



# Strategies for Improving the U.S. Payment System

SPEED • SECURITY • EFFICIENCY  
INTERNATIONAL • COLLABORATION

Progress Report  
October 2018

## In Pursuit of a Better Payment System

In January 2015, the Federal Reserve issued a call to action in *Strategies for Improving the U.S. Payment System*, asking stakeholders to come together in pursuit of a better payment system for the future. The call was answered, with hundreds of organizations and individuals collaborating on achieving the five desired outcomes: speed, security, efficiency, international payments, and collaboration. As a result of this success, in September 2017, the Federal Reserve published its *Next Steps in the Payments Improvement Journey*, which introduced the next phase of work.

This progress report outlines important work completed since the spring progress report published this past April and highlights next steps. We invite you to engage as these initiatives progress by visiting [FedPaymentsImprovement.org](https://FedPaymentsImprovement.org). With collaboration, inclusiveness, and transparency as guiding principles, we are confident that these efforts will continue to generate momentum for innovation in the payments industry and result in better, safer, faster payments for everyone.





# SPEED

## Support industry efforts to implement a safe, ubiquitous, faster payments capability in the United States

In the final report titled *The U.S. Path to Faster Payments*, the Faster Payments Task Force laid out 10 recommendations for achieving faster payments, focusing on governance and regulation, infrastructure, and sustainability and evolution. The Federal Reserve has initiated and supported a number of efforts to advance the task force recommendations to support faster payments implementation within the United States.

### RESPOND

*The Board of Governors released a Federal Register Notice for public comment on real-time interbank settlement of faster payments*

#### Accomplishments

- ✓ Gathered feedback from industry stakeholders to better understand current faster payment services and potential markets where it may be appropriate for the Fed to enhance its settlement services or play additional operational roles beyond settlement
- ✓ Engaged other central banks to understand settlement models for faster payments in other markets
- ✓ Reached a major milestone in the Fed's Settlement and Service Provider Assessment with the release of a Federal Register Notice seeking public comment. The notice outlines potential actions that the Federal Reserve could take to promote ubiquitous, safe, and efficient faster payments by facilitating real-time interbank settlement
- ✓ Supported the Governance Framework Formation Team (GFFT) in publishing and soliciting feedback on its draft

Operating Vision for the U.S. Faster Payments Council (FPC). The GFFT received 178 responses and more than 1,000 comments to a stakeholder survey during a 60-day feedback period. A summary of these results can be found on [FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org)

- ✓ Hosted educational webinars and industry conference briefings on behalf of the GFFT
- ✓ Supported the GFFT in previewing the FPC at the FedPayments Improvement Community Forum, including an overview by GFFT members of the FPC's vision, mission, structure, and priority focus areas
- ✓ Supported the Directories Work Group's efforts to review four different federated models as well as the creation of high-level requirements for an interoperable, federated directory. The Work Group's recommendations and outputs were provided to the GFFT, which will act as custodian until the FPC is established

- ✓ Established the Rules, Standards, Laws and Regulations Work Group to 1) describe how tools such as rules and standards could be used to mitigate risk, remove barriers, and encourage interoperability, ubiquity and accessibility for faster payments; and 2) identify and prioritize areas of law and regulation where there is the most need for change to enable faster payments ecosystem development

#### What's Next

- ✓ Engage with stakeholders and encourage feedback on the Federal Register Notice through the public comment process, which will be critical to informing the assessment and determining a course of action
- ✓ Support the GFFT as it works to launch and build awareness of the FPC
- ✓ Support the Rules, Standards, Laws and Regulations Work Group in developing a report for the FPC on how faster payments could be facilitated through the use of specific tools

# SECURE

## Work to reduce fraud risk and advance the payment system's safety, security and resiliency

The U.S. payment system faces dynamic, persistent and rapidly escalating threats from cybercriminals – ranging from data breaches to fraudulent identities. The Federal Reserve continues to collaborate with the industry to identify payment system vulnerabilities and enhance end-to-end payment security.

#### Accomplishments

- ✓ Sponsored secondary research and consulted with several industry stakeholders to identify payments fraud causes and contributing factors to help inform the Fed's next steps for industry collaboration to improve payment security
- ✓ Transitioned Secure Payments Task Force participants to the FedPayments Improvement Community, where members will continue to stay informed and provide input on work efforts to improve payment security
- ✓ Hosted an educational webinar in which industry leaders explained how to use the *Payment Lifecycles and Security Profiles* and *Information Sharing Data Sources* published on [SecurePaymentsTaskForce.org](https://www.securepayments.org)
- ✓ Enhanced the *FedPayments Reporter® Service* with additional reports such as the *ACH Originated Batch Report* and the *Check Advanced Notice Return Report* which allow financial institutions greater access to data, improving service efficiency and risk management efforts

#### What's Next

- ✓ Seek industry input on the Federal Reserve's next steps in advancing payments security, including work efforts to improve understanding of ACH and wire fraud incidents, by creating and publishing ACH and wire fraud definitions
- ✓ Engage the industry to further Federal Reserve and industry understanding of trends, vulnerabilities and fraud mitigation strategies related to remote payments, the use of synthetic identities, and emerging payments
- ✓ Develop additional risk management enhancement options for the *FedTransaction Analyzer® tool* and the *FedPayments Reporter Service*

### DIALOGUE

*Research, education and industry discussions continue to identify payment system vulnerabilities and enhance end-to-end payment security*



# COLLABORATION

Actively engage with stakeholders on initiatives designed to improve the U.S. payment system

Momentum across the payments industry continues to be strong, resulting in substantial progress on each of the identified desired outcomes for improving the U.S. payment system. To help ensure that you receive updates and information as they become available, [join the FedPayments Improvement Community](#).

## Accomplishments

- ✓ Hosted the inaugural [FedPayments Improvement Community Forum](#), where more than 250 members of the FedPayments Improvement Community engaged in dialogue on improvement efforts and opportunities
- ✓ Launched the [FedPayments Improvement Pulse](#) monthly online newsletter, which provides a brief summary of the latest payments improvement announcements and a listing of opportunities to further engage
- ✓ Attracted more than 600 new FedPayments Improvement Community members
- ✓ Facilitated the collaborative industry work efforts of the faster payments Governance Framework Formation Team; Directories Work Group; Rules, Standards, Laws, and Regulations Work Group; Business Payments Coalition; and ISO 20022 Stakeholder Group
- ✓ Conducted more than 100 presentations and meetings year-to-date at domestic and international industry conferences to inform stakeholders of progress and to solicit input and participation

## GATHER

*Inaugural FedPayments Improvement Community Forum convened more than 250 industry stakeholders for two days of presentations, panels and workshops dedicated to payment improvement initiatives*

## What's Next

- ✓ Share information and key takeaways from the FedPayments Improvement Community Forum with all Community members
- ✓ Continue to participate in industry events to engage with stakeholders and seek perspectives on faster payments initiatives, payment security improvements, cross-border payments, e-invoicing and ISO 20022

# INTERNATIONAL

Work to enhance the timeliness, cost effectiveness and convenience of cross-border payments

In pursuit of better choices for consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments, the Federal Reserve continues to assess its current cross-border payment services and potential enhancement opportunities. The Federal Reserve has also continued to engage with stakeholders to better understand the current landscape, perceived gaps, and areas for Federal Reserve research or engagement related to cross-border payments.

## Accomplishments

- ✓ Engaged payment industry stakeholders at the FedPayments Improvement Community Forum on developments in cross-border payments and opportunities for industry collaboration
- ✓ Continued to educate Fedwire Funds Service participants on capabilities to support sending and receiving U.S. dollar payments to and from entities located outside of the United States

## What's Next

- ✓ Dialogue with payment industry stakeholders on ways the industry can collaborate to enhance the timeliness, cost effectiveness and convenience of cross-border payments
- ✓ Continue work to assess the FedGlobal® ACH strategy for potential future service enhancements

## ENGAGE

*Dialogue and industry collaboration continue to enhance timeliness, cost effectiveness and convenience of cross-border payments*



# EFFICIENCY

## Achieve greater end-to-end efficiency for domestic and cross-border payments

To help lower end-to-end costs, enable innovative payment services and shift to electronic payment forms, the Federal Reserve supports industry creation of technology and standards that enable straight-through processing and more ubiquitous electronic payments. Improvements in these areas allow the payments industry to meet the demands of American consumers and businesses. In the United States, opportunities to improve payment system efficiency are especially significant in business-to-business (B2B) transactions, which from end-to-end include invoice, payment and remittance detail.

### Electronic Payments

- ✓ Supported the Business Payments Coalition in publishing the paper, *Simple Remittance Requirements*, which defines data needs for simple remittance information that can be easily adopted by small to medium businesses
- ✓ Facilitated the Business Payments Coalition's efforts to identify, design and adopt an electronic invoice (e-Invoice) interoperability framework for the U.S. market, which builds on the prior effort described in the *Catalog of Electronic Invoice Technical Standards in the U.S.* published in October 2017
- ✓ Assisted the Business Payments Coalition in completing and publishing a phase 1 assessment of the feasibility of using e-Invoicing frameworks, developed in Europe and Australia, in the United States

### What's Next

- ✓ Support the Business Payments Coalition in further reviewing European and Australian e-Invoicing frameworks to determine if there are gaps compared to U.S. market requirements. The gap assessment will focus on technical infrastructure and the e-Invoicing semantic model. Results will be documented for future use in developing U.S. requirements
- ✓ Continue research by the Business Payments Coalition work group to explore availability of APIs for small business accounting software that could enable greater adoption of electronic payments

### READ

*A new Business Payments Coalition paper, Simple Remittance Requirements, provides assistance to small and medium businesses*

### ISO® 2022 Standard

- ✓ Updated the *Fedwire® Funds Service ISO® 2022 Implementation Center* resource page with tools and resources such as FAQs, webinar recordings and more
- ✓ Conducted a series of webinars and in-person road shows in support of the proposed Fedwire Funds Service migration to the ISO 2022 messaging format standard
- ✓ Provided Fedwire Funds Service financial institution customers and vendors secure access to ISO 2022 Standard Phase 1 – 3 finalized mapping documents, usage guidelines and implementation plans
- ✓ Held industry webinars and educational sessions in conjunction with NACHA and Regional Payments Associations on the integration of ISO 2022 for low value payments, including promotion of the NACHA ISO 2022-to-ACH mapping guide

### What's Next

- ✓ Continue the series of online webinars to educate customers and vendors about the proposed ISO 2022 implementation plans for the Fedwire Funds Service and ACH tools in the marketplace to support integration in the network
- ✓ Support the work of the Business Payments Coalition work group to establish an ISO 2022 online registry of U.S. banks and service providers that have ISO 2022 capabilities

## STAY INFORMED

Help build a faster, safer, more efficient payment system by joining the online FedPayments Improvement Community at [FedPaymentsImprovement.org](https://FedPaymentsImprovement.org).

You can also follow us on social media.



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