Strategies for Improving the U.S. Payment System

Progress Report Webinar

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Five strategies in pursuit of five desired outcomes

1. Actively engage with stakeholders on initiatives designed to improve the U.S. payment system.
2. Identify effective approach(es) for implementing safe, ubiquitous, faster payments.
3. Reduce fraud risk and advance the safety, security and resiliency of the payment system.
4. Achieve greater end-to-end efficiency for domestic and cross-border payments.
5. Enhance Federal Reserve Bank payment, settlement and risk management services to address identified gaps.
Strategy 1: Stakeholder Engagement

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

Collaboration

- Established the 320-member Faster Payments Task Force
- Established the 180-member Secure Payments Task Force
- Provided education and input opportunities in support of payments efficiency initiatives
- Engaged stakeholders in payments improvement initiatives through industry events, communications and the FedPaymentsImprovement Community
Year One Accomplishments

Collaboration

“We have seen many of the strategies and tactics included in the plan come to life through broad, unprecedented stakeholder support. When implemented, the strategies will contribute to public confidence and the global competitiveness of the U.S. payment system.”

Esther George
President and CEO, Federal Reserve Bank of Kansas City

“Our progress this past year is a consequence of the engagement and commitment of a diverse group of payment system stakeholders. Their ongoing collaboration will be essential in creating a payment system that offers greater speed, security and efficiency.”

Jerome H. Powell
Federal Reserve Board Governor
Strategy 2: Faster Payments

Identify effective approaches for implementing safe, ubiquitous, faster payments
Mission and Objectives of the Faster Payments Task Force

*Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States*

- **Represent...** views on future needs for a safe, ubiquitous faster payments solution
- **Assess...** alternative approach(es) for faster payment capabilities
- **Address...** other issues deemed important to the successful development of effective approaches
High-Level Work Plan and Timeline

**PHASE 1**
Development of process and criteria for identifying and assessing solutions
June 2015 - Jan 2016

**PHASE 2**
Development and assessment of solution proposals
Feb - Nov 2016

**PHASE 3**
Review and publication of assessment results and recommendations
Nov 2016 – Mar 2017

*Plan the work… Do the work… Document the work…*
Year One Accomplishments

- Decision Making Framework
- Glossary of Terms
- Effectiveness Criteria
Faster Payments Effectiveness Criteria

**Purpose:**
- A description of stakeholder needs that can be used by the market to guide faster payments innovation
- A framework to be used by the Faster Payments Task Force for identifying effective approaches to faster payments
# Faster Payments Effectiveness Criteria

## Ubiquity
- **U.1** Accessibility
- **U.2** Usability
- **U.3** Predictability
- **U.4** Contextual Data Capability
- **U.5** Cross-Border Functionality
- **U.6** Multiple Use Cases

## Speed (Fast)
- **F.1** Fast Approval
- **F.2** Fast Clearing
- **F.3** Fast Availability of Good Funds to Payee
- **F.4** Fast Settlement among Depository Institutions and Regulated Non-bank Account Providers
- **F.5** Prompt visibility of payment status

## Efficiency
- **E.1** Enables Competition
- **E.2** Capability to enable value-added services
- **E.3** Implementation Timeline
- **E.4** Payment Format Standards
- **E.5** Comprehensiveness
- **E.6** Scalability and Adaptability
- **E.7** Exceptions and Investigations Process

## Safety and Security
- **S.1** Risk Management
- **S.2** Payer Authorization
- **S.3** Payment Finality
- **S.4** Settlement Approach
- **S.5** Handling Disputed Payments
- **S.6** Fraud Information Sharing
- **S.7** Security Controls
- **S.8** Resiliency
- **S.9** End-user Data Protection
- **S.10** End-user/Provider Authentication
- **S.11** Participation Requirements

## Governance
- **G.1** Effective governance
- **G.2** Inclusive governance

## Legal
- **L.1** Legal Framework
- **L.2** Payment System Rules
- **L.3** Consumer Protections
- **L.4** Data privacy
- **L.5** Intellectual property
What’s Next?

**Capability Showcase**
- Creates awareness of marketplace solutions that could support faster payments
- Helps prepare industry for proposal work, offering the opportunity for solution providers to collaborate
- Educates the task force

**Solution Proposal and Assessment**
- Any Faster Payments Task Force member is eligible to submit a solution proposal.
- Each proposal will be assessed against the faster payments effectiveness criteria.
- A proposal template, developed by the Faster Payments Task Force, will be provided.
Strategy 3: Payment Security

Reduce fraud risk and advance the safety, security and resiliency of the payment system
Mission and Objectives of the Secure Payment Task Force

Provide a forum for stakeholders to advise the Fed in its leader/catalyst and operator roles on payment security matters, and identify and promote actions that can be taken by payment system participants collectively and/or by the Federal Reserve System.

- **Determine** areas of focus for payment security and priorities for future action
- **Advise** the Fed on payment security matters
- **Coordinate** with the Faster Payments Task Force
Year One Accomplishments

- Collaborated on the Effectiveness Criteria
- Ongoing Support of the Evolution and Adoption of Standards
- Enhanced Federal Reserve Payment Security Research
- Identified Areas of Focus
Areas of Focus for Future Action

- Payment Identity Management
- Law and Regulation Coordination
- Information Sharing for Mitigation of Payment Risk and Fraud
- Data Protection
Collaboration on the Effectiveness Criteria

The Secure Payments Task Force helped develop the security-related Faster Payments Effectiveness Criteria

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What’s Next?

1. Advance the Initial Work Group Initiatives
2. Analyze the Work Group Support Structure and Tool Set
3. Prepare for the Launch of Subsequent Work Groups
4. Identify Targeted Opportunities re: Research, Standards and Education Opportunities
5. Consult on Faster Payments Proposal Process and Final Work Product Output
Strategy 4: Payments Efficiency

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

*B2B Payments Electronification*

- Small Business Payments Toolkit
- B2B Directory
- Standards
What’s Next for B2B Electronification?

**B2B Directory Proof of Concept and Directory Association**
- Address issues concerning trust, governance, security, business model, roll-out and adoption
- Test electronic payment identity examples, use cases and information flows
- Establish a Directory Association to bring directory to production

**ISO 20022 Remittance Standards Education Work Group**
- Education and promotion of remittance standards
- Tools to support moving from legacy to ISO 20022 standards.
Year One Accomplishments

ISO 20022 Standard

Education

Resource Center

Wire Transfer Strategy
What’s Next for ISO 20022 implementation?

**ISO 20022 for Wire Transfer**
- Develop a detailed plan and timeline for implementation of the ISO 20022 format for wire transfers

**ISO 20022 for ACH**
- Continue industry education and collaboration on the rationale and benefits of the potential conversion of the ACH network to ISO 20022
Strategy 5: Enhanced Federal Reserve Services

Enhance Federal Reserve Bank payment, settlement and risk management services to address identified gaps
Year One Accomplishments

- Expanded hours of the National Settlement Service
- Announced support and began planning for the NACHA Same-Day ACH initiative
- Collaborated with FS-ISAC to distribute their community bank threat report to financial institutions via FedLine®
What’s Next?

Implement enhancements to FedACH® SameDay Service

Explore enhancements to the FedGlobal ACH Service
Join the Community at FedPaymentsImprovement.org!

Receive information on task forces and work groups, invitations to live/virtual events, surveys and other online feedback opportunities.

@FedPayImprove

FedPayments Improvement
Questions?