

# **Innovative Payments Association: U.S. Payments Regulatory Overview**

October 2024

# Who is the Innovative Payments Association?



**Educate:** We give our members and other stakeholders – consumers, government, businesses, third parties, and the media – the tools and knowledge they need to prepare for a changing payment landscape.



**Advocate:** We advocate for the benefits of the payments industry by working for fair regulations, fair media coverage, and the industry's fair share of attention from decision-makers.



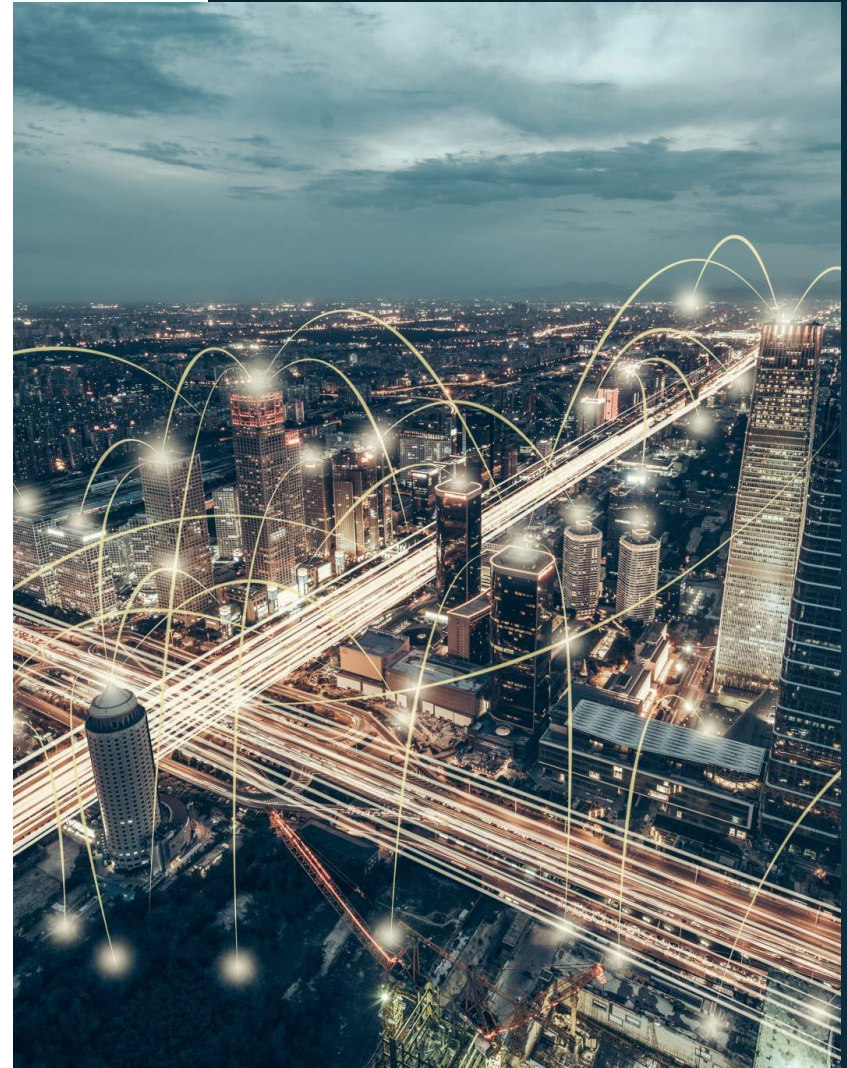
**Promote:** We promote the value of innovation for anyone who needs to make a payment, whether it be consumers, businesses, government agencies, or even devices.

# Who Does IPA Represent? (Principal Members)



# The New Payments Landscape

- Interchange rules could change the profitability of payments products.
- Open banking rules could lead to new kinds of data sharing and analysis.
- Faster payments could lead to ‘pay-by-bank’ arrangements and other tools.
- Embedded finance could offer new partnership opportunities.
- Artificial Intelligence could change the way people manage money.
- Fraud will remain a persistent threat.



# What We Are Watching Currently

# Debit Interchange

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## Proposed Rule

In late October 2023, the Federal Reserve Board issued a notice of [proposed rule](#) making that would lower the amount of interchange that banks with more than \$10 billion in assets could charge to merchants for card transactions. It would also set a method for automatic future changes in interchange caps.

## IPA Concern

Fintechs and banks rely on interchange for the revenue to fund operations. While the current proposal applies only to banks with assets totaling more than \$10 billion, smaller banks face pricing pressure. Additionally, there are concerns the caps will eventually be extended to smaller institutions.



## IPA Comments

The IPA commented on the proposal to highlight member concerns and to argue for a method of setting interchange caps that takes into account the costs incurred by issuers for offering products, processing transactions, and preventing fraud.

# FDIC Brokered Deposits Rule

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## Proposed Rule

In late July, the FDIC released a [proposed rule](#) that would classify all third-party deposits as brokered, requiring banks to pay a higher fee into the DIF because of the increased risk.

## IPA Concern

The IPA is concerned that the FDIC's mischaracterization of fintech deposits as risky will actually increase risk, limit innovation and increase costs for consumers.



## IPA Comments

The IPA is preparing comments that detail our strong concerns that removing the fintech deposits are not risky and the exception is necessary because it lowers costs and allows more Americans to enter the regulated banking system.

# FDIC Recordkeeping Rule

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## Proposed Rule

In September, the FDIC released a [proposed rule](#) that would require banks to strengthen record keeping for deposits received from Fintechs and other third parties on behalf of consumers and businesses.

## IPA Concern

The IPA is concerned that the FDIC's definition of covered accounts will include products such as gift cards that should not be part of the rule.



## IPA Comments

The IPA is preparing comments that detail members' concerns that the rule could lead to unintended consequences that would make certain products too onerous to offer.



# CFPB Open Banking Rule

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## Final Rule

On October 22, the Consumer Financial Protection Bureau announced it had finalized its [open banking rule](#) that would require banks and fintechs to share customer information at the customers' request.

## IPA Concern

The IPA is concerned that the rule is not clear on compliance requirements and could open the industry up to new fraud vectors.



## IPA Comments

The IPA is still reviewing the newly final rule. However, the Bank Policy Institute, the Kentucky Bankers Association filed a [lawsuit](#) against the CFPB to challenge the rule.

# Prudential Regulators Fintech RFI

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## Proposed Rule

In July, the OCC, FDIC, and the Fed jointly [released an RFI](#) to learn more about the fintech product value chain. This proposal is in response to the Synapse/Evolve crisis. IPA believes this RFI may be the first step in laying the foundation to regulate fintechs, processors, and other third parties.

## IPA Concern

IPA believes this RFI may be the first step in laying the foundation to regulate fintechs, processors, and other third parties.



## IPA Comments

The IPA is drafting a response to the prudential regulators that will provide a high-level overview of the payments value chain and the wide variety of products on the market. Regulators appear to think all bank-fintech relationships are similar in structure and may seek to issue one size fits all rules.

# Questions?

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