the organization's needs in an inclusive and efficient way

- Initially, membership/sponsorship dues will be the primary source of funds for starting up and operating the organization, but other sources will be added over time.
- The membership fee structure is tiered according to the size of the participating organization.
- Consistent with the guiding principle of inclusiveness, *there are no differences in member rights and responsibilities even though dues will vary*.

The success of the FPC depends on broad participation

The GFFT believes that by focusing on removing barriers to ubiquity and adhering to its guiding principles of inclusiveness, fairness and transparency in all its activities, the FPC will attract a large and diverse group of stakeholders. By creating safe forums for dialogue governed by strong anti-trust guardrails, the FPC will become the go-to organization for resolving issues and providing thought leadership on faster payments.

The GFFT asks you to review the draft Operating Vision for the FPC and offer suggestions that will: strengthen the organization; make sure it lives up to its guiding principles; and empower it to catalyze a ubiquitous, world-class payment system.

Governance Framework Formation Team

Operating Vision for the U.S. Faster Payments Council

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Operating Vision

I. Introduction

In July 2017, the Faster Payments Task Force (FPTF) released the second part of its two-part final report, *The U.S. Path to Faster Payments: A Call to Action*. The task force called upon all stakeholders to seize the historic opportunity to realize the vision for a payment system in the United States that is faster, ubiquitous, broadly inclusive, safe, highly secure, and efficient by 2020. In the report, the task force recommended ongoing collaboration to fulfill this vision, with 10 recommendations across three key areas: Governance and Regulation; Infrastructure; and Sustainability and Evolution.

In its first recommendation, the task force called for the development of a faster payments governance framework, inclusive of all stakeholders, to make decisions to facilitate cross-solution payments and to achieve ubiquity of faster payments by 2020. To advance this recommendation, the task force charged a short-term work group (now called the "Governance Framework Formation Team," or GFFT) with developing an initial faster payments governance framework and establishing that framework and membership. (More background information on the task force and the GFFT is available in the Appendix.)

Over the last eight months, the 27 GFFT members, representing the broad array of payment system stakeholders, have been deliberating on a shared vision and design for the governance framework. Through a consensus-oriented process the GFFT has worked to incorporate the diverse views and positions of its members and their respective industry segments in drafting an operating vision for the U.S. Faster Payments Council (FPC).[3] In some cases, the hard work to find consensus is ongoing and open issues remain, including around Board structure and authority, and funding. The GFFT now requests stakeholder feedback on this work-in-progress draft of the Operating Vision, as this will help inform the ultimate resolution of these open issues. Stakeholder feedback will also validate that there is broad agreement on the proposed nature of the organization and that this organization would be helpful in nurturing the emerging faster payments ecosystem in the U.S.

This *Request for Stakeholder Feedback* presents the GFFT's shared vision and draft design for the FPC as well as an update on initial FPC establishment activities. The GFFT seeks feedback from all payment system stakeholders on this work and plans to use this feedback in developing its final design of the FPC.

[3] The term "U.S. Faster Payments Council" is a placeholder for the eventual name of the governance framework.

II. The U.S. Faster Payments Council is needed to catalyze faster payments ubiquity[4]

In today's increasingly mobile, digital economy, Americans are demanding that payments be safe, easy, fast, and available to everyone. In response, a number of new and innovative payment solutions have come to market and others may be emerging soon. Each holds promise for a better experience for their respective users. Enabling payments to flow in a way that is seamless for end users can serve as the backbone of *a* ***ubiquitous, world-class payment system*** where Americans can safely and securely pay anyone, anywhere, at any time and with immediate funds availability. In particular, this means a payment system where:

- Payments and payment information move seamlessly for end users, regardless of the varied solutions they may be using;
- Effective cross-solution risk management enables trust and public confidence in the safety and security of these new, interoperable faster payments to flourish;
- Payers and payees receive confirmation of a payment within seconds, even when the payment moves across solutions; and
- All parties have equitable access to efficiently resolve disputes and errors.

The Goal*: In 2020, a ubiquitous, world-class payment system* where Americans can safely and securely pay anyone, anywhere, at any time and with immediate funds availability.

Like the FPTF, the GFFT members believe that this payment system can and should become a reality and an aggressive timeline is critical. An organization focused on facilitating collaboration is essential to drive the emerging faster payments infrastructure toward interoperability, foster a high-quality user experience for all and get the industry to ubiquity faster than otherwise possible.

The time to establish this organization is *now*. Therefore, the GFFT proposes establishing the *U.S. Faster Payments Council* (FPC) as the means by which all members can work together to achieve the goal. The FPC will be an association that provides an inclusive and transparent forum for collaboration, problem-solving and decision-making. Recognizing that a number of stakeholders are already working to develop the faster payments system, the FPC will aim to complement these efforts by bringing all stakeholders together to develop and execute the roadmap toward ubiquity. Furthermore, to remain world class beyond 2020, the United States' faster payments system must continuously respond to ever-changing technology and end-user

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needs, and the FPC will serve as a forum to better enable the system to evolve in a manner that supports competition and is open, fair, flexible, and responsive.

The FPC will focus on removing barriers to ubiquity

The GFFT envisions that from the outset the FPC will focus on private-sector approaches to solving problems and removing barriers to achieving ubiquity. Facilitating **interoperability** is key to ubiquity because it will enable payments and payment information to move seamlessly, regardless of the varied solutions end users may be using. As an open and inclusive association, the FPC will complement existing industry efforts by bringing additional networks, solution providers, and end users together for the purpose of addressing gaps, not only at the rail level but also at the provider/originator level.[5] In fact, various approaches will be needed to achieve interoperability, including, for example, minimum standards for end user expectations and protections, as well as business process and message format standards. **Broad adoption** of faster payment solutions is also key to ubiquity, and this means making it possible for all end users to *receive* faster payments, as this will make origination more attractive to payers and drive adoption overall.

Because of its focus on facilitating dialogue and collaboration, the FPC will be in a unique position to solve problems that would be more difficult to address through bilateral cooperation alone. The GFFT expects that once the FPC is established, the members together will identify and prioritize the barriers it is best suited to address. In addition, where appropriate, the FPC will work with relevant industry organizations to address those barriers. Examples of initial needs, and how the FPC will work to address them, include:

- *Mitigating safety and security concerns that make network operators, service providers and end users reluctant to interoperate and adopt faster payment solutions.* Various industry experts project very rapid growth in the number of faster payments over the next several years, making it imperative to monitor, manage, and mitigate the challenges of a rapidly evolving threat environment, especially across multiple, interconnected solutions. To do so, the FPC will:

    - Establish and promote a strong security framework for participating networks and providers that would include principles, guidelines, and/or recommended practices around the foundational components of security, including, for example, strong enrollment and authentication practices, transaction controls, and anomaly detection.

    - Develop a coordinated approach to “lift all boats” by identifying risk patterns, sharing experiences and promoting recommended practices to drive industry-wide safety and security enhancements, including, for example, methods for identifying fraudulent and/or erroneous payments.

[5] Throughout this document, “interoperability” is used in its broadest sense as the means by which payments and payment information move seamlessly, regardless of the varied solutions end users may be using. Thus, it has a much broader meaning than purely technical interoperability at the rail level. In fact, depending on the nature of the networks and solutions, interoperability at the rail level may not always be possible (such as when two networks use different assets or settlement mechanisms), and as such, efforts to facilitate interoperability will also focus on the provider/originator level.

- Develop a security-focused education program that informs end users of their obligations and liabilities, and encourages them to adopt strong security practices appropriate for faster payments.

- *Eliminating infrastructure gaps that limit the reach of each individual network and its customers.* To do so, the FPC will focus on several key elements of the end-to-end infrastructure that need to be in place to enable interoperability and ubiquitous receipt. Specifically, the FPC will work collaboratively on:

  - Targeted campaigns to engage all core technology providers that support small and medium financial institutions and businesses on syncing their product roadmaps with the 2020 goal and enabling access to the variety of faster payment networks in the market.

  - Outreach to relevant parties with the goal of developing infrastructure and/ or mechanisms to enable interoperability, including, for example, standards and design principles for directories and APIs.

  - Standard message formats for initiating and receiving various types of payments, including high-volume corporate and commercial payments in order for larger businesses and government agencies to use faster payments efficiently and effectively.

- *Addressing the lack of awareness and understanding of faster payments that inhibits adoption and potentially affects end-user safety.* To do so, the FPC will develop awareness and education campaigns for 250+ million consumers and 30 million businesses that would comprise:

  - A set of minimum service level expectations and end-user protections that helps articulate what a faster payment is and how it is different than other types of payments, as well as the benefits of using faster payments.

  - Tutorials on good end-user security practices and the importance of using them, particularly because faster payments are more cash-like due to their irrevocability, and end-user behaviors that are accepted for other, more familiar types of electronic payments may magnify risk in the faster payments context.

  - Materials that complement related initiatives being led by other stakeholders.

- *Addressing the uncertainty and risks created by a legal and regulatory landscape that does not specifically address faster payments. To do so, the FPC will:*

  - Define the key characteristics of a faster payment, and in light of that, identify and prioritize “pain points” and develop a coordinated approach for dialogue with relevant regulators. Examples of such pain points include: a) federal statutes that specify the payments rails that can be used to disburse certain funds and therefore may preclude use of faster payments; and b) existing regulatory frameworks centered on the concept of debit-pull authorization that may not provide adequate protections to consumers or clarify to providers how to prevent and resolve risks in a credit-push context.

As a voluntary organization, the FPC's effectiveness depends critically on attracting a large and diverse array of faster payments stakeholders, including payment network operators; financial institutions; technology providers; consumer, business and government end users; regulators; and all others with a professional interest in creating a world-class payment system for the U.S. The GFFT believes the FPC will be attractive to stakeholders and become the go-to organization for resolving issues and providing thought leadership on faster payments because it will:

- Take a principles-based approach to removing barriers to ubiquity and solving problems;
- Enable stakeholders to broaden their reach and leverage their investments across a much broader base of transactions; and
- Create safe forums for dialogue governed by strong anti-trust guard rails that support innovation, inform system design, and enhance cross-solution risk mitigation.

The following sections describe the proposed guiding principles, core functions and processes, structure, and funding approach for the FPC.

III. Guiding principles are at the core of how the FPC operates

The FPC is a principles-based organization. Its structure, operations, and activities are designed to adhere to these fundamental principles:

- **Openness and inclusiveness.** The FPC is member-driven and open to all stakeholders in the U.S. payment system, from the largest merchants and payment network operators to consumers and the smallest businesses and financial institutions. Through equitable representation on the Board and open opportunities to serve on committees and work groups, all members have a voice in the direction of the work and will be informed by the perspectives of other members.
- **Flexibility and responsiveness.** The FPC provides a flexible structure that adapts as needs evolve. It complements existing initiatives and will work with, for example, existing standards development and rule-making organizations when appropriate to be lean and efficient. In addition, the FPC's processes for establishing policies, guidelines, standards, and/or rules, where deemed necessary, are designed to allow flexibility in implementation.
- **Fairness and transparency.** The FPC focuses on the broader good while upholding competitive prerogatives, and respecting members' ability to manage their own internal business operations. It strives for equal treatment and consensus in all decisions that have a significant impact on any individual organizations and stakeholder groups. It provides safeguards for members to share information and appropriately collaborate on issues of common interest. Deliberations, decisions and communications have maximum transparency.

IV. The FPC is organized for action and solving problems

The FPC's core functions and processes are designed to support the goal of ubiquity in 2020, help sustain and evolve the faster payments system over time, and leverage existing industry models or organizations where appropriate. Furthermore, the functions and processes of the FPC are designed to be flexible and adaptable in order to meet the ongoing challenges of maintaining a world-class faster payments system.

Core Function 1: Consensus-Driven Problem Solving

The FPC will take a pragmatic approach to identifying and resolving barriers to ubiquity, consistent with the FPC's guiding principles. When assessing a barrier or a problem, the FPC will seek the "lightest touch" approach needed to effectively address the issue and allow for fairness and flexibility in the way it is implemented by the membership. The FPC will rely on a variety of tools, starting with education programs, guidelines, policies and service standards. Where these approaches do not achieve the desired results, technical standards, rules, certification processes, and/or other resolution mechanisms will be considered subject to support by the FPC membership within the decision-making framework.

Core Function 2: Forums for Dialogue

Creating successful forums for dialogue about evolving market needs and challenges is fundamental to achieving the FPC's mission. The forums will be designed with appropriate safeguards and parameters to ensure members are comfortable sharing information and collaborating on issues of common interest. Topics for these forums include, but are not limited to, security, fraud and other payments related information, regulatory issues, cross-border needs and emerging technology developments.

Core Function 3: Education and Advocacy

Designing educational and advocacy materials to increase end-user awareness of faster payments is also key. Defining faster payments and explaining their benefits to end users through consistent messaging will help drive adoption and inspire trust and public confidence in faster payments. Targeted campaigns, which complement initiatives developed by individual market participants, may also be developed to address specific issues or audiences, such as tutorials on strong end-user security practices. The FPC is well positioned to sponsor coordinated industry efforts that lend weight and credibility to faster payments because it is not promoting specific products. In addition, the FPC will engage regulatory agencies and consumer protection groups to develop and effectively communicate faster payments rules, standards and protections.

V. The structure and decision-making processes of the FPC are designed to be inclusive

The FPC is designed to be inclusive and reflect the diversity of payment industry stakeholders. The FPC is made up of the general membership, from which members of the Board of Directors, committees, and work groups are drawn.

FPC Membership

FPC membership is open to all stakeholders in the U.S. payment system: providers of payment services, including financial institutions, payment network operators, and technology providers; everyone who makes payments, including consumers, businesses and government agencies; and regulators and those with a professional interest in improving the payment system. Members self-select into the segment that best describes their organization's primary role / interests as defined in Table 1.

Table 1: Segment Definitions

Segment	Definition
Consumer end user	Individuals or organizations that represent natural persons who make and/or receive payments for personal, family or household use and not for commercial/business use.
Business end user	Entities or organizations that represent business end users whose payments are for commercial/business use.
Financial institution	State or federally chartered banks, credit unions and brokerage firms or organizations that represent financial institutions that provide payment services to end users and clear and settle payments on their behalf.
Payment network operator	Entities that operate a payment network infrastructure or organizations that represent such payment networks.
Technology provider	Entities (other than payment network operators) or organizations that represent technology providers that process payments and facilitate use of payment networks by providing payments-enabling technology services to any of the other stakeholders.
Other	Individuals or representatives from industry organizations, rules and standards organizations, consultants and academic institutions.
Government end user	Local, state, or federal government entities that originate and accept payments for official/government purposes.
Regulator	Local, state, or federal government entities that provide financial institution or payment system oversight, set policy, define regulations, and/or audit any of the FPC members.

Board of Directors

The membership will elect the Board of Directors, which is accountable to the members for setting strategic direction and ensuring processes, activities and decisions are consistent with the guiding principles of the FPC. The Board comprises 19 voting members representing the membership segments described in the proposed Board structure below (Table 2). Each membership segment has a minimum of two votes, with additional votes allocated to segments with the greatest infrastructure investments and risk exposure. Recognizing the role of government as both payment system end-user and regulator, government entities may serve as liaisons to the Board, but may not be directors or have voting rights. This construct recognizes the value of government entities' contributions to diversity of perspective and productive public – private dialogue, but also respects the role of the FPC as a private sector organization.

Table 2: Proposed Board Structure

Membership Segment	Votes
Consumer end user	2
Business end user	2
Financial institution	5
Payment network operator	4
Technology provider	4
Other	2

Within each segment, the composition of the directors will reflect the diversity of their segments. For example, the make-up of the five financial institution segment directors should include a mix of sizes and types of institutions. Once elected, all directors have identical voting rights and responsibilities. Although seated according to their membership segments and encouraged to seek feedback from their respective segments on a regular basis, directors have a fiduciary duty to uphold the broader purpose and guiding principles of the FPC.

As a committee of the Board, the Nominating Committee is responsible for accepting and evaluating applications for open director positions and developing a representative, inclusive, and diverse slate of director candidates. The Board members individually and collectively will review the proposed director slate for consistency with the guiding principles, including fairness and equity within and across segments. Informed by regular dialogue with their respective segments, Board members should be well positioned to evaluate the slate, raise any concerns about the proposed candidate(s) for their segment(s) and direct the Nominating Committee to consider other applicants as necessary. Once approved by the Board, the director slate will be presented to the FPC membership for a "yes" or "no" vote on the entire slate. This rigorous process provides multiple reviews of candidates and the slate consistent with the Board's accountability to the membership for maintaining equitable representation.

Committees and Work Groups

The functions of the FPC are carried out primarily by volunteers who serve on FPC committees and work groups. Committees are formal, standing groups established by the Board, reporting to the Board, and chaired by a Board member. They have a long-term strategic or operational focus and may have decision-making authority delegated to them by the Board. Work groups have a well-defined tactical focus and reporting structure, may vary in duration and are periodically evaluated by the Board. Work groups deliberate on issues within their scope and provide input and recommendations to support decision making. Membership in committees and work groups is typically open to all volunteers, subject to the need to ensure balance, inclusivity and effectiveness.

Tables 3 and 4 describe the proposed committees and work groups, respectively. Participation in these groups, particularly in the Operations Committee, Network Committee, and work groups, is the primary avenue for influencing significant decisions affecting the direction of the FPC and its priorities.

Table 3: Proposed Committees

Committee	Responsibility
Executive Committee	Manage the FPC when the Board is not in session and responsible for the Executive Director's evaluation and compensation. Consists of Board members, with the Chairperson of the Board serving as the Executive Committee Chairperson and the Executive Director serving as an ex-officio non-voting member.
Finance/Audit Committee	Manage audit, accounting, and control functions; assist with oversight of revenues and expenditures and report on FPC financial affairs; draft the budget, including dues recommendations and expenditures. Consists of Board members and chaired by the Secretary/Treasurer of the Board.
Nominating Committee	Subject to Board review and approval, develop a representative, inclusive, and diverse slate of candidates for open Board positions. Chaired by a Board member; committee members consist of Board members and general members.
Operations Committee	Identify and prioritize barriers to achieving ubiquity of faster payments and determine the most effective method to resolve them consistent with the guiding principles. Activities may include, for example, creating processes to develop standards, guidelines, principles, rules and certifications. Chaired by a Board member; committee members consist of Board and general members.
Network Committee	Address issues and launch initiatives focused on technical aspects of security and interoperability of faster payments, where industry-wide guidance and support would help maximize results. Chaired by a non-network operator Board member; committee members consist of network operators, core technology providers and other members as appropriate.

Proposed work groups, some of which may be established immediately while others may be convened later on, include:

Table 4: Proposed Work Groups

Work Group	Responsibility
Fraud-Related Information Sharing	Facilitate a forum for timely and frequent sharing of information among all payment service providers/operators/regulators to help them identify barriers, manage and/or monitor security issues, fraud and bad actors.
Communication and Information Sharing	Facilitate a forum for the stakeholder community to communicate, share information, and identify barriers to achieving improvements to the faster payments system.
Education and Advocacy	Develop a comprehensive education program focused on informing all stakeholders of the key attributes and benefits of faster payments, the differences among various payment types, and associated legal rights. Educational campaigns may also be developed to address specific issues or audiences.
Regulatory	Facilitate collaborative engagement with regulators on FPC-identified barriers in the legal and regulatory landscape pertaining to faster payments.
Cross-Border	Facilitate a forum for the stakeholder community to work collaboratively to identify barriers and evaluate opportunities for cross-border faster payments.
Evolving Technology	Facilitate a forum for the stakeholder community to review the application of emerging technologies in the faster (or potentially broader) payments space and advance this dialogue within the industry.

Decision-making processes strive for consensus on matters that significantly affect individual members.

The FPC strives to achieve its goals in a collaborative and consensus-based way. As such, work groups, committees and the Board of Directors generally will seek consensus in their deliberations on key issues and recommendations, particularly if resolution of an issue is likely to have a significant impact on individual stakeholders or groups of stakeholders. Adherence to this guiding principle for decision making is inherently deliberative, in the sense that members who do not support the majority view on a particular issue have the opportunity to be heard, and the majority has a responsibility to consider modifications that address the concerns of the minority.

The Board and its committees are responsible for ensuring that any issue or matter that requires a formal vote / approval of either the Board and/or the full FPC membership will have gone

through this deliberative process. Many decisions are likely to originate and be approved at the committee level, including those related to education and advocacy. Committee decisions that are likely to have a direct cost impact on members such as security requirements or operating rules will be reviewed by the Board to ensure that the process for developing the recommendation is inclusive of all affected members, fair and consensus-driven, and that the recommendation is sound and broadly supported. Formal membership approval will be required for decision types that affect the FPC membership as a whole, including, for example, changes to the bylaws and election of directors. Although most votes nominally will require a simple majority (or in some cases a super majority), the back and forth deliberations and segment-level consultations required for consensus decision-making will generally lead to votes that are much closer to unanimous in practice.

VI. FPC funding supports the organization's needs in an inclusive and efficient way

The FPC aims to be an efficient, lean and adaptable organization with a small paid staff and heavy reliance on volunteer and loaned resources and experts. Projected start-up funding of $2 million will support the hiring of an executive director and cover expected legal and other administrative and support expenses required to establish the organization. After start-up, anticipated annual operating expenses of $4 million will cover ongoing administrative and support expenses, as well as additional staff as needed to support expanding activities, including additional work groups, education efforts, etc.

To meet these requirements, FPC funding will come from a variety of sources. In addition to membership dues, other revenue sources may be considered over time, such as "*directed contributions*" that would be over and above membership dues (for example, to support an awareness campaign or production of end user education materials).

The FPC will have a tiered membership fee structure that takes into account the size of the participating organization (see Table 5). The GFFT proposes that membership tiers would be based on organizational revenue. Consistent with the guiding principles, though membership fees will vary, *there are no differences in member rights and responsibilities.*

Table 5: Proposed Annual Membership Fee Structure

Tier	Annual Revenue	Annual Membership Fee
1	< $5 million	$500
2	$5 million – <$10 million	$2,500
3	$10 million – <$100 million	$5,000
4	$100 million – <$500 million	$10,000
5	$500 million – <$1 billion	$25,000
6	$1 billion – <$5 billion	$50,000
7	$5 billion - <$10 billion	$75,000
8	$10 billion – <$20 billion	$100,000
9	≥$20 billion	$150,000

To meet both start-up and ongoing funding requirements, there are three proposed types of FPC membership dues: *founding member and sponsor, founding member,* and *general member*.

- **Founding Member and Sponsor** provides sponsor-level funding equal to the greater of $25,000 or 2x a given member's annual dues.
  - Dues must be paid by January 31, 2019.
  - Funds will be applied to membership dues for 2019 and 2020.
  - Receives a one-time 10 percent discount on prepaid annual membership dues and will be included in the initial FPC promotional campaign.
  - Eligible to run for and vote on the **initial** and future FPC Boards.
- **Founding Member** provides one year of membership dues.
  - Dues must be paid by January 31, 2019.
  - Funds will be applied to membership dues for 2019.
  - Eligible to run for and vote on the **initial** and future FPC Boards.
- **General Member** provides one year of membership dues.
  - Dues will be paid in 2019
  - Eligible to run for and vote on the **future** FPC Boards.

Other membership types, such as an "*advisory member*," will be considered by the FPC once it is operational.

VII. The road to establishing the FPC

In keeping with the second part of its mandate from the FPTF, the GFFT has begun planning for key establishment / start-up related activities so that once the stakeholder comments are considered and addressed, the FPC will have only a short ramp-up to begin initial operations in the latter part of 2018. Accordingly, the GFFT is identifying and starting to work on activities that can be performed concurrently with the stakeholder commentary period and that lay the groundwork for formally creating the association. However, no decisions will be made that prejudge the outcome of the stakeholder feedback or potentially constrain the prerogatives of the FPC and its initial elected Board of Directors.

Activities that must be planned and executed fall into four areas / phases:

- **Complete planning activities.** The GFFT has established a bank account to cover start-up expenses, and is focusing on: identifying a legal expert to assist with legal filings, including articles of incorporation and tax-exempt status; obtaining directors and officers insurance; developing a budget; drafting bylaws and a membership agreement; and drafting the responsibilities of an interim Board of Directors and an executive director.

- **Formally create a not-for-profit association.** On behalf of the FPC, several GFFT members will file the legal documentation and serve as the interim Board of Directors in order to begin recruiting members and accepting founding member and sponsor and founding member dues.

- **Support initial functions.** The interim Board will provide a business address and phone number, create a web presence to support member recruitment, draft an executive director job description, and transition to an initial, elected Board once there are sufficient members to elect such a Board.

- **Complete startup.** The initial elected Board will form an executive search committee to finalize the executive director job description and determine a strategy for interviewing and hiring the executive director.

Once these startup tasks have been completed, the FPC can begin to stand up its committees and work groups, and absorb the output from the other interim industry work groups the FPTF recommended establishing, including the Directories Work Group, Rules and Standards Work Group, and Regulatory Work Group.

VIII. The GFFT calls for your comments

The GFFT asks you to consider this draft design and offer suggestions that will: strengthen the organization; make sure it lives up to its guiding principles; and empower it to catalyze a ubiquitous, world-class payment system where Americans can safely and securely pay anyone, anywhere, at any time and with immediate funds availability.

Appendix: Background on the FPTF and the GFFT

In early 2015, the Federal Reserve issued *Strategies for Improving the U.S. Payment System* (*Strategies* paper), which outlined the collective thinking of U.S. payment system stakeholders and the Federal Reserve on desired outcomes for improving the U.S. payment system.

The *Strategies* paper called upon payment system stakeholders – including financial institutions, non-bank providers, businesses, retailers, consumer groups, standards bodies, and other organizations involved in making, receiving, and processing payments – to form two task forces: the Faster Payments Task Force and the Secure Payments Task Force. Acting primarily as a catalyst, the Federal Reserve encouraged and supported payment stakeholders in coming together in a collaborative effort to progress toward payment improvements in a complex economic environment.

The Faster Payments Task Force ("task force") was convened by the Federal Reserve in May 2015. The task force focused on identifying goals and attributes of effective faster payment systems; proposing solutions and assessing their capability to achieve those goals; and championing the payment industry to take steps toward implementation and adoption of faster payments capabilities.

In July 2017, the task force released the final part of its two-part final report, *The U.S. Path to Faster Payments: A Call to Action*. The task force called upon all stakeholders to seize the historic opportunity to realize the vision for a payment system in the United States that is faster, ubiquitous, broadly inclusive, safe, highly secure, and efficient by 2020. In the report, the task force recommended ongoing collaboration to develop a faster payments system in the United States that fulfills its vision, with 10 recommendations across three key areas: Governance and Regulation, Infrastructure and Sustainability and Evolution.

In its first recommendation, the task force called for the development of a faster payments governance framework, inclusive of all stakeholders, to make decisions to facilitate cross-solution payments and to achieve broad adoption; safety, integrity, and trust; and interoperability by 2020. The recommendation highlighted that a body within the governance framework should facilitate successful pursuit of the task force goal of ubiquitous receipt—where all payment service providers are capable of receiving faster payments and of making those funds available to their end-user customers in real time – by 2020.

To advance this recommendation, the task force stood up a short-term Interim Collaboration Work Group (ICWG) that had two broad objectives: develop an initial faster payments governance framework that incorporates public commentary; and establish the framework and membership. The ICWG was charged with defining and implementing: the initial charter of the governance framework; a representative and inclusive structure for membership, leadership, and voting rights; and initial funding and administrative support. The responsibilities and structures of any initial body(ies) and/or working committees within the governance framework were also part of the charge. The ICWG was made up of 27 stakeholders, representing eight segments, the majority of whom were elected by the task force.

At the end of 2017, the ICWG changed its name to the Governance Framework Formation Team (GFFT), and separated the governance framework's lifecycle into four phases: the first two phases – design and establishment – would be the GFFT's responsibility, while the subsequent phases – operation and evolution – would be the governance framework's responsibility.

The GFFT divided its design work into three components: developing a set of processes that the governance framework could use to do its work; deciding on an overall structure for the governance framework and its constituent parts; and creating a set of decision-making frameworks to enable the framework's members to vote on matters of concern. At the beginning of 2018, the GFFT transitioned to work on establishing the framework, again segmenting its work into three parts: determining funding and revenue plans; making structure/establishment decisions; and calculating expenses and developing plans for operating the governance framework.

Members of the Governance Framework Formation Team:

Lou Anne Alexander, Early Warning Services

James Angel, Georgetown University

Douglas Berg, Wells Fargo & Company

Michael Bilski, North American Banking Company

Kevin Christensen, SHAZAM Network

Roy DeCicco, Accredited Standards Committee (ASC) X9

Susan Doyle, Commerce Bank

Reed Luhtanen, Wal-Mart Stores, Inc.

Tim Dwyer, Nationwide Insurance

Jan Estep, NACHA – The Electronic Payments Association

Matthew Friend, Visa, Inc.

Andrea Gilman, Mastercard

Barbara Gross, Bankers' Bank

Charles Harkness, Corporate One Federal Credit Union

John Hill, Fiscal Service, U.S. Department of the Treasury

Mark Keeling, The Bankers Bank

Stephen Kenneally, American Bankers Association

Steve Ledford, The Clearing House

Gene Neyer, Icon Solutions

Brian Peters, Financial Innovation Now

Deborah Phillips, Jack Henry & Associates

Tom Rea, U.S. Bank

Adam Rust, Reinvestment Partners

Gary Stein, Consumer Financial Protection Bureau

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