

Faster Payments Task Force Steering Committee Meeting San Francisco, California April 27-28, 2016 Meeting Summary

Welcome and Opening Remarks¹

Gordon Werkema, Payments Strategy Director, opened the Faster Payments Task Force Steering Committee (FPSC) meeting by welcoming the group to the San Francisco Fed and noting the success of the Capability Showcase thus far. Sean Rodriguez, Faster Payments Strategy Leader, welcomed the FPSC to the meeting and announced that the vacant FPSC seat would be filled after the new participation agreements are signed. He noted, as of the meeting, approximately 12 new participants have joined the Faster Payments Task Force (FPTF).

Steve Ledford, The Clearing House (TCH), stated that TCH submitted a solution proposal, jointly with FIS, to the assessment process. He noted that TCH announced their submission publicly in order to show support for the overall FPTF assessment process. Mr. Ledford presented lessons learned from submitting a proposal for an end-to-end process and suggested that no organization alone will be able to build a faster payments solution.

Task Force Final Report

Roy DeCicco, Accredited Standards Committee X9, discussed the draft final report outline, and focused on the section regarding challenges and opportunities associated with realizing faster payments. Kylie Stewart, Project Leader, Federal Reserve Board, reviewed the six major challenges and opportunities themes that had been identified from the breakout sessions at the February FPTF meeting: rules, standards and practices; interoperability; ubiquitous adoption; governance model; security; and post-paper implementation plan. Mr. DeCicco requested FPSC input on whether the outline and themes accurately represent the FPTF's views and whether there are any critical steps missing in the final report process. The FPSC discussed and refined these themes into the following categories for the final report work groups to cover: rules, standards, and practices; interoperability; adoption; governance model; and safety and security. The FPSC suggested the theme on "post-paper implementation plan", could be recast as a separate "next steps" section for the final report. They also noted the Safety and Security Work Group would be a joint work group with members from the Secure Payments Task Force (SPTF).

While several FPSC members noted the themes well represented FPTF input, an FPSC member stated their breakout group concluded that the Qualified Independent Assessment (QIA) of proposals should be released before the FPTF decides which themes to discuss in the challenges and opportunities section of the final report. Mr. Rodriguez and Mr. DeCicco noted the list of themes presented is not final; rather, it is a draft to consider and edit as the final report process moves forward. They indicated that starting the challenges and opportunities discussion early is necessary for the FPTF and broader payments community to stay engaged with the initiative during the months leading up to the QIA release. The FPSC agreed to 1) revisit the challenges and opportunities list after the QIA release, and 2) release interim updates to and periodically receive input from stakeholders on final report progress.

Mr. DeCicco reviewed the draft components of the final report which included: current payments landscape and drivers for change; FPTF proposals; themes from QIA results; challenges and opportunities associated with realizing faster payments; and task force recommendations. The FPSC discussed the draft components in order to determine which components should be presented to the FPTF in May. An FPSC member indicated that the full QIA should be included in the final report, rather

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 Anti-Trust and other applicable laws.

than only general themes. While some FPSC members noted the QIA should be included verbatim, others indicated the FPTF should have an editorial role. The FPSC agreed to present the following draft components of the final report to the FPTF and ask it questions regarding what details should be included in the final report outline: executive summary; introduction; U.S. payments landscape and benefits of safe, ubiquitous, and faster payments; FPTF proposal assessment summary and themes across proposals; challenges and opportunities related to achieving safe, ubiquitous, faster payments; FPTF recommendations; and next steps.

Kandice Alter, Assistant Vice President, Federal Reserve Bank of Chicago, Ms. Alter presented the proposed final report roles and responsibilities for the QIA team, FPSC, FPTF, and Federal Reserve. Several FPSC members agreed the FPTF should provide the content for the final report, with the Federal Reserve playing an editorial role to ensure consistency across sections, particularly because the FPTF may not have the resources to complete the task on its own. Other FPSC members believed the FPTF could be tasked with not only the content of the final report, but also its drafting. The FPSC agreed that the Federal Reserve would draft and publish the final report on behalf of the FPTF, with all content provided by the FPTF, and that the FPSC would have an oversight role. Mr. DeCicco and Ms. Alter also reviewed the proposed roles and responsibilities for the Challenges and Opportunities Work Group. One FPSC member noted the sub-work groups' role could focus more on conducting research in order to aid the broader analysis.

Assessment Process

Kassi Quimby, Associate Director, Federal Reserve Board, and Christina Tetreault, Consumers Union, presented the assessment process timeline and noted that it is subject to change based on the number of solution proposals received. Ms. Quimby stated the QIA is a proposer-driven process in that proposers must affirmatively choose to take part in various steps of the process. She noted the following decisions were made by the QIA Team Advisory Group (AG): proposers must confirm there is no proprietary or confidential information in their proposals, only written materials will be the basis for the assessment, and the SPTF will be able to give feedback on the entire proposal rather than only the security criteria.

Ms. Quimby presented the general principles around AG communications to the FPTF that have been put in place to build confidence and transparency in the process. She noted the AG will meet at least monthly and provide meeting summaries to the FPTF and that communications from the AG will not be shared with the FPSC prior to going to the FPTF. Ms. Quimby also indicated the QIA team will be at the May FPTF meeting to discuss their role in the assessment process.

Ms. Quimby discussed proposed categories for FPTF commentary. She noted the first category, fairness and accuracy assessment, is intended to allow the FPTF to agree or disagree with individual proposal assessments as well as capture general sentiment on whether the FPTF believes the QIA team met its defined objectives and goals. The FPSC determined the category should only focus on individual proposal assessments and a separate category could focus on QIA team performance. The FPSC discussed the second and third categories, enhancements to proposals and broader ecosystem comments and decided they should remain as presented by Ms. Quimby. The FPSC decided to present to the FPTF the following proposed categories: individual proposal assessment evaluation; enhancements to proposals; broader ecosystem comments; and QIA performance against objectives.

Assessment Process – Task Force Engagement Plan

Connie Theien, Vice President, Federal Reserve Bank of Chicago, discussed the objectives and success measures of a proposed assessment process FPTF engagement plan. The objectives focused on maintaining transparency, ensuring consistent communication across groups, reinforcing that the FPTF owns the work products and overall process, and facilitating a process that achieves the desired level of FPTF participation. The FPSC agreed with the objectives as presented to the FPTF, with the addition of an objective to create venues for increasing understanding of the proposed solutions (for example, drop-in calls or breakout sessions to discuss proposals with individual proposers). The FPSC

discussed the proposed success measures and an FPSC member noted the number of FPTF members who participate is less important than whether there are opportunities for voices to be heard and if the process is fair. Several FPSC members agreed the most important success measure focuses on whether the FPTF believes the QIA team met its goals and objectives.

Ms. Theien presented an overview of the proposed FPTF engagement plan that will be presented to the FPTF in May, which includes three phases: education; dialogue and commentary; and insights and implications. The education phase will help FPTF members strategize how they might participate in the review and comment process. Ms. Theien presented two options for the dialogue and commentary phase's formal survey response mechanism and the FPSC chose to allow for an optional segment response rather than a facilitated segment response.

Decision-Making Framework

Ms. Quimby presented a proposed revision to the Decision-Making Framework, based on the feedback provided at the February FPTF meeting.² The revision requires at least six segments to vote "yes" with not more than one segment voting "no". The FPSC agreed to present these changes to the FPTF and call for an official vote.

² In the current Decision-Making Framework, 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.