



# Progress Report

Strategies for Improving the U.S. Payment System | February 2016

## In Pursuit of a Better Payment System

In January 2015, the Federal Reserve released *Strategies for Improving the U.S. Payment System*, an ambitious, multi-year plan that focuses on improving the speed, efficiency, and security of the U.S. payment system from end-to-end.

Over the past year, payments stakeholders have come together in support of these desired outcomes and committed significant energy and resources to pursuing the strategies outlined in the paper. More than 1,000 individuals from every corner of the payments world are formally participating in the initiatives described in this progress report. Thousands more have sought information and provided input through meetings, online forums and industry events. This progress report outlines the important work completed this past year and highlights the road ahead.

We invite you to engage as these initiatives progress.

We are confident that these efforts will continue to generate momentum for innovation in the payments industry and result in better, safer, faster payments for everyone.





## Strategy 1: Stakeholder Engagement

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

Industry collaboration throughout the year has led to substantial progress on each of the identified strategies for improving the U.S. payment system. The Faster Payments and Secure Payments Task Forces, comprised of 500+ members, were convened and made significant progress toward their objectives, including completion of the criteria for assessing the effectiveness of faster payment solutions.

In addition, collaboration has been key to efforts to implement ISO 20022 for wire transfer and ACH. The Remittance Coalition,

a group which encourages the adoption of electronic business-to-business payments and remittance information exchanges by small businesses, continued its cooperative work with Federal Reserve support to address barriers to electronic payment adoption.

In support of this collaboration, the Federal Reserve provided many mechanisms for stakeholders to stay informed and provide input via online and in-person engagement opportunities.

### What's Next

In 2016, we will continue to provide opportunities for stakeholders with interest to engage in all strategy efforts. To follow or join the task forces, Remittance Coalition and other initiatives, visit [FedPaymentsImprovement.org](http://FedPaymentsImprovement.org).



# Strategy 2: Faster Payments

## Identify effective approaches for implementing safe, ubiquitous, faster payments

The Faster Payments Task Force was established in May 2015 to identify effective approaches for implementing safe, ubiquitous, faster payment capabilities. In support of this goal, three key deliverables have been produced to date: the Faster Payments Effectiveness Criteria, the Decision-Making Framework and the Glossary of Terms.

### Faster Payments

#### Effectiveness Criteria

The Effectiveness Criteria were produced by the Faster Payments Task Force through an iterative process involving the Secure Payments Task Force, specialized legal and security workgroups and input from the broader stakeholder community. The Effectiveness Criteria are a foundational component for assessing faster payment solutions and provide guidance from the industry, end users and others to the payment marketplace regarding aspirations for the future of faster payments. The Effectiveness Criteria are grouped into six categories: ubiquity, efficiency, safety and security, speed, legal and governance. The Effectiveness Criteria will be used in 2016 by the Faster Payments Task Force to assess proposed faster payments solutions.

### What's Next

In 2016, the Faster Payments Task Force will facilitate an assessment of faster payments solution proposals brought forward by Faster Payments Task Force participants. Solution proposals will be assessed against the Effectiveness Criteria. The assessment will be published in early 2017, along with a report of strategic issues, opportunities and barriers to be addressed to support implementation and adoption of faster payments in the United States.

### Decision-Making Framework and Glossary of Terms

The Decision-Making Framework is the methodology established for gaining task force approval of proposals and deliverables in this process. It ensures that decisions and work products have broad support of the task force membership, including support within and across the different stakeholder groups represented.

Developed in partnership with the Secure Payments Task force, the Glossary of Terms establishes a common lexicon for task force work products. It is a companion document for the Faster Payments Effectiveness Criteria and will expand to support other work products for both task forces as the initiative continues.

### Capability Showcase

The Capability Showcase was launched in January 2016 to create awareness of marketplace solutions that could support faster payments. It allows firms with capabilities that could support faster payments to educate the task force and other payment industry stakeholders about their solutions. The showcase fosters the opportunity for industry participants to collaborate.

---

# Strategy 3: Payment Security

## Reduce fraud risk and advance the safety, security and resiliency of the payment system



The Secure Payments Task Force was established in June 2015 to advise the Federal Reserve on payment security matters, coordinate with the Faster Payments Task Force and determine payment security priorities for future action. In 2015, the task force identified payment security issues for 2016 focus, counseled the Federal Reserve on security-related research and education activities, and contributed to development of the security-related Faster Payments Effectiveness Criteria.



### Areas of Focus for Future Action

In response to rapidly changing technology that supports the payment process, payment security and the protection of sensitive data, the Secure Payments Task Force identified its top priorities for 2016 and beyond, including payment identity management, data protection, law and regulation coordination, and information-sharing to reduce payment risk and fraud.

### What's Next

A Payment Identity Management work group, launched in early 2016, will address the lack of universally accepted ways to establish and verify the identity of a payment system participant. Over the course of the year, work groups will be chartered to pursue payments security enhancements related to the other three priority areas of focus: data protection, law and regulation coordination and information sharing for mitigation of payment risk and fraud.

### Collaboration on the Effectiveness Criteria

The Secure Payments Task Force contributed to the Faster Payments Effectiveness Criteria by providing input on the security components needed for faster payment solutions. To accomplish this objective, a work group was chartered to help develop security criteria for the Faster Payments Effectiveness Criteria.

## Strategy 4: Payment 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 industry efforts to foster the creation of technology and rules that enable more ubiquitous electronic payments.



#### Electronic Payments

The Small Business Payments Toolkit, a set of free educational resources, was created by the Remittance

Coalition for small businesses and the bankers and advisors who service them.

Additionally, the Remittance Coalition leveraged its work with banks, other service providers and small-business experts to

address barriers to electronic payment adoption by businesses.

It planned a proof-of-concept for a B2B directory, a tool that seeks to enable businesses to make more electronic payments to vendors and other payees. In addition, the Remittance Coalition explored business and governance models related to the development of a future Business Payments Directory Association, which would bring the B2B directory to production.

The Remittance Coalition also collaborated with standards development organizations on standards and technical reports, including the Remittance Standards Inventory Technical Report and the Balance Transaction and Reporting Standard, that address specific "pain points" identified by B2B practitioners. Collaboration with its Vendor Forum helped promote awareness of remittance standards among solution providers and corporations.

## What's Next

The Remittance Coalition will complete its B2B directory proof-of-concept and finalize recommendations concerning trust, governance, business model and the rollout and adoption strategy for the directory. Part of the technical proof-of-concept, a variety of electronic payment identity (EPI) examples will be tested, along with a variety of use cases and information-flow scenarios.

The Remittance Coalition will also work to establish a Business Payments Directory Association to bring the directory to production in the future.

The Remittance Coalition will also move forward with a new work group focused on education and the promotion of remittance standards, with intent to provide mapping guides and tips for moving from legacy to ISO 20022 standards.



## ISO 20022 Standard

Globalization has created a growing need for choices for U.S. consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments. ISO 20022 has emerged as an enabler of a single, common "language" for global financial communications that can assist organizations in responding to evolving demands. Educating stakeholders and articulating the key benefits of ISO 20022 as a robust financial messaging standard remains a priority.

Outreach efforts included meetings and conferences to gather input on ISO 20022 implementation scope, approach, and timing for U.S. wire transfer systems and the creation of the Federal Reserve's *ISO 20022 Resource Center*, a centralized repository for research and education for stakeholders.

At Sibos®2015, a high-level plan and timeline to implement ISO 20022 for U.S. wire transfer systems was announced. The scope of the implementation plan includes both domestic and cross-border wire payments, all components of the U.S. wire systems and enhancements to be determined based on industry feedback.

## What's Next

The U.S. stakeholder group will develop a detailed plan and timeline for implementation of the ISO 20022 format for wire transfers. For ACH, the U.S. stakeholder group will continue industry education and collaboration on the rationale and benefits of integration with and/or conversion to ISO 20022 for the ACH network.

---

# Strategy 5: Enhanced Federal Reserve Services

## Enhance Federal Reserve Bank payment, settlement and risk management services to address identified gaps

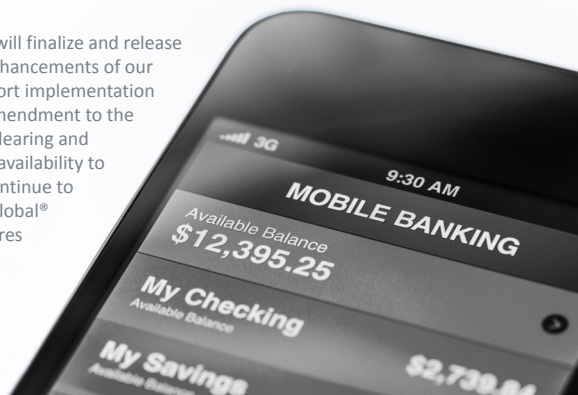
Federal Reserve Financial Services initiated a number of activities in 2015 to support achievement of the desired outcomes of faster, safer, more efficient payments. For example, the hours of the National Settlement Service were expanded to make it more attractive as a settlement vehicle for private sector arrangements. In another effort to support enhanced payment speed, Federal Reserve Financial Services announced support for the NACHA Same-Day ACH initiative, which will ensure

an ubiquitous same-day capability for virtually any ACH transaction and accelerate clearing, settlement and funds availability.

To assist financial institutions in monitoring threats to the payment system, an arrangement was established with the Financial Services-Information Sharing and Analysis Center (FS-ISAC) to distribute a FS-ISAC published community bank threat report to financial institutions via the FedLine® network.

## What's Next

Federal Reserve Financial Services will finalize and release operational details pertaining to enhancements of our FedACH® SameDay Service to support implementation of a universal Same-Day ACH, an amendment to the NACHA Operating Rules for faster clearing and settlement of payments and funds availability to payment recipients. We will also continue to assess expanded reach of our FedGlobal® ACH Payments and enhanced features for subscribers.





## The Road Ahead

Join us in building a faster, safer, more efficient payment system. Visit [FedPaymentsImprovement.org](https://FedPaymentsImprovement.org), follow us on Twitter ([@FedPayImprove](https://twitter.com/FedPayImprove)) and join the online FedPayments Improvement Community.



[@FedPayImprove](https://twitter.com/FedPayImprove)



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