

Faster Payments in the United States

The Issue

Payments in the United States are not moving as quickly as they are in many other countries. The lack of a real-time, or faster-payment system puts U.S. businesses and consumers at a disadvantage.

This complex problem has been tackled by many in the financial services industry, while Regulators and policymakers are engaging to ensure that our payments infrastructure is safe and continues to provide U.S. consumers with the best protection in the world.

Regulatory and Legislative Initiatives Focused on Faster Payments

Federal Reserve Faster Payments Task Force

In 2013, The Federal Reserve issued, “Payment System Improvement – Public Consultation Paper” and encouraged input on the information, ideas and concepts in the document from all industry participants. The purpose of the paper was to share the Fed’s perspectives on the key gaps and opportunities in the U.S. payment system and identify the desired outcomes that close these gaps and capture these opportunities. A Task Force was created to address one of the milestones outlined in the Federal Reserve’s, “Strategies for Improving the U.S. Payment System” paper published in January 2015.

NACHA—The Electronic Payments Association’s President and CEO, Janet O. Estep, was named as a member of the Steering Committee of the Federal Reserve’s Faster Payments Task Force. Estep and the Steering Committee are leading the Task Force, which has more than 320 members from the entire spectrum of payments system stakeholders, bringing together many organizations interested in the future of the U.S. payment systems – from financial institutions and technology providers, to a variety of end users, associations and consultants.

Latest: The Task Force published, “Faster Payments Effectiveness Criteria” in February of 2016. In early 2017, the Task Force will assess and publish faster payments solution proposals that were submitted by private sector stakeholders.

CFPB Faster Payments Principles

The CFPB continues its interest in the payments industry with the 2015 publication of their version of the “Faster Payments Principles” that the industry must adhere to in order to fulfill their regulatory requirements. *Faster payment systems hold great promise for consumers. New payment systems may provide them with greater utility and more effective account management, enabling consumers to take greater control of their financial lives. But to be safe, transparent, accessible, and efficient, faster payment systems must keep certain consumer protection concerns in mind, including the following:*

Any system will be evaluated by the following nine principles: Consumer Control over Payments, Data and Privacy, Fraud and Error Resolution Protections, Transparency, Cost, Access, Funds

Availability, Security and Payment Credential Value, and Strong Accountability Mechanisms that Effectively Curtail System Misuse.

Office of the Comptroller of the Currency (OCC)

In August of 2015, OCC Comptroller Curry announced an initiative to develop a comprehensive framework to improve the OCC's ability to identify and understand trends and innovations in the financial services industry, as well as the evolving needs of consumers of financial services. A white paper entitled, "Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective" was released in March of 2016. The paper identified eight principles to guide the development of its framework for understanding innovative products and services, and solicited industry input on how the OCC can facilitate continued innovation in the banking industry – including faster payment systems.

Latest: A request for comment was included with the white paper's release, and responses were due by May 31, 2016. The industry will continue to work with the OCC to help facilitate faster payments into the U.S. banking system.

Formation of Congressional Payments Technology Caucus and Senate Payments Innovation Caucus

In 2015, Members of the U.S. Congress took a bold step to recognize the strategic importance of payments in the U.S. economy. Through the formation of a Caucus in the House and Senate that are focusing on issues surrounding the payments industry – technology in payments and the protection of consumers – Congress can be more educated and more actively engaged in the important strategic direction regarding innovation and payments that consumers will encounter as the payments industry moves forward.

NACHA Takes Action

Throughout its history, NACHA has worked collaboratively with many industry stakeholders to help bring diverse groups together via rulemaking and standards creation. In May 2015, the industry took an immediate action to move payments faster with its approval of the Same Day ACH amendment to the *NACHA Operating Rules*. The rule enables same-day settlement capability for virtually any ACH transaction, creating new payment options for businesses, governments and consumers, as well as functionality that can be leveraged in the future for real-time payments and other products and services.

The ACH Network, in particular, has had great clarity relative to faster payments and private sector rulemaking, allowing the ACH Network to be nimble in creating a solution to help move money faster, and could be the backbone for a real-time payment messaging system with ubiquitous transfer of funds from any bank account to another.

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