A MODEST PROPOSAL

PAY CODES AND ROUTING IN THE ERA OF FASTER PAYMENTS

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ADDRESSING AND ROUTING

On “pull” payment networks

- ACH Debit, Cards, checks
- *Payer* presents addressing information to *payee*
- *Payee* presents addressing information to their bank
- Their bank routes payment through network

- Cross-network routing (“gatewaying”) can work, if the networks have pretty much the same rules
- Stolen credentials are a problem; tokenization is one good solution
ADDRESSING AND ROUTING

On “Push” payment networks

- ACH Credit, Wires
- *Payee* gives addressing information to *payer*
- Payer’s bank routes payment through network

- Directories are a good answer to addressing problems
- The payee uses an alias of some sort; the network maps the alias to the “real” account information

*Not the same as tokenization!*
BUT WHAT ABOUT MORE COMPLEX SITUATIONS?

Gatewaying (network interoperability) isn’t going to work if the rules of the two networks are different.

Network Two isn’t going to recognize the alias used on Network One. In fact, they may have a different account number mapped to the same alias...

Off-network special handling (“register with me and I’ll pay you”) invariably is a worse experience for the two end-users.
ONE SOLUTION: PAY CODES

• A **PAY CODE** is a nationally recognized concept that people, businesses, and governments use as a payment address
• **PAY CODES** are unique
• **PAY CODES** are associated with a payee’s financial institution (or payment account)
• **PAY CODES** are also associated with acceptable routing networks for that financial institution – how they will accept receipt of payment
PAY CODE EXAMPLES

PAY CODES don’t have to all have the same format....

415.222.3454
Supplier5@B2BNetwork.com
frank123@gmail.com
Pay ConED

4378576168251437
#paycarol456
johnsmith@bigbank.com

INVOICE 1234@PARTS.COM
HOW WOULD IT WORK?

- The DNS naming system is a powerful, tested tool that could make a PAY CODE infrastructure work
- It would let the complexity of the U.S. banking system be a strength, not a problem!
- Each bank or payment institution could control its own “domain”

“Let’s ride THEIR rails”!