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Building a Foundation for a Faster Payments Ecosystem:

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

Origin of Industry Work Groups

In July 2017, the Faster Payments Task Force released its final report with 10 recommendations in 3 key areas, a number of which were addressed in the Federal Reserve's Next Steps plan published in September 2017

Governance and Regulation:
The task force recommended a framework for collaboration, decision-making, and rule setting, as well as regulations that support the faster payments ecosystem.

The Fed formed the Rules, Standards, Laws, and Regulations Work Group to advance **Recommendations 2 & 3**

Infrastructure:
The task force recommended enabling needed infrastructure to support faster payments.

The Fed formed the Directories Work Group (DWG) to advance **Recommendation 4**

Sustainability and Evolution:
The task force recommended that the faster payments system be future-focused and able to address evolving security threats, meet changing end-user needs, and enable continuous innovation.

Industry Collaboration to Achieve a Faster, Safer, Secure and Ubiquitous Payment System by 2020

Directories Work Group

Purpose: Evaluate various payment directory models to enable interoperability in a multi-operator faster payments ecosystem
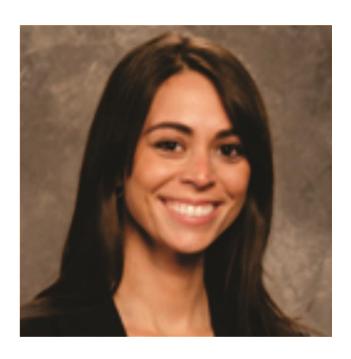
Rules, Standards, Laws, and Regulations Work Group

Purpose: Offer an industry perspective and provide clarity around topics related to laws, regulations, rules and standards with respect to faster payments

Groundwork from both work groups will be passed on to a body(ies) within the U.S. Faster Payments Council

PANELISTS

Moderator

Kassi Quimby

Vice President, Payment Strategies
Federal Reserve Bank of Chicago

Panelist

Jonathan Shiery

Director – Banking, Insurance and Capital Markets Practice | Navigant Consulting

Rules and Standards Work Stream Lead, Rules, Standards, Laws, and Regulations Work Group

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Panelist

Laura D. Yens

Counsel – Payments Systems | Alston & Bird LLP

Laws and Regulations Work Stream Lead, Rules, Standards, Laws, and Regulations Work Group

Panelist

Bob Steen

CEO | Bridge Community Bank

Operating Model and Architecture Work Stream, Directories Work Group

Panelist

Bradley Wilkes

CEO/President | Open Payment Network

Editorial Board,
Directories Work Group

Work Group Overview

Directories Work Group
Dec 2017 – July 2018

Composed of 20 industry leaders representing a broad and diverse array of payment ecosystem stakeholders Charged to provide groundwork to the FPC:

- Complete a **gap analysis** and **benchmark of existing directories**

- Identify a **potential model(s) for directory capabilities** that could facilitate payments between multiple faster payments solutions

- Determine the **best approach for standing up a body** to oversee the ongoing operation and/or governance of a faster payments directory model

Three work streams:
- Architecture
- Operating Model Ownership
- Governance

Directories Work Group: Findings from Model Evaluation

- **Preferred Directory Model:**
    - Evaluated 4 proposed directory models against 43 previously agreed-upon design considerations.
    - Reached **general consensus on a model that would require a central 'hub' directory service**, essentially a 'one-to-many' directory of directories concept, as opposed to a more decentralized 'many-to-many' concept.
    - The multiple connections required by decentralized models were seen as being too difficult to maintain and to add new participants.

- **Data Elements in the Directory**: **Directory should maintain the minimum amount of data required** such as alias and end-point routing information.

- **Rail Agnostic:** There was a reiteration of the principle regarding separation of payment rail and directory with the **payment occurring outside of the directory**.

- **Model Agnostic:** Many of the design considerations were 'model agnostic' meaning they could not be differentiated well across the models because the models were presented at a very high level; **eventually, a (much) more detailed model design will be required to complete a more conclusive evaluation**.

- **Security / Data Value:** **Security will always be foundational** – information held by an interoperable directory service needs to be devalued or made worthless to would-be bad actors. This applies to data/information transferring into and out of the directory and data being held there for any amount of time.

Rules, Standards, Laws, and Regulations Work Group
Apr 2018 – Dec 2018 (expected)

Composed of 43 industry leaders representing a broad and diverse array of payment ecosystem stakeholders

Charged with providing groundwork to the FPC:

> **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 is most need for change

Two work streams:
* Rules and Standards
* Laws and Regulations

Five subject matter sub-categories:
> Consumer Protection, Efficiency, Integrity, Interoperability, and Risk Management

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PANEL DISCUSSION

Thank you to our panelists!

For more information, visit
FedPaymentsImprovement.org

QUESTIONS?