

In Pursuit of a Better Payment System

Faster Payments Task Force



Federal Reserve System Faster Payments Task Force

June 15-16, 2015
Chicago, IL



Welcome and Overview

Dave Sapenaro

Faster Payments Task Force

Anti-Trust Compliance Statement

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

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 (a) raise, stabilize, or set future prices; (b) regulate future production among individual participants; (c) allocate markets or customers; (d) encourage boycotts; (e) foster unfair trade practices; (f) assist improper monopolization; or (g) in any way violate antitrust laws.

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 of Kansas City.

Day One Agenda

Day One		
2:00 – 3:00 PM	Welcome Overview of Agenda and Task Force Objectives	Dave Sapenaro
3:00 – 4:00 PM	Task Force Work Plan and Timeline	Sean Rodriguez
4:00 – 4:15 PM	Introduction to Evaluation Criteria Process	Ken Isaacson
4:15 – 4:30 PM	Break	
4:30 – 6:15 PM	Segment Breakout Discussion of Evaluation Criteria	Steering Committee Members
6:30 – 8:00 PM	Reception	

Desired Outcomes



Speed: A ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments, supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality.



Security: U.S. payment system security that remains very strong, with public confidence that remains high, and protections and incident response that keeps pace with the rapidly evolving and expanding threat environment.



Efficiency: Greater proportion of payments originated and received electronically to reduce the average end-to-end (societal) costs of payment transactions and enable innovative payment services that deliver improved value to consumers and businesses.



International: Better choices for U.S. consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments.



Collaboration: Needed payment system improvements are *collectively* identified and embraced by a broad array of payment participants, with material progress in implementing them.



Strategy 2: Faster Payments

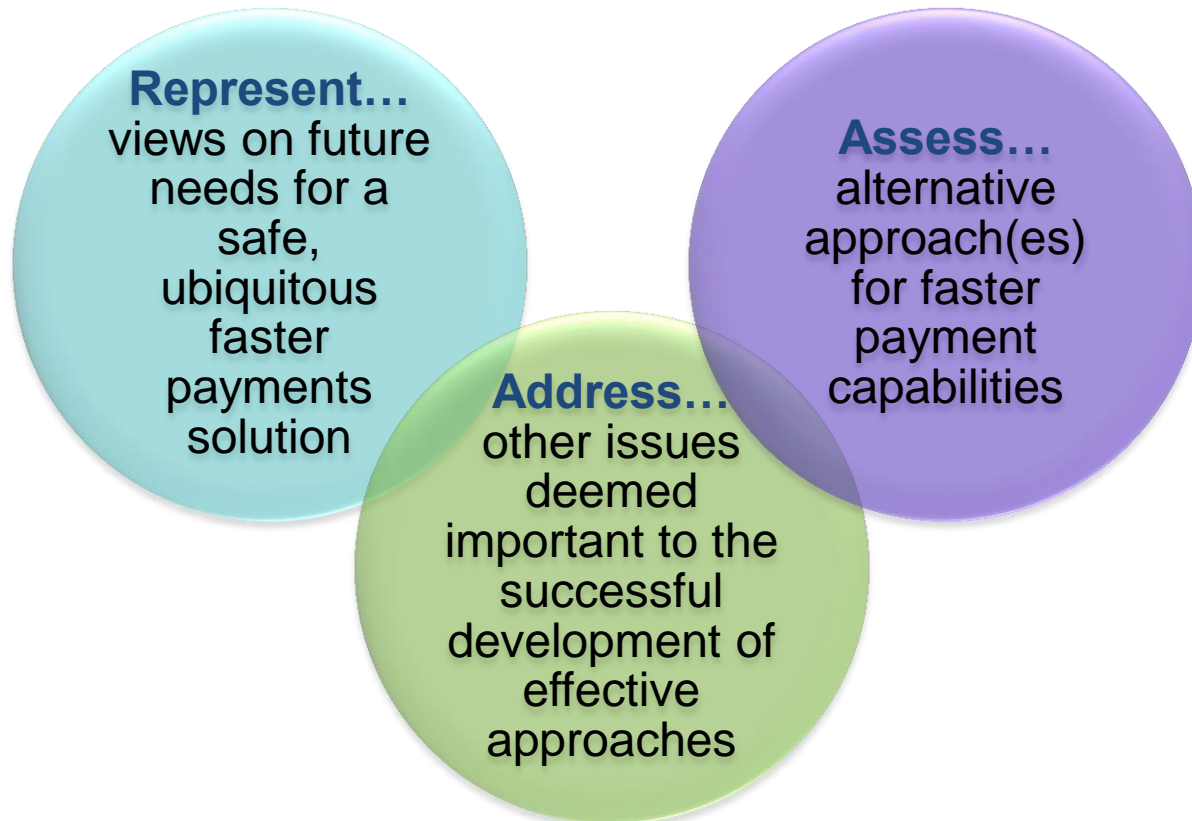
Identify effective approach(es) for implementing safe, ubiquitous, faster payments

- ❑ Establish and lead a faster payments task force (early 2015)
- ❑ Work collaboratively with the task force and with the input of other payment system stakeholders, assess alternative approaches for faster payments capabilities, including, for each approach, a description of the core infrastructure, security and operational changes needed for participants to interface with the infrastructure, and the estimated cost and time to implement
- ❑ Examine policy issues associated with a possible multi-provider environment, such as the framework for establishing rules (to be completed by 2016)
- ❑ Based on this stakeholder input and analysis, identify effective approach(es) for implementing faster payments in the United States (to be completed by 2016)
- ❑ Support, as appropriate, collective stakeholder efforts to implement faster payments capabilities

Faster Payments Task Force

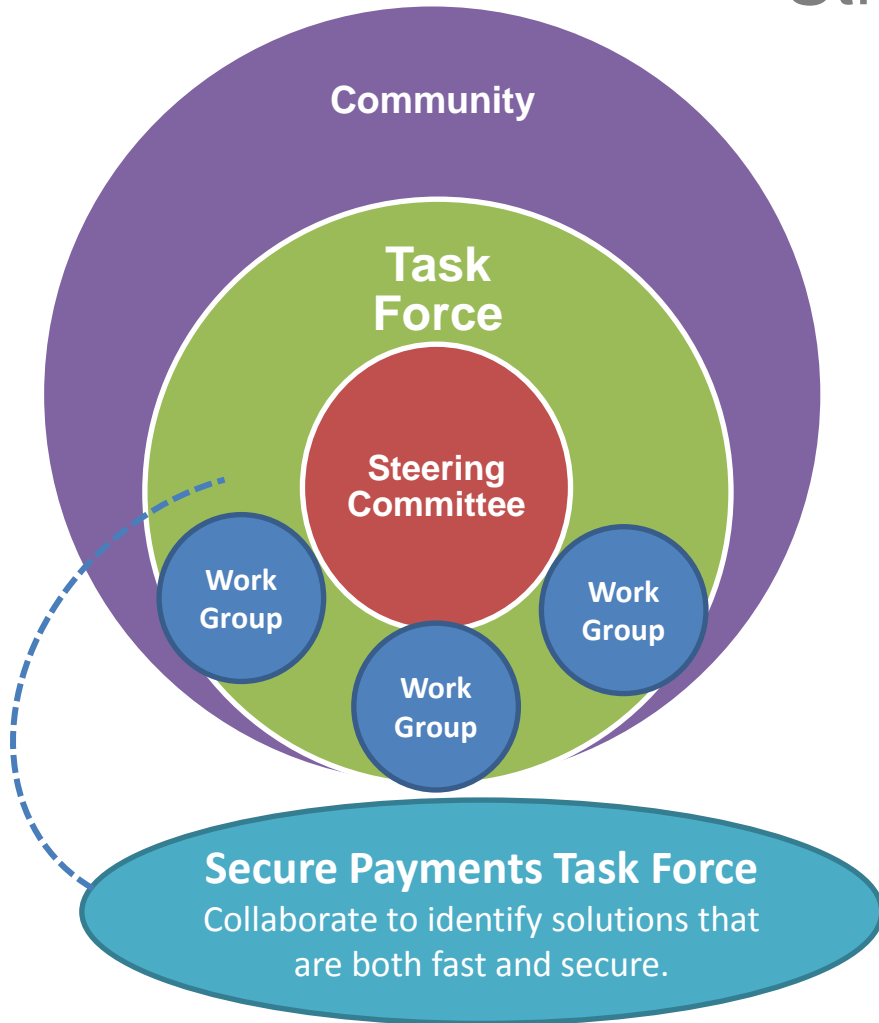
Mission and Objectives

Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States



Faster Payments Task Force

Structure



Payments Community

- Stays up-to-date by reviewing Task Force materials online
- Provides input on Task Force work products online

Task Force

- Elects Steering Committee to help guide work effort
- Provides input and contributes to Task Force work products; develops/endorses Task Force recommendations/conclusions

Steering Committee

- Advises the Federal Reserve chair on meeting agendas and assists in prioritizing work
- Recommends scope of Task Force work groups and provides input on when full Task Force deliberation is needed

Work Group(s)

- Develops proposals or recommendations related to approaches, issues or analysis

Steering Committee Roster

Financial Institutions

Small

- Mark Keeling, The Bankers Bank
- Bob Steen, Bridge Community Bank

Medium

- Wanda Chambers, Suncoast Credit Union
- James Reuter, FirstBank Colorado

Large

- Mitch Christensen, Wells Fargo & Co
- Thomas Rea, U.S. Bank

Non-Bank Providers

- Peter Gordon, FIS
- Jordan Lampe, Dwolla
- Steve Ledford, The Clearing House
- Bradley Wilkes, WingCash
- Ryan Zagone, Ripple Labs

End Users

Government

- Gary Beets, U.S. Treasury

Business

- John Drechny, Walmart
- Edward Mundt, Hard Rock International

Consumer Interest

- Christina Tetreault, Consumers Union
- Susan Weinstock, Pew Charitable Trusts

Other Industry Segments

- Roy DeCicco, ASC X9
- Gary Stein, Consumer Financial Protection Bureau
- Janet Estep, NACHA

Faster Payments Task Force

Steering Committee Responsibilities

- Members will be elected by their industry segment as a representative for that segment and are expected to represent their own views along with the views of their respective market segment. Additionally, they are asked to maintain a commitment to achieving payment system improvements that are in the best interest of the U.S. payment system.
- Members may be called upon to gather intelligence from Task Force members or from segment constituents outside of the Task Force when needed.
- Members may be asked to help resolve disagreements among Task Force members when appropriate.
- Members are expected to comply with the terms of the Faster Payments Task Force Participation Agreement.
- Members will be seated through an election process as outlined in the Faster Task Force Steering Committee Selection Guidelines document.
- Any elected Steering Committee member that is found, at the discretion of the chair, to not meet the requirements outlined in the Participation Agreement, the Task Force charter or this document will be removed from the Steering Committee.



Task Force Work Plan and Timeline

Sean Rodriguez

Objectives and Agenda

- **Objectives:**
 - ✓ Describe the proposed Task Force work plan and timeline
 - ✓ Receive Task Force input
- **Agenda:**
 - ✓ High-level overview
 - ✓ Description and discussion of three work phases

Faster Payments Task Force

Mission and High-Level Work Plan and Timeline

Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States

PHASE 1

Development of process and criteria for identifying and evaluating approaches

June—Sept 2015

PHASE 2

Iterative development and evaluation of approach proposals

Sept 2015 – June 2016

PHASE 3

Review and publication of evaluation results and recommendations

June—Dec 2016

Draft Work Plan

PHASE ONE: June – September 2015

Development of process and criteria for identifying and evaluating approaches

- Work Plan
 - ✓ Task Force endorsement of approach and timeline for completing work
- Task Force Decision-making Framework
 - ✓ Method for determining Task Force approval/endorsement of proposals and deliverables
- Effectiveness Criteria
 - ✓ Key features and requirements for an “effective” faster payment solution(s)
- Work Group Guidelines and Proposal Template Development
- Evaluation Process
 - ✓ Approach to scoring the proposals against the criteria and identifying effective proposals and recommendations

Draft Work Plan

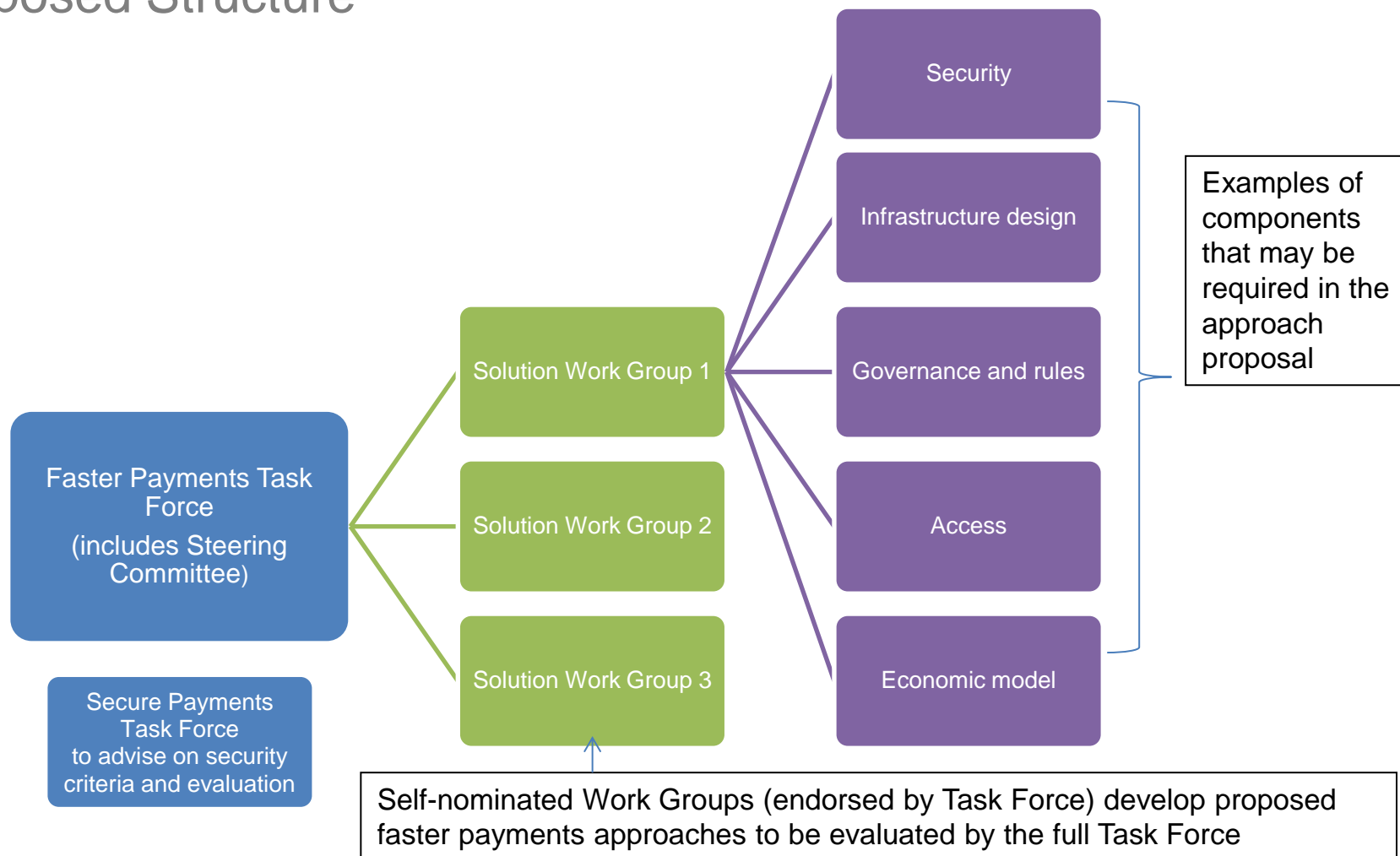
PHASE TWO: September 2015 – June 2016

Iterative development and evaluation of approach proposals

- Proposal Work Group Establishment
 - ✓ Task force members consider sponsoring approach proposals (Proposal ideation)
 - ✓ Members present component ideas for incorporation into approach proposals (Idea matchmaking and merging)
 - ✓ Sponsors propose approach work groups for task force endorsement (Work group sanctioning)
- Proposal Development
 - ✓ Work groups proceed with development of proposals using proposal template and criteria as guidelines
 - ✓ Proposals includes sufficient detail to thoroughly evaluate them against the effectiveness criteria
 - ✓ Checkpoints and input sessions with task force support iterative development and progress monitoring
- Proposal Presentation and Evaluation
 - ✓ As work groups complete proposals, proposals are presented to task force for evaluation
 - ✓ Process allows for Q&A, discussion and scoring

Faster Payments Task Force Work Groups

Proposed Structure



Faster Payments Task Force Work Plan

Draft Rules of the Road for Work Groups

- Proposed approach work groups must be led/sponsored by a Task Force participant and endorsed by the Task Force
- May seek participation of other Task Force participants; may request consultation with Secure Payments Task Force on security issues
- Federal Reserve senior staff available as needed to support work group administration, offer guidance on policy and process issues and provide information about Fed services. Requests for more substantive Fed participation in work group solution design would be considered on a case-by-case basis.
- Work group sponsor and members may seek additional support from within their respective organizations, provided their organizations have completed organization participation agreements
- Must provide progress reports to the Task Force and may seek task force input on proposal and iterate during development phase
- Must select a work group name that is not associated directly with the sponsoring organization (i.e. Lincoln Work Group - President reference)
- Others?

Faster Payments Task Force Work Plan

Proposed Evaluation

- Task Force evaluates each approach against the established effectiveness criteria to identify one or more “effective approaches”
 - ✓ All Task Force members and segments participate in assessing proposal effectiveness, thereby enhancing potential for adoption.
 - ✓ Could have one proposal deadline and evaluate all at once or multiple deadline options and evaluation events/windows to allow proposals to be evaluated as they are completed
 - ✓ Evaluation methodology enables Task force participants to differentiate alternatives along a task force-endorsed continuum for each criterion.

Draft Work Plan

PHASE THREE: June 2016 – December 2016

Review and publication of evaluation results and recommendations

- Task force drafting, review and endorsement of report
 - ✓ Incorporating necessary IP processes
- Publication and promotion of task force report
- Independent stakeholder next steps
 - ✓ Industry stakeholders consider Task Force evaluation results as input to broader decisions on whether/how to proceed with faster payments initiatives
 - ✓ Federal Reserve provides support to industry stakeholder faster payments initiatives as appropriate

Draft Work Plan

PRODUCT

The substance of the Faster Payments Task Force end product will ultimately be determined by all the members of the Task Force. As a starting point for consideration, we propose a report for the public that documents:

- Each faster payment alternative reviewed by the Task Force,
- The criteria and evaluation methodology it used to determine effective approaches, and
- The results of the evaluation, which may be in the form of:
 - ✓ Task Force endorsement of a “best approach or approaches” for implementing faster payments capability, or
 - ✓ A list of all approaches evaluated and the results of the scoring, highlighting those that meet its “effective” threshold, or
 - ✓ A report limited to how each approach rated on specific criteria (e.g., ubiquity, efficiency, safety and security, speed, legal framework and governance).
 - ✓ In any case, the report would document dissenting views.
- The report represents sufficient support from the broad spectrum of payment system stakeholders to illuminate a clear path to implementing safe, ubiquitous faster payments capabilities in the U.S.



Task Force Evaluation Criteria Discussion

Ken Isaacson

Objective and Agenda

- **Objective:** To begin to define Task Force evaluation criteria
- **Agenda:**
 - ✓ Roadmap
 - ✓ Discussion Approach

Criteria Roadmap: Approach and Timeline

1. Define specific criteria (June-July)
 - ✓ Example: Broad Access
2. Establish an effectiveness scale for each criterion (June-July)
 - ✓ Example: Very Effective, Effective, Somewhat Effective, Not Effective
3. Identify criteria groupings (June-July)
 - ✓ Example: Ubiquity, Efficiency, Safety, Speed, Legal, Governance
4. Work with Secure Payments Task Force to refine security criteria (July-Aug)
5. Develop workgroup guidelines and proposal requirements (July-Aug)
6. Develop evaluation/scoring process (July-Aug)
7. Present final criteria and process to Task Force for endorsement (Sept)
8. Publish results of the evaluation process (2016)

Practical Considerations

- Solution proposals will self-identify which use cases they target
- The effectiveness scoring methodology (to be developed later) will allow for differentiation by use case, if appropriate for a particular criterion and/or overall
- Each criterion should be developed so that it can be evaluated on its own merits, without accounting for interrelationships with other criteria
 - ✓ Example: When developing the convenience criterion, the effectiveness scale should only consider the convenience of that solution, regardless of whether an element of lower convenience in the solution design is tolerable because it increases security

Criteria Template

Criteria Grouping: *ubiquity*

Criteria Name: *Broad Access*

Criteria Definition:

defined by breakout group

Effectiveness Scale:

Very Effective – *defined by breakout group*

Effective –

Somewhat Effective –

Not Effective –

Differences of opinion surfaced during sessions, if any:

Example: Broad Access

Grouping: Ubiquity

Title: U.1 Broad Access (available to payment service providers)

1. Should the criteria address the ability of financial institutions or other account providers
 - a. To access the solution?
 - i. Is it practical for institutions of all sizes and levels of sophistication to access the solution?
 - b. To ensure all of their end users can receive payments?
 - c. To enable some or all of their end users to send payments?
2. Should the criteria reward –
 - a. both direct access and indirect access by financial institutions?
 - b. direct or indirect access by non-bank account providers?
 - c. low barriers to entry?
3. If a single operator solution is proposed that requires some kind of enrollment, will it achieve ubiquity? Does it have robust incentives to participate?
4. Will a multiple operator solution be able to achieve ubiquity through interoperability? If so, what additional factors or incentives need to be considered?
5. Should effectiveness of the solution in achieving broad access be measured qualitatively or quantitatively (e.g., X% of financial institutions representing Y% of end user accounts in the country can access the solution)?

Potential Criteria Groupings

Grouping	Criteria
Ubiquity	U.1 Broad Access (available to payment service providers) U.2 Broad Reach (available to and used by consumers and businesses) U.3 Applicability to multiple use cases U.4 End-user convenience U.5 Achieving “brand recognition” U.6 Consistency / predictability of end user experience U.7 Approach to Enabling Value Added Services U.8 Facilitates cross-border interoperability
Efficiency	E.1 End-users benefit from competition between solution participants E.2 Implementation Costs E.3 On-going Operating Costs E.4 Timeline for initial implementation and achieving ubiquity E.5 Compatible with modern payment format standards E.6. Comprehensive and scalable
Safety	S.1 Credit push payment initiation S.2 Appropriate revocability, returns, denials, and exception handling S.3 Enables robust compliance with legal requirements, industry standards, and other practices S.4 Facilitates risk management related to settlement risk S.5 Has strong system / network security / resiliency of the operator(s) S.6 Requires strong system/network security/resiliency of participants S.7 Fosters strong end user privacy and security S.8 Has robust end user authentication support
Speed	F.1 Fast clearing and authorization F.2 Fast availability of funds to receivers F.3 Fast interbank settlement F.4 Prompt notification of payment status from end-to-end
Legal Basis	L.1 Legal framework for payments L.2 Licensing terms for proprietary technology
Governance	G.2 Effective, transparent and inclusive governance

- Anything missing?
- Anything mis-categorized?
- Anything that should be re-worded?

Discussion Approach

DAY 1: Segment Breakout Groups

1. Review questions in “Criteria Discussion Document” as a guide
2. Identify and define most important criteria for your segment, whether or not they are covered in the Criteria Discussion Document
3. Complete template for most important criteria
4. Share results with cross-segment breakout groups on Day 2

Discussion Approach

DAY 2: Cross-Segment Breakout Groups

1. Each group will focus on a grouping of criteria (see next slide)
2. Steering Committee member will facilitate the break out session and provide more detailed instructions to participants
3. Team Phase: Facilitator will divide breakout group into teams of roughly ten people each
 - ✓ Each team will use template to define each criteria and establish effectiveness scale
4. Consolidation Phase: Each team will read out their results to the full breakout group
5. Breakout group facilitator will summarize findings across the teams and provide a readout to the full Task Force

Cross-Segment Breakout Groups

Breakout Group	Potential Criteria
Group 1	<ul style="list-style-type: none"> U.1 Broad Access (available to payment service providers) U.2 Broad Reach (available to and used by consumers and businesses) U.3 Applicability to multiple use cases E.1 End-users benefit from competition between solution participants
Group 2	<ul style="list-style-type: none"> U.4 End-user convenience U.5 Achieving “brand recognition” U.6 Consistency / predictability of end user experience U.7 Approach to Enabling Value Added Services U.8 Facilitates cross-border interoperability
Group 3	<ul style="list-style-type: none"> E.2 Implementation Costs E.3 On-going Operating Costs E.4 Timeline for initial implementation and achieving ubiquity E.5 Compatible with modern payment format standards E.6. Comprehensive and scalable
Group 4	<ul style="list-style-type: none"> S.1 Credit push payment initiation S.2 Appropriate revocability, returns, denials, and exception handling S.3 Enables compliance with legal requirements, industry standards, or other practices S.4 Facilitates risk management related to settlement risk
Group 5	<ul style="list-style-type: none"> S.5 Has strong system / network security / resiliency of the operator(s) S.6 Requires strong system/network security/resiliency of participants S.7 Fosters strong end user privacy and security S.8 Has robust end user authentication support
Group 6	<ul style="list-style-type: none"> F.1 Fast clearing and authorization F.2 Fast availability of funds to receivers F.3 Fast interbank settlement F.4 Prompt notification of payment status from end-to-end L.1 Legal framework for payments L.2 Licensing terms for proprietary technology G.2 Effective, transparent and inclusive governance

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Faster Payments Task Force



DAY TWO

Federal Reserve System Faster Payments Task Force

June 15-16, 2015
Chicago, IL

Day Two Agenda

Day Two

7:15 – 8:00 AM	Breakfast	
8:00 – 8:30 AM	Highlights from Day 1 and Overview of Day 2 Agenda	Sean Rodriguez Ken Isaacson
8:30 – 10:00 AM	Breakout Discussion of Evaluation Criteria Assigned Groups (Cross-Segment)	Steering Committee Members
10:00 – 10:15AM	Break	
10:15 – 11:45 AM	Breakout Discussion of Evaluation Criteria Assigned Groups (Cross-Segment)	Steering Committee Members
11:45 – 12:45 PM	Lunch	
12:45 – 2:45 PM	Breakout Group Key Takeaways	Sean Rodriguez Steering Committee Members
2:45 – 3:00 PM	Closing Remarks	Gordon Werkema

Day One Highlights

Feedback on Work Plan and Timeline

- Task Force approval/endorsement of decisions should require two-thirds majority
- Dissenting views should be documented
- Leverage combination of meetings, calls and online tools and methodology for sharing ideas and capabilities in the workgroup formation phase
- Strong task force agreement that an iterative approach makes sense
- Timeline seems appropriate although discussion throughout the day suggests more definition of proposal requirements is needed
- Full scoring with overall effectiveness ratings and task force endorsement of a “best approach or approaches”
- Number of suggestions for facilitation/collaboration tools

Day One Highlights

Criteria Discussion within Segment Breakout Groups

- Re-configure criteria groupings
 - End-user experience
 - Payment-related information
 - Fraud
 - Integrity of the financial system
- Groupings needing more criteria
 - Governance
 - Ubiquity (Interoperability and equity)
 - Efficiency (Adaptability/flexibility/future-proofing and auditability)
- Glossary of terms
- Consider qualitative and quantitative measures of effectiveness
- Keep criteria high-level



Task Force Evaluation Criteria Discussion

Ken Isaacson

Discussion Approach

DAY 2: Cross-Segment Breakout Groups

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Breakout Group Key Takeaways

Sean Rodriguez



Closing Remarks

Gordon Werkema