

# **Framework for the U.S. Faster Payments Council**

July 17, 2020

## **Introduction**

In its July 2017 release,<sup>1</sup> the Faster Payments Task Force (FPTF) called upon all stakeholders 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. The task force recommended ongoing collaboration to fulfill this vision and called for establishment of a faster payments governance framework, inclusive of all stakeholders, to facilitate ubiquity of faster payments. Charged with advancing this recommendation and having considered diverse and substantial stakeholder comments on key elements of the new organization,<sup>2</sup> the Governance Framework Formation Team is now taking steps to establish the *U.S. Faster Payments Council* (FPC) in the manner described in this *Framework*.

The following sections describe the FPC's mission, approach, activities, fundamental principles, structure and processes, and funding methods.

## **I. FPC mission: facilitate ubiquitous faster payments<sup>3</sup>**

In today's increasingly mobile, digital economy, Americans require a ***world-class payment system*** where they can safely and securely pay anyone, anywhere, at any time and with near-immediate funds availability. With the FPTF's Effectiveness Criteria as a touchstone, the FPC's mission is to work with all stakeholders to meet evolving end-user needs by advancing the faster payments ecosystem, driving the emerging faster payments infrastructure toward ubiquity, fostering a high-quality and secure user experience for all and supporting widespread use of faster payments.

To do so, the FPC provides an inclusive and transparent forum for collaboration and problem solving focused on development and execution of the roadmap toward the FPTF goal of broad adoption and ubiquity. As an ongoing forum for broad-based dialogue, the FPC will enable the faster payments ecosystem to evolve in a manner that supports competition and is open, fair, flexible, and responsive.

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<sup>1</sup> Faster Payments Task Force, "Final Report Two: A Call to Action," July 2017. Available at <https://fedpaymentsimprovement.org/wp-content/uploads/faster-payments-task-force-final-report-part-two.pdf>.

<sup>2</sup> Governance Framework Formation Team, "U.S. Faster Payments Council Draft Operating Vision, Survey Feedback Results," August 2018. Available at: <https://fedpaymentsimprovement.org/faster-payments/faster-payments-governance/>.

<sup>3</sup> 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."

## II. FPC approach: foster private sector dialogue and collaboration to achieve ubiquity

The FPC focuses on private-sector approaches to solving problems and driving ubiquity. This includes supporting providers' and network operators' efforts to enable end users to easily use an array of solutions and networks to reach each other in way(s) that are as seamless and transparent to them as mobile texting.<sup>4</sup> It also involves supporting broad adoption of faster payments. As a solution-agnostic organization, the FPC is in a unique position to work with industry stakeholders and tackle challenges that may be more difficult to address through bilateral cooperation alone.

The FPC will become the "go-to" organization for encouraging faster payments and providing thought leadership as the market evolves because it:

- Focuses on the larger goals of driving safety, security and adoption of all faster payments, and advancing the future of faster payments;
- Enables FPC members to broaden their reach and leverage their investments across a much broader base of transactions; and
- Creates safe forums for dialogue governed by strong antitrust guard rails that support innovation, inform system design, and enhance cross-solution risk mitigation.<sup>5</sup>

## III. FPC activities: problem solving, dialogue and education

Through its forums for member dialogue and collaboration, the FPC addresses issues that inhibit adoption of faster payments. As a new organization, the FPC must channel its resources toward the most pressing challenges and opportunities. In the first two years, using the FPTF Effectiveness Criteria as a guide where appropriate, the FPC will focus on the following activities:

- Support adoption of practices that enhance safety and security for service providers and users of faster payments.
  - The FPC will provide a forum for exchanging information and facilitating dialogue where FPC members can work together to identify and support market practices that enable high levels of market expectations for safety and security that can evolve as the US faster payments ecosystem matures. The FPC will periodically assess and report on the level of industry adoption of the identified safety and security market practices.

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<sup>4</sup> It is expected that a variety of approaches will be needed to achieve the seamless reach and transparency end users desire. For example, a technical approach at the rail level may make sense in certain cases, but in others, providers could opt to offer transparent overlays and connections to a variety of rails that will enable their customers to reach all other end users. Indeed, the key to successful fulfillment of this objective is to encourage a multiplicity of approaches.

<sup>5</sup> See the Faster Payments Council "Antitrust Compliance Statement"

- The FPC will also work with existing fraud sharing forums to identify enhancements that will make the current information sharing processes more efficient and effective. By supporting a collaborative space where FPC members can share high-level information on fraud scenarios, attack vectors, and prevention techniques, the FPC seeks to help the industry pre-empt similar attacks at the network, product or service level.
- Identify, develop and support principles, guidelines and additional market practices that will address opportunities and emerging issues in an open and collaborative way.
  - The FPC will support service provider strategies, policies, practices, and capabilities that provide end users with transparency into what to expect when making faster payments.
  - The FPC will evaluate information, including reports produced by other industry-led work groups, intended to identify and assess:
    - An approach for a multi-entity directory model for the faster payments ecosystem.
    - Regulations and regulatory guidance that can accelerate the adoption of faster payments.
- Develop an educational and awareness program to foster better understanding of faster payments.
  - The FPC will work with existing organizations to complement related initiatives being led by other stakeholders.
  - The scope of FPC education programs will offer the broadest reach across target audiences and focus on general information about faster payments that is not intended to promote one individual solution over another.
  - The FPC will support information-sharing forums where prospective providers can learn about opportunities and key considerations in adopting faster payment solution(s).

In carrying out these activities, the FPC will take a pragmatic approach, focusing on high-quality analyses that identify the most effective and broadly supported tool(s) to address a given issue. It will develop recommendations using the “lightest touch” approach to resolve the issue. Member organizations retain the discretion to implement the resulting recommendations in ways that are consistent with their unique needs and processes, including the choice not to implement any given recommendation.

#### **IV. FPC fundamental principles: inclusiveness, flexibility, and transparency**

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

- **Inclusiveness and fairness.** The FPC is member-driven and open to all stakeholders in the U.S. payment system, from payment service providers to businesses and other end users. Through diverse segment-level representation on the Board and open opportunities to serve on committees and work groups, all active members have a voice in the direction of the work and will be informed by the perspectives of other members. The FPC's processes provide safeguards for members to share information and collaborate on issues of common interest, while striving to craft recommendations that: do not convey a competitive advantage to any particular member; respect the important role of private sector competition and unique or innovative business practices; and are informed by a balanced analysis of the potential impact on all stakeholders.
- **Flexibility and responsiveness.** The FPC focuses on the broader good while upholding competitive prerogatives and respecting members' ability to manage their own internal business operations. Members choose whether to adopt FPC recommendations and are able to implement them consistent with their individual organizations' unique needs. The FPC is organized to quickly stand up work groups to target mutual problems and respond to issues facing faster payments. In addition, the FPC is designed to complement industry initiatives and will work with existing organizations when appropriate.
- **Transparency.** The FPC has clear processes for internal deliberations and decision making that are open, transparent and objective. Consensus decision making is a priority for FPC recommendations having a significant impact on any member. This view of consensus does not require unanimous approval, but does mean 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. Open and inclusive opportunities to exchange opinions and resolve differences will ideally result in broad member support for FPC recommendations that go through formal decision making processes and pass required vote thresholds specified in the bylaws.

## V. FPC structure and processes: designed to support openness and flexibility

FPC membership is fee based and open to all stakeholders in the U.S. payment system: providers of payment services, including financial institutions, payment network operators, and technology providers; organizations that make payments or represent those who make payments, including consumer organizations and businesses; and those with a professional interest in improving the payment system. Subject to Board review, members self-select into the segment that best describes their organization's primary role / interests as defined in Table 1 below.

All members, voting and non-voting, have the right to access work products, participate on committees and work groups, and adopt decisions and recommendations of the FPC according to their individual organizations' needs and prerogatives (including the choice not to adopt).

Voting members also have the right to vote on FPC recommendations, vote for Board members, and seek a seat on the Board.<sup>6</sup>

The FPC may also choose to invite public sector organizations, regulators, policymakers, or other entities that the Board determines will bring important view points and insight to participate in a non-voting liaison role. These liaisons may participate on committees and work groups and have access to work products, but may not vote on general membership matters. However, they may be invited to serve as non-voting liaisons to the Board and will not pay dues.

| <b>Table 1: Member Segment Definitions</b> |  |
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| <b>Voting Member Segments</b>              |  |
| <b>Financial institutions</b>              | 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.   |
| <b>Payment network operators</b>           | Entities that operate a payment network infrastructure or organizations that represent such payment networks.  |
| <b>Technology providers</b>                | Entities (other than payment network operators and financial institutions) that process payments, facilitate use of payment networks and/or provide payments-enabling services to any other unaffiliated stakeholders, including end users; this segment would also include organizations that represent technology providers. |
| <b>Consumer organizations</b>              | Organizations that represent natural persons for the purposes of making and/or receive payments for personal, family or household use and not for the purposes of commercial/business use.   |
| <b>Business end users</b>                  | Organizations that make or receive payments for commercial/business use or entities that represent those organizations.  |
| <b>Others</b>                              | Representatives from business and industry organizations with an interest in payments issues, such as associations, rules and standards organizations, and consultancies.  |
| <b>Non-voting Member Segments</b>          |  |
| <b>Associate</b>                           | Single person businesses and individuals, such as academics, with a professional interest in payments issues who, if employed, are not in any way representing, reimbursed by, or funded by their employer organization.   |

### Board of Directors

The voting membership elects the Board of Directors, which is accountable to the members for setting strategic direction and ensuring processes, activities and recommendations are consistent with the fundamental principles of the FPC. In addition, the Board is responsible for ensuring the views of segments with fewer members are heard during deliberations at the

<sup>6</sup> Details on voting and non-voting member rights and responsibilities, Board structure and responsibilities, decision-making processes and voting are available in the FPC bylaws and other organizational documents.

Board, committee and work group levels. Recognizing that members with limited resources, such as consumer organizations, small businesses and small financial institutions, might not be well represented on committees and work groups, the Board is responsible for determining the best way to address gaps in perspective. Other Board responsibilities such as establishing membership eligibility criteria and processes for reviewing and settling questions with respect to segment self-selection, as well as quorum and voting requirements are described in the bylaws.

The Board comprises up to 21 voting members representing the six voting membership segments. Each voting segment is allocated 3 seats; however, seat allocations that are not filled are left vacant. In addition, three at-large seats will be allocated to the three voting segments with the largest number of members in a manner described in the bylaws, but no membership segment may have more than 4 seats.

Within each voting segment, the composition of the directors will reflect the diversity of their segments. Each segment will vote to fill its own segment's Board positions. Members of the FPC who wish to run for a seat within their segment must announce their candidacy within a prescribed period of time before the vote. Once elected, all directors have identical voting rights and responsibilities. Directors are expected to represent their segment interests by seeking feedback from their respective segments on a regular basis. They also have a duty to uphold the mission and fundamental principles of the FPC.

#### Committees and Work Groups

The functions of the FPC are carried out by volunteers who serve on FPC committees and work groups. Participation in committees and work groups is the primary avenue for influencing decisions affecting the direction of the FPC and its priorities. 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 members, subject to the need to ensure balance, inclusivity and effectiveness. In addition, nonmember subject matter experts may be invited to add perspective and fill knowledge gaps. Work groups will be open for observation at any time by any FPC member, and their documents will be available on a similar basis.

#### FPC Leadership and Staff

To coordinate and support its ongoing work, the FPC will hire an experienced leader and support staff. In addition, as needed, it will obtain knowledgeable facilitation, communications and marketing expertise, as well as work with subject matter experts who may volunteer their time.

### Decision Making

The FPC’s decision-making processes are structured to drive deliberation and strive for consensus. Issues that will likely have a direct impact on members are subject to Board review to ensure that the process for developing the recommendation is inclusive of all affected members and is fair and broadly supported. Moreover, to ensure FPC recommendations have broad membership support, all proposals affecting members go through an initial Board/committee vetting process and require approval by the membership and appropriate cross-segment support, as described in the bylaws.

## **VI. FPC funding: scaled to support an efficient organization**

The FPC is envisioned to be an efficient, lean and adaptable organization with a small paid staff and reliance on volunteers, loaned resources and experts. A projected annual funding need of \$2 million per year supports the hiring of an experienced leader and covers administrative and support resources and expenses required to establish and advance the objectives of the organization.

To meet these requirements, FPC funding will come from a variety of sources. In addition to membership dues, other revenue sources will be considered, such as donations or in-kind services and “*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 has a tiered membership fee structure that takes into account the size and type of the participating organization or individual (see Table 2). Tiers for voting members are based on organizational revenue. Other membership options may be considered by the FPC as the organization evolves.

| <b>Tier</b> | <b>Annual Revenue</b>   | <b>Annual Membership Fee</b> |
|-------------|---|------------------------------|
| <b>1</b>    | < \$5 million   | \$1,000                      |
| <b>2</b>    | \$5 million – <\$10 million                                       | \$1,500                      |
| <b>3</b>    | \$10 million – <\$100 million                                     | \$3,000                      |
| <b>4</b>    | \$100 million – <\$500 million                                    | \$6,000                      |
| <b>5</b>    | \$500 million – <\$1 billion                                      | \$15,000                     |
| <b>6</b>    | \$1 billion – <\$5 billion  | \$30,000                     |
| <b>7</b>    | >\$5 billion  | \$45,000                     |
|             | Associate (for individuals who are not reimbursed by an employer) | \$500                        |