

Secure Payments Task Force April 27, 2016 Call Summary

Welcome and Restated Participation Agreement¹

Todd Aadland, Payments Security Strategy Leader, opened the Secure Payments Task Force (SPTF) call and reviewed the meeting objectives and agenda. Mr. Aadland stated that the SPTF has made significant progress to date, highlighting the launch of two workgroups and the Standards Assessment Team.

Faster Payments Task Force Update

Jon Jeswald, Vice President, Federal Reserve Bank of San Francisco, provided an update on the Faster Payments Task Force (FPTF) Qualified Independent Assessment Team (QIAT) process to evaluate for full end-to-end faster payment system proposals. Mr. Jeswald stated that the assessment process is currently underway, highlighting that FPTF members have until April 30 to submit proposals. He noted that the QIA Advisory Group (AG) recently held its initial kick-off meeting with McKinsey & Company, the selected QIAT vendor.² Mr. Jeswald also reviewed the roles and responsibilities of the various stakeholders involved in the assessment process – including proposers, the QIAT, the AG, and both task forces – as well as an interaction model showing the points of collaboration among these parties. Mr. Jeswald highlighted that the SPTF would be formally engaged in August to provide input on security issues once the QIAT firm completes its preliminary assessment of proposals. Mr. Jeswald underscored that although the Federal Reserve has administrative responsibility for the contract with McKinsey & Company, the Federal Reserve will maintain a very limited role in the QIAT process to ensure that it does not drive outcomes. To that end, Federal Reserve staff – with the exception of three people to oversee contract execution – will not have access to the proposals during the preliminary QIAT period. Mr. Jeswald also reviewed the QIAT timeline, key milestones, and next steps, noting that some of the deadlines may need to be adjusted depending on the number of proposals submitted.

Mr. Jeswald solicited questions from SPTF members regarding the QIAT process. One SPTF member inquired whether there is a gating mechanism to limit the number of proposals that advance through the process. In response, Mr. Jeswald stated that the assessment process is inclusive – underscoring that there is no mechanism to inhibit proposals from entering or advancing through the process – but noted that proposers have the opportunity to voluntarily drop their proposals from the process at various points. In response to a question, Mr. Jeswald clarified that only those that have signed the FPTF participation agreement are eligible to submit proposals for QIAT. One SPTF member raised a concern that it will be difficult for the SPTF to provide feedback on the QIAT results in August since there are no in-person task force meetings scheduled between July and October. In response, Mr. Aadland noted that the SPTF would have the opportunity to submit feedback through other channels.

Task Force Decision-Making Framework

Ed O'Neill, Federal Reserve Bank of Chicago, reviewed the feedback received on the SPTF Decision-Making Framework (DMF) during the March 2-3 meeting.³ He summarized the results of a flash poll administered during the meeting, noting that 78 percent of voters believed the framework was near

¹ Mr. Aadland also reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

² The AG was established to provide oversight and counsel to the selected QIA firm and is composed of Steering Committee members of both task forces.

³ The purpose of the DMF is to approve SPTF processes, initiatives, and work products that require supermajority consensus of the task force.

perfect or needed only minor revisions.⁴ Mr. O'Neill also reviewed key themes and observations that emerged from table top discussions during the meeting, highlighting that the task force raised no significant objections on four of the five steps listed in DMF. He stated that SPTF members raised one significant issue on step two (review of decision proposals) regarding the need to balance the authority of the Task Force Chair during the proposal screening process. To address this concern, Mr. O'Neill highlighted the revisions to the DMF specifying that the Steering Committee will review proposals and consult with the Task Force Chair during the screening process. Mr. O'Neill provided a brief summary of other substantive revisions made to the DMF, noting that the appendix of the discussion guide includes an exhaustive list of the feedback received on the DMF and resulting revisions.⁵ Mr. O'Neil also reviewed the timeline to finalize the DMF, noting that SPTF members will have the opportunity to discuss the revised Decision-Making Framework during segment calls following the teleconference and that the voting period to approve the DMF will run from May 2-13. He also noted that the Work Group Guidelines – which clarify how final work group deliverables will be submitted through the DMF process for full Task Force approval – were recently finalized and will be distributed to the SPTF in the coming weeks. In response to a question, Mr. O'Neill discussed the Steering Committee's proposal to focus on recruiting additional members in small segments in lieu of modifying the DMF to have segment-specific participation rates.

Closing Comments

Mr. Aadland thanked Mr. Jeswald, Mr. O'Neill, and meeting attendees for their participation. He stated that segment calls would begin immediately following the close of the teleconference, noting the opportunity for segments to discuss and address any questions regarding the DMF prior to moving it forward for a vote.

⁴ During the March 2-3 meeting, SPTF members were asked to respond to the statement: "The draft of the Decision-Making Framework discussed today is..." The results are as follows: Close to perfect as is (19%); On target, just needs minor revisions (59%); Directionally correct but needs major revisions (22%); Off target, back to the drawing board (0%). Thirty two members responded to the poll.

⁵ Mr. O'Neill also noted a few non-substantive and clarifying changes made to the DMF following the March 2-3 meeting.