Joint Meeting of the Faster Payments Task Force Steering Committee (FPSC) and Secure Payments Task Force Steering Committee (SPSC)
Federal Reserve Bank of New York
January 27-29, 2016 Meeting Summary

Day One (FPSC only)

Welcome and Opening Remarks[1]

Sean Rodriguez, Faster Payments Strategy Leader, welcomed the Faster Payments Task Force Steering Committee (FPSC) to the first meeting of the year and thanked members for their efforts to date. He introduced Terry Roth, Federal Reserve Bank of Cleveland, and Ed O'Neill, Federal Reserve Bank of Chicago, who recently joined the Federal Reserve's faster and secure teams, respectively.

Update on Work Plan

Jon Jeswald, Vice President, Federal Reserve Bank of San Francisco, provided an update on the Faster Payments Task Force (FPTF) work plan for 2016. He noted that the work plan has been reduced by three months, a goal set forth during previous discussions with the FPSC. Mr. Jeswald stated the primary risk of the reduced timeline is that the work plan relies on a previous assumption of receiving eight proposals but the current working assumption, based on the "intent to propose" survey results, is fifteen proposals. The Federal Reserve continues to look for solutions to mitigate this risk, including the possibility to hire a larger Qualified Independent Assessment Team (QIAT) than initially planned.

A few FPSC members noted the importance of Steering Committee and full task force input to the proposal review process and expressed concern that they may not have enough time to thoroughly review submissions and prepare for meetings. Mr. Jeswald indicated that, based on the work plan, the Federal Reserve will determine the points at which discussions with the Steering Committee and FPTF will need to occur and therefore will be able to convey any significant topics of discussion well before meetings to give members time to prepare.

Mr. Jeswald indicated that Kandice Alter, Federal Reserve Bank of Chicago, has started developing a work plan to support the FPTF's final paper. The FPTF will begin discussing the content of the final paper at the February in-person meeting.

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[1] Veronica Sellers, Senior Vice President and General Counsel, Federal Reserve Bank of Kansas City, reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

Effectiveness Criteria

Ken Isaacson, Faster Payments Strategist, provided a summary of the Effectiveness Criteria process that took place in 2015. The Effectiveness Criteria had been approved with a 97 percent consent rate, with consent from seven out of the eight industry segments, and a participation rate for the vote of 77 percent of FPTF members. During the vote, the FPTF provided approximately 70 comments on the Effectiveness Criteria, and Mr. Isaacson provided examples of changes made to the criteria based on that feedback. Mr. Isaacson noted several post-criteria process recommendations from the FPTF; for example: a controlled process to update the glossary and criteria as needed and a review of faster payment proposals that includes commentary from all industry groups.

The FPSC discussed what could have gone differently in the Effectiveness Criteria process. Several FPSC members noted a need for work groups to have clear roles and objectives as well as a diverse composition tailored to their missions. One FPSC member suggested the Steering Committee and the Federal Reserve could have communicated better to their task force constituencies how their input and participation aided the development of work products. Another FPSC member noted that major objections to the criteria should have been raised earlier rather than later. The FPSC also noted several processes that went well with the Effectiveness Criteria, particularly the openness and willingness of FPTF members to reach consensus, which resulted in the successful approval of the criteria. In terms of the initiative overall, the FPSC recognized the Federal Reserve's ability to add resources as needed and to recognize the need early on to hire professional experts for meeting facilitation and the QIAT. Mr. Rodriguez praised the Steering Committee's willingness to lead and ability to contribute an immense amount of effort to reach the initiative's goals.

Decision-Making Framework

Mr. Isaacson led a discussion on the effectiveness of the Decision-Making Framework (DMF) and possible updates to refine it based on the task force's experience with the Effectiveness Criteria vote. The FPSC agreed that the content of and logistics around the final task force report will need to be discussed at a later Steering Committee meeting before determining if the DMF scope requires any changes. Mr. Isaacson then asked the FPSC for suggestions on 1) how to reconcile an inconsistency between DMF 2.3 and 2.4 which could cause a conflict if one or more segments stands aside or does not vote and 2) whether to combine the government end-user segment with another segment since it currently has only two members.[2] The FPSC discussed these issues in breakout groups and agreed to 1) present the DMF 2.3 and 2.4 inconsistency to the task force and seek their views to resolve the issue and 2) keep the government end-user segment for now with the goal to build it into at least five active members.

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[2] Provision 2.3 states that if 1/3 of voting FPTF members or the majority of voting FPTF members in at least two stakeholder segments object then the decision is not ready for FPTF approval. In contrast, provision 2.4 states that if 2/3 or more of voting members and a majority of voting members in each of at least seven of the eight segment achieve majority consent then the Chair has the option to record the decision as approved and final.

Proposal Template

Kylie Stewart, Federal Reserve Board, provided an update on the proposal template. She noted the contributions of the proposal template work group, led by FPSC member Edward Mundt, Hard Rock Café International, including the addition of sections for the proposer to discuss assumptions, use case coverage, and the value proposition to all stakeholders. Draft 2 of the proposal template, which incorporates the work group's suggestions, was circulated to the FPTF, along with a survey seeking feedback.

Edward Mundt, Hard Rock Café International, presented more detail on the feedback and concerns voiced by the proposal template work group. The Steering Committee split into breakout groups to discuss the work group's feedback and recommended various changes to be considered for draft 3 of the proposal template. There was extensive debate regarding page number limits, in which some FPSC members noted lower page limits may cause the proposal to lack enough detail for the QIAT to make a thorough assessment, while others cautioned that higher page limits would make proposals too burdensome for the QIAT and task force's assessment. The FPSC asked Ms. Stewart to recommend a compromise for the page limit debate. Ms. Stewart indicated that the various views of the FPSC, along with responses to the proposal template survey, would form the basis for draft 3, which will be sent to the task force in mid-to-late February.

Qualified Independent Assessment Team

Mr. Roth provided an update on the QIAT RFP process timeline. He noted the criteria the Federal Reserve used for selection of the QIAT firm included experience and knowledge in payments, independence, process design and ability to manage it, flexibility to add or remove resources as necessary, and cost. Mr. Jeswald noted that while the task force would not have a direct role in the selection of a QIAT vendor based on controls in the Federal Reserve's procurement guidelines, it will have oversight of the vendor through a QIAT task force advisory group. He also discussed the QIAT's deliverables and process development approach. The FPSC and two representatives from the Secure Payments Steering Committee (invited to input on this topic) split into breakout groups to discuss the proposed objectives, structure, and role of a QIAT task force advisory group. The various breakout groups presented several recommendations for the design of the QIAT task force advisory group, including a desire for the group to have representation from each segment.

February Task Force Meeting

Mr. Rodriguez presented the FPSC with tentative agenda topics for the upcoming February task force meeting and noted the Steering Committee's addition of two topics: the reconciliation of DMF 2.3 and 2.4 and a review of the QIAT RFP process and status. He also noted that communications on hotel logistics for the February 25-26 task force meeting in Chicago would be forthcoming.

Day Two (Joint FPSC and SPSC)

Welcome and Opening Remarks[3]

Gordon Werkema, Federal Reserve Payments Strategy Director, welcomed members of the FPSC and SPSC, noting that this session marks the first joint meeting of two task force leadership teams. Mr. Werkema stated that both task forces have made very good progress since the Strategies for Improving the U.S. Payment System (SIPS) paper was published one year ago. He noted that the task forces met their key deliverables in 2015 as a result of the high level of engagement and collaboration among task force members. Mr. Werkema also noted that the Federal Reserve is planning to release a one-year progress report describing the work completed since the SIPS paper was published. Mr. Werkema underscored the importance of the Steering Committees' leadership role in organizing and focusing the work ahead in 2016. He then introduced Esther George, President of the Federal Reserve Bank of Kansas City and senior sponsor of the Payments Improvement Strategies for the Federal Reserve System.

Ms. George welcomed meeting participants and stated that the Steering Committees are leading one of the most significant undertakings in history to improve the U.S. payment system. Ms. George expressed her appreciation for the significant progress made by the task forces in the last year, highlighting the publication of the Faster Payments Effectiveness Criteria and the development of work efforts to improve the security of existing payment networks. Looking ahead, Ms. George noted that the task forces will help to assess solutions to improve the U.S. payment system and highlight strategic issues and gaps that will be important to address. She reminded participants that the work ahead is critical to realize the vision of a globally competitive payment system that meets the demands of end users. Ms. George underscored that the Federal Reserve is committed to working with all payment system stakeholders during this process to reach outcomes that have broad support.

Ms. George asked meeting participants for their perspectives on the work efforts of both task forces. One SPSC member stated that he was encouraged by the collaboration taking place within small breakout sessions at task force meetings. In response to a question, Ms. George stated that while the Federal Reserve does not have plans to take on a specific role in a new faster payment system, it is committed to working with the industry to help reveal solutions that the private market can offer.

Faster Payments Task Force Update

Mr. Isaacson, Ms. Stewart, Mr. Jeswald provided updates on the Effectiveness Criteria, proposal template, and the QIAT process and deliverables that were discussed with the FPSC on day one. The Steering Committees split into breakout groups to discuss potential concerns and risks with the QIAT process. Several breakout groups expressed concern about the ambitious timeline and the chosen QIAT firm's independence and objectivity. To address these concerns, some groups suggested the QIAT advisory group should have broad representation from both task forces and the Federal Reserve, in addition to a governance process to ensure objectivity and transparency.

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[3] John Yanish, Deputy General Counsel, Federal Reserve Bank of Minneapolis, reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

Daniel Gonzalez, Vice President, Federal Reserve Bank of Chicago provided an update on the Faster Payments Capability Showcase, a forum for providers to show off components that can support an end-to-end faster payment system. Mr. Gonzalez provided a live demo of the online Capability Showcase portal, a publicly available website launched on January 19 that allows providers to upload videos demonstrating the features of their components. Additionally, components within the portal can be classified as satisfying one or more of the Effectiveness Criteria. Mr. Gonzalez stated that the FPTF plans to hold Capability Showcase "Office Hours" at its next in-person meeting in February, during which component providers will set up information tables to demonstrate their components. He noted that the deadline to sign up for space at office hours is February 5.

Perspectives on Faster Payments from Abroad

Four Deloitte representatives involved in global payment initiatives provided their perspectives via telephone on faster payment systems in other countries. Pat Daley, Deloitte, stated that the Canadian Payments Association is currently performing a modernization assessment of the Canadian payment system. Stephen Ley, Deloitte, provided an overview of the United Kingdom's Faster Payments Service (FPS), including lessons learned from the initial launch of the service. In response to a question, Mr. Ley noted that payment identity management is administered by banks individually (as opposed to centrally administered). Edgar Mendelsohn, Deloitte, stated that the Dutch Payments Association brought together major banks to build a faster payments solution and develop a business case for doing so. Mr. Mendelsohn provided an overview of the key risks of building such a system and the initial lessons learned. Jonathan Perkinson, Deloitte, noted that Australia is currently in the build and develop stage of implanting its faster payment system, called New Payments Platform (NPP). In addition, Mr. Perkinson provided an overview of the governance structure and funding model of the NPP.

Secure Payments Task Force (SPTF) Update

Mr. Aadland provided an overview of the work group concepts developed by the SPTF in 2015, highlighting the steps taken to identify, organize, and prioritize these groups. He stated that the SPTF started to identify work group concepts by reviewing the payment security weaknesses and improvement opportunities identified by the Federal Reserve's 2014 Payment Security Landscape Study.[4] After reviewing the results of the study, the SPTF then developed and refined the work group concepts through a series of task force breakout discussions, segment calls, and voting sessions. Mr. Aadland reviewed the top four work group concepts that emerged from this process (Payment Identity Management, Data Protection, Laws and Regulation Coordination, and Information Sharing for the Mitigation for Payment Risk/Fraud), noting that the SPTF decided to launch the Payment Identity Management work group in January 2016 and plans to launch additional work groups later in the year.

Three SPSC work group chairs (Nancy O'Malley, MasterCard, Glen Ulrich, U.S. Bank, and Reed Luhtanen, Walmart) and Mr. Aadland then reviewed and solicited feedback on the four work group

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[4] The Payment Security Landscape Study was a research effort conducted by the Federal Reserve in 2014 to enhance its understanding of end-to-end payment security in the United States. A summary of the study's findings is available on the Federal Reserve's Payment System Improvement website at https://fedpaymentsimprovement.org/wp-content/uploads/payment_security_landscape.pdf.

charters.[5] In response to a question about the scope of the Payment Identity Management work group, Ms. O'Malley noted that the work group charters would be further refined by work group members during the first face-to-face meeting. One FPSC member noted that the benefits from the Information Sharing work group would be large, and suggested capturing these benefits in the charter.

Communications Update

Connie Theien, Vice President, Federal Reserve Bank of Chicago, provided an overview of an anniversary campaign to expand the awareness of the work completed since the SIPS paper was published a year ago. The campaign will include a one-year progress report that highlights accomplishments across all strategies and preview next steps as well as opportunities for stakeholder involvement. Ms. Theien noted that her team plans to distribute toolkits to members of both task forces to support their communication with external stakeholders regarding the campaign.

Dorothy Anderson, Industry Relations Program, Federal Reserve Bank of Chicago, provided a live demo of Knowledge Central, the recently-launched task force collaboration tool. Ms. Anderson stated that the site is being rolled out in stages, noting that additional community forums would be added in the coming weeks.

Closing the Joint Session

Meeting participants provided feedback on the joint meeting session. Several participants expressed that they were happy to meet members of the other steering committee and expressed interest in holding a joint meeting again in the future. A few FPSC members stated that there was repetition from the prior day's FPSC-only meeting. Mr. Rodriguez and Mr. Aadland thanked meeting participants for their continued participation and commitment.

Security Standards Assessment Team Proposal (late afternoon - SPSC only)

Following the departure of the FPSC, SPSC members met for the final session of day 2. Stephen Mott, BetterBuyDesign, presented a proposal to stand up a Standards Assessment Team – consisting of both task forces and Federal Reserve staff – that would support SPTF work groups by conducting a high-level assessment of relevant payment security standards. For each STPF work group, the team would create an inventory of payment security standards relevant to that work effort, identify key issues with the standards (such as gaps, redundancies, and conflicts), and discuss approaches to resolve the identified issues. A few SPSC members questioned whether the SPTF should instead focus its attention on driving adoption of existing standards. The chairs of the SPTF work groups, however, generally agreed that a high-level assessment of relevant standards would be highly valuable for their work groups. In addition, one SPSC member noted that the proposal aligns with the SPSC's goal to educate SPTF members on payment security topics.

SPSC members endorsed the proposal to stand up the Standards Assessment Team, specifying that recruitment efforts for the team should target individuals with specialized knowledge of payment

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[5] Mr. Aadland reviewed and solicited feedback on the Laws and Regulation Coordination charter in the absence of the work group chair.

security standards. SPSC members agreed that the team would need to develop a uniform methodology for assessing standards across the STPF work groups. SPSC members also agreed to further discuss issues related to staffing, logistics, and FPTF participation.

Day Three (SPSC only)

2016 SPTF Objectives and Work Plan

Mr. Aadland kicked off the meeting by welcoming SPSC members and soliciting their feedback on the joint session from the day prior. SPSC members agreed that the meeting was productive, and one member expressed a desire to spend more time getting to know the FPSC members. Mr. Aadland then reviewed the agenda and presented a detailed review of the SPTF's core objectives, prompting several SPSC members to engage in discussions about the Federal Reserve's Payments Study, fraud risk measurement, data integrity, and fraud loss investigations.

SPSC members were asked to reflect on the success statements developed by the SPTF in 2015.[6] One SPSC member suggested that the statements should be less focused on solutions; another proposed adding a statement focused on driving industry adoption of security tools. Mr. Aadland then reviewed a high-level draft work plan for 2016, noting that it is organized around four categories: the three core SPTF objectives and a fourth category capturing all other SPTF work. He stated that some of the work listed under the categories may require more-detailed work plans and SPSC leadership. SPSC members endorsed the proposed 2016 work plan and provided specific feedback on a few of the work streams in the plan. Mr. Aadland noted that the Federal Reserve team would compile the SPSC's feedback and update the work plan accordingly.

SPSC members split up into breakout groups to determine quick wins, success measures, and potential barriers for SPTF work in 2016. In terms of quick wins, a few SPSC members noted that the SPTF is well positioned to educate payment system participants on currently available tools and measures that can enhance payment security. A few SPSC members stated that the SPTF would be successful if the majority of faster payment solutions submitted by the FPTF rank highly when assessed against the security criteria developed by the SPTF. A few SPSC members noted that "scope creep" might prevent progress on work group efforts, and other members suggested that disagreements related to legacy payment systems could inhibit collaboration. Mr. Aadland noted that the Federal Reserve would compile all the feedback received during the breakout session and reflect it to the SPTF at a future meeting.

SPTF Work Group Discussion

Tammy Hornsby-Fink, Vice President, Federal Reserve Bank of Richmond, reviewed the top four work group concepts and most recent SPTF poll results ranking them in terms of priority. Ms. Hornsby-

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[6] The five success statements developed by the SPTF in 2015 are: 1) A framework that does not stifle innovation and new payment technology, yet achieves a measureable reduction in fraud; 2) Solutions are flexible and adapt to ever-changing threats, technology capabilities and players in the payment system; 3) There is a common lexicon that is used to tackle and measure payment security issues; 4) A plan for workable solutions that is tangible, with broad support, that ensures all stakeholders are informed and educated; 5. Balance the benefits of the various payment ecosystem participants

Fink emphasized that SPSC members would play several key roles in work group efforts, including defining the scope of work, synthesizing task force perspectives, and determining items in need of full task force deliberation. She also reviewed the work group roles and responsibilities document that the SPSC considered during its December 10 conference call, noting a modification made due to the SPSC's feedback.[7] Ms. Hornsby-Fink also highlighted a minor change differentiating the Federal Reserve support role from the Federal Reserve communications and engagement role. Several SPSC members proposed to add an "author" or "editor" role to the list, noting the need for an individual -- perhaps a Federal Reserve representative – to synthesize disparate outputs from work group members into a single cohesive document. Mr. Aadland agreed that the SPTF should consider adding an "author" role.

Ms. Hornsby-Fink provided an update on the Payment Identity Management work group, noting that 40 SPTF members representing diverse industry segments volunteered to join the group. Ms. O'Malley, chair of the work group, reviewed the group's launch plan, highlighting that the first in-person meeting will be held in mid-February. Ms. O'Malley noted that the meeting's agenda will focus mainly on level setting and organizing work efforts (e.g. defining deliverables, activities, and timelines). In response a question, Ms. Hornsby-Fink clarified that only members who had signed up for the work group would be able to attend work group meetings.

Ms. Hornsby-Fink solicited input on how to prioritize the remaining three work group concepts. SPSC members expressed a preference for attaining "quick wins". Several SPSC members believed that the Information Sharing work group would most likely achieve quick results, while the Laws and Regulations work group would be a longer-term effort. SPSC members ultimately decided to launch the remaining work groups in the following order: Information Sharing, Data Protection, Laws and Regulation Coordination.

Ms. Hornsby-Fink noted that SPTF members will have the opportunity to use Knowledge Central to further iterate and refine work group charters. In response to a question, the Federal Reserve team noted that Knowledge Central would be a topic on the March 2-3 meeting agenda. SPSC members also discussed approaches to solicit ideas for additional work groups. Ultimately, it was agreed that each work group could capture new work group ideas from its own members and then funnel those back through the full SPTF. In terms of outstanding items, Ms. Hornsby-Fink noted the need to develop a Decision-Making Framework and a communication/engagement plan to support work group efforts.

March 2-3 SPTF Meeting Agenda

Mr. Aadland solicited ideas from SPSC members on potential topics for the March 2-3 SPTF meeting. Ideas proposed by SPSC members included adding a session with an outside speaker, adding a discussion session on barriers to adopting new security tools, and providing an update on the Standards Assessment Team discussed on January 28. Mr. Aadland noted that his team would incorporate the feedback received and finalize the March 2-3 meeting agenda within the next week. Mr. Aadland thanked participants for their contributions and high level of engagement during the meeting.

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[7] The modification replaced the co-chair model with a chair/vice-chair model, with the chair selected from the Steering Committee membership and the vice chair selected from the wider task force. In addition, the chair and vice chair would be selected from different industry segments.