

Commitment to Collaboration

Extensive payment stakeholder contributions and collaboration have been essential to issuing *Strategies for Improving the U.S. Payment System*, and the Federal Reserve is committed to working with stakeholders to turn this vision for the future into reality. Only through collective efforts can a faster, safer, more efficient U.S. payment system be achieved.

A safer, more efficient and faster payments system contributes to public confidence and economic growth. We look forward to working with payment stakeholders to realize this vision.

- Federal Reserve Board Governor
Jerome H. Powell, payment system improvement oversight committee co-chair

A U.S. payment system that is safe, efficient and broadly accessible is vital to the U.S. economy.

The Federal Reserve plays an important role in promoting these qualities as a leader, catalyst for change and provider of payment services to financial institutions and the U.S. Treasury.

The U.S. payment system is at a critical juncture in its evolution. Technology is rapidly changing many elements that support the payment process. High-speed data networks are becoming ubiquitous, computing devices are becoming more sophisticated and mobile, and information is increasingly processed in real time. These capabilities are changing the nature of commerce and end-user expectations for payment services.

Meanwhile, payment security and the protection of sensitive data, which are foundational to public confidence in any payment system, are challenged by dynamic, persistent and rapidly escalating threats. Finally, an increasing number of U.S. citizens and businesses routinely transfer value across borders and demand better payment options to swiftly and efficiently do so.

Through *Strategies for Improving the U.S. Payment System*, the Federal Reserve is calling on all stakeholders to respond to this change and join together to improve the payment system. Payment stakeholders will ultimately determine through their individual and collective actions the extent to which these strategies are achieved. The Federal Reserve sees collectively designed solutions for U.S. payment improvements as foundational to achieving the desired outcomes.

Engage for Change

The Federal Reserve will continue to seek input and communicate progress on initiatives from all payment participants through live and virtual forums, surveys, industry- and Federal Reserve-sponsored groups and events, and online feedback mechanisms. To receive communications and invitations, join the FedPayments Improvement Community at FedPaymentsImprovement.org.

Payments Exchange Blog

Share your thoughts on our blog at FedPaymentsImprovement.org.

Social Media

Stay connected by following us on social media.

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This plan reflects

the contributions and commitment of thousands of payment system participants who shared their expertise and perspectives. Consequently, we believe the strategies and tactics in the plan have broad support and strong prospects for success.

- Esther George
president of the Federal Reserve
Bank of Kansas City, Financial Services Policy Committee member
and payment system improvement executive sponsor

In pursuit of a better payment system.

An overview of the Federal Reserve's *Strategies for Improving the U.S. Payment System*

Desired Outcomes



SPEED

A ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments, supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality



SECURITY

U.S. payment system security that remains very strong, with public confidence that remains high, and protections and incident response that keeps pace with the rapidly evolving and expanding threat environment



EFFICIENCY

Greater proportion of payments originated and received electronically to reduce the average end-to-end (societal) costs of payment transactions and enable innovative payment services that deliver improved value to consumers and businesses



INTERNATIONAL

Better choices for U.S. consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments



COLLABORATION

Needed payment system improvements are *collectively* identified and embraced by a broad array of payment participants, with material progress in implementing them

Improvement Strategies

After careful study and extensive public input, the Federal Reserve will engage with stakeholders to pursue the following set of strategies to improve the U.S. payment system. While some of the strategies can be pursued independently by the Federal Reserve, most will require collaboration and action from a range of payment participants.



STRATEGY 1

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

- Establish and enhance mechanisms for payment stakeholders to provide strategic input to and support for the strategies set forth in this paper (and their evolution over time), including the establishment of a faster payments task force and a payment security task force
- Provide additional opportunities for stakeholders to submit feedback and stay informed about payment system improvement activities using a range of online and in-person engagement mechanisms
- Task forces with diverse stakeholder representation will be established in 2015:
 - A faster payments task force will identify and evaluate alternative approaches for implementing safe, ubiquitous, faster payments capabilities in the United States
 - A payment security task force will advise the Federal Reserve on payment security matters, coordinate with the faster payments task force, and determine areas of focus and priorities for future action to advance payment system safety, security and resiliency

STRATEGY 2

Identify effective approach(es) for implementing safe, ubiquitous, faster payments capability in the U.S.

The Federal Reserve will provide leadership in the form of stakeholder coordination, public policy perspective and analytical support to evaluate approaches to implementing faster payments capabilities that meet end-user needs for faster authorization, clearing, availability of funds, and/or settlement.

The Federal Reserve will pursue the following tactics as part of this strategy:

- Establish and lead a faster payments task force (early 2015)
- Collaboratively assess alternative approaches for faster payments capabilities, including a description of the core infrastructure, security, and operational changes needed for participants to interface with the infrastructure, and the estimated cost and time to implement
- Examine policy issues associated with a possible multi-provider environment, such as the framework for establishing rules (to be completed by 2016)
- Identify effective approach(es) for implementing faster payments in the United States, based on this stakeholder input and analysis (to be completed by 2016)
- Support, as appropriate, collective stakeholder efforts to implement faster payments capabilities

STRATEGY 3

Work to reduce fraud risk and advance the safety, security and resiliency of the payment system (beginning in 2015)

- Establish and lead a payment security task force
- Support the evolution and adoption of appropriate payment security standards
- Expand the Federal Reserve's suite of anti-fraud and risk management services and continue to enhance Federal Reserve payment networks (ongoing)
- Explore potential improvements to the Federal Reserve's publicly available payment fraud data, conduct payment security research to inform industry and policy decisions, and share results with payment stakeholders (initiate efforts in 2015)



STRATEGY 4

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

The Federal Reserve will initially serve as leader/catalyst in support of the following strategies:

- Develop an implementation strategy for the application of the ISO 20022 standard to U.S. payment transactions
- Accelerate the adoption of secure electronic business-to-business (B2B) payments
- Develop technologies and rules that foster greater interoperability for person-to-person (P2P), person-to-business (P2B) and small business B2B payment directories

STRATEGY 5

Enhance Federal Reserve Bank payment, settlement and risk management services

In its role as payment service provider, the Federal Reserve will pursue the following strategies:

- Expand the operating hours and other capabilities of the National Settlement Service and accelerate interbank settlement for check payments
- Promote greater use of same-day ACH capabilities
- Expand and enhance Federal Reserve international payment services
- Expand risk-management services for Federal Reserve Financial Services
- Provide the Reserve Banks' network of financial institution customers with access to interoperable, secure directory tools