MEETING SUMMARY
Faster Payments Task Force Meeting
Crowne Plaza Hotel, Chicago, Illinois
June 15-16, 2015

Welcome and Overview of Agenda and Task Force Objectives

Dave Sapenaro, Interim Payments Strategy Director, welcomed participants to the first in-person Faster Payments Task Force meeting. Mr. Sapenaro highlighted the five key strategies outlined in the *Strategies for Improving the U.S. Payment System* paper and noted that this is a joint effort between the Reserve Banks and Board of Governors. He also introduced Gordon Werkema, First Vice President and COO of the Federal Reserve Bank of Chicago, who was recently named to lead these strategies as Payment Strategy Director.

Following opening remarks, Mr. Sapenaro introduced via live video feed Esther George, President and CEO of the Federal Reserve Bank of Kansas City and strategies executive sponsor, and Jerome Powell, Governor of the Federal Reserve Board and chair of the Payments Improvement Oversight Committee. Governor Powell began by thanking the task force members for their commitment to modernize the U.S. payments system. Ms. George continued by encouraging the task force to pursue an open and collaborative approach. Ms. George noted that while the Federal Reserve will provide guidance and support to the Faster Payments Task Force and steering committee, the task force will ultimately identify the best approach(es) to move the U.S. toward faster payments. Ms. George asked the task force to consider all of the components required to achieve faster payments, including infrastructure, governance, access, security, costs and more.

Mr. Sapenaro continued his remarks by outlining the Faster Payments Task Force's mission, objectives, and structure. In describing the structure, he noted that the Faster Payments Task Force would also seek input from the Secure Payments Task Force and the broader FedPayments Improvement Community. He then introduced the 19 recently elected and appointed members of the steering committee, reiterating that it is not a decision-making body, but rather a group that will advise the Federal Reserve in sponsoring this effort and help synthesize task force input, facilitate discussions, draft materials, and determine items in need of full task force deliberation.

Task Force Work Plan and Timeline

Sean Rodriguez, Senior Vice President, Industry Relations, provided a high-level overview of the task force's main objectives over the next 18 months until the end of 2016. Mr. Rodriguez outlined three proposed work phases: phase 1 (June-September 2015) would focus on developing a process for identifying and evaluating approaches; phase 2 (September 2015-June 2016) would allow for iterative development and evaluation of approach proposals; and phase 3 (June-December 2016) would review and publish the evaluation results and recommendations. During the meeting, task force participants were polled on various aspects of the work plan to gather input from the audience.

Mr. Rodriguez stated that the primary purpose of the first phase would be to identify the key features and requirements for an effective faster payment solution and develop an approach to scoring the proposals against the established criteria. When polled on the appropriate level of support for task force endorsement of a decision or deliverable, most task force attendees answered that the threshold

should be set at a two-thirds majority.[1] Moreover, there was general consensus that at least 6 out of the 8 segment groups would need to support the proposal, with 58 percent of poll respondents expressing desire for support from at least 7 segments.[2] Several participants noted the difficulty in obtaining a two-thirds majority on all task force decisions or deliverables.

Mr. Rodriguez went on to explain that following the establishment of criteria, the second phase would then allow task force members to define and sponsor approach proposals through a process that would facilitate the sharing and merging of ideas and approach components. When polled, task force members generally agreed that both task force meetings and interim calls would be the most appropriate way for approach work groups to share and merge their ideas and capabilities, rather than having optional forums or having members independently network with each other.[3] Following the formation of approach work groups, the task force would need to rely on a sanctioning process to agree on what proposals it will consider. When polled, the vast majority of members agreed that work groups could pursue an iterative approach when presenting to the task force.[4] For example, a work group could present and solicit feedback on its proposal at various checkpoints in its development as the work and subsequent detail evolved.

Mr. Rodriguez noted that following proposal development and evaluation, the third phase would involve the task force drafting and publishing a report on evaluation results and possible recommendations. When polled on what a final end-product could look like, the majority of the task force polled were in favor of the most comprehensive approach, which included a written report with full scoring of proposals, including an overall effectiveness rating, as well as task force endorsement of the best approach or approaches.[5]

Introduction to Evaluation Criteria Process

Ken Isaacson, Senior Vice President, Wholesale Product Office, expanded on previous remarks by noting that the meeting's breakout discussions would kickoff phase 1 (June-September 2015) by trying to define the task force's evaluation criteria, which would be used as the standard for evaluating approach work group proposals. To facilitate conversation in the breakout sessions, Mr. Isaacson presented the group a draft document containing roughly 30 initial criteria topics with associated discussion questions divided across six primary categories: ubiquity, efficiency, safety, speed, legal basis, and governance. For the purpose of the breakout sessions, he encouraged the task force to review and provide feedback on additions, deletions, or revisions to topics outlined in the criteria questions or criteria groupings. In addition, he encouraged the breakout groups to look at how to apply a proposed

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[1] Of the 143 polled responses, 88 members were in favor of a two-thirds threshold; 40 members were in favor of a 75 percent threshold; 11 members were in favor of a simple majority (i.e. 51 percent); and 4 members were in favor of a 90 percent threshold.

[2] Of the 133 polled responses, 63 members were in favor of 7/8 segment groups supporting the proposal; 56 members were in favor of 6/8 segment groups supporting the proposal; and 14 members were in favor of all 8 segment groups supporting the proposal.

[3] Of the 146 polled responses, 107 were in favor of using task force meetings and calls to facilitate the matchmaking process between work groups; 36 were in favor of using optional forums and offline methods, such as web postings and emails; and 3 were in favor of allowing task force members to independently network for these purposes.

[4] Of the 141 polled responses, 115 were in favor of an iterative approach; 12 were not in favor of an iterative approach; and 14 were "not sure."

[5] Of the 152 polled responses, 100 were in favor of full scoring with an overall effectiveness rating and the task force's full endorsement of best approaches; 42 were in favor of full scoring and an overall effectiveness rating for each approach; and 10 were in favor of a report limited to how each approach rated on individual criteria.

effectiveness scale (using a four-point scale ranging from very effective, effective, somewhat effective, and not effective) to each criterion.

Segment Breakout Discussion of Evaluation Criteria

Following the general session, task force participants separated into breakout discussions with their respective segment groups. The eight major segment groups included: small financial institutions, medium financial institutions, large financial institutions, consumer end users, business end users, government end users, non-bank providers, and other stakeholders. The primary focus of this discussion was to use the "Criteria Discussion Document" as a guide to identify and define the most important criteria for each respective segment. The segment group then worked to prioritize and define the criteria and establish measurement criteria, with the goal of sharing these segment perspectives during day two cross-segment sessions.

Highlights from Day 1 and Overview of Day 2

Sean Rodriguez welcomed participants to the second day of the convening and began with a readout of the key highlights from the first day. Mr. Rodriguez first provided a recap of how task force members across the segment groups discussed whether or not to re-configure certain criteria groupings. Certain members, for example, proposed new categories for end-user experience and fraud. Task force members also suggested adding more criteria to the draft categories for governance, ubiquity, and efficiency. Other suggestions included keeping criteria as high-level as possible and to consider the nuances behind qualitative and quantitative measures of effectiveness. Finally, task force members also discussed the importance of a common language when discussing the criteria, and several attendees suggested that the group devise a glossary of terms to ensure mutual understanding on key terms and concepts.

Mr. Rodriguez turned the floor to Mr. Isaacson to outline expectations for the second day's breakout group discussions. Mr. Isaacson noted that for these sessions, the task force would be divided into six cross-segment groups with each focused on a particular set of criteria topics. He noted that the breakout sessions would be divided into two phases: first, there would be a team phase followed by a consolidation phase. The team phase would involve each table (team) within a cross-segment group discussing the criteria topic and associated questions with the goal of defining specific criteria and establishing an effectiveness scale. The consolidation phase would bring together each of these table teams to present and discuss their results to their cross-segment breakout group. Through this discussion, the group's facilitator would summarize findings across the teams to debrief the full task force during the afternoon session.

Breakout Group Debrief – Sean Rodriguez and Facilitators

When the broader group reconvened after the breakout discussions, the six facilitators of the breakout cross-segment groups provided an extensive readout of their assigned criteria, including the effectiveness scale ratings and any differences of opinion that surfaced, and fielded questions from the task force.

John Drechny, Walmart, presented on behalf of the first ubiquity group focused on broad access and reach, the applicability for multiple use cases, and end-user benefits. Mr. Drechny noted that the group discussed the need for a solution that is accessible to a wide range of financial institutions and account providers, reaches a broad spectrum of consumers and businesses (including unbanked consumers), and has an underlying infrastructure that fosters competition and presents low barriers to entry for participants. The group also discussed the business cases that a solution should cover,

including: business to business, business to consumer, consumer to business, consumer to consumer, and government to consumer.

Janet Estep, NACHA, presented for the second ubiquity group focused on end-user convenience, brand recognition, the consistency of the user experience, enabling value-added services, and cross-border interoperability. Ms. Estep noted that the group discussed the need for a solution that enables any entity to initiate and receive payment instructions and related information anytime, anywhere, and using any access point and widely recognized as **the** ubiquitous solution for moving payments and information. In addition, a solution should enable differentiation and customization of the end-user experience above a core baseline to allow parties to create a return on investment, while being agnostic to use-cases, technology or payment trends. Finally, a solution should support consistency and predictability of the end users experience via transparency of functionality, enforceability of rules and rights, availability of the system and funds, and it should be designed to address various compliance regimes across geographic regions, while supporting various levels of cross-border interoperability.

Christina Tetreault, Consumers Union, presented for the efficiency group, which focused on implementation and operating costs, the timeline for implementation and achieving ubiquity, compatibility with formatting standards, and the comprehensiveness and scalability of the solution. Ms. Tetreault stated that her group discussed an ideal solution that would be cost-efficient, able to attain economies of scale, implemented and adopted in a timely manner, and that would adhere to global standards. Moreover, she stressed that a solution should support multiple currencies and use cases.

Steven Ledford, The Clearing House, presented the recommendations of the speed, legal, and governance group, which focused on: clearing, settlement, and funds availability; legal frameworks and technology licensing; and effective governance frameworks, respectively. The group concluded that an optimal solution across these categories would allow for a real-time exchange of payment information and confirmation of good funds. They recommended that a legal framework should leverage existing frameworks, be unbiased and fair, and avoid creating barriers to future innovation. Finally, the group stressed the importance of governance, stating that it would be important to develop an effective and inclusive decision making process that is consistent across time, includes due process capabilities to ensure the consideration of all ideas, and promotes timely decision making.

Ryan Zagone, Ripple Labs, presented for the safety and risk group focused on compliance, settlement, and risk management practices. Mr. Zagone discussed how the group thought an ideal solution would use a credit push model. The group also noted that a solution should allow for real-time settlement with real-time access to funds to reduce settlement risk.   Since real-time transactions would be irrevocable, a solution would need to establish a robust resolution process and properly account for the existing and emerging fraud landscape. Finally, Mr. Zagone noted the importance of building federal and state-specific compliance requirements into an open, extensible messaging solution.

Roy DeCicco, ASC X9, presented for the security group on network security and resiliency for operators and participants, as well as end-user privacy and authentication. Mr. DeCicco explained that his group believed an optimal solution would be available at all times, provide a robust, secure, and open platform, and an adaptable and resilient architecture. The group discussed dividing data security and data privacy into two separate categories, viewing these as discrete topics, with both providing a foundation which protects non-public information during the lifecycle of a payment. Mr. DeCicco also

noted that an end-user solution should use multi-factor authentication across all channels, with an optimal solution relying on three different authentication methods.

Closing Remarks – Gordon Werkema

In his closing remarks, Gordon Werkema, Payment Strategy Director, thanked attendees for their time and commitment to this 18-month process. Mr. Werkema stressed the importance of being open-minded when trying to understand the diverse array of ideas and perspectives among task force members. While outlining next steps, he noted that the steering committee, in conjunction with Federal Reserve staff, would work to schedule cross-segment calls in July to build on the work started in this meeting, specifically to begin iterative review and comment on draft criteria , with the aim of having a final criteria document for the task force's endorsement in September. In advance of September, the steering committee and Federal Reserve would also coordinate to finalize a work plan, draft a decision-making framework, and begin developing guidelines and a template for approach workgroup proposals. Mr. Werkema concluded the task force meeting by stating that, while Federal Reserve staff and the steering committee will guide and support the process, the task force has ownership in identifying and evaluating approaches for implementing safe, ubiquitous, and faster payment capabilities for the U.S.