

U.S. Committee on Financial Services - Task Force on Financial Technology
Hearing On "The Future of Real-Time Payments"

To: Members of the Task Force

From: Carol Coye Benson, Glenbrook Partners

Good afternoon. We are in the midst of a once in a generation shift in how payments systems work. The United States is joining countries around the world in bringing to its people a new class of payments systems. These systems work just like you think they should – you tell your bank you want to make a payment, and the payment is immediately credited to the receiver's account.

My firm, Glenbrook Partners, is working with the payments industry, both here and around the world, on the introduction of these new systems. Some countries are introducing these systems to improve efficiency and user experience. Others are primarily concerned with financial inclusion – ensuring that unbanked and underbanked people can use financial products. The same real-time payments systems support both goals.

Our objective, I believe, is to ensure that these systems are accessible, affordable, and secure. These are universal goals for such systems. But a real-time payment system must also be ubiquitous – that is to say, it must allow someone to pay anyone and to be paid by anyone, regardless of where their funds are being held – a credit union, community bank, large national bank or other licensed financial services provider. This ubiquity is key to the vision put forth by the Faster Payments Task Force.

Most countries are meeting this goal by having a single national platform, which all banks access. With the announcement of FedNow, it is clear that the United States is choosing a different model, with two or more providers of such real-time payments systems. This mirrors our ACH system, which has two Operators.

To achieve the goal of ubiquity, however, these systems must connect: in the terminology of our industry, they must interoperate – as our ACH does. That means that I can send you money even if my bank and your bank are using different systems. The only alternative is to have each financial institution implement every system – a daunting concept.

Let me be clear that there is no real technical challenge to interoperability. Rather, it is a question of governance. The various systems should live underneath a common rule set, as is the case with our ACH. A common governance structure would also ensure that the industry works together – rather than in separate and fractious groups - on issues such as transaction security, payments addressing, and the ability to eventually connect to other countries.

Payments "addressing" is important. Today, when you use a debit card, or write a check, you are giving your account details to someone who uses that information to "pull" funds from your account. We all know how that can go wrong. Faster payments systems, in contrast, can be designed so that an alias – a payments address (such as your mobile phone number, or "Carol123") is used to "push" money into your account. This address can **never** be used to "pull" money out of your account: it is a huge security benefit. The directory of these aliases, in my opinion, needs to be a central utility – not a separate directory for each payment service. Australia has moved in this direction with the establishment of what they call "PayID".

The industry's establishment of the U.S. Faster Payments Council is a good move in the direction of industry cooperation. But the imperative is interoperability: cooperation without that will be of little utility.

Last week, Glenbrook Partners launched an online survey with the Faster Payments Council to gain further insight on how to move faster payments forward in the U.S. A summary of these results will be made available in November.

Other countries are already ahead of us on this faster payments journey. We have a large economy and a sophisticated payments infrastructure. Let us strive to have the path forward be one of cooperation – and connection - among these systems.