

# In Pursuit of a Better Payment System

Secure Payments Task Force



## Secure Payments Task Force Decision-Making Framework May 13, 2016

## Introduction and Scope

This document describes the decision-making framework for the Secure Payments Task Force (“Task Force”) that will be applied to Task Force work products requiring a super majority Task Force consensus. Task Force work products and proposals will be assessed to ensure they support 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. Task Force work products that do not require a super majority consensus will be subject to alternate decision rules to be developed separately from this framework. This framework will guide how the Task Force generates support for and approval of key Task Force processes, initiatives and work products (collectively referred to as “Decision Proposals”).

Decision Proposals subject to this framework include:

- The decision-making framework
- The final work products and deliverables produced by Task Force work groups
- Any other Decision Proposal that the Secure Payments Task Force Chair (“Chair”), in consultation with the Steering Committee<sup>1</sup>, believes would benefit from a super majority Task Force consensus

There will be separate decision processes established for certain tasks where it would not be appropriate, as determined by the Chair in consultation with the Steering Committee, to require a super majority consensus. For example, it would be burdensome to require such a high level of consensus to sanction the creation of a Secure Payments work group or selection of work group chairs and vice-chairs. Likewise, the framework does not apply to any administrative, routine or other items as decided by the Chair.

## Decision-Making Framework Process

### Step 1: Origination of Decision Proposals

Decision Proposals may originate from the following:

- Chair
- Steering Committee
- Task Force<sup>2</sup>

### Step 2: Review of Decision Proposal

Upon receipt of a Decision Proposal, the Chair will consult with the Steering Committee to determine whether the proposal should be subject to super majority consensus. Decision Proposals determined by the Chair, in consultation with the Steering Committee, to be out of scope for this framework may be subject to an alternate decision rule. The alternate decision rule will be determined by the Chair, in consultation with the Steering Committee. For Decision Proposals determined to be in scope for this framework, the Chair may work with the originator(s) of the Decision Proposal to incorporate the Chair’s feedback and/or feedback from the Steering Committee (when applicable) prior to sharing the proposal

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<sup>1</sup> Throughout the decision-making framework process, the Chair will provide the Steering Committee a minimum of one week to review Decision Proposals and provide feedback to the Chair. The Federal Reserve will provide the tools and mechanisms for the Steering Committee to provide their feedback. The Steering Committee members will make a best effort to provide feedback on Decision Proposals within the time allotted.

<sup>2</sup> Task Force members may sponsor and submit Decision Proposals on behalf of members of the broader FedPayments Improvement Community (“Community”).

with the Task Force. Draft Decision Proposals will be shared with the Steering Committee for review, feedback and possible revision.

Following the Steering Committee review and upon the Chair's satisfaction, the Decision Proposal will be shared with the full Task Force and the Community (when appropriate) for feedback and to identify concerns. The Federal Reserve will provide forums and/or mechanisms (meetings, calls, surveys, etc.) for Task Force members and the Community to provide feedback. Task Force members will be encouraged to express areas of dissent and suggest possible alternatives early in the process to increase the likelihood that minority views can be addressed in future revisions.

Following the feedback period, the Chair may request revisions to the Decision Proposal to incorporate feedback and/or address concerns. As part of this determination, the Chair may request the Steering Committee review and provide feedback on the Decision Proposal. The Chair will exercise discretion and caution when determining whether additional rounds of Steering Committee, Task Force and Community feedback (and revision, if appropriate) are necessary.

Upon completion of the feedback period(s) and any applicable revisions, the Chair, in consultation with the Steering Committee, will determine whether or not the Decision Proposal is sufficiently developed and should be put forward for Task Force consent.

### Step 3: Submit the Decision Proposal for consent

Upon determination from the Chair that the Decision Proposal is sufficiently developed, the Chair will issue a call for consent to the Task Force. Each Task Force member will be requested to take one of the following actions on the Decision Proposal<sup>3</sup>:

- Consent
  - A Task Force member may choose to consent when they agree to proceed with the Decision Proposal. Consent does not mean that a Decision Proposal is the Task Force member's preferred option – rather, it means that the Task Force member is willing to accept the Decision Proposal. Task Force members who consent to the proposal will have the option to submit comments regarding their consent.
- Stand Aside<sup>4</sup>
  - A Task Force member may choose to stand aside if they do not “consent” or “object” to the Decision Proposal. Task Force members that stand aside may choose to submit comments specific to the Decision Proposal.
- Object
  - A Task Force member may choose to object if they do not accept the Decision Proposal as presented. Objections are generally considered an extreme measure—only used when a member feels a Decision Proposal violates the mission of the Task Force (i.e., a principled objection). To be counted as a valid objection, a Task Force member who

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<sup>3</sup> Votes of each Task Force member, as well as Task Force member's Company/Organization name, accompanying comments, count by segment, and summary results will be published on FedPaymentsImprovement.org. The voting tool will remain open for a minimum of 10 business days.

<sup>4</sup> Stand Aside votes will not be factored into the overall consent rate.

“objects” to a Decision Proposal will be required to declare their concerns and suggest an alternative approach.<sup>5</sup>

Only one vote may be cast per Company/Organization that has signed the Secure Payments Task Force participation agreement. The vote must be cast by the registered Task Force member. Delegates from an organization that are participating on Task Force Work Groups may not cast a vote under this decision-making framework.

Task Force members that do not cast a vote (“no response”) will not be factored into the overall consent rate for the Decision Proposal.

Voting results will be reviewed across the entire Task Force as well as across the stakeholder segments. Stakeholder segments, for purposes of this decision-making framework, align with segments allocated to one or more discrete Steering Committee seats as follows:

- Large Financial Institutions (> \$90 billion assets)
- Medium Financial Institutions (\$1 billion to \$89 billion assets)
- Small Financial Institutions (< \$1 billion assets)
- Government End Users (operations not regulator)
- Business End Users
- Consumer Interest Organizations
- Non-Bank Providers (including non-bank service providers, technology solution providers / processors and network operators)
- Other Stakeholders (including industry trade organizations, regulators, payment rules and standards organizations/groups, consultants, academics and any other segments not previously mentioned)

#### Step 4: Approval or withdrawal of the Decision Proposal

For a Decision Proposal to be approved all of the following criteria must be met:

- 2/3 or more of the voting Task Force members must consent
- A majority consent (>50%) is achieved within each participating stakeholder segment with no more than one segment objecting a Decision Proposal:
  - The overall consent rate does not include Stand Asides and members that did not vote (“no response”). To be included in the total stakeholder segment tally, the segments must have at least one “consent” or “object” vote. If an entire stakeholder segment Stands Aside and/or does not vote (“no response”) that segment will not be factored into the total stakeholder segment tally.

If the Decision Proposal is approved, the Chair will decide to either:

- Record the Decision Proposal as approved and final<sup>6</sup>; or
- Based on a review of the overall participation and stand aside rates and the nature and number of objections raised by Task Force members, or concerns expressed through the Community (and the rate of participation in the vote), assign Task Force/Steering Committee members, work group chairs and/or Federal Reserve staff to revise the Decision

<sup>5</sup> Declared concerns and proposed alternatives of each Task Force member, if any, will be published on FedPaymentsImprovement.org. Objections without declared concerns and proposed alternatives will not count in the vote tally.

<sup>6</sup> Subsequent Decision Proposals can be made to replace or modify any previously approved Decision Proposal.

Proposal to address the concerns. If the Decision Proposal is re-submitted for review, the Chair will provide a brief explanation to the Task Force stating the reasons for re-submitting the Decision Proposal. When the revised Decision Proposal is deemed ready by the Chair, it will be re-submitted to the Task Force for a new call for consent, thus repeating the process from that point forward. The Chair will exercise discretion and caution regarding the number of times a Decision Proposal is re-submitted for review.

After Task Force approval, the Chair will have discretion to make non-substantive changes to the Decision Proposal before finalizing. Examples of non-substantive changes include formatting changes, grammar/punctuation changes, clarifications or examples that do not change meaning, or removing extraneous or redundant phrases.

If more than 1/3 of voting Task Force members or a majority of voting Task Force members in more than one participating stakeholder segment object to a Decision Proposal, it is not ready for Task Force approval. In this case, the Chair will decide to either

- Withdraw the Decision Proposal; or
- Based on a review of the overall participation and stand aside rates and the nature and number of objections raised by Task Force members, or concerns expressed through the Community (and the rate of participation in the vote), assign Task Force/Steering Committee members, work group chairs and/or Federal Reserve staff to revise the Decision Proposal to address the concerns. If the Decision Proposal is re-submitted for review, the Chair will provide a brief explanation to the Task Force stating the reasons for re-submitting the Decision Proposal. When the revised Decision Proposal is deemed ready by the Chair it will be re-submitted to the Task Force for a new call for consent, thus repeating the process from that point forward. The Chair will exercise discretion and caution regarding the number of times a Decision Proposal is re-submitted for review.

Decision-Making Framework Process Flow



## Decision-Making Framework Process – Examples of Voting Results (Sample data used - for illustration purposes only)

The following examples illustrate potential voting results whereby the Task Force recommends approving the Decision Proposal. Per the framework, the Chair has the discretion to record the proposal as approved and final, or if broader support is desired, the Chair may request revisions to the proposal. Revised Decision Proposals will be re-submitted for consent.

Example 1: In this example, 75% of all Task Force members participated in the vote and the Decision Proposal received a 90% consent rate as well as majority consent from 8 of the 8 participating stakeholder segments indicating Task Force approval.

	A	B	C	D	E	F	G	H	I
	#	#	#	#	#	Participation Rate	Consent Rate	Object Rate	Stand Aside Rate
Voting Segment	Members	No Response	Consent	Object	Stand Aside	[(C+D+E) / A]	[C / (C + D)]	[D / (C + D)]	[E / (C + D + E)]
Business End Users	6	5	1	0	0	17%	100%	0%	0%
Consumer Interest Organizations	3	0	1	0	2	100%	100%	0%	67%
Government End Users	2	1	1	0	0	50%	100%	0%	0%
Large Financial Institutions	15	0	6	4	5	100%	60%	40%	33%
Medium Financial Institutions	22	8	13	1	0	64%	93%	7%	0%
Non-Bank Providers	61	15	40	3	3	75%	93%	7%	7%
Other Stakeholders	57	12	38	4	3	79%	90%	10%	7%
Small Financial Institutions	21	6	12	0	3	71%	100%	0%	20%
<b>Total</b>	<b>187</b>	<b>47</b>	<b>112</b>	<b>12</b>	<b>16</b>	<b>75%</b>	<b>90%</b>	<b>10%</b>	<b>11%</b>

Note: "N/A" indicates there were not any task force members within this segment participating in this vote.

Task Force super majority requirement:	
Did a super majority of participating Task Force members consent (Total Consent Rate greater than 67%)	Yes
Majority consent from participating segment requirement:	
Total number of participating segments (segments with at least one "Consent" or "Object" vote)	8
# of participating segments with majority consent ("50% + 1" or greater)	8
Did a minimum of all participating segments less one have a majority consent rate?	Yes
<b>Task Force Outcome</b>	<b>Approve</b>

Example 2: In this example, 71% of all Task Force members participated in the vote and the Decision Proposal received an 87% consent rate as well as majority consent from 5 of the 6 participating stakeholder segments indicating Task Force approval.

	A	B	C	D	E	F	G	H	I
	#	#	#	#	#	Participation Rate	Consent Rate	Object Rate	Stand Aside Rate
Voting Segment	Members	No Response	Consent	Object	Stand Aside	[(C+D+E) / A]	[C / (C + D)]	[D / (C + D)]	[E / (C + D + E)]
Business End Users	6	6	0	0	0	N/A	N/A	N/A	N/A
Consumer Interest Organizations	3	0	1	0	2	100%	100%	0%	67%
Government End Users	2	2	0	0	0	N/A	N/A	N/A	N/A
Large Financial Institutions	15	5	4	6	0	67%	40%	60%	0%
Medium Financial Institutions	22	8	13	1	0	64%	93%	7%	0%
Non-Bank Providers	61	15	40	3	3	75%	93%	7%	7%
Other Stakeholders	57	12	35	6	4	79%	85%	15%	9%
Small Financial Institutions	21	6	12	0	3	71%	100%	0%	20%
<b>Total</b>	<b>187</b>	<b>54</b>	<b>105</b>	<b>16</b>	<b>12</b>	<b>71%</b>	<b>87%</b>	<b>13%</b>	<b>9%</b>

Note: "N/A" indicates there were not any task force members within this segment participating in this vote.

Task Force super majority requirement:	
Did a super majority of participating Task Force members consent (Total Consent Rate greater than 67%)	Yes
Majority consent from participating segment requirement:	
Total number of participating segments (segments with at least one "Consent" or "Object" vote)	6
# of participating segments with majority consent ("50% + 1" or greater)	5
Did a minimum of all participating segments less one have a majority consent rate?	Yes
<b>Task Force Outcome</b>	<b>Approve</b>

### Decision-Making Framework Process – Examples of Voting Results (Sample data used - for illustration purposes only)

The following examples illustrate potential voting results whereby the Task Force recommends withdrawing the Decision Proposal. Per the framework, the Chair has the discretion to withdraw the proposal or amend the proposal based on feedback received during the voting process. Amended Decision Proposals will be re-submitted for consent.

Example 3: In this example, 79% of all Task Force members participated in the vote. However, super majority (“>67%”) consent was not received from all the Task Force members that participated in the vote despite the fact that majority consent was received from 8 of the 8 participating stakeholder segments indicating the Task Force is not ready to approve.

	A	B	C	D	E	F	G	H	I
Voting Segment	# Members	# No Response	# Consent	# Object	# Stand Aside	Participation Rate [(C+D+E) / A]	Consent Rate [C / (C + D)]	Object Rate [D / (C + D)]	Stand Aside Rate [E / (C + D + E)]
Business End Users	6	3	3	0	0	50%	100%	0%	0%
Consumer Interest Organizations	3	1	2	0	0	67%	100%	0%	0%
Government End Users	2	0	1	0	1	100%	100%	0%	50%
Large Financial Institutions	15	0	8	6	1	100%	57%	43%	7%
Medium Financial Institutions	22	2	11	9	0	91%	55%	45%	0%
Non-Bank Providers	61	15	23	22	1	75%	51%	49%	2%
Other Stakeholders	57	12	25	17	3	79%	60%	40%	7%
Small Financial Institutions	21	6	12	0	3	71%	100%	0%	20%
<b>Total</b>	<b>187</b>	<b>39</b>	<b>85</b>	<b>54</b>	<b>9</b>	<b>79%</b>	<b>61%</b>	<b>39%</b>	<b>6%</b>

Note: "N/A" indicates there were not any task force members within this segment participating in this vote.

Task Force super majority requirement:	
Did a super majority of participating Task Force members consent (Total Consent Rate greater than 67%)	No
Majority consent from participating segment requirement:	
Total number of participating segments (segments with at least one "Consent" or "Object" vote)	8
# of participating segments with majority consent ("50% + 1" or greater)	8
Did a minimum of all participating segments less one have a majority consent rate?	Yes
<b>Task Force Outcome</b>	<b>Withdraw</b>

Example 4: In this example, 74% of all Task Force members participated in the vote and the Decision Proposal received an 89% consent rate. However, majority consent was only obtained from 5 of the 7 participating stakeholder segments indicating the Task Force is not ready to approve.

	A	B	C	D	E	F	G	H	I
Voting Segment	# Members	# No Response	# Consent	# Object	# Stand Aside	Participation Rate [(C+D+E) / A]	Consent Rate [C / (C + D)]	Object Rate [D / (C + D)]	Stand Aside Rate [E / (C + D + E)]
Business End Users	6	6	0	0	0	N/A	N/A	N/A	N/A
Consumer Interest Organizations	3	1	1	1	0	67%	50%	50%	0%
Government End Users	2	0	0	1	1	100%	0%	100%	50%
Large Financial Institutions	15	0	6	4	5	100%	60%	40%	33%
Medium Financial Institutions	22	8	13	1	0	64%	93%	7%	0%
Non-Bank Providers	61	15	40	3	3	75%	93%	7%	7%
Other Stakeholders	57	12	38	4	3	79%	90%	10%	7%
Small Financial Institutions	21	6	12	0	3	71%	100%	0%	20%
<b>Total</b>	<b>187</b>	<b>48</b>	<b>110</b>	<b>14</b>	<b>15</b>	<b>74%</b>	<b>89%</b>	<b>11%</b>	<b>11%</b>

Note: "N/A" indicates there were not any task force members within this segment participating in this vote.

Task Force super majority requirement:	
Did a super majority of participating Task Force members consent (Total Consent Rate greater than 67%)	Yes
Majority consent from participating segment requirement:	
Total number of participating segments (segments with at least one "Consent" or "Object" vote)	7
# of participating segments with majority consent ("50% + 1" or greater)	5
Did a minimum of all participating segments less one have a majority consent rate?	No
<b>Task Force Outcome</b>	<b>Withdraw</b>