



Faster Payments and the Regulatory Landscape

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Panelists

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- Rhonda Thomas-Whitley
Independent Community Bankers Association – VP and Regulatory Counsel
- Ky Tran-Trong
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Moderator

- Laura Yens
Padrona Payments – Founder and Managing Partner

Importance of Faster Payments – Pandemic

- Acceleration of Move to Digital
 - Groceries Ordered Online, Paying Bills + Others
- Need for Fast Funds
 - Payment Protection Program, Unemployment Benefits
- Work of Regulatory Group
 - First Deliverable: List of Laws and Regulations
 - Purpose
 - Process
 - Design

Financial Integrity

Financial Integrity

“Financial Integrity” refers to the obligation of originating and receiving FIs to ensure that the faster payments system is not used for unlawful purposes or by government-prohibited persons.

Relevant Laws/Regs + Requirements

Bank Secrecy Act of 1970 (BSA)

- Imposes anti-money laundering (AML) program, recordkeeping and reporting requirements on financial institutions, all designed to prevent and detect money laundering and other crimes.
- Specifies what an AML compliance program must include (internal controls, independent testing, responsible person, and training).

Suspicious Activity Report (SAR) - OCC Regulation

- Requires banks to file SARs when suspicious activity is detected.

Office of Foreign Assets Control (OFAC) Laws

- Requires screening for and blocking Specially Designated Nationals & Blocked Persons – determined by the U.S. government.

Purpose of the Law/Reg + Relevance to Faster Payments

- **Bank Secrecy Act:** The purpose is to prevent criminals from using FIs to hide or launder money, including for financing terrorism. *Most or all faster payments FI participants will be subject to this law (and related regulations).*
- **SAR OCC Regulation:** Promulgated to implement the BSA. Same purpose and *faster payments relevance* as the BSA.
- **OFAC Laws:** These economic and trade sanctions are in support of U.S. national security and foreign policy objectives, designed to prohibit “bad actors” from using the U.S. financial system. *Faster payments transactions may require screening.*

Compliance Obligation; Affects Consumers and Businesses?

- **BSA:** *FIs* required to comply; affects **businesses** and **consumers**.
- **SAR OCC Regulation:** *FIs* required to comply; affects **business** and **consumers**.
- **OFAC Laws:** *FIs and others* required to comply; affects **businesses** and **consumers**.

Phase 2: Analysis of the Laws and Regulations

- Key Questions to Consider
 - Need for Change...or Not?
 - Alternatives to Changing Laws or Regulations
- What Will Merit Most Discussion?
- Potential Points of Impasse?

Regulatory Landscape

- Effect of Regulatory Landscape on Ability to Compete
- Impact of Pandemic
 - Changes to Laws and Regulations?
 - More Encouragement of FinTechs?
 - Example – OCC Payments Charter
- Other Developments, Trends?
 - State Laws

Faster Payments Initiatives

- Legal Support of Faster Payments Initiatives
 - Advise Within and Advocacy
- Strategy for Engagement with Regulators
 - Education



Final Thoughts

- Regulatory Landscape – Complex and Dynamic
- Projections – Faster Payments in the Market and Regulations

