


THE **FEDERAL RESERVE**  
— FedPayments Improvement

 COLLABORATE. ENGAGE. TRANSFORM.

# Strategies for Improving the U.S. Payment System

PROGRESS REPORT | October 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](http://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.

“ The Federal Reserve has a 100-plus year history of operating payment systems as a core part of the nation’s infrastructure, providing public benefits for banks, businesses and consumers alike. Our strong record of safety and resiliency and providing equitable access to banks and credit unions of all sizes has helped make the Fed a trusted leader in payments improvement. However, we cannot do this work alone. Strong partnership and collaboration with the industry remain vital for ensuring continued progress and innovation in our nation’s payment system. ”

**Dave Sapenaro**

Payments Improvement Program Executive  
First Vice President and Chief Operating Officer  
Federal Reserve Bank of 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:

- Announced the Federal Reserve Board of Governors' decision, via a public *Federal Register* notice, that the Federal Reserve Banks will build and operate the FedNow<sup>SM</sup> Service, a new interbank 24x7x365 real-time gross settlement (RTGS) service with integrated clearing functionality to support faster payments in the United States. The Board is now seeking public comment on all aspects of the service.
- Announced via the same *Federal Register* notice that the Board will explore the expansion of hours for the Fedwire<sup>®</sup> Funds Service and the National Settlement Service, up to 24x7x365, to support liquidity management in private-sector RTGS services for faster payments.
- Hosted webinars and presented to more than 16 groups in six weeks following the release of the *Federal Register* notice, with the goal of educating stakeholders on the announced plans.
- Supported the Rules, Standards, Laws and Regulations Work Group in completing its final report for the U.S. Faster Payments Council.

## What's next:

- Engage with stakeholders and encourage feedback on the *Federal Register* notice for the purpose of finalizing the initial design and features of the FedNow Service.

# Security

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

The U.S. payment system faces evolving fraud risks as technology progresses. The Federal Reserve continues to collaborate with the industry to help identify and mitigate payments fraud and security risks.

## Recent accomplishments:

- Published two papers and conducted webinars on the causes and contributing factors of synthetic identity fraud in the U.S. payment system.
- Convened the Fraud Definitions Work Group to develop and refine the recommended Fraud Classification Model for Payments (Model) covering Automated Clearing House (ACH), wire and check payments. The Model includes detailed definitions that are intended to help the industry better understand key data points in payments fraud.
- Released the draft Model to Fraud Definitions Community Interest Group members to help understand how the broader industry may apply the Model when classifying fraud and to identify potential enhancements.
- Began work on an industry adoption roadmap for the Model.
- Hosted discussions with senior payments industry executives to better understand evolving payments security and fraud issues.

## What's next:

- Complete the industry adoption roadmap for the recommended Model and socialize with stakeholders for feedback.
- Develop communication and socialization plan to provide visibility of the Model to industry participants.
- Publish a second white paper on the detection of synthetic identity payments fraud.

“ The Faster Payments Task Force set the stage for what a secure, efficient and ubiquitous faster payment system could look like in our country. Through its foundational work, advocacy and recommendations, we're now seeing that vision take shape. The historic milestones achieved this year, including the FedNow<sup>SM</sup> Service announcement, were made possible through the spirit of collaboration and an unwavering commitment to modernizing the U.S. payment system. ”

**Connie Theien**

Senior Vice President, Payments Industry Relations  
Federal Reserve Bank of Chicago



“ We're getting very positive external feedback and having meaningful conversations with the industry on synthetic identity payments fraud and other evolving fraud issues - and looking forward to additional dialogue on the proposed Fraud Classification Model for Payments. ”

**Ken Montgomery**

FedNow<sup>SM</sup> Service Program Executive  
Payments Security Strategy Leader  
First Vice President and Chief Operating Officer  
Federal Reserve Bank of 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:

- Hosted a FedPayments Improvement Community Roundtable in Orlando, Florida, with over 60 attendees, followed by publication of a summary of the meeting.
- Presented at over 40 domestic and international industry conferences and conducted over 100 stakeholder meetings sharing the latest payments improvement efforts.
- Facilitated and promoted feedback opportunities for 1,000-plus Fraud Definitions Community Interest Group members through a survey, webinars and four one-on-one engagements.
- Launched redesigned *FedPaymentsImprovement.org* website, designed in collaboration with the FedPayments Improvement Community to spotlight content that is important to members.
- Achieved nearly 50 percent growth in membership of the FedPayments Improvement Community, reaching over 7,000 members.

### What's next:

- Host three Community Roundtables at a fall conference and publish a summary of the meetings.
- Continue to engage with industry one-on-one, at conferences and at speaking sessions to raise awareness for payments improvement initiatives. A complete list of events and engagement opportunities can be found at *FedPaymentsImprovement.org*.
- Increase Community membership to help maintain strong industry representation and cultivate diverse engagement opportunities.

# 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:

- The Federal Reserve is an active member of the Business Payments Coalition (BPC), which completed an assessment of both the e-delivery network specifications and e-Invoice data standards incorporated in existing e-Invoice frameworks in other countries to determine the applicability and feasibility for a U.S. e-Invoice framework.

### What's next:

#### e-Invoicing Framework

- Publish the results of the e-Invoice framework assessment work in a three-part series of reports, including a foundational overview with key findings and two detailed technical reports with U.S. market design recommendations.
- In 2020, the BPC work groups will complete work already started on the framework standards, specifications and a proof of concept validation system.

“ From financial institutions and network operators, to consumer interest groups, fintechs, and beyond, the FedPayments Improvement Community attracts stakeholders from all segments of the payments ecosystem to participate in our efforts. As we continue to further the Fed's payments improvement work, this Community plays a key role in ensuring broad and diverse stakeholder input. ”

**Tim Boike**

Vice President, Payments Industry Relations  
Federal Reserve Bank of Chicago



“ Electronic invoicing is a critical step toward improving business-to-business payment efficiency and achieving straight-through processing for electronic payments. Building on the e-Invoice framework momentum globally, the BPC will be publishing a trilogy of e-Invoicing white papers that begin to lay the foundation for establishing an e-Invoice framework in the United States. ”

**Guy Berg**

Vice President, Payments, Standards and Outreach Group  
Federal Reserve Bank of Minneapolis

# 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:

- Examined the cross-border payments landscape to inform fourth-quarter stakeholder engagements focused on improvement progress.

### What's next:

- Dialogue with payment industry stakeholders to increase understanding of the current cross-border payments landscape and potential collaboration opportunities to enhance the timeliness, cost effectiveness and convenience of cross-border payments.

“ Systemic challenges make international transactions inherently more complex than domestic payments, causing pain points for providers and end users in the areas of interoperability, infrastructure, regulation and consumer education. Our next step is to engage with industry to gain additional insight on user experiences and help assess the impact of efforts currently underway to address gaps and challenges. ”

**Dave Sapenaro**

Payments Improvement Program Executive  
First Vice President and Chief Operating Officer  
Federal Reserve Bank of St. Louis



## Stay Informed

Help build a faster, safer, more efficient payment system by joining the online FedPayments Improvement Community at

[FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org)

You can also follow us on social media.

