



Strategies for Improving the U.S. Payment System

PROGRESS REPORT | April 2019

In Pursuit of a Better Payment System

In 2015, the Federal Reserve issued a call to action in *Strategies for Improving the U.S. Payment System* asking stakeholders to join us in pursuit of a better payment system for the future. This progress report highlights recent accomplishments and next steps for Federal Reserve payments improvement initiatives. We invite you to engage with us as these initiatives progress by visiting FedPaymentsImprovement.org. With collaboration, inclusiveness and transparency as our guiding principles, we are confident that these efforts will continue to generate momentum and result in better, safer, faster payments for everyone.

“ We are all impacted by the U.S. payment system in our day-to-day lives, which is why working towards payment system improvements is a priority for the Federal Reserve. There is no entity in this country, including the Fed, that can single-handedly make the payment system faster, safer, and more secure. It takes all of us working together to effect lasting progress. ”

Dave Sapenaro

Payments Strategy Director
FVP and COO, FRB St. Louis

Speed

Support industry efforts to implement a safe, ubiquitous, faster payments capability in the United States

The Federal Reserve has been involved in a number of efforts to advance Faster Payments Task Force recommendations to support faster payments implementation within the United States.

Recent accomplishments:

- Released a Settlement Assessment Federal Register Notice outlining potential Federal Reserve actions to facilitate real-time interbank settlement.
- Built awareness of the Federal Register Notice through a variety of communications channels, including hosting public town halls at the Federal Reserve's 12 districts, engaging one-on-one with stakeholders and speaking at industry conferences to drive participation, culminating in over 400 comment letters received.
- Supported the Governance Framework Formation Team in launching the U.S. Faster Payments Council in November 2018.

What's next:

- In considering comments received on the Federal Register Notice, determine and communicate any action the Federal Reserve intends to pursue to promote faster payments by facilitating real-time interbank settlement.
- Support the Rules, Standards, Laws and Regulations Work Group in completing its final report for the U.S. Faster Payments Council.

Secure

Work to reduce fraud risk and advance the payment system's safety, security and resiliency

The U.S. payments and fraud landscape continues to shift as technology evolves and new risks emerge. The Federal Reserve continues to collaborate with the industry to identify and mitigate payments fraud and security risks.

Recent accomplishments:

- Established the Fed-led Fraud Definitions Work Group to develop a more consistent and holistic view of terminology used to describe ACH, wire and check payments fraud.
- Published an executive summary of secondary research that assessed fraud and associated costs in the U.S. payment system and outlined the Federal Reserve's priorities for action to advance payments security.
- Added new FedLine® Solutions security controls to address evolving risks.

What's next:

- Develop a recommended fraud classification model with the Fraud Definitions Work Group that includes detailed definitions and/or categories to better understand key data points in payment fraud.
- Propose an industry roadmap to encourage broad adoption of the Fraud Definitions Work Group's recommended fraud classification model.
- Facilitate strategic industry dialogue on evolving payment security and fraud issues via focused group discussions with senior leaders.
- Publish research to improve industry understanding of synthetic identity fraud in the U.S. payment system, including the scope of the issue and mitigation strategies.

“ We have had the privilege of seeing the faster payments work evolve from a broad industry task force to a new independent, industry-led organization with the goal of advancing safe, ubiquitous faster payments through inclusive and collaborative problem solving. We could not have imagined a stronger example of 'better together' and we are committed to supporting the industry as we work together to achieve this goal. ”

Connie Theien

Faster Payments Strategy Leader
SVP, Payments Industry Relations, FRB Chicago



“ Work is now underway by a select group of industry stakeholders to define ACH, wire and check fraud that can help us better understand fraud risk. This includes solving for inconsistencies in the classification and reporting of payments fraud data and mitigating new threats from fraudsters in this environment of innovation and transformation. ”

Ken Montgomery

Payments Security Strategy Leader
FVP and COO, FRB Boston

Collaboration

Actively engage with stakeholders on initiatives designed to improve the U.S. payment system

The Federal Reserve believes that inclusive industry collaboration is the foundation of any enduring strategic improvements to the U.S. payment system. We strive to achieve a faster, safer and more efficient payment system through engagements with stakeholders from across the payments ecosystem.

Recent accomplishments:

- Provided multiple engagement opportunities for FedPayments Improvement Community members that ranged from educational webinars to the two-day Community Forum event, which attracted nearly 300 Community members.
- Presented at over 90 domestic and international industry conferences and conducted over 80 stakeholder meetings sharing the latest payments improvement efforts.

What's next:

- Host FedPayments Improvement Community Roundtables at industry conferences to connect with Community members in person and raise awareness for payments improvement initiatives.
- Increase Community membership to help maintain strong industry representation and cultivate diverse engagement opportunities.
- Facilitate and promote feedback opportunities for industry stakeholders focused on payments security initiatives through the Fraud Definitions Community Interest Group.

Efficiency

Achieve greater end-to-end efficiency for domestic and cross-border payments

In support of the desire to lower end-to-end costs, enable innovative payment services and shift to electronic payment forms, the Federal Reserve supports efforts to further technology and standards that enable straight-through processing in support of ubiquitous electronic payments.

Recent accomplishments:

- Published the Business Payments Coalition *e-Invoice Interoperability Framework Assessment Report* highlighting the feasibility of leveraging e-Invoicing interoperability frameworks from other countries for the U.S. market.
- Published the Business Payments Coalition *Simple Remittance Requirements* which includes recommendations for remittance data elements needed to support payment application for small businesses.
- Solicited submissions for a Business Payments Coalition ISO® 20022 Capabilities Directory for financial institutions and service providers to publicize their capabilities for business end-users.
- Provided information to prepare customers for the ISO 20022 migration for the Fedwire® Funds Service by maintaining the Fedwire® Funds Service ISO 20022 Implementation Center resource page and conducting educational webinars, which are published on this page.
- Expanded FedPayments® Reporter Service to include new reporting capabilities for checks processed by Federal Reserve Banks.
- Introduced FedACH® Exception Resolution Service to help eliminate or reduce many of the labor intensive processes when resolving ACH exceptions.

“ The strong growth and diversity of the Fed Payments Improvement community - now totaling more than 4,700 members - demonstrates the industry's support and interest in working with the Fed and each other to advance U.S. payment modernization. ”

Tim Boike

VP, Payments Industry Relations,
FRB Chicago



“ In 2018 industry stakeholders made substantial progress toward requirements for a U.S. interoperability framework for e-Invoice delivery. In the year ahead, we'll be asking for stakeholder feedback on the Business Payments Coalition proposal for an e-Invoice interoperability framework to ensure this important work addresses the needs and interests of the industry. ”

Guy Berg

VP, Payments, Standards and Outreach Group,
FRB Minneapolis

Efficiency *(cont.)*

Achieve greater end-to-end efficiency for domestic and cross-border payments

What's next:

e-Invoicing Interoperability Framework

- Publish a Business Payments Coalition (BPC) assessment of the European Committee for Standardization (CEN) semantics model for usage in the United States and develop an e-Invoice semantic model.
- Publish a BPC feasibility assessment of the technical requirements of the OpenPEPPOL e-Delivery Network and the recommendations for requirements to establish a similar network for the United States.
- Assess existing governance models in other countries and begin work defining the recommended roles and responsibilities of a governance organization for the U.S. market.

ISO 20022 Capabilities and Education

- Publish submissions for the online ISO 20022 Capabilities Directory of U.S. banks and service providers that have domestic ISO 20022 capabilities and publicize directory availability to business end-users.
- Develop informational webinars and a speakers bureau for a variety of ISO 20022 topics in partnership with industry groups.

Electronic remittance

- Explore feasibility of solutions for remittance delivery that enable straight-through processing.

International

Work to enhance the timeliness, cost effectiveness, and convenience of cross-border payments

In pursuit of better choices for consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments, the Federal Reserve continues to assess its current cross-border payment services and potential enhancement opportunities.

Recent accomplishments:

- Embarked on an assessment of the current global state of cross-border payments.

- Educated Fedwire Funds Service participants on capabilities to support sending and receiving U.S. dollar payments to and from entities located outside of the United States.

What's next:

- Dialogue with payment industry stakeholders on ways the industry can collaborate to enhance the timeliness, cost effectiveness and convenience of cross-border payments.
- Continue work to assess the FedGlobal® ACH strategy for potential future service enhancements.

“As national economies become more integrated, there will be continued demand for cross-border payments. The Federal Reserve, in partnership with industry, remains committed to improving the convenience, cost-effectiveness and timeliness of international payments for consumers and businesses alike.”

Dave Sapenaro
Payments Strategy Director
FVP and COO, FRB St. Louis

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FedPaymentsImprovement.org

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