

In Pursuit of a Better Payment System

Secure Payments Task Force



Secure Payments Task Force Teleconference

April 27, 2016



Welcome and Overview

Todd Aadland

Anti-Trust Compliance Statement

Task Force Participants are expected to ensure that their participation and communications at Task Force meetings do not violate antitrust laws.

This means that no activity or discussion at our meetings or other related functions may be engaged in for the purpose of bringing about any understanding or agreement among participants to do any of the following: (a) raise, stabilize, or set future prices; (b) regulate future production levels among individual participants; (c) allocate geographic markets or customers; (d) encourage boycotts or seek to exclude specific participants; or (e) aid in creating improper monopolies.

In addition, participants should avoid discussing or revealing any individual participant's competitively sensitive information, including any participant's prices, discounts, costs, capacity, inventory, sales, future business plans, or bids for contracts.

Any questions regarding the meaning or applicability of this statement, as well as any concerns regarding activities or discussions at Task Force meetings, should be promptly brought to the attention of counsel for the Federal Reserve Bank, present at the meeting.

Agenda

Time (ET)	Topic	Speaker
3:00 – 3:10 PM	Welcome Remarks	Todd Aadland
3:10 – 3:35 PM	Faster Payments Task Force Qualified Independent Assessment (QIA) Overview	Jon Jeswald
3:35 – 4:00 PM	Task Force Decision-Making Framework	Ed O’Neill
4:00 – 5:00 PM	Segment Calls <i>(All SPTF members will have a second invite with login information—webinar tool and conference bridge—related to their segment)</i> <ul style="list-style-type: none"> • End-Users • Financial Institutions • Non-Bank Providers • Other Industry – Academics, Consultants and, Industry Trade Associations 	Steering Committee Members



Faster Payments Task Force Qualified Independent Assessment (QIA) Overview

Jon Jeswald

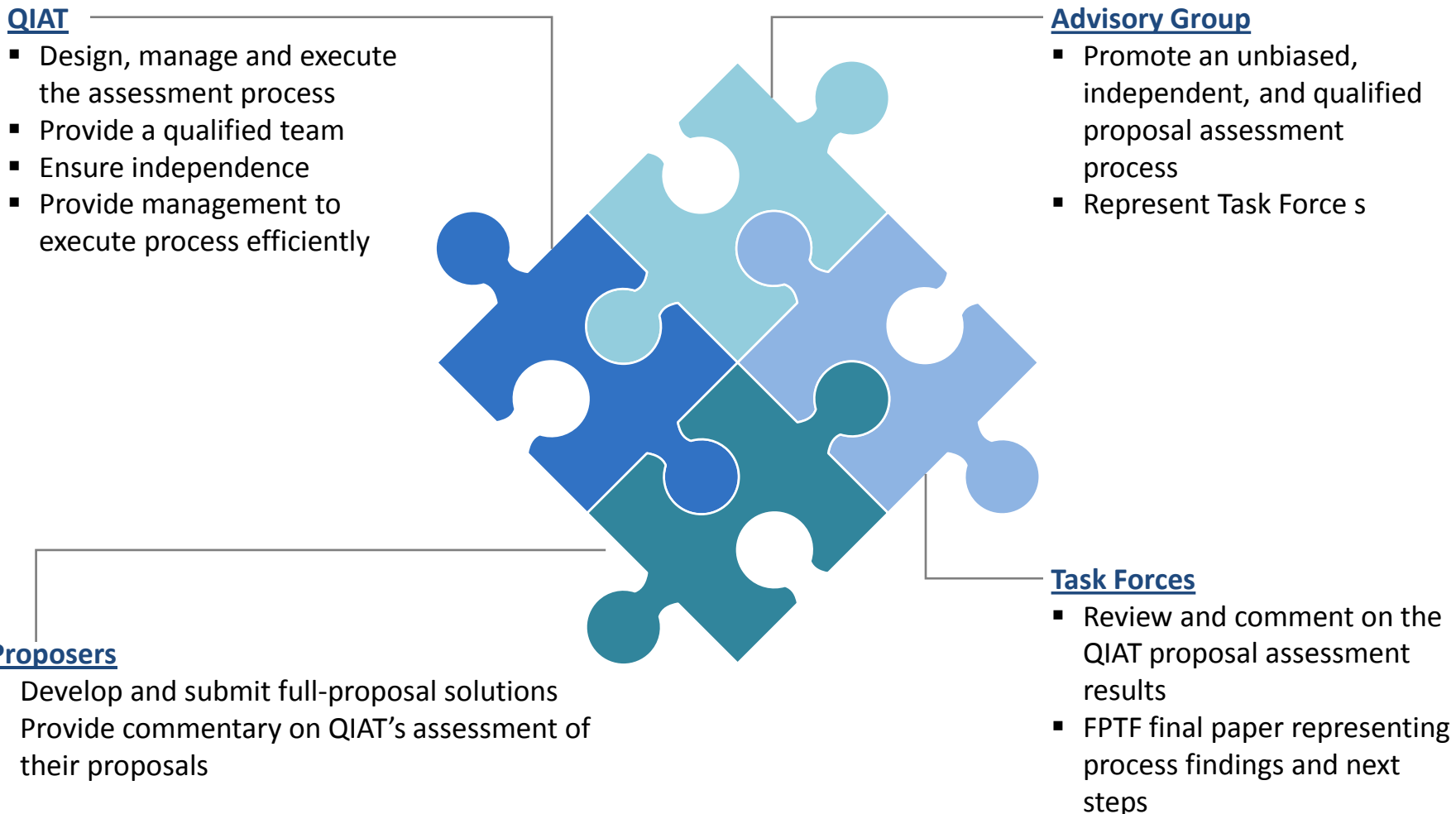
Faster Payments Task Force QIA Process

Overview

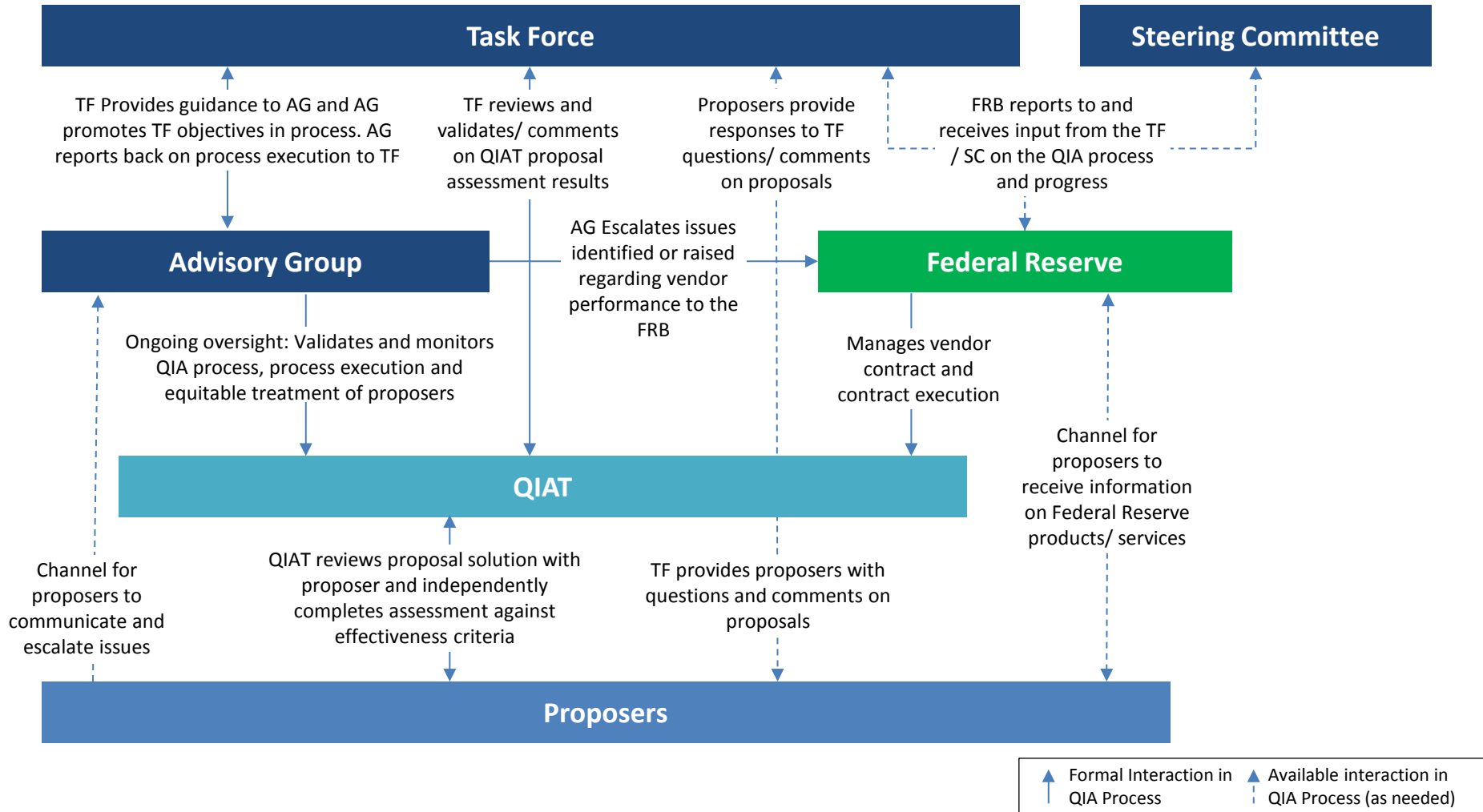
- The Qualified Independent Assessment process is underway
 - As was communicated in late March, the Qualified Independent Assessment Team (QIAT) vendor, McKinsey, has been selected
 - The Advisory Group (AG) has been established and had their first kick-off meeting with the QIAT—Includes Secure Steering Committee Members Trent Addington and Steve Mott
 - QIAT process has been defined and will be available on Knowledge Central
 - Confirmed role of Secure Payments Task Force in review and commentary period of the Assessment Process
 - Proposal acceptance window opened 04/01; deadline 04/30

Faster Payments Task Force Assessment Process Roles Overview

The QIAT, Proposers, Advisory Group and task forces have distinct but connected roles in the proposal assessment process

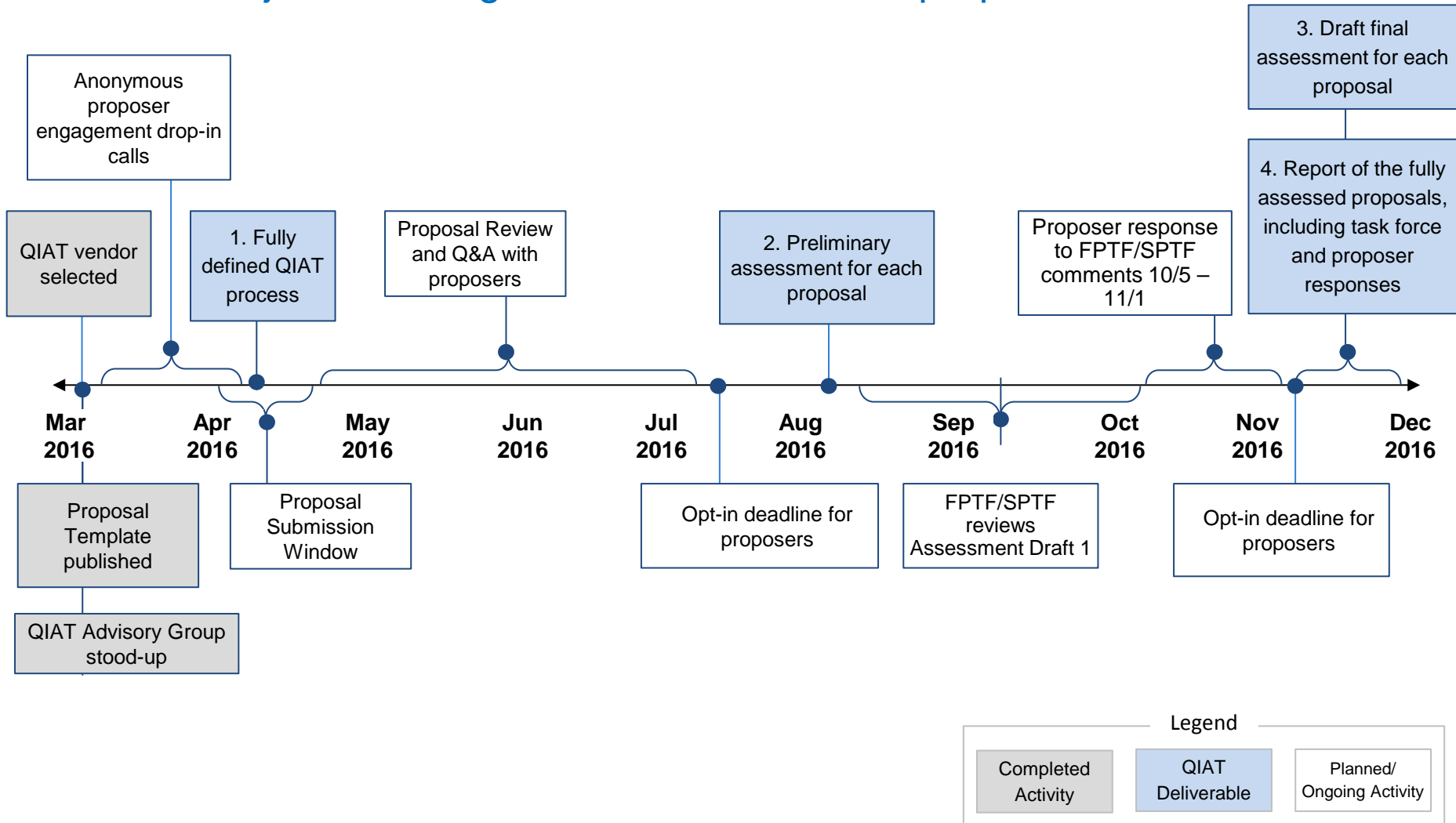


Faster Payments Task Force Assessment Process: Interaction Model

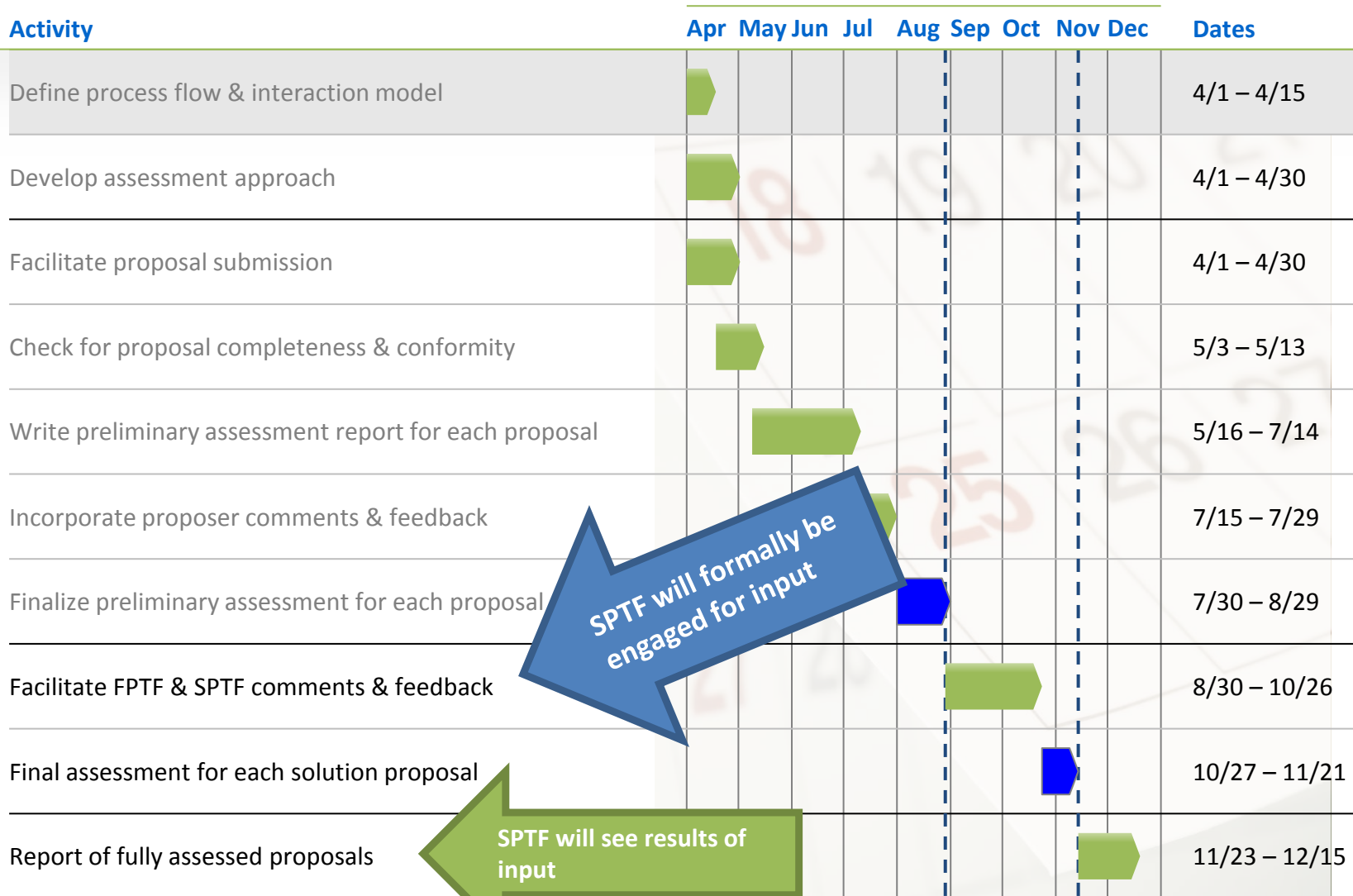


Faster Payments Task Force Assessment Process: Timeline

Subject to change based on number of proposals received



Faster Payments Task Force Overall QIAT Timeline and Milestones 2016



SPTF will formally be engaged for input

SPTF will see results of input

Proposer opt-in points before distribution to TF

NOTE: Timeline assumes 12 proposal submissions enter assessment process. Submissions above 12 will elongate timeline; additional guidance will be provided after submission window has closed. SOURCE: QIAT

Faster Payments Task Force

Close and Next Steps

Next Steps

- ❑ As the Advisory Group meets (at least) monthly with the QIAT, summary updates to the task forces will be provided
 - Kick-off update to include number of proposals and estimated timeline, if shifted
- ❑ Obtain Faster Payments Task Force feedback on the following proposed strategies at the May 18-19 meeting
 - Task Force commentary period approach and focus
 - Engagement strategy that will outline the task force assessment review and commentary focus and expectations, a key component of the assessment process
- ❑ Communicate confirmed commentary approach and engagement plan to both the Secure and Faster Payments Task Forces by mid-late June



Task Force Decision-Making Framework

Ed O'Neill

Decision-Making Framework

On today's call

- Review a summary of the feedback received from the March 2-3 Task Force meeting
- Summarize the revisions to the Decision-Making Framework endorsed by the Steering Committee during their April 12 meeting
- Answer questions on the revised Decision-Making Framework

Where are we with the Decision-Making Framework

- Revised the Decision-Making Framework based on feedback received during the March Task Force meeting
- Obtained Steering Committee endorsement of the revised Decision-Making Framework
- Drafted the Work Group Guidelines and obtained Steering Committee endorsement

Next Steps

- Task Force segment calls
- Seek Task Force consent on the Decision-Making Framework

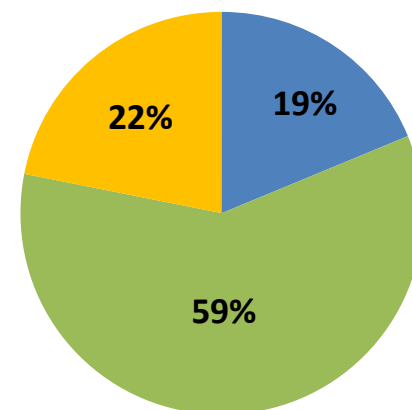
Decision-Making Framework

March 2-3 Secure Payments Task Force Meeting

Flash Poll Results

- ❑ 32 Task Force members voted on March 3
- ❑ The draft of the DMF discussed today is...
 - Close to perfect as is
 - On target, just needs minor revisions
 - Directionally correct but needs major revisions
 - Off target, back to the drawing board
- ❑ Flash Poll Results
 - 78% - Close to perfect or on target with minor revisions
 - 22% - Directionally correct but needs major revisions

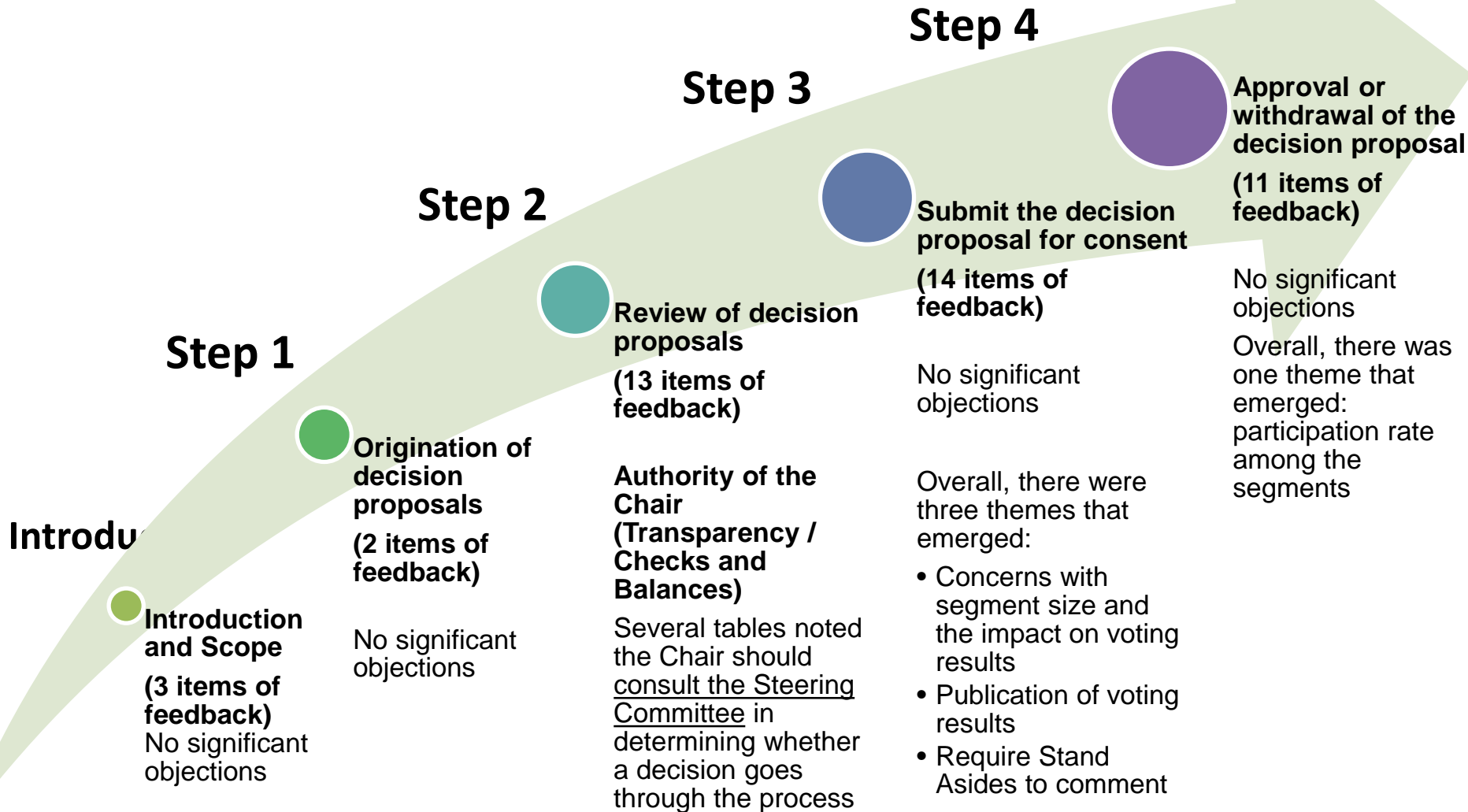
DMF Flash Poll Results March 2-3 TF Meeting



- Close to perfect as is
- On target, just needs minor revisions
- Directionally correct but needs major revisions
- Off target, back to the drawing board

Decision-Making Framework

Task Force Feedback – Observations and Themes



Summary of Revisions

Introduction and Scope

- Added language to clarify how work group products and deliverables will be assessed
- Added a footnote to clarify the Steering Committee will be provided a minimum of one week to review decision proposals and provide feedback to the Task Force Chair

Step 1: Origination of decision proposals

- No revisions were made to this section

Step 2: Review of decision proposal

- Revised this section to address concerns raised by the Task Force regarding the authority of the Task Force Chair and ensuring there is a system of checks and balances
 - Added language to include Steering Committee consultation on whether or not a decision proposal should be subject to super-majority Task Force consent
 - Added language to include Steering Committee review of decision proposals

Step 3: Submit the decision proposal for consent

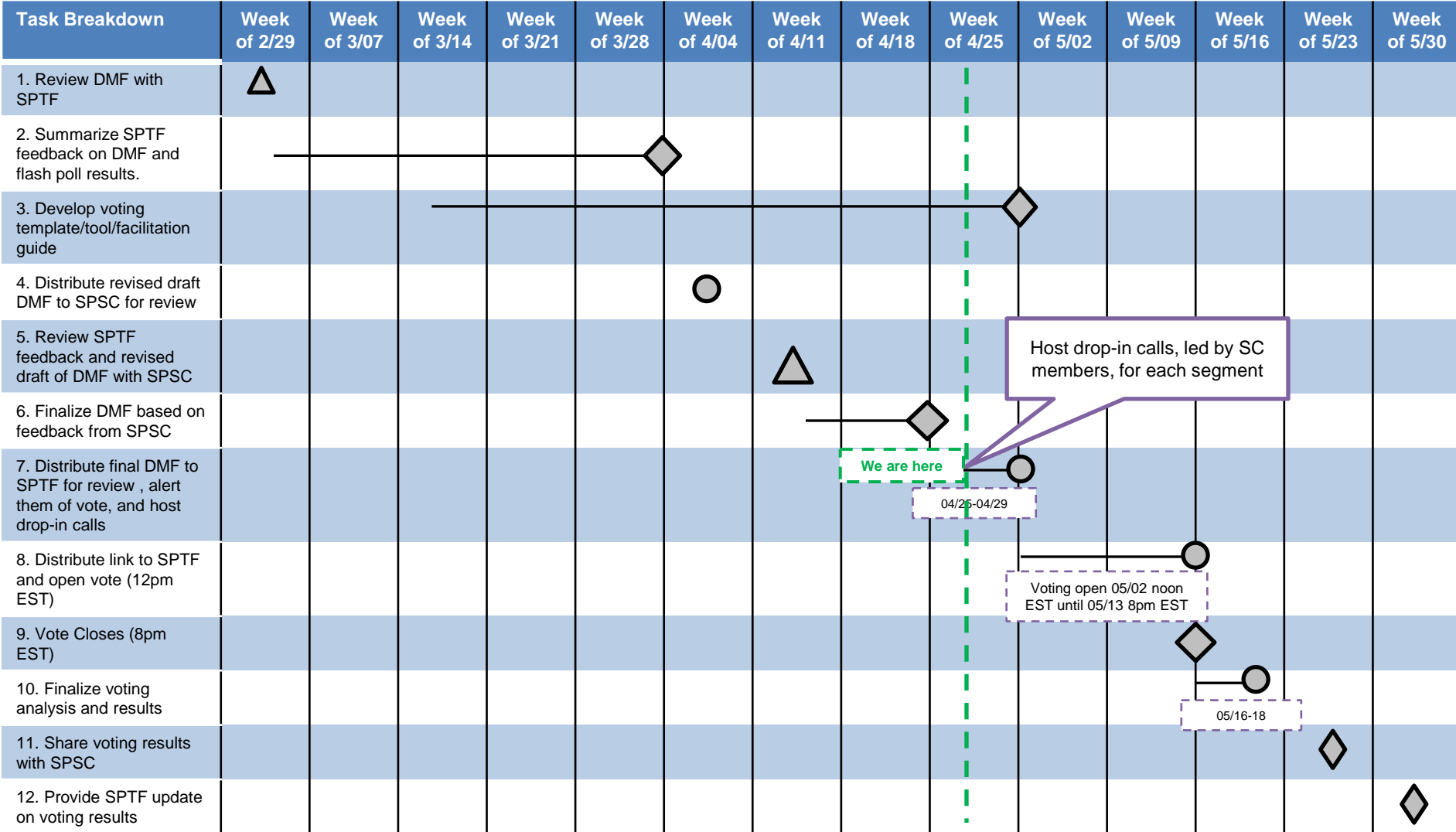
- Clarified that only one vote may be cast per organization and both the name of the individual and name of the company/organization will be made public with voting results
- Updated this section to state vote will remain open for 10 business days (versus 8)

Step 4: Approval or withdrawal of the decision proposal

- Added language to state that the Task Force Chair will review the overall participation and stand aside rates when determining whether or not to re-submit a decision proposal.
- Added language to state the Task Force Chair will provide a brief explanation to the Task Force if a decision proposal is re-submitted and will exercise discretion and caution regarding the number of times a decision proposal is re-submitted
- Clarified that majority consent is >50%

Proposed Decision-Making Framework Timeline

○ Interim Milestone ◇ Milestone △ Meeting



Steering Committee Hosted Segment Calls

Purpose

- Provides a forum to discuss any questions or comments on the Decision-Making Framework with your Steering Committee member(s) and peers

Intent

- Promote participation in the upcoming Task Force Decision-Making Framework vote
- Answer any questions before votes are cast May 2 - 13

Next Steps

- Join your specific segment call immediately following our Task Force meeting (i.e., 4:00-5:00 p.m. ET)
- Check your e-mail for a second invite highlighting your segment call dial-in number and webinar link

Thank you for attending the Fed hosted portion of the teleconference!

If you have any questions or problems finding your segment call information, contact us at SecurePaymentsTaskForce@chi.frb.org



Task Force Decision-Making Framework Detailed Feedback for Reference

Appendix

Decision-Making Framework

Introduction and Scope

Summary of Feedback	3 pieces of feedback received, with no specific themes	
Themes Identified	No specific themes identified	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
<p>Work group lead sign off:</p> <ul style="list-style-type: none"> How does the work group play into the process How is the Steering Committee leveraged? 	<p>Work group decision making guidelines will be developed separately from the Task Force Decision-Making Framework. Additional clarity on the role of the Steering Committee was included in the revised DMF. Footnote was added to state the Steering Committee will be provided a minimum of 1 week to review decision proposals and provide feedback to the Task Force Chair</p>	Yes
<p>Greater understanding of eligible/appropriate work products. Notion that it may not be a “complete” solution/product</p>	<p>Changes were made to the revised DMF to state work products and proposals will be assessed to ensure they meet the desired outcomes stated in the Strategies for Improving the U.S. Payment System paper, do not introduce legal or policy issues, and provide viable and valuable information to the Task Force and/or the broader payments industry. Work products will be defined by the Task Force Work Groups and/or the originators of a decision proposal</p>	Yes
<p>Proposal to hold election/re-election of Work Group Chair and Vice Chair roles after 1 year and at each anniversary; decided by the Task Force</p>	<p>Selection of Work Group Chairs and Vice Chairs is currently out of scope for the Task Force DMF</p>	No

Decision-Making Framework

Step 1: Origination of Decision Proposals

Summary of Feedback	2 pieces of feedback received, with no specific themes	
Themes Identified	No specific themes identified	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Task Force members can originate proposals. Proposal to add Task Force participants – a work group can originate a proposal	Task Force Work Groups are comprised of Task Force members/participants and are chaired by a Steering Committee member. The Work Group Chair will work with the respective members of the Work Group to draft and submit a decision proposal	Already addressed in the current DMF
How does this differ between Faster and Secure? Redline would be helpful. How did it work the first time/highlight changes	<p>The Secure DMF was based off the Faster DMF and updated for Secure Task Force specific items. Current differences between the two frameworks include:</p> <ul style="list-style-type: none"> • Scope: The scope of the Faster Payments and Secure Payments DMFs are specific to their respective deliverables (e.g. Faster scope includes minimum viable requirements for solutions; Secure scope includes final work products/deliverables from Task Force work groups) • Secure Payments DMF now includes a clause that the TF Chair will provide a brief explanation to the Task Force if a decision proposal is re-submitted for review. Faster DMF does not include this clause • Stakeholder segment voting results: Faster DMF requires majority consent from 7 of the 8 segments; Secure DMF requires majority consent from all participating stakeholder segments less one 	No

Decision-Making Framework

Step 2: Review of Decision Proposals

Summary of Feedback	13 pieces of feedback received	
Themes Identified	Authority of the Chair - Transparency / Checks and Balances (7 of the 13 items of feedback)	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
No objection but why not allow Steering Committee members to allow a decision to go through the process?	Based on the feedback provided by the Task Force, the DMF has been revised to include Steering Committee consultation and review of decision proposals	Yes
Why Chair determine if subject to super majority? What is the criteria for making that decision?		
Chair should need to consult the Steering Committee before/as part of determining whether or not a proposal is sufficient to go under decision making framework		
Chair is the only one that decides whether a proposal is in scope – get a simple majority of Steering Committee to not move forward on a proposal		
Sole decision making power in the hands of the Task Force Chair is not desirable – all proposals should go to the Steering Committee		
Task Force Chair should not have unilateral say on all proposals. Caveat – depends on the alternate decision rule. Does not allow for unilateral decision		
Who is defining the alternate decision rule?		

Decision-Making Framework

Step 2: Review of decision proposals

Summary of Feedback	13 pieces of feedback received	
Themes Identified	6 of the 13 items of feedback did not have a specific theme	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
If the Task Force Chair determines something does not go through the Decision-Making Framework is there transparency around that (e.g. written notice to the Task Force?)	Under the newly proposed language in Section 2, the Task Force Chair will consult with the Steering Committee on whether or not a decision proposal is subject to the DMF.	Yes
Clarification needed - Can the Task Force Chair block a proposal from going through the Decision-Making Framework?	Revised DMF states that the Chair, in consultation with the Steering Committee, will determine if a decision proposal is subject to the DMF	Yes
Not clear on “what else” the Task Force Chair would review and not bring to the Decision-Making Framework	This statement is intended to cover any other items that are raised to the Task Force Chair that may require Task Force super majority consent. The Task Force Chair will consult the Steering Committee on all decision proposals	Yes

Decision-Making Framework

Step 2: Review of decision proposals

Summary of Feedback	13 pieces of feedback received
Themes Identified	6 of the 13 items of feedback did not have a specific theme

Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Some segments may not be represented on a Work Group and will not have the opportunity to comment on a decision proposal prior to consent. Give segments not represented on a Work Group a window of time to review/question Work Group decision proposal	Work Group membership is open to all Task Force members. Work Groups will be providing periodic updates on progress to the full Task Force and will be engaging the Task Force prior to submitting a decision proposal. Current DMF allows for Task Force feedback prior to a Task Force vote	No
Decision proposal term is confusing	This term is defined in the Introduction and Scope and is consistent with the Faster Payments Task Force DMF	No
How complete does the decision proposal need to be and how does it surface/tie into the Work Groups/Sub-Groups?	Work Groups will have separate processes for making decisions within their respective groups. Final work products from the work groups will be drafted as decision proposals for review by the Task Force Chair and Steering Committee	No

Decision-Making Framework

Step 3: Submit the decision proposal for consent

Summary of Feedback	14 pieces of feedback received	
Themes Identified	<ul style="list-style-type: none"> • Concerns with segment size and the impact on voting results (8 of the 14 items of feedback) • Publication of voting results (3 of the 14 items of feedback) • Require Stand Asides to comment (2 of the 14 items of feedback) 	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Segments with only a few members give a few individuals disproportionate power (e.g. ability of only a few individuals to stop a proposal is problematic). Require a simple majority participation rate for each segment	<p>Task Force composition is subject to change over time and the Task Force Chair has the ability to seek broader support for a decision proposal based on the voting results. Please refer to the Appendix for details on Task Force composition by voting segment</p> <p>Options to consider:</p> <ol style="list-style-type: none"> 1. Keep the DMF as is, recruit additional members in smaller segments and monitor going forward 2. Revise the DMF to require majority consent in all participating segments less two (versus “less one”). 	No
Concern around the size of segments; some are very small. Proposed modifications include: (a) Combine smaller segments; (b) Recruit more members into the smaller segments; (c) Require a minimum segment size (specific number of members per segment) to be able to have a veto; (d) Address when it becomes an issue		
Should reconcile differences in segment representation to ensure ideas from a segment that is over-represented in a work group aren't over-ruled by the Task Force. Accommodate under-represented segments		
Concern with a segment that does not consent. For example, consumers in Faster Payments Effectiveness Criteria 77% participation rate and 97% endorsement despite lack of endorsement from end-user group		

Decision-Making Framework

Step 3: Submit the decision proposal for consent

Summary of Feedback	14 pieces of feedback received	
Themes Identified	<ul style="list-style-type: none"> • Concerns with segment size and the impact on voting results (8 of the 14 items of feedback) • Publication of voting results (3 of the 14 items of feedback) • Require Stand Asides to comment (2 of the 14 items of feedback) 	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
<p>Concerned about the small segment "power." Standardize segment size in support of the Framework. Need to make the segments more even/add more people</p> <p>One segment should not have veto ability (Note: feedback was provided under Step 4)</p> <p>Two sparsely populated segments could block a proposal (as few as 2 people in an extreme case). If there is a sparsely populated segment, get more members or combine with another segment to prevent "blocking" by a very small number of people (Note: feedback was provided under Step 4)</p> <p>If you are in a segment that objects and are over-ridden, you should be able to register a formal objection to the Task Force Chair. Change the 50% + 1 rule for segments with 5 or less members - should not be counted in the participating segment count (Note: feedback provided in Step 4)</p>	<p>Task Force composition is subject to change over time and TF Chair has the ability to seek broader support for a decision proposal based on the voting results. Please refer to the Appendix for details on Task Force composition by voting segment</p> <p>Options to consider:</p> <ol style="list-style-type: none"> 1. Keep the DMF as is, recruit additional members in smaller segments and monitor going forward 2. Revise the DMF to require majority consent in all participating segments less two (versus "less one"). 	No

Decision-Making Framework

Step 3: Submit the decision proposal for consent

Summary of Feedback	14 pieces of feedback received
Themes Identified	<ul style="list-style-type: none"> Concerns with segment size and the impact on voting results (8 of the 14 items of feedback) Publication of voting results (3 of the 14 items of feedback) Require Stand Asides to comment (2 of the 14 items of feedback)

Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Propose to include name of individual, name of organization and segment represented in the voting results or making voting results anonymous	The name of the individual and name of the company/organization will be made public with voting results. The Company/Organization name for each Task Force member is already publicly available on FedPaymentsImprovement.org	Yes
Make voter company/organization easily transparent (not just the name of the person)		
Publicizing a participant's vote is a concern – comments are fine. Publish that a member participated in a vote and include their comments and proposed alternatives but do not publish the actual vote (e.g. Consent, Stand Aside, Object)		

Decision-Making Framework

Step 3: Submit the decision proposal for consent

Summary of Feedback	14 pieces of feedback received
Themes Identified	<ul style="list-style-type: none"> Concerns with segment size and the impact on voting results (8 of the 14 items of feedback) Publication of voting results (3 of the 14 items of feedback) Require Stand Asides to comment (2 of the 14 items of feedback)

Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Stand Asides should be required to comment	The current DMF allows the option to provide comments if an individual stands aside	No
Stand Aside may be chosen because an individual does not have enough knowledge of the subject. Require Stand Asides to include comments (e.g. change from "may choose to submit comments" to "should comment") and give options on why they Stand Aside (e.g. business policy, lack of knowledge on the specific subject, conflict of interest, other)		

Summary of TF Feedback	14 pieces of feedback received
Themes Identified	1 of the 14 items of feedback did not have a specific theme

Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
Extreme measure is too discouraging for Object – remove “extreme measure” sentence under “Object” vote; not needed and seems extreme	The current language is consistent with the Faster Payments Task Force DMF and is intended to provide clarity on when objections should be raised	No

Decision-Making Framework

Step 4: Approval or Withdrawal of the Decision Proposal

Summary of Feedback	11 pieces of feedback received	
Themes Identified	Participation rate among the segments (4 of the 11 items of feedback)	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
No minimum participation rate (both for full Task Force and by Segment). Require a simple majority participation rate for each segment and for the full Task Force	Participation rate will be reviewed by Task Force Chair (in consultation with the Steering Committee) to determine whether or not broader support may be needed. Task Force members and segments that do not participate will not be counted towards the overall consent rate	No
No minimum number # of members per segment is required to have a veto. Require a minimum number of members per segment to have a veto (e.g. less 1 and must constitute a specific #/% of members to have a veto)		
No minimum participation rate. Make for a minimum # of "active" voters (either Consent or Object) excluding Stand Aside (e.g. Stand Aside not to exceed 50%)		
Current framework allows for segments to not participate in an proposal vote. Require participation from every segment		

Decision-Making Framework

Step 4: Approval or Withdrawal of the Decision Proposal

Summary of Feedback	11 pieces of feedback received	
Themes Identified	7 of the 11 items of feedback did not have a specific theme	
Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
A large number of stand asides should be flagged to the Task Force Chair	Agree with this comment – the current DMF states the Task Force Chair has the ability to request broader support of a decision proposal based on voting results	Already addressed in the current DMF
Nothing requires the Task Force Chair to provide an explanation to re-submit the proposal for revision. Notify the full Task Force of the reason for proposals resubmitted for review	The revised DMF includes a statement that the Task Force Chair will include a brief explanation if a proposal is re-submitted for review	Yes
Number of times a proposal can be re-discussed/put forward for a decision. Propose that # of times a proposal can be submitted for decision is 2. If significant improvement on 2nd vote; goes to Steering Committee for review and approval prior to a 3rd vote	The revised DMF includes a clause stating the Task Force Chair will use discretion and caution regarding the number of times a decision proposal is re-submitted for review	Yes
In the case where a decision proposal is not ready for approval, the last paragraph is too vague. Need more criteria and specifics on the "nature and number of objections" to resolve - how to prioritize or fix all	The revised DMF includes a statement to clarify the Task Force Chair will include a brief explanation if a proposal is re-submitted for review. Added language to state that the Task Force Chair will review the overall participation and stand aside rates when determining whether or not to re-submit a decision proposal.	Yes
More understanding of additional work after a proposal is approved or withdrawn after the call for consent	The revised DMF includes a statement to clarify the Task Force Chair will include a brief explanation if a proposal is re-submitted for review	Yes

Decision-Making Framework

Step 4: Approval or Withdrawal of the Decision Proposal

Summary of Feedback	11 pieces of feedback received
Themes Identified	7 of the 11 items of feedback did not have a specific theme

Task Force Feedback (Verbatim)	Federal Reserve Response	Revision to DMF
If approved, there should not be any modification - strike"; or Based on the nature and number of objections raised by Task Force members...revise decision proposal to address concerns"	The current DMF states the Task Force Chair has the ability to request broader support of a decision proposal based on voting results	No
Might where there be a situation Secure Payments Task Force endorsed a decision proposal but the Faster Payments Task Force overrides/rejects the same proposal?	This DMF is specific to the Secure Payments Task Force decision proposals. It may be possible for this situation to occur if the same decision proposal is brought to both the Faster and Secure Payments Task Forces	No

Decision-Making Framework

Additional Changes to the DMF

- Additional changes were made to the DMF (separate from the Task Force feedback) and are summarized in the table below

Section of the DMF	Description of Modification
Introduction and Scope	Non-substantive working changes were made to this section
Step 3: Submit the decision proposal for consent	The second footnote was updated to state the voting tool will remain open for 10 business days (as opposed to 8 business days). This will allow two full working weeks for Task Force members to vote on a decision proposal
Step 3: Submit the decision proposal for consent	A paragraph was added to clarify that only one vote may be cast per company/organization that has signed the Secure Payments Task Force Participation Agreement. Clarified that a delegate may not cast a vote under the Task Force Decision-Making Framework
Step 4: Approval or withdrawal of the decision proposal	Clarified that majority consent is ">50%"
Process Flow	Updated the process flow to reflect the revisions to the Decision-Making Framework
Examples of voting results	Non-substantive wording changes were made to this section

Decision-Making Framework

Task Force Composition (as of 2/2/16)

The table below provides a comparison of the Secure Payments Task Force and Faster Payments Task Force voting segment composition

Voting Segment	Secure Payments Task Force		Faster Payments Task Force	
	# Members	% of Total	# Members	% of Total
Business End-User	6	3%	13	4%
Consumer Interest Organizations	3	2%	8	2%
Government End-Users	2	1%	2	1%
Large Financial Institutions	15	8%	20	6%
Medium Financial Institutions	22	12%	51	16%
Small Financial Institutions	21	11%	35	11%
Non-Bank Providers	61	33%	89	28%
Other Industry Stakeholders	57	30%	104	32%
Total	187	100%	322	100%