

In Pursuit of a Better Payment System

Faster Payments Task Force



Faster Payments Task Force Teleconference

August 18, 2015
1:00-3:00 p.m. ET

AGENDA

- Welcome and Agenda Review
- CFPB Vision of Consumer Protection in a Faster Payments System
- Decision-Making Framework Status
- Criteria Development Update
- Work Plan Status and Phase One Deliverables
- Future Task Force Meetings
- Recap and Close

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, present at the meeting.



CFPB - Vision of Consumer Protection in New Faster Payments Systems

Gary Stein

CFPB - Vision of Consumer Protection in New Faster Payments Systems

Consumer Protection Principles

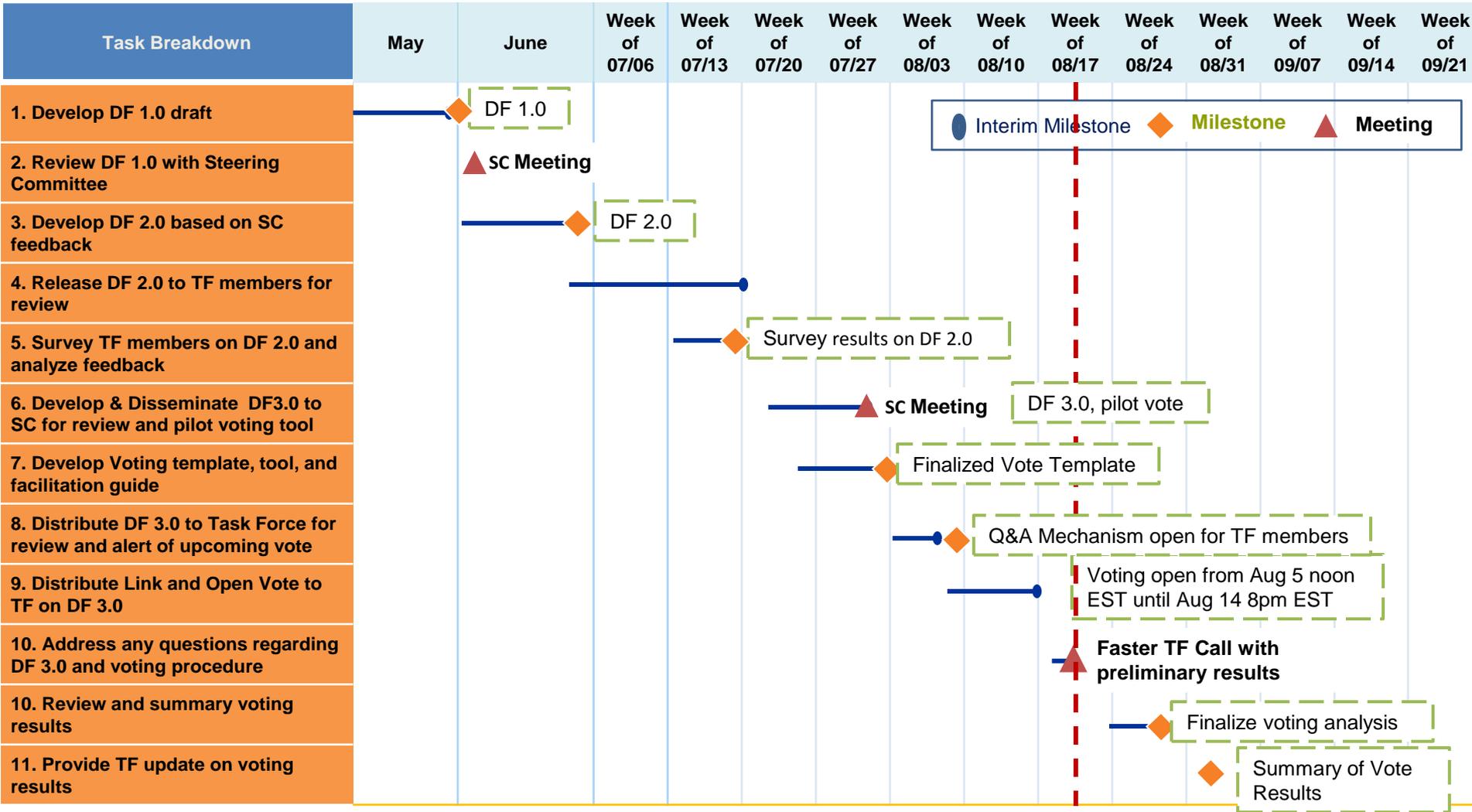
1. Consumer Control Over Payments
2. Data and Privacy
3. Fraud and Error Resolution Protections
4. Transparency
5. Cost
6. Access
7. Funds Availability
8. Security and Payment Credential Value
9. Strong Accountability Mechanisms that Effectively Curtail System Misuse



Decision-Making Framework Status

Ken Isaacson

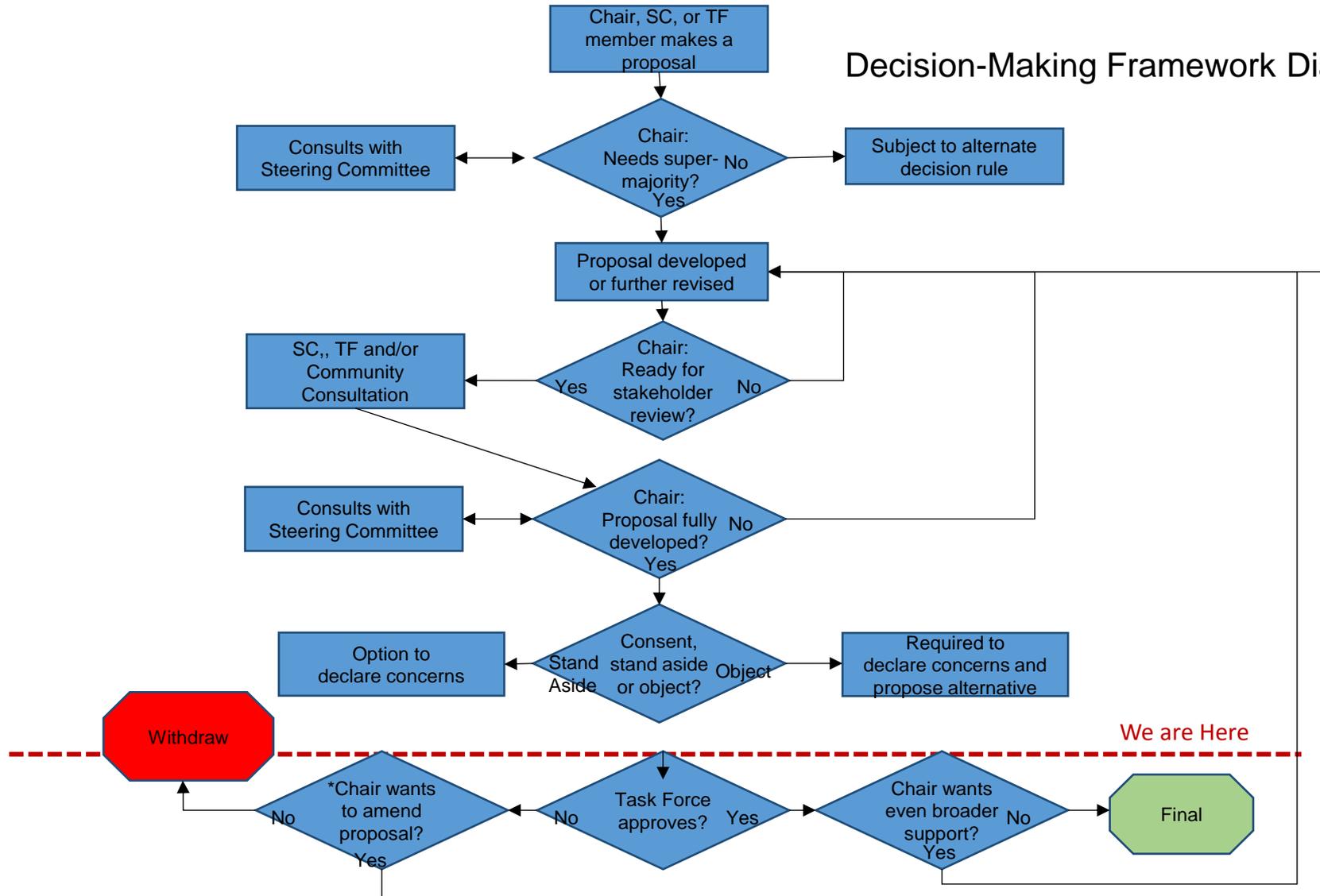
Decision-Making Framework Timeline



We are here

How it Works: Decision Framework Approval for DF 3.0

Decision-Making Framework Diagram



We are Here

Decision-Making Framework Voting Analysis Dashboard

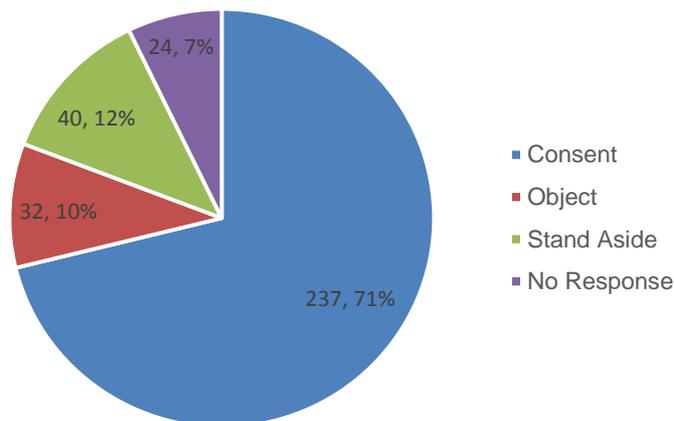
Collecting voting on the Decision Framework and reporting back to the Task Force requires producing intuitive summaries, highlighting potential concerns with engagement, and matching Declared Concerns with Proposed Alternatives.

1

Voting Overview

- Provides the vote distribution overall. 'No response' counts Task Force members who were invited to vote but did not submit a response by 8/14 at 8pm eastern

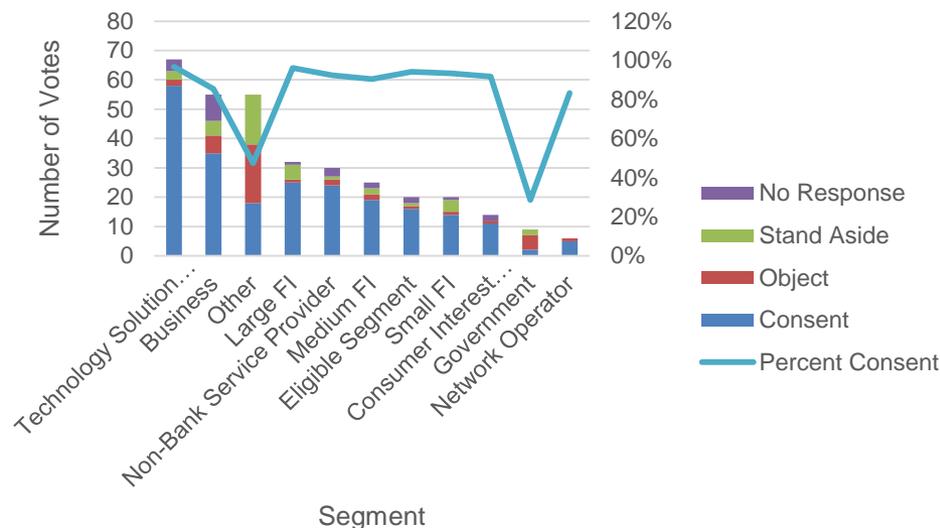
Illustrative Data



2A

Voting by Segment

- Breaking down the vote by segment highlights how the proposal influence each Task Force segment
- Shows the eight Task Force voting segments
- The illustrative example below may suggest Government and Regulators feel the proposal did not provide sufficient controls and oversight to comply with related regulations

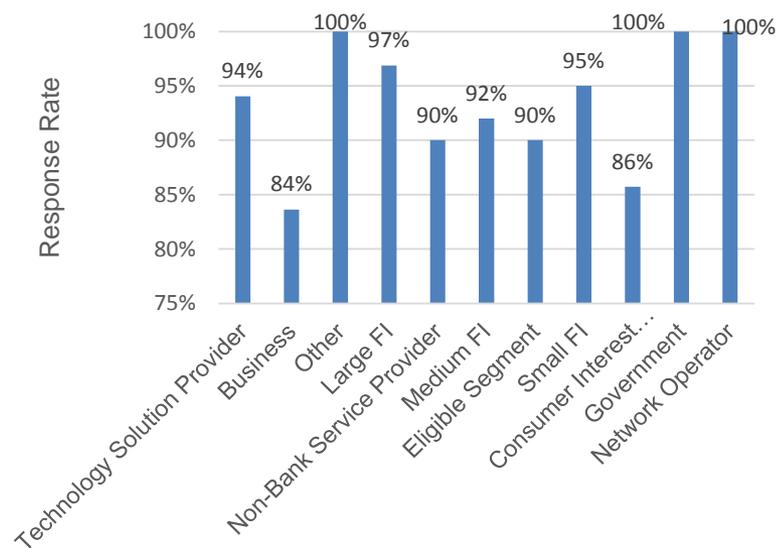


Decision-Making Framework Voting Analysis Dashboard (cont.)

Illustrative Data

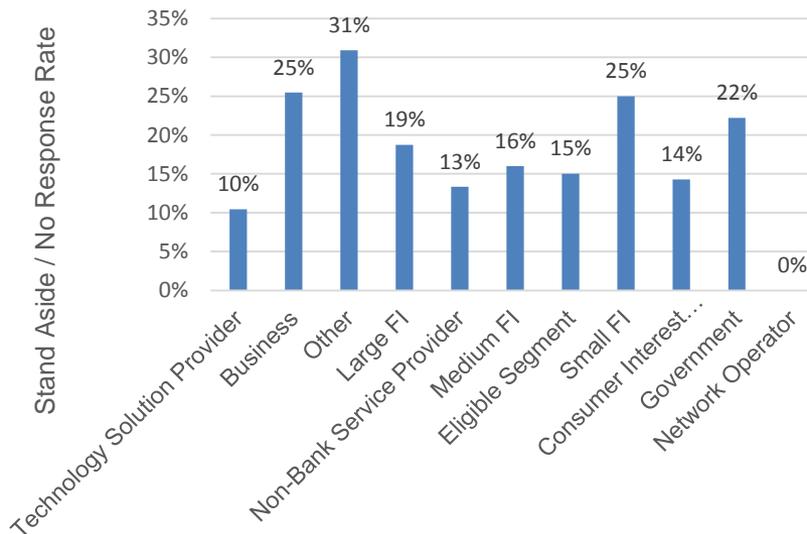
2B Response Rate by Segment

- A low response rate may indicate low engagement or potential concerns



2C Stand Aside by Segment

- A high stand aside / no response rate may also indicate low engagement or potential concerns



Decision-Making Framework Voting Analysis Dashboard (cont.)

Illustrative Data

3 Declared Concerns and Proposed Alternatives

- Provides a starting point to match proposed alternatives to other Task Force members' declared concerns
- Cell column headers summarize proposed alternatives, and clicking provides additional detail / text in the response
- A heatmap where stronger matches have darker colors

Declared Concern	Proposed Alternative				
	Facilitate Voting	Increase Channel	Increase Transparency	Limit Number of Appeals	Refine Appeals Process
Appeals Process					4
Chair and Steering Committee Consultation			8		
Community Engagement		7			
Speed to Decision				2	
Voting Process	11				

4 Detailed Voting Record

- Searchable, filterable record of Task Force voting, including details of the comments

ID	Company Name	Segment	Vote	Declared Concern	Proposed Alternative
10	Acme Bank	Large FI	Stand Asic	Appeals Process	
11	Big Bank N.A.	Large FI	Object	Voting Process	Facilitate Voting
16	Capital Unlimited	Large FI	Stand Asic	Voting Process	
20	Delta Bank	Large FI	Consent		
23	Echo Bancorp	Large FI	Stand Asic	Speed to Decision	
35	First Internet Bank	Medium FI	Object	Appeals Process	Refine Appeals Process
39	Glass Steagall Savings and Loan	Medium FI	Consent		
56	Home Bank	Medium FI	Object	Voting Process	Facilitate Voting
80	Inspector General A	Government	Object	Appeals Process	Refine Appeals Process
81	Processing Bureau B	Government	Object	Voting Process	Facilitate Voting
82	Operations Center C	Government	Object	Chair and Steering Committee Consultation	Increase Transparency
87	Development Center D	Government	Object	Chair and Steering Committee Consultation	Increase Transparency



Criteria Development Update

Ken Isaacson

Effectiveness Criteria Development and Update

- ❑ Thank you for all of your feedback and input; your diligence helps us stay on track to meet our end of month Draft 3 deliverable
- ❑ The overall Effectiveness Criteria Draft 2 results we will walk through are inclusive of all input gathering through the August 7 deadline
- ❑ As we walk through the Effectiveness Criteria Draft 2 results we hope you will see the great progress being made

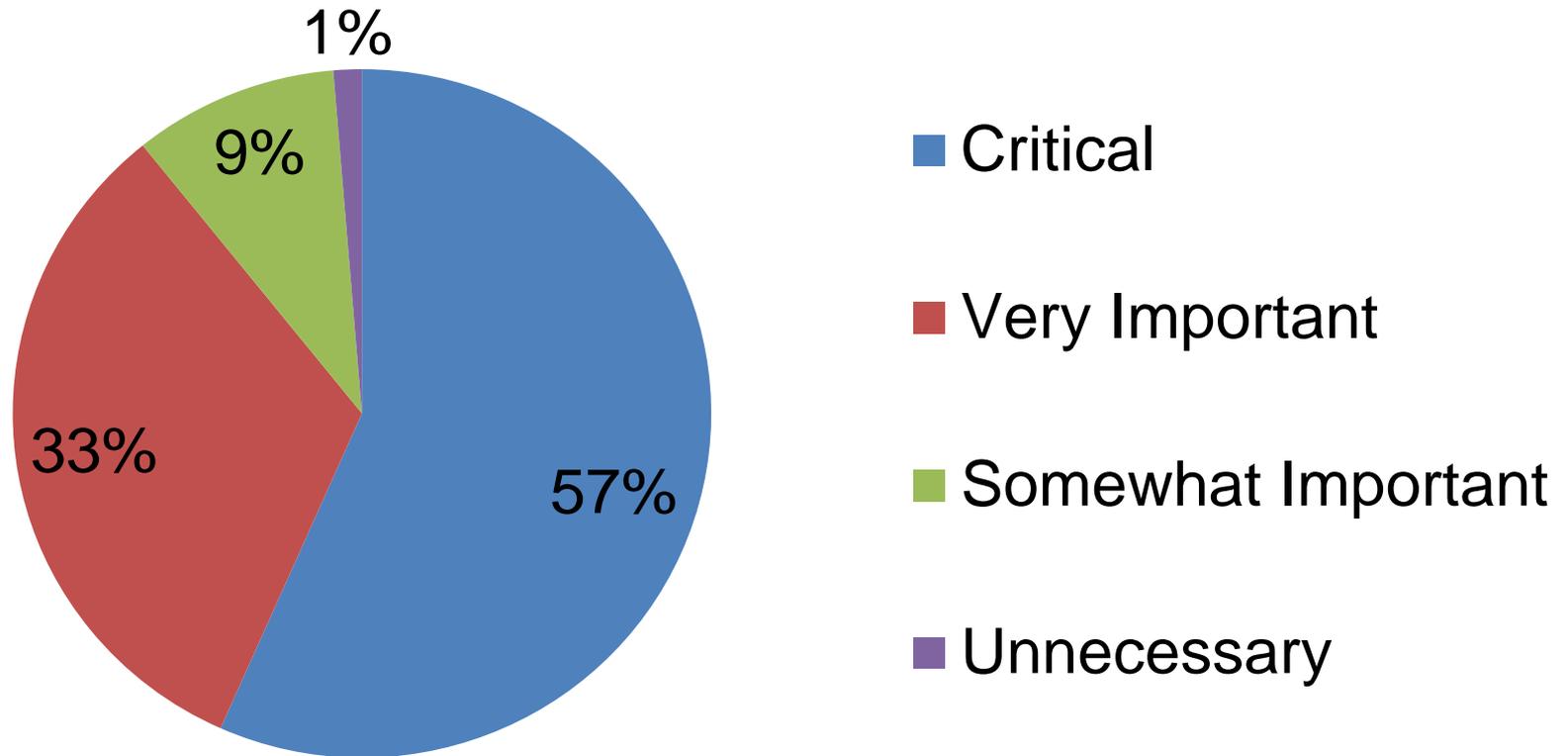
Updated Criteria Development Schedule

- **June 15 – 16:** Faster TF meeting
- **July 8-10:** Faster TF cross segment calls
- **July 13:** Criteria Draft 1 survey deadline
- **July 21-22:** Secure SC meeting
- **July 22-24:** Faster TF single segment calls
- **July 30-31:** Faster SC meeting - readout from segment calls
- **Aug 18:** Faster TF call
- **Aug 25-26:** Secure TF meeting
- **Sept 2:** Secure SC call
- **Sept 9-10:** Faster SC meeting
- **Sept 16:** Secure TF call
- **Sept 21-23:** Faster TF meeting
- **Oct 1-2:** Secure SC meeting
- **Oct 23:** Faster SC meeting
- **Oct 29:** Faster TF call
- **Nov 9-10:** Secure TF meeting
- **Nov 19:** Faster TF call



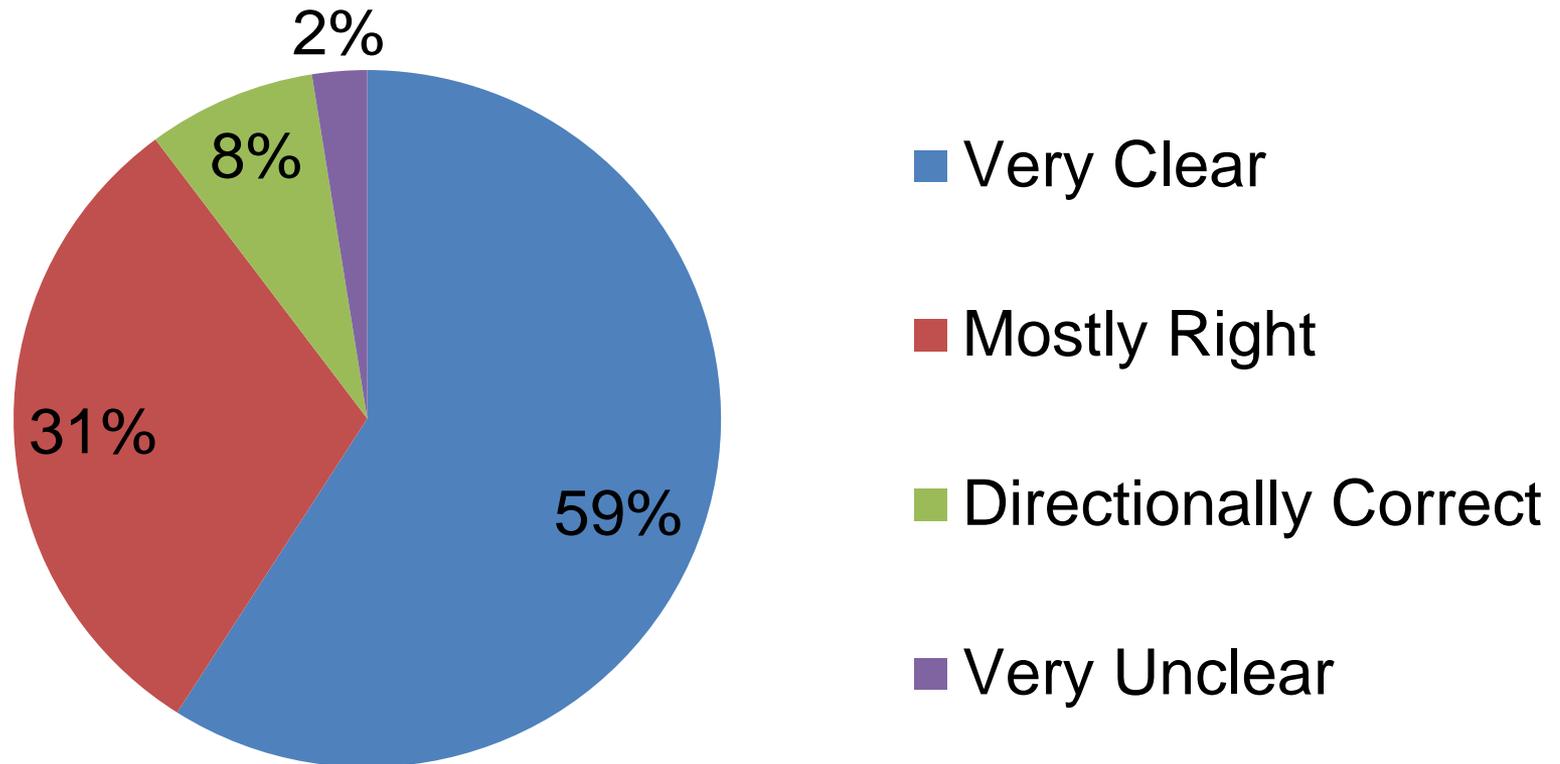
Effectiveness Criteria Draft 2 Survey: Overall Results

Importance Across All Criteria



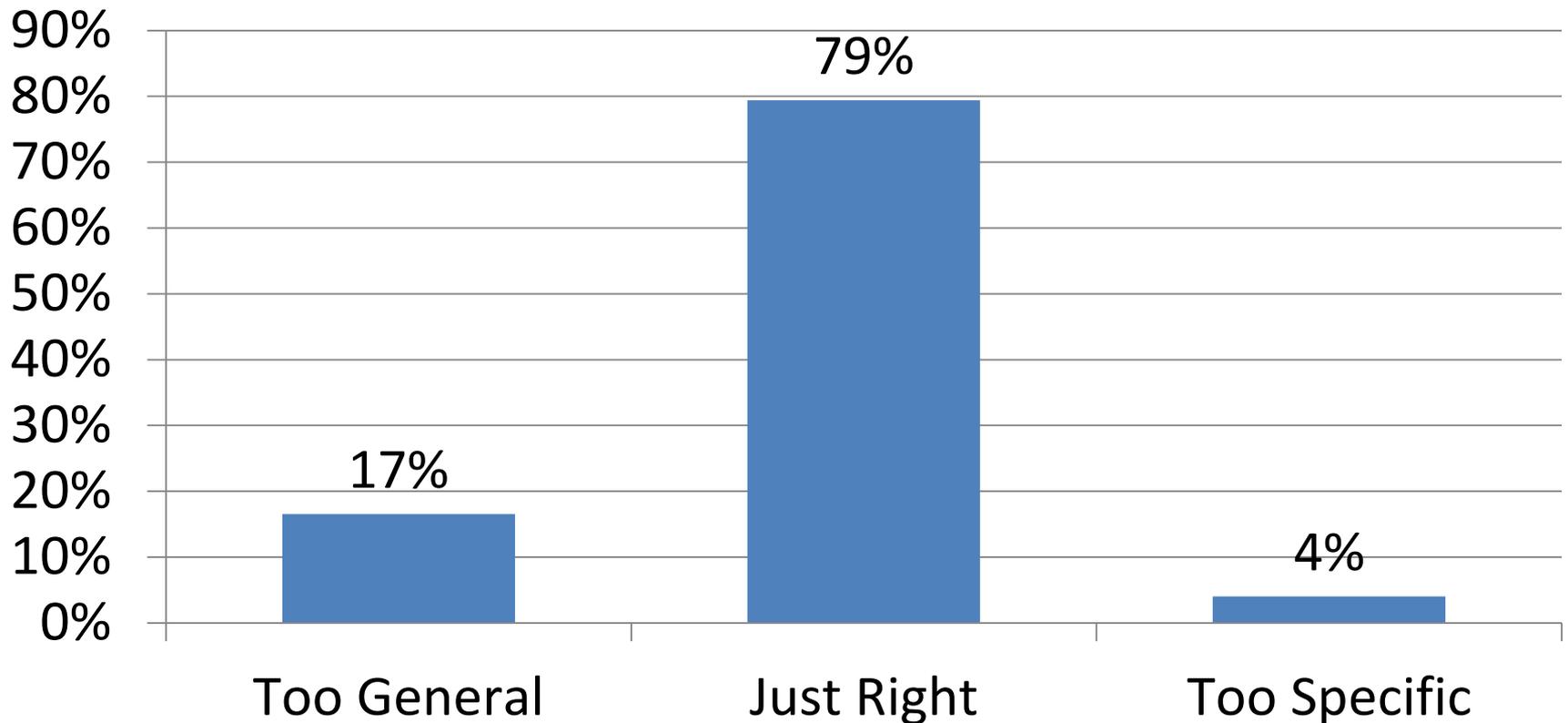
Effectiveness Criteria Draft 2 Survey: Overall Results

Clarity and Accuracy Across All Criteria

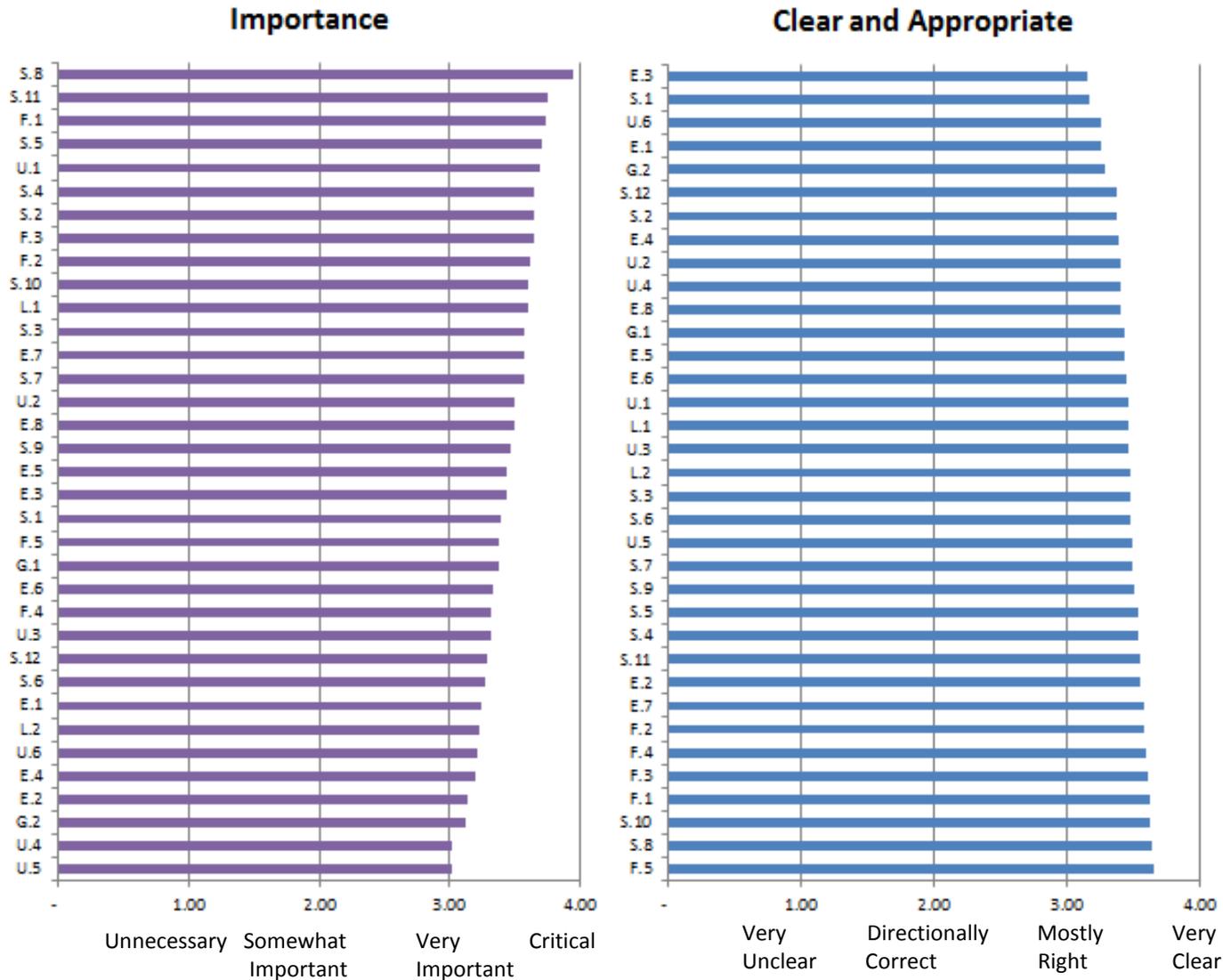


Effectiveness Criteria Draft 2 Survey: Overall Results

Level of Detail Across All Criteria

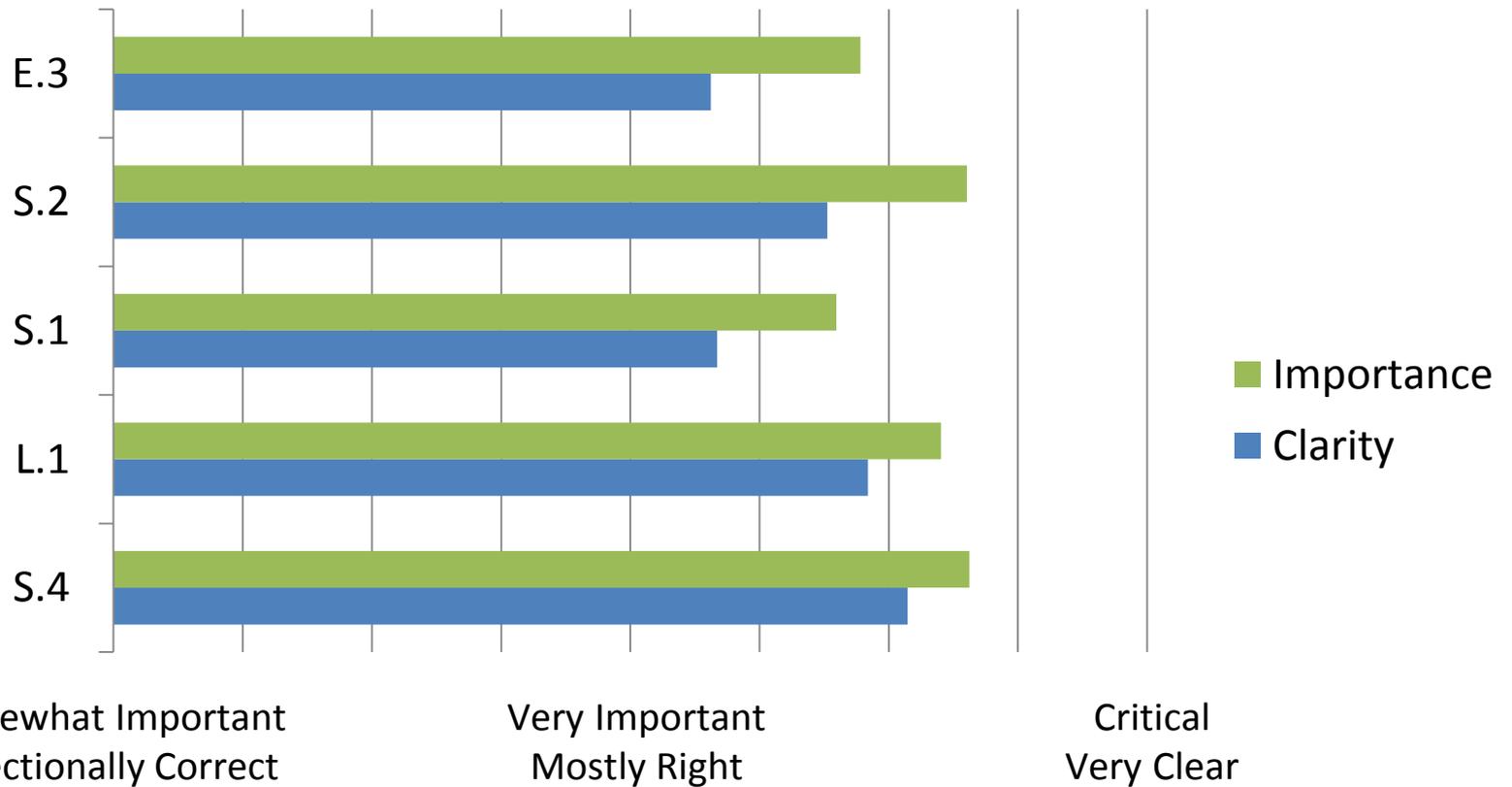


Effectiveness Criteria Draft 2 Survey: Overall Results



Effectiveness Criteria Draft 2 Survey: Overall Results

Criteria that are More Important, but Less Clear



Recap of Effectiveness Criteria Discussion - Steering Committee Meeting

- Steering Committee members classified criteria as green, yellow and red, placing three criteria in each of these categories.
- Based on this input, the group discussed the checked items below.
- Fed is prioritizing revision efforts on these topics

Criteria Scoreboard		
Criteria	Going In	Current
Efficiency		
E1 ✓ Competition Among Providers	R 7*	
E2 ✓ Competition for Value Added Services	R 5*	
E3 ✓ Cost Effectiveness	R 7*	
E4 E4 Implementation Timeline		
E5 E5 Formal Standards	R 1	
E6 E6 Comprehensive		
E7 E7 Scalable and Adaptable		
E8 E8 Exceptions and Investigations	R 2	
Governance		
G1 ✓ 0.1 Effective and transparent governance	R 1	
G2 0.2 Inclusive governance	R 3	
LEGAL		
L1 Legal Framework for payments	R 2	
L2 Regulatory Technology	R 1	

Criteria Scoreboard		
Criteria	Going In	Current
Safety and Security		
S1 ✓ 0.1 Payment	R 2	Y 9
S2 ✓ 0.2 Authorization	R 1	Y 10
S3 ✓ 0.3 Finality and error resolution	R 2	
S4 0.4 Settlement	R 1	
S5 0.5 Fraudulent or erroneous payments	R 2	
S6 0.6 Fraud information	R 2	
S7 0.7 Robust compliance with law		
S8 0.8 Strong security		
S9 0.9 Strong resiliency		
S10 0.10 End user privacy	R 1	
S11 0.11 End user authentication		
S12 0.12 Risk-based participant requirements	R 5*	

Criteria Scoreboard		
Criteria	Going In	Current
Ubiquity		
U1 ✓ 0.1 Accessibility		Y 6
U2 0.2 Usability	R 1	G 6
U3 0.3 Predictability	R 3	
U4 0.4 Contextual Data		
U5 0.5 Cross-Border	R 3	
U6 0.6 Multiple Use Cases		
Speed (Fast)		
F1 F1 Fast auth	R 2	G 5
F2 F2 Fast clearing		G 4
F3 F3 Fast availability	R 1	G 4
F4 F4 Fast settlement	R 1	
F5 F5 Prompt visibility of status end to end	R 1	

Formation of Work Group for Legal Criteria Input

- ❑ Explicitly review the legal criteria (L1 and L2) in Draft #2 and Draft #3 versions of the Effectiveness Criteria

- ❑ David Walker, ECCHO, has volunteered to chair the work group
 - Task Force members have until August 18 to express interest in joining the work group

- ❑ The work group will complete its review and provide recommendations to the criteria drafting team by September 18

- ❑ The first meeting of this work group is tentatively scheduled for Thursday, August 20, at 2:00 ET.

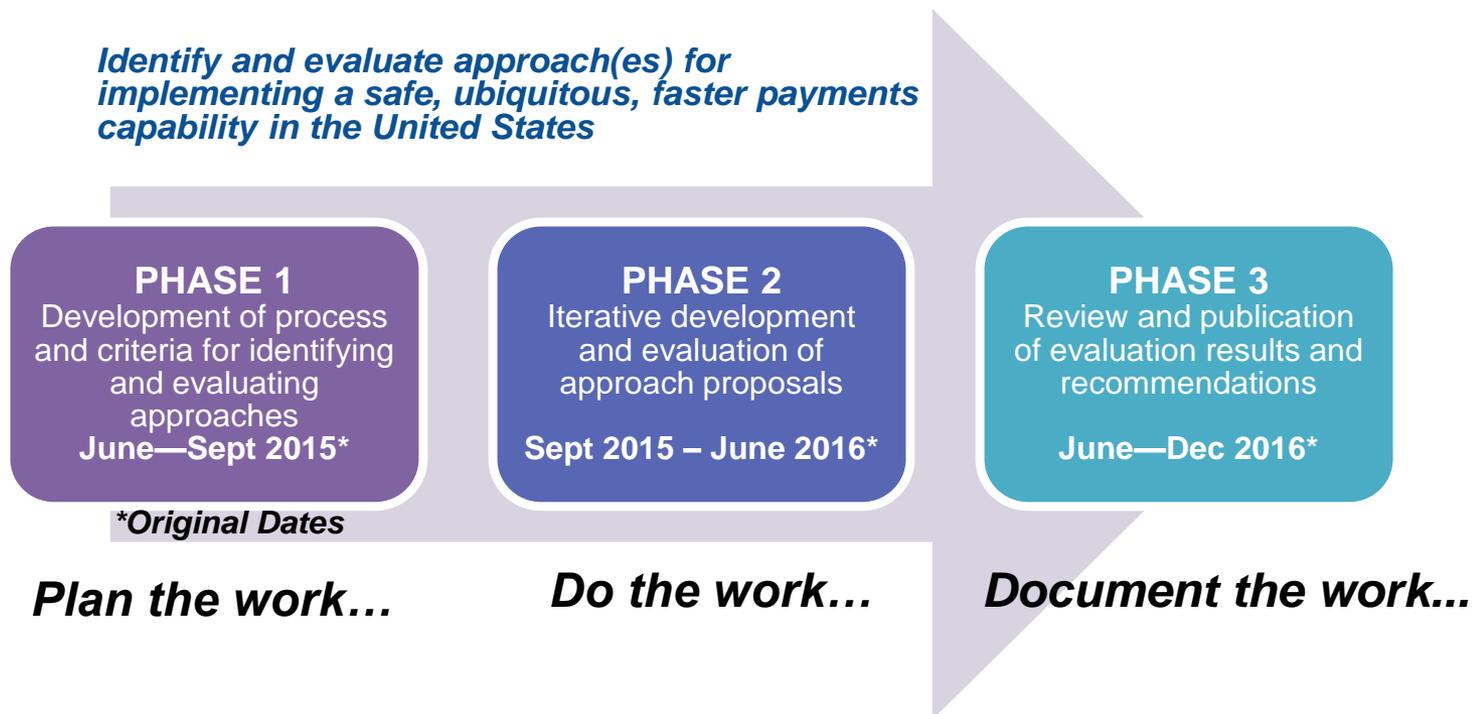


Work Plan Status and Phase One Deliverables

Sean Rodriguez

High Level Work Plan Status

As presented in June 2015, the faster payments work has been aligned to three phases. We are presently working through Phase 1; however, some deliverables will take longer than originally anticipated.

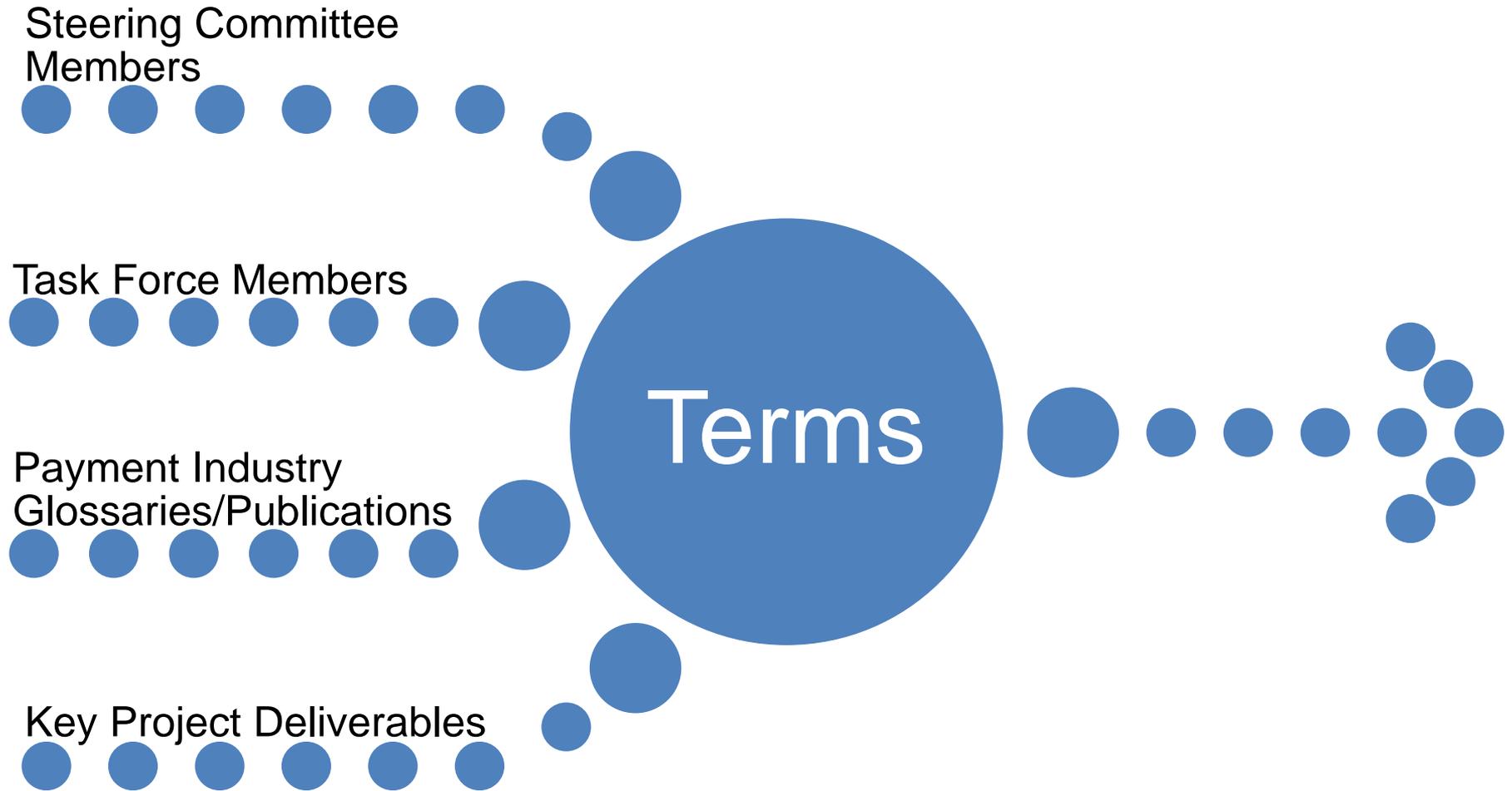


Phase 1 Deliverables

Work Product	Description	Target Date	Status
Phase 1 Revised Workplan	Detailed workplan to complete all Phase 1 Deliverables including exit criteria to move to Phase 2	August	To be commenced immediately
Phase 2 and 3 Work Plan	Task force endorsement for approach and timeline to complete Phases 2 and 3	September	Overall timing presented and endorsed. Need to develop detailed plan and achievable time frames.
Approved Task Force Decision Making Framework	Agreed upon methodology and governance structure for gaining Task Force approval/endorsement of proposals and deliverables	August	Drafts in progress and will be reviewed at Steering Committee and Task Force meeting
Effectiveness criteria	Defined set of criteria and associated weights that will be used to evaluate effective faster payments solution(s) presented to the Task Force	November	Draft 2 currently circulating for feedback
Work Group Guidelines	Work Group definition, charters and how the Work Groups will operate	TBD – pending P1 workplan	To be determined as part of work plan development
Proposal Templates	Artifacts to be used to document the proposals	TBD – pending P1 workplan	Work in preliminary phases; to be fully determined as part of work plan development
Minimum Viable Criteria	Development and approval of the criteria that must be met for a proposal to be considered	TBD – pending P1 workplan	Work in preliminary phases; to be fully determined as part of work plan development
Evaluation Process	Approach to scoring the proposals against the criteria and identifying effective proposals	TBD – pending P1 workplan	To be determined as part of work plan development
Community Engagement Plan	Agreed upon plan to engage the broader community for feedback and input	TBD – pending P1 workplan	To be determined as part of work plan development
Glossary of Definitions	Development of definitions that will accompany the criteria, proposal templates and minimum viable criteria	September	To be determined as part of work plan development

Glossary Development Effort

Sources of Terms for Definition



Glossary Development Effort

Sources for Defining Terms

- Payment Industry Glossaries/Dictionaries
 - CPMI glossary
 - FFIEC glossary
- Payment Stakeholder Websites
- Academic Sources
- Payment Industry Publications
- Payment Industry Experts (SC, TF, Payment Researchers, Payment Consultants)
- Authors of Key Project Deliverables
- Ongoing Feedback from Task Force Members

Glossary Development Effort

Key Deliverable Dates

- ❑ Initial Draft of Glossary of Terms – Completed August 10th
- ❑ Faster & Secure Steering Committee Input - August 26th
- ❑ Publish Initial Glossary of Terms on Website – Mid-September
- ❑ Provide Monthly Updates to Glossary - Ongoing



Future Task Force Meetings

Sean Rodriguez

Future Task Force Meetings

- ❑ September 21-22 Meeting Logistics
 - Monday, September 21: 10:00 a.m. – 6:00 p.m. CT
 - Registration, Breakfast and Networking - 8:30 a.m. CT
 - Reception - 6:00 p.m. CT
 - Tuesday, September 22: 8:00 a.m. - 1:00 p.m. CT
 - Location: Chicago O'Hare Area Hotel
 - High-Level Draft Agenda
 - Criteria Review/Discussion and Minimum Viable Criteria
 - Updated Stakeholder Engagement Approach
 - Draft Work Group Guidelines
 - Draft Proposal Templates and Work Group Sanctioning Process
 - Draft Proposal Evaluation Process
 - Pre-work assignments and materials to be distributed September 14
- ❑ October 29 – Task Force Teleconference from 1:00-3:00 p.m. ET
- ❑ November 19 – Task Force Teleconference from 1:00-3:00 p.m. ET
- ❑ December 16 – Task Force Teleconference from 1:00-3:00 p.m. ET





Recap and Close

Sean Rodriguez



Appendix

Timeline for Phase 1 Deliverables

Faster Call
 Faster Meeting
 Secure Call
 Secure Meeting

FTF
 STF
 SSC
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