

# Faster Payments Task Force Steering Committee

## Chicago, Illinois

### September 9-10, 2015 Meeting Summary

#### Welcome and Action Item Review<sup>1</sup>

Sean Rodriguez, Faster Payments Strategy Leader, opened the meeting by noting several action items from the prior Steering Committee meeting on July 30-31 were well underway, including developing a glossary of terms, analyzing final work product alternatives, and creating guidelines for managing inactive task force members.

#### Secure Payments Task Force Update

Barb Pacheco, Senior Vice President, Federal Reserve Bank of Kansas City, provided an update on the Secure Payments Task Force. Ms. Pacheco also announced that Todd Aadland had been selected as Secure Payments Strategy Leader. At the August 25-26 Secure Payments Task Force meeting, task force members developed success statements, discussed areas of focus and potential work groups, and developed a list of ideas for advising the Federal Reserve on payment security matters. The Secure Payments Task Force also discussed the security Effectiveness Criteria; a Security Criteria Work Group had been established to review a subset of the security criteria. Several Steering Committee members suggested that the Faster Payments Task Force and Secure Payments Task Force should meet jointly or form joint work groups.

#### Glossary of Terms

Francisco Robles, Industry Relations Representative, Federal Reserve Bank of Chicago, provided an overview of a draft glossary of terms. He noted that the terms and definitions had been derived from a variety of sources, and that the document would continue to evolve.

Steering Committee members discussed the definitions of several key terms:

- “Good funds”: Steering Committee members discussed whether the definition would allow overdrafts, the relationship between good funds and irrevocability, whether the definition should refer to only bank accounts (not non-bank accounts), and whether the definition should note that funds would be unconditionally available.
- “Irrevocability”: Steering Committee members discussed the need to acknowledge that consumers should be able to get their money back if something goes wrong. The Steering Committee agreed that the criteria will provide more specifics related to irrevocability and a straightforward definition was agreed upon.

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<sup>1</sup> Veronica Sellers, Senior Vice President and General Counsel, Federal Reserve Bank of Kansas City, reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

- “Final settlement”: Steering Committee members discussed whether there should be different definitions for settlement, final settlement, and finality, as well as the difference between irrevocability and finality. The Steering Committee agreed that there was no need to define final settlement and that finality was the same as irrevocability. The glossary includes a definition for settlement.
- “Ubiquity”: Steering Committee members discussed whether the concept of ubiquity should encompass all accounts and how the effectiveness scale should evaluate solutions that would not reach all accounts. The Steering Committee agreed that the definition should require a solution to reach all accounts.
- “Accessibility”: Steering Committee members discussed whether criterion U.1 defined accessibility. The Steering Committee agreed to adopt the definition derived from the criteria.
- “Real-time”: Steering Committee members discussed whether the definition was necessary, whether the definition should reference a specific time frame or remain conceptual, and whether the definition should reference immediacy. The Steering Committee agreed to adopt a conceptual definition that references immediacy.

### Task Force Work Product Alternatives

Mr. Rodriguez noted that in prior meetings, the majority of the full task force had agreed with the current work plan: evaluation by the task force against the Effectiveness Criteria, but that the Steering Committee had voiced the need to reassess the work plan and deliverables. He described four alternatives to the current work plan: (a) a self-evaluation against the Effectiveness Criteria with optional evaluation by the full task force, (b) evaluate alternatives currently in the marketplace against the Effectiveness Criteria, (c) issue guiding principles instead of the Effectiveness Criteria, and (d) issue guiding principles and provide a self-evaluation toolkit that would be maintained and updated by the Federal Reserve. Mr. Rodriguez indicated that he believed the current work plan or alternative (a) were most consistent with the Strategies for Improving the U.S. Payment System paper.

Steering Committee members participated in breakout groups to drill down on select final work product alternatives:

- The first breakout group agreed that everything included in the current work plan should be retained, but that intellectual property issues remained a concern. It also raised concerns about whether task force members would be qualified to evaluate solution proposals, and suggested that the task force should have an opportunity to comment, rather than evaluate, on how proposals meet the criteria.
- The second breakout group was split on whether the current work plan or the alternative that would require a self-evaluation was the best approach. It agreed that the criteria are valuable but expressed concern about intellectual property issues and the qualifications of the task force to evaluate solution proposals. The group proposed that a qualified independent review committee should evaluate solution proposals, and that the final report should focus on solutions rather than naming particular solution “brands.”

- The third breakout group preferred the current work plan but proposed some modifications. The group was concerned that all task force members would not be qualified to evaluate solution proposals, so it proposed a qualified review committee with representation from each of the segments as well as the Federal Reserve. The committee would review solution proposals and issue a report to the full task force. The task force would review the report and offer feedback to the committee. This group also discussed whether the evaluation process should be qualitative or quantitative.

### **Proposal Assessment Architecture**

Kylie Stewart, Financial Services Project Leader, Federal Reserve Board, provided an overview of a proposed process for developing and submitting solution proposals. First, proposers would use a pre-proposal template to outline a proposed approach. A showcase portal would allow component proposals and proposals-in-process to match with others. Second, pre-proposals would be assessed against minimum viable criteria. Third, proposal work groups would form. Fourth, full proposals would be developed using a proposal template that could include a self-assessment against the Effectiveness Criteria. Finally, proposals would be submitted to the task force for evaluation against the full criteria.

Steering Committee members agreed that a showcase portal would be a good idea, but some Steering Committee members indicated that the private market should ultimately determine any matching between component proposal and proposals-in-process. Steering Committee members also discussed the value of a self-assessment, whether any self-assessment would be shared with the task force, whether any parties who view proposals-in-process would have to sign non-disclosure agreements, who would conduct an assessment of pre-proposals against the minimum viable criteria, and whether component proposals could progress through the entire process. The Steering Committee agreed that there would be no need to assess against the minimum viable criteria unless a large number of pre-proposals is submitted. They also agreed that a proposal template should be developed.

### **First Day Recap and Revised Final Work Product**

Mr. Rodriguez presented a revised approach based on feedback from the first day. First, the task force would develop a set of Effectiveness Criteria for faster payments capabilities. Second, proposals could be submitted by a single entity or a set of entities that form a work group. Third, the task force would create a process for qualified independent assessment of proposals with task force review and comment. Fourth, the task force would publish the final results of the assessment process. Steering Committee members largely agreed with this revised approach.

Steering Committee members discussed whether competitors would be able to comment on proposals, whether comments should be attributed, and whether the Federal Reserve would be reaching out to parties that are not part of the task force to undertake the qualified independent assessment.

One Steering Committee member suggested adding a new component to the final work product: strategic gaps in the U.S. payments system (that is, gaps that the solutions were generally unable to address) and implementation considerations for achieving ubiquitous faster payments. Steering Committee members supported this new component.

### **Task Force and Broader Stakeholder Engagement Planning**

Connie Theien, Vice President, Federal Reserve Bank of Chicago, provided an overview of planning efforts underway for facilitating interaction with task force members and broader stakeholder communities. Ms. Theien noted that it is important to maintain diverse and active task force membership, as well as to design effective interaction and input processes and tools. She reviewed the expectations for active task force members.

Steering Committee members discussed the need to reach out to non-active task force members, the importance of maintaining segment representation, the responsibility of Steering Committee members to keep task force members engaged, the need to keep task force members up to date with scheduling and logistics for meetings, and the need for greater transparency related to criteria feedback.

### **Effectiveness Criteria**

Ken Isaacson, Faster Payments Strategist, provided an update on progress refining the criteria. Steering Committee members discussed the definitions of “solution” and “provider.” Steering Committee members agreed that “solution” should be defined broadly, and that the definition of “provider” retain its proposed structure.

Steering Committee members also discussed U.1 (accessibility) and E.3 (cost effectiveness). Steering Committee members agreed that U.1 should require that the solution should enable payments to be sent to and received from any depository institution’s and regulated non-bank account provider’s account. Steering Committee members agreed to support process-based approach to E.3.

### **Intellectual Property**

John Yanish, Vice President, Federal Reserve Bank of Minneapolis, summarized the intellectual property provisions in the current participation agreement. One Steering Committee member asked about the nature of the concerns surrounding the agreement. Mr. Yanish indicated that some have read the agreement’s indemnity related to intellectual property very broadly. In response to another Steering Committee member’s question, Gordon Werkema, Payments Strategy Director, said that Federal Reserve attorneys would be exploring potential changes to the agreement in the future.

### **Closing**

Mr. Rodriguez thanked Steering Committee members for their attendance and participation, and noted that the next full task force meeting would take place September 21-22 in Chicago.