

Faster Payments Task Force Meeting Chicago, Illinois May 18-19, 2016 Meeting Summary

Welcome and Opening Remarks¹

Gordon Werkema, Payments Strategy Director, thanked Faster Payments Task Force (FPTF) members for their personal and organizational commitment to the initiative. He noted that several faster payments solution proposals had been submitted to McKinsey & Company, the Qualified Independent Assessment (QIA) team, and that more than 30 organizations were participating in the solution showcase.

Sean Rodriguez, Faster Payments Strategy Leader, noted that more than 80% of FPTF members had signed the revised participation agreement. Twenty-two new organizations joined the FPTF, including three new government members. Mr. Rodriguez expressed his appreciation to the solution proposers, and indicated that the number of proposals would cause some schedule pressures.

Work Plan Update

Jon Jeswald, Vice President, Federal Reserve Bank of San Francisco, explained that the original work plan assumed fewer solution proposals than the number actually submitted. As a result, it was necessary to make some changes to the schedule. Under the new schedule, McKinsey & Company will complete its assessment work on October 1. The August FPTF meeting will be cancelled to allow the assessment work to continue, and the November meeting could be extended to accommodate discussion of the assessment results. Mr. Jeswald also noted that the changes to the final work product were also under consideration, and explained that the final paper could be released in four separate pieces.

Assessment Process

Kassi Quimby, Associate Director, Federal Reserve Board, provided an overview of the Qualified Independent Assessment (QIA) process's current status and key accomplishments. She noted that a QIA process had been defined, and a QIA Advisory Group (AG) communication plan had been developed. Ms. Quimby indicated that, to mitigate the timeline risk associated with the greater than expected number of proposals submitted, the review process would need to be slightly altered. Among the changes necessary, McKinsey would use three matrixed proposal reviewers rather than six reviewers across all proposals.

Christina Tetreault, Consumers Union, and Chair of the AG, described the AG's objectives. She also provided an update on the AG's activities to date, including development of a plan for communicating updates to the FPTF. Ms. Tetreault reviewed the AG's communications timeline, which included details on a variety of update opportunities for the FPTF through early 2017.

Philip Bruno, McKinsey & Company, provided an overview of the QIA process. He reviewed the overall engagement timeline and milestones, key process design principles, how information would be disclosed to the FPTF, details of how the process would work, and roles and responsibilities of the various interested parties. Grace Hou, McKinsey & Company, explained the guidelines for proposers throughout the QIA process.

Mr. Rodriguez hosted a discussion panel composed of Ms. Quimby, Ms. Tetreault, Mr. Bruno, Ms. Hou, and Rob Hayden, McKinsey & Company, where FPTF members asked a variety of questions related to the assessment process. Members of the panel discussed the QIA team's internal review processes,

¹ Nick Billman, Counsel, Federal Reserve Bank of Kansas City, reminded those in attendance to participate in a manner consistent with Anti-Trust and other applicable laws.

whether proposal revisions would be allowed, the role of intellectual property in proposals, how the QIA team will assess the viability of a proposal, the timeline for sharing information with the FPTF, whether solutions in the market would be considered, and the practicality of the FPTF reviewing all proposals.

Assessment Process – Task Force Commentary Period

Ms. Quimby described the proposed objectives, timeline, and content of the FPTF commentary period that were created in consultation with the AG and Faster Payments Task Force Steering Committee (FPSC). Ms. Quimby discussed proposed categories for FPTF commentary, and noted the broad ecosystem section would allow for free text intended to provide input to the challenges and opportunities section of the final report. Ms. Quimby also stated that while FPTF members will have the option to abstain from commenting on the individual proposal assessments, they may provide free text comments only if they indicate they “agree” or “disagree” with the QIA team’s assessment. The FPTF participated in table top discussions to provide input on the FPTF commentary period content and objectives.

Connie Theien, Vice President, Federal Reserve Bank of Chicago, discussed the proposed desired outcomes and process overview for the FPTF commentary period. The FPTF participated in table top discussions to provide input on the desired outcomes of the commentary period as well as the tactics and approaches that will be used to guide engagement throughout the commentary process. Ms. Theien noted all feedback will be reviewed and incorporated into a revised plan for the FPTF commentary period.

Final Report

Roy DeCicco, Accredited Standards Committee X9, reviewed the proposed objectives and components of the final report. He noted that, in order to keep momentum, the final report will be released to the public in the following four phases between July 2016 and June 2017: 1) FPTF background and process overview, 2) payments landscape and drivers of change, 3) solution proposals and assessments, and 4) challenges and opportunities, recommendations, and next steps. Mr. DeCicco outlined the roles and responsibilities of the QIA team, FPSC, FPTF, and Federal Reserve and indicated that any FPTF members interested in participating on the final report work group should contact Mr. DeCicco or Kandice Alter, Assistant Vice President, Federal Reserve Bank of Chicago. The FPTF participated in table top discussions to provide feedback on the objectives, intended audience, and phased release approach of the final report.

Mr. DeCicco described Release 2 of the final report – the U.S. landscape and benefits of faster payments. He indicated that the proposed content for this release would include the evolution of payments, including market developments outside of the FPTF, and the key benefits of safe, ubiquitous, faster payments. The FPTF discussed the objectives, benefits and key messages for Release 2 at their tables.

Mr. DeCicco reviewed the process to date for identifying challenges and opportunities in implementing safe, ubiquitous faster payment solutions in the U.S (Release 4). He noted that the FPSC devoted several hours to discussing the six major challenges and opportunities themes that had been identified from the discussions at the February FPTF meeting and highlighted the modifications to those themes based on further context provided by FPSC members. The refined challenges and opportunities themes suggested by the FPSC were: rules, standards, and practices; interoperability; adoption; governance model; and safety and security. The Steering Committee had suggested that the theme on “post-paper implementation plan” could be recast as a separate “next steps” section for the final report.

Mr. DeCicco noted that the FPSC members had also debated the ability for the Challenges and Opportunities Work Group to make progress on the themes ahead of reviewing the proposals and the QIA team’s assessments. He highlighted that these were initial themes and that the work group would be mindful that additional themes could become apparent following a review of the proposals. Mr. DeCicco then outlined the Challenges and Opportunities Work Group charter, and announced the work group had 60 volunteers with broad representation across most industry segments. The FPTF participated in a

breakout session to discuss objectives, key messages and next steps for each of the six challenges and opportunities themes.

Decision-Making Framework

Ms. Quimby recapped the previous discussion on the Decision-Making Framework and noted the outstanding issue of two sections in the Framework that could be in conflict if several industry segments voted to stand aside.² At the last in-person FPTF meeting there were suggestions from some FPTF members on how to resolve the conflict while still maintaining the integrity of the Decision-Making Framework: by requiring a certain proportion of FPTF members and industry segments to consent, as well as limiting the number of segments that can object to the vote. Ms. Quimby discussed a revised Decision-Making Framework incorporating these suggestions, and explained that the Effectiveness Criteria would still remain approved under the revised Framework. The revised Decision-Making Framework would be sent out for vote the following day.

Close

Mr. Rodriguez thanked everyone for their engagement and work throughout the meeting, and polled FPTF members for feedback. Most FPTF members strongly agreed or agreed that they were given the opportunity to share their perspectives and that the topics covered were relevant to advancing FPTF objectives. Mr. Rodriguez noted that the in-person meeting scheduled for August had been canceled, but would be repurposed for a meeting of the Challenges and Opportunities Work Group.

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.