

# Faster Payments Task Force Steering Committee Meeting Washington, D.C. July 30-31, 2015, Meeting Summary

## Introductory Remarks

Gordon Werkema, Payments Strategy Director, opened the meeting by introducing Governor Jerome Powell. Governor Powell welcomed the task force to Washington, D.C., emphasizing the importance of the task force's work and thanking the steering committee members for their commitment to the effort. Mr. Werkema then introduced Brian Shniderman, leader of Deloitte's global payments practice, who introduced the Deloitte team and noted that Deloitte was pleased to be supporting the Federal Reserve in facilitating the task forces. Finally, Mr. Werkema announced that the Federal Reserve selected Sean Rodriguez, Senior Vice President, Federal Reserve Bank of Chicago, as the Faster Payments Strategy Leader and the chair for the Faster Payments Task Force. Ken Isaacson, Senior Vice President, Federal Reserve Bank of New York, was selected as the Faster Payments Strategist. Niel Willardson, Senior Vice President and General Counsel, Federal Reserve Bank of Minneapolis, reminded the task force steering committee of its responsibility to comply with antitrust laws.

## CFPB Principles

William Wade-Gery, Assistant Director for Card and Payments Markets at the Consumer Financial Protection Bureau (CFPB), provided a summary of the CFPB's consumer protection principles for new faster payment systems. He noted that the principles are not intended to be rules, but rather guidelines that are technology neutral and consistent with the benefits of faster payments. In response to a question, Mr. Wade-Gery stated that the principles could evolve as appropriate.

Mr. Wade-Gery discussed each of the principles. He noted that the most important principle is consumer control over the payment, which includes being able to control authorization, payment timing, and understanding how to revoke a payment. He also briefly discussed the other principles related to data and privacy, fraud and error resolution protections, transparency, cost, access, funds availability, security and payment credential value, and strong accountability mechanisms that curtail system misuse. Mr. Wade-Gery indicated that the CFPB welcomes one-on-one dialogue with interested parties on these principles and faster payments generally.

## Decision-making Framework

Steering committee members were provided with a third draft of the decision-making framework, which incorporated feedback and survey results that were gathered on an earlier draft. Mr. Isaacson explained the key changes made to the decision-making framework, which included noting that decision proposals may originate from members of the community if sponsored by a task force member, clarifying that the entire voting record will be posted publicly, and adding a provision to allow the Faster Payments Task Force chair to request a re-vote if there is low voter turnout.

Some steering committee members expressed concern about the possibility of deadlocked voting and the difficulties this may generate for completing work products. Mr. Isaacson suggested that votes to 'object' would be expected to declare concerns and propose an alternative idea; otherwise, their vote would not be counted. This technique is intended to reduce the likelihood of a deadlocked vote. Steering committee members also discussed whether inactive task force members (as evidenced by non-voting and/or non-participation in task force activities) should be allowed to continue participating on the task force. Mr. Rodriguez suggested that the task force could institute a process by which the steering committee members could contact inactive members within their industry segments.

## Criteria Development

Mr. Isaacson opened the discussion by providing an updated timeline for the development of the effectiveness criteria. He explained that the criteria would take longer to finalize than originally planned, partly because of the scale of the task and partly out of a desire to give the Secure Payments Task Force enough time to provide feedback on the security-related criteria. The revised goal is to present a final draft version of the effectiveness criteria for the task force's endorsement toward the end of 2015.

The majority of the remaining time at the steering committee meeting was spent on an in-depth discussion of the second draft of the effectiveness criteria. Mr. Isaacson first explained the main changes to the criteria between the first and second drafts and how these changes were determined. Steering committee members were then presented with the task force survey results on the importance, clarity, and appropriateness of each criterion. These results and input from calls that steering committee members conducted with their industry segments helped provide insight into the criteria that required further detailed discussion and re-drafting. Based on this feedback, the steering committee chose to focus most of their conversation on the efficiency, safety, and security criteria.

One steering committee member commented on the need to reframe the criteria to better enable their use as an evaluation tool. This steering committee member suggested that each criterion should define what it is measuring, then provide several distinct measurable statements (“the solution allows”), rather than imperative statements (“the solution should”). Some task force members discussed their views that the criteria should be used to advance a common perspective on desirable high level characteristics of a faster payment capability, but to rely on the free market, rather than the task force, to express their support for specific solutions by adopting and using them. These members noted that the criteria would be drafted differently depending on how they will be used, so this issue needs to be clarified soon.

There was also considerable discussion among steering committee members regarding the definition of several terms used throughout the criteria. It was noted that having a glossary of terms available as soon as possible would help ensure that all task force members use key terms in the same way when providing feedback on the criteria. Mr. Rodriguez concluded the discussion by reiterating that the next draft of the effectiveness criteria would incorporate feedback from the meeting and noted that, at a later stage, the draft criteria would be made publicly available to the FedPayments Improvement Community.

## Criteria Framework

Mr. Isaacson led a discussion on possible options for grouping the criteria (the criteria framework).<sup>1</sup> He explained that the criteria framework would form the basis for three documents—the effectiveness criteria, the proposal templates, and the minimum viable criteria (“knock-out criteria”) for proposal eligibility—and that the framework ultimately chosen should be helpful across the entire proposal process (from proposal submission to evaluation). He also indicated that these alternative frameworks are in response to feedback from certain task force members both in the Faster Payments and Secure Payments Task Forces.

Mr. Isaacson presented two alternatives to the current criteria grouping: criteria groupings by key features of the end-to-end payments process (for example, initiation, authorization, clearing, settlement, and reconciliation) and distinct desirable attributes to end users (ease of use, timeliness, availability). Mr. Isaacson also encouraged steering committee members to suggest alternative ideas.

The discussion and subsequent polling highlighted a split among steering committee members on whether to make a change to the criteria framework (5 votes for each alternative) or keep the current framework (8 votes). One steering committee member also offered an alternative approach of removing

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<sup>1</sup> To date, the criteria have been grouped into six high-level categories: ubiquity, efficiency, safety and security, speed (fast), legal framework, and governance.

all high-level criteria groupings and simply listing each separately. Mr. Isaacson indicated that the steering committee may need to have additional follow-up conversations based on this initial feedback.

### **Work Plan and Next Steps**

Mr. Rodriguez summarized the work products being developed as part of the work plan's first phase, which are expected to be completed with the next several months. One steering committee member suggested forming a work group to focus specifically on the legal criteria. Mr. Rodriguez said that he would work with volunteers from the steering committee to develop a charter for the group. In closing, Mr. Rodriguez announced that the next task force call is scheduled for August 18 and the steering committee's next in-person meeting is scheduled for September 9-10 in Chicago. Mr. Rodriguez also noted that final dates/times for the in-person full task force meeting scheduled for the latter part of September in Chicago would be finalized and communicated to the task force within two weeks.