

Client Alert

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Immediate Real-Time Payments: The Goal of the Faster Payments Task Force

The Federal Reserve's Faster Payments Task Force (the Task Force) issued its Final Report, Part Two, *A Call to Action* (the Final Report), on July 21, 2017. In the Final Report, the Task Force established the year 2020 as a deadline for the establishment of a payment system in the United States that is "faster, ubiquitous, broadly inclusive, safe, highly secure and efficient." While the Task Force invited proposals from industry for it to evaluate (and did, in fact, receive a number of proposals, which it did evaluate), it did not make any recommendations as to its favored proposal. The Task Force concluded that rather than create a top-down mandate as to a payment system (similar to what has been done in a number of other countries), the US would use a "market-driven approach" to payment system innovation. The Task Force further made its recommendations to promote the development of the real-time payment systems.

Background

In June 2015, the Federal Reserve established the Task Force with approximately 300 representatives across the payments community, including financial institutions, consumer groups, fintech companies, payment service providers and government agencies to review the US's payment system and to promote approaches for making payments faster. As part of its work, the Task Force established a set of effectiveness criteria with six categories: (1) speed; (2) efficiency; (3) ubiquity; (4) safety and security; (5) legal; and (6) governance.

Challenges

The Task Force acknowledges that a faster payments system will face a number of challenges that will need to be overcome. Included among the challenges of a market-driven payments system that have been identified are: (a) that the payments ecosystem currently has a number of existing payments systems that are generally exclusive (i.e., subject to proprietary technology and systems; in other words, not ubiquitous); (b) in order to effectuate a new payment system, the participants in the payments ecosystem will likely be required to invest in new technology; and (c) the existing governance and regulatory systems will need to be updated to accommodate faster payments. In order to overcome these and other challenges, the Task Force is calling on the members of the payments ecosystem to broadly collaborate in the development of the new systems.

Benefits of Faster Payments

The Task Force argues that overcoming the challenges facing the faster payment system will provide significant benefits to all participants in the economy. For example, consumers and small businesses will benefit from having quicker access to funds and the ability to make and receive last-minute payments. These benefits will be particularly significant to those with limited or unpredictable income streams. As another example, business will benefit from improved payment speed to, once again, be provided quicker access to liquidity to support greater efficiency in managing inventory and other working capital needs. Thus, the Task Force is urging all participants in the economy to work together to further the goal of implementing a faster payments network in the next three years.

Next Steps

In the near term, the Task Force is recommending that interested participants begin work in a number of areas, including: (a) developing a governance framework for implementing the Task Force's recommendations; (b) developing rules, standards and regulatory requirements for the payments system; (c) establishing directory guidelines to facility the interoperability of different payment systems; (d) creating a settlement system that operates 24 hours per day, 7 days per week and 365 days per year; and (e) assessing the need for the Federal Reserve to take an operational role in the payment system. Needless to say a lot of work is required to meet the Task Force deadline of 2020.

[Read the Task Force Report.](#)

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