An Introduction to Faster Payments in the US
The term “faster payments” is broadly used in the payment industry to indicate simply that increased speed, convenience and accessibility are essential features for the future of the payment and settlement system.

The industry is taking bold steps to create faster, secure solutions for a variety of payments needs: new capabilities have been added to existing payment networks, fintech companies are introducing customer-facing interfaces that leverage these networks in new ways, and new rails are being created to meet the needs of today and the future.

The term ‘faster payments’ is broadly used in the payment industry to indicate simply that increased speed, convenience, and accessibility are essential features for the future of the payment and settlement system. In addition to the expedited movement and availability of funds, the more efficient and transparent provision of information about the transaction is a key component of the faster payments value proposition.

Since the launch of PayPal in 1998, other funds transfer solutions have been introduced into the market by other providers such as Venmo (acquired by PayPal in 2020), Cash App (formerly Square Cash), and Facebook Messenger. While not initially instant (many of these solutions now are), and with delivery via app to customers’ mobile devices, adoption is significant and growing — particularly among younger consumers. Since the launch of PayPal in 1998, other funds transfer solutions have been introduced into the market by other providers such as Venmo (acquired by PayPal in 2020), Cash App (formerly Square Cash), and Facebook Messenger. While not initially instant (many of these solutions now are), and with delivery via app to customers’ mobile devices, adoption is significant and growing — particularly among younger consumers.

The Payments Innovation Alliance, comprised of a diverse membership of corporates, third-party processors, fintechs and FIs, has created this educational primer to impart some foundational understanding of faster payments and the momentum behind its adoption in the U.S. This resource provides an at-a-glance information allowing users to compare solutions and provide resources for more information on how to assess the faster payments landscape.

Faster Payments 101 is a necessary precursor to the Faster Payments Playbook, currently under development by the Alliance, which will assist organizations — both FIs and business end users — in determining which solutions may be best for them and/or their customers and how best to develop a faster payments strategy.

While the Playbook is a deeper dive into faster payments, this introductory tool isn’t just a primer, but it is also a call to action. While there is no mandate to adopt a faster payments strategy, now is the time for organizations to put aside any lingering anxiety about faster payments so they can better plan for the future. Becoming fully informed about the faster payments landscape will help organizations to make decisions about potential investments in offerings that improve the customer experience. Having their own strategies also will help organizations more proactively support the faster payments needs of their business clients as well.

There are multiple departments within organizations that can benefit from this resource. This baseline tool is designed for everyone from the corner office to legal and compliance to operations to create further dialogue and exploration — and to ultimately propel the industry forward.

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Same day, instant, immediate, real time. A wide variety of approaches to faster payments are emerging in the marketplace.

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In addition to existing banking regulations, faster payments solutions are governed by rules relating to each individual mechanism.

Same Day ACH is governed by the Nacha Operating Rules, but transactions must also adhere to regulations such as Regulation E or UCC 4A. The Clearing House has Operating Rules and Participation Rules for RTP transactions, but a series of Service Level Agreements might exist between partners to the transaction and other regulations including Regulation E. Understanding how private sector rules interact with other banking regulations and the roles and responsibilities of each party in the transaction may impact the decision to offer a specific solution. The chart below is not exhaustive of the various rules and regulations for each solution, but provides an idea of what an institution should be aware of when embarking on a faster payments strategy.

### Example Governance for Faster Payments Mechanisms

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Main Governance Source</th>
<th>Other Prevailing Laws or Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nacha Same Day ACH</td>
<td>Nacho Operating Rules</td>
<td>Regulation E, UCC 4A, etc.</td>
</tr>
<tr>
<td>The Clearing House RTP® network</td>
<td>RTP® Operating Rules</td>
<td>Regulation E, UCC 4A, etc. Service Level Agreements</td>
</tr>
<tr>
<td>Early Warning Zelle®</td>
<td>Zelle® Operating Rules</td>
<td>Regulation E, Service Level Agreements, UCC 4A (for B2B transactions)</td>
</tr>
</tbody>
</table>

### Steps in a Transaction

<table>
<thead>
<tr>
<th>Consumer/Business End-User Support Layer (mobile, online, app)</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentication/Addressing</td>
<td>Can you reach all parties and is the sender of the payments always known? How is the initiator of the payment securely identified? How and on what channel is authorization/authentication recognized?</td>
</tr>
<tr>
<td>Messaging and/or Information with Payment</td>
<td>Do messages require instant acceptance and response? How much information is included directly with the payment and in what format is the information? Will the information be easily integrated into AR, AP or ERP systems? How will AR and AP flows and reporting be impacted by the receipt or delivery of information? Is the amount and format of information adequate for corporate processing?</td>
</tr>
<tr>
<td>Faster Payments Mechanism</td>
<td>What is the solution that moves the payment? What gateway processors support it?</td>
</tr>
<tr>
<td>Funds Posting</td>
<td>When are funds considered “good funds”? When and how does settlement occur between the parties?</td>
</tr>
<tr>
<td>Settlement (ACH, distributed ledger, Fed account)</td>
<td>What end-user portal or channel is supported?</td>
</tr>
</tbody>
</table>

Visit FasterPaymentsPlaybook.org for more information.
# Core Faster Payment Network Rails

This represents a sample of the faster payments solutions in the marketplace as of November 2022.

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Dollar Limits</th>
<th>Payment Messaging Standard</th>
<th>Amount/Type of Information with Payment</th>
<th>Settlement Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same Day ACH</td>
<td>Push, Pull</td>
<td>$1,000,000</td>
<td>Up to 799,920 Characters</td>
<td>Same Day</td>
</tr>
<tr>
<td>RTP® network</td>
<td>Push</td>
<td>$1,000,000</td>
<td>Unlimited Characters via Extended Remittance</td>
<td>Immediate 24/7/365</td>
</tr>
<tr>
<td>FedNow™</td>
<td>Push</td>
<td>$500,000</td>
<td>4,000 Characters</td>
<td>Immediate 24/7/365</td>
</tr>
<tr>
<td>Visa Direct</td>
<td>Push</td>
<td>$50K per OCT transaction $100K/day (150 txn limit) $250K/week (250 txn limit) $500K/month (750 txn limit)</td>
<td>Varies by Case</td>
<td>Same Day or Next Day</td>
</tr>
<tr>
<td>MastercardSend</td>
<td>Push</td>
<td>P2P: $10,000 A2A: $25,000 B2C: $50,000</td>
<td>Varies by Case</td>
<td>Same Day or Next Day</td>
</tr>
</tbody>
</table>
The Payments Innovation Alliance introduces the Faster Payments Playbook. The Faster Payments Playbook will coach organizations on:

- Why a faster payments strategy is needed
- How to develop a strategy
- The consequences and opportunity costs of not developing a strategy
- How to implement a chosen strategy
- Handling operational and post-implementation challenges

The Playbook is both an educational and decisioning platform that will help FIs and corporates, as well as additional audiences, develop a faster payments strategy – from concept to reality. The Playbook will be a living resource that will change over time to reflect new developments on the faster payments landscape.

For more information on the Faster Payments Playbook initiative or to join the Project Team, visit nacha.org/payments-innovation-alliance.