



Strategies for Improving the U.S. Payment System | April 2018

Progress Report Brochure

In Pursuit of a Better Payment System

In January 2015, the Federal Reserve issued a call to action in *Strategies for Improving the U.S. Payment System*, asking stakeholders to come together in pursuit of a better payment system for the future. The call was answered, with hundreds of organizations and individuals collaborating on achieving the five desired outcomes: speed, security, efficiency, international payments, and collaboration. As a result of this success, in September 2017, the Federal Reserve published its *Next Steps in the Payments Improvement Journey*, which introduced the next phase of work.

This progress report outlines important work completed and highlights next steps. We invite you to engage as these initiatives progress by visiting [FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org).

With collaboration, inclusiveness, and transparency as guiding principles, 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.



Speed

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

The Faster Payments Task Force concluded its work in July 2017, following the publication of its final report entitled *The U.S. Path to Faster Payments*. In this report, the task force laid out 10 recommendations for achieving faster payments, focusing on governance and regulation, infrastructure, and sustainability and evolution. Since then, the Federal Reserve has initiated a number of efforts that advance the task force recommendations, the Federal Reserve strategy to support faster payments implementation, and the goal of a payment system that is faster, ubiquitous, broadly inclusive, highly secure, and efficient, with all service providers enabling ubiquitous receipt for end-user customers by 2020.

Accomplishments

- Published the Faster Payments Task Force's final report, *The U.S. Path to Faster Payments*, which includes the assessment results of faster payment solution proposals, challenges and opportunities for achieving faster payments in the United States, and the task force's recommendations and suggested next steps
- Established a *Governance Framework Formation Team* charged with designing and establishing a governance framework inclusive of all stakeholders, to make decisions to facilitate cross-solution payments, achieve broad adoption and interoperability by 2020, and support effective evolution of the ecosystem beyond implementation
- Established a Directories Work Group, which will identify and recommend a directory design for solutions to interoperate in the faster payments system
- Initiated a strategic assessment of options for the Federal Reserve to support interbank settlement of faster payments for the long term benefit of the U.S. payment system
- Began to explore and assess the need for Federal Reserve engagement as a service provider, beyond settlement services in the faster payment ecosystem
- Continued to support enhanced payment speed through Federal Reserve implementation of NACHA®'s Same Day ACH Phase 2 for debits, effective September 18, 2017, and NACHA's Same Day ACH Plan Phase 3 for funds availability by 5:00 pm local time, effective March 16, 2018

What's Next

- Facilitate stakeholder feedback on the Governance Framework Formation Team's proposed faster payments governance framework
- Support the Governance Framework Formation Team's work to finalize and establish a faster payments governance framework
- Kick-off Rules and Standards Work Group efforts to assess faster payments rules, standards, and baseline requirements that support broad adoption; safety, integrity, and trust; and interoperability
- Facilitate Directories Work Group efforts to inventory directory models and make recommendations to the forthcoming faster payments governance body, as appropriate
- Establish an informal regulatory priorities work group to assess the payments regulatory landscape and identify potential needed changes to the regulatory framework
- Continue Federal Reserve efforts to review options for settlement services to support faster payments and engage the industry for input
- Continue Federal Reserve exploration of the need for Federal Reserve engagement as a service provider in the faster payments ecosystem





Security

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

The Secure Payments Task Force concluded its work in March 2018, following the publication of its Information Sharing Data Sources and Payment Lifecycles and Security Profiles. In addition to promoting these industry-developed resources, the Federal Reserve will facilitate efforts to enhance industry insight into fraud drivers and potential mitigation approaches and establish and support collaborative efforts to prioritize improvement efforts and stimulate market activity to effectively mitigate vulnerabilities.

Accomplishments

- Launched the SecurePaymentsTaskForce.org website, which highlights background information on the task force and provides interactive tools to search payment security resources available to understand payments fraud risk
- Published the Secure Payments Task Force’s [Information Sharing Data Sources](#), which highlight intelligence reports, payments fraud trends, best practices and/or benchmarks to help address fraud risk
- Supported Secure Payments Task Force efforts to create and publish the [Payment Lifecycles and Security Profiles](#), which educate stakeholders and provide perspectives on the lifecycles of the most common payment types, including security methods, identity management controls, sensitive data involved, and relevant laws and regulations, as well as challenges and improvement opportunities related to each payment type
- Enhanced the FedTransaction Analyzer® tool by expanding access to seven years of data and providing new pre-formatted data reports designed to aid users with risk management practices and provide more complete insight into wire activity
- Enhanced the FedPayments® Reporter Service with additional reports allowing financial institutions greater access to data, thus improving service efficiency and risk management efforts



What’s Next

- Conduct a Fed-sponsored study designed to inform industry security improvement efforts and analyze payment system security vulnerabilities and the costs and benefits of various approaches to mitigate them
- Continue to promote the Secure Payments Task Force’s Information Sharing Data Sources and Payment Lifecycles and Security Profiles
- Continue ongoing Federal Reserve customer education and outreach about risk management, security best practices including resource center updates, webinars, testing opportunities, and operational notices and readiness reports

Efficiency

Achieve greater end-to-end efficiency for domestic payments

In support of the desire to lower end-to-end costs and enable innovative payment services, the Federal Reserve supports industry efforts to foster the creation of technology and standards that enable straight-through-processing and more ubiquitous electronic payments to meet the demands of American consumers and businesses. In the United States, opportunities to improve payment processing efficiency are especially significant in business-to-business (B2B) transactions with a goal for full automation of the invoice, payment and remittance detail end-to-end.

Electronic Payments

- Promoted the [Business Payments Coalition's Small Business Payments Toolkit, Volume Three](#), leading to over 35,000 downloads since its publication in April 2017
- Published the [Catalog of Electronic Invoice Technical Standards in the U.S.](#) developed by the Business Payments Coalition's E-invoicing Work Group
- Supported the [Business Payments Directory Association](#) as it established the business model, technical design, and functional requirements for the B2B directory

What's Next

- Facilitate Business Payments Coalition efforts to assess the benefits and feasibility of adopting an electronic invoice interoperability framework for the U.S. market
- Collaborate and support the publication of the Business Payments Coalition Vendor Forum's forthcoming paper entitled *Simple Remittance Requirements*
- Support Business Payments Coalition efforts to gather, compile and publish a list of Application Programming Interfaces (APIs) that can be used with small to medium size businesses' accounting software to automate electronic payment initiation

ISO® 20022 Standard

- Announced the implementation timeframes for Phases 1 to 3 of the Fedwire® Funds Service migration
- Launched the [Fedwire Funds Service ISO 20022 Implementation Center](#) resource page for participants and vendors to access information about the project, including registration information for education sessions and vendor lists
- Conducted a series of online webinars to support the Fedwire Funds Service migration to the ISO 20022 messaging format standard, with focus on Beginner and Intermediate Phase 1 sessions
- Provided Fedwire Funds Service participants and vendors secure access to Phase 1 message format documents
- Hosted industry webinars and educational sessions in conjunction with NACHA and regional payments associations on the integration of ISO 20022 for low value payments, including promotion of the NACHA validation tool, [ISO 20022-to-ACH Mapping Guide and Tool](#)

What's Next

- Provide Fedwire Funds Service participants and vendors secure access to Phase 2 and 3 draft message format documents
- Continue industry stakeholder outreach, education, and dialogue that promotes ISO 20022 for payment systems, which will include additional webinars and workshops related to implementation for the Fedwire Funds Service Phase 2 and 3, and promoting tools and resources that support potential integration of ISO 20022 messages into the ACH network
- Collaborate with the Business Payments Coalition to develop an online registry of U.S. banks and service providers that have ISO 20022 capabilities

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. The Federal Reserve has also continued to engage with stakeholders to better understand the current landscape, perceived gaps, and areas for Federal Reserve research or engagement related to cross-border payments.

Accomplishments

- Provided education and outreach opportunities regarding Fedwire Funds Service participants' ability to send and receive U.S. dollar payments to/from entities located outside of the United States
- Continued ongoing education and outreach efforts regarding service enhancements and tool development geared at driving faster, safer, and more efficient payments, which included updates to the [International Payments Resource Centers](#)

What's Next

- Advance progress on an update to the Fedwire Funds Service that expands the Federal Reserve Banks' market practice to identify SWIFT's® Global Payments Innovation (GPI) bank transfers in the Fedwire Funds Service message format in early 2019
- Continue work to develop the FedGlobal® ACH strategy for potential future service enhancements



Collaboration

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

Momentum across the payments industry continues to be strong, resulting in substantial progress on each of the identified strategies for improving the U.S. payment system. To help ensure that you receive updates and information as it becomes available, join the FedPayments Improvement Community.

Accomplishments

- Facilitated the collaborative work efforts of the faster payments Governance Framework Formation Team, Secure Payments Task Force, Business Payments Coalition, and ISO 20022 Stakeholder Group
- Published and promoted industry-developed resources on behalf of the Faster and Secure Payments Task Forces including *The U.S. Path to Faster Payments*, payment fraud and risk information sharing data sources, and payment lifecycles and security profiles
- Conducted more than 300 presentations and meetings at domestic and international industry conferences to inform stakeholders of progress and solicit input and participation
- Hosted an educational webinar series on the Federal Reserve's Next Steps paper for 900+ registrants
- Solicited FedPayments Improvement Community participation in work groups focused on faster payments, including the Faster Payments Directories and the Rules and Standards work groups

What's Next

- Initiate enhanced programming, focused on flexibility and engagement, for the 4,000+ FedPayments Improvement Community members, covering initiatives such as the faster payments governance framework, the Secure Payments Task Force's educational resources, electronic invoicing, B2B payments education, and the ISO 20022 migration plan
- Host inaugural FedPayments Improvement Community Forum, an in-person conference open to all members of the FedPayments Improvement Community
- Facilitate opportunities for members of the FedPayments Improvement Community to participate in future work groups focused on faster payments regulatory requirements, payment security improvements, e-invoicing, and ISO 20022
- Continue to participate in industry events to provide opportunities for stakeholders with interest to engage in all payment improvement initiatives





The Road Ahead

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



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