

Level Set

- Interoperability allows for the ability to easily process (send, receive, and settle) payment instructions across various payment solutions.
- Interoperability is a fundamental requirement that any significant payments initiative should ensure through the lens of the consumer.
- Horizontal and Vertical. What is preferred?
- Even if only one or two faster payments solutions initially emerge, the faster payments system needs to address challenges to interoperability in order to ensure equitable access and fair competition for other solutions seeking to enter the market.

- Payment System
 - P2P
 - ATM
 - ACH
 - Chip Cards
 - E-Commerce
- Non Payment Systems
 - Telecom (Text)
 - Email

Why is Interoperability So Difficult?



- Technical and business process issues can inhibit interoperability.
 - Different technical implementations
 - “standards” that aren’t really “Standards”
 - Individual solutions will have different business rules, policies, and functionality resulting in variations and ambiguity
 - Service providers will need an incentive to participate in an ecosystem that enables interoperability among competing solutions.
- Directories (Alias, Lookup, Routing)
 - Central Directory vs. Federated Directory
- Limited Access to Settlement Accounts

The Road Ahead



- Consistently applied technical standards, coordinated development of digital identities and alias directories, and broad access to settlement mechanisms will facilitate payments that securely traverse and settle across solutions.
- Interim Collaboration Work Group (ICWG) and other efforts
 - Governance framework (Rules of the Road) will be critical to interoperability
 - First meeting September 19/20
- Pursue settlement services that address the future needs of real-time retail payments environment
- Explore and assess the need, if any, for Federal Reserve engagement as a service provider, beyond settlement services, in the faster payments ecosystem to support industry achievement of the desired outcome.

