

# Federal Reserve Next Steps in the Payments Improvement Journey



Over the last two-and-a-half years the industry has collaborated to make real progress in advancing improvements in the U.S. payment system. The [\*Federal Reserve Next Steps in the Payments Improvement Journey\*](#) (Next Steps) paper assesses that progress related to marketplace activities and Federal Reserve initiatives, and outlines the Federal Reserve's next phase of work, including its plans to address the recommendations of the Faster Payments Task Force and suggestions emanating from the Secure Payments Task Force.

Good progress has been made, but much work remains to implement safe, ubiquitous real-time payments and enhance the safety, efficiency, and resiliency of the U.S. payment system. This paper presents refreshed strategies and nine new tactics the Federal Reserve will employ, in collaboration with stakeholders, to make further progress toward achieving the five desired outcomes.

**“Thanks to the collective efforts of hundreds of payment system stakeholders during the past two years, we’ve made real progress. Through the strategies and tactics outlined in this next steps plan, the Federal Reserve will support continued industry momentum toward safe, ubiquitous, faster payments for our country.”**

*— Esther George, president and chief executive officer of the Federal Reserve Bank of Kansas City and executive sponsor of the payments improvement initiative*

## Five Desired Outcomes

The five desired outcomes, speed, security, efficiency, international and collaboration, continue to reflect the shared vision of the Federal Reserve and a broad spectrum of payment system stakeholders in the United States. The Federal Reserve recognizes the tremendous contributions of leadership, time and effort to date, and seeks continued stakeholder commitment to the desired outcomes that remain the guiding framework for U.S. payment system improvements.



# Federal Reserve Next Steps

These refreshed strategies and supporting tactics are representative of the Federal Reserve's ongoing commitment to advancing improvements through leadership and action. With collaboration, inclusiveness and transparency as guiding principles, we will continue to actively monitor and communicate progress, seek feedback and adjust approaches in response to developments as necessary. As we reaffirm our commitment to this important endeavor through these next steps, we echo our original call for all stakeholders to engage in these efforts and continue their commitment to improving the U.S. payment system.

## **Desired Outcome: 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.*

The Federal Reserve will support industry efforts to implement a safe, ubiquitous, faster payments capability in the United States by:

- Supporting an interim collaboration work group and other collaborative industry efforts to develop a faster payments ecosystem that achieves the Federal Reserve and industry shared desired outcome and the Faster Payments Task Force vision;

- Pursuing Federal Reserve settlement services that address the future needs of a ubiquitous real-time retail payments environment; and
- Exploring and assessing the need, if any, for Federal Reserve engagement as a service provider, beyond providing settlement services, in the faster payments ecosystem to support industry achievement of the desired outcome.

## **Desired Outcome: 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.*

The Federal Reserve will work to reduce fraud risk and advance the safety, security and resiliency of the payment system by:

- Analyzing payment security vulnerabilities, assessing potential approaches to mitigate them, and identifying misalignment of incentives that may hinder progress; and

- Establishing and engaging in collective industry work groups focused on approaches for reducing the cost and prevalence of specific payment security vulnerabilities of the task force and the formal analysis to be conducted.

## **Desired Outcome: 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.*

The Federal Reserve will work to achieve greater end-to-end efficiency for domestic payments by:

- Supporting industry efforts to develop and promote adoption of standards that enable end-to-end electronic processing of business invoices, payments and remittance information.

**“With collaboration, inclusiveness and transparency as guiding principles, the Fed will continue to advance improvements through leadership and action. Our work with stakeholders over the past two years, including engagement with 500 task force members, has demonstrated that together we can help address industry challenges and seize opportunities.”**

— Jerome H. Powell, Federal Reserve Board Governor and co-chair of the payments improvement initiative oversight committee

## **Desired Outcome: International**

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

The Federal Reserve will work to enhance the timeliness, cost-effectiveness, and convenience of cross-border payments by:

- Engaging stakeholders to understand and assess the challenges and opportunities to enhance the timeliness, cost effectiveness and convenience of cross-border payments.

## **Desired Outcome: Collaboration**

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

The Federal Reserve will actively engage with stakeholders on initiatives designed to improve the U.S. payment system by:

- Facilitating ongoing stakeholder engagement in payments improvement efforts through a highly interactive and flexible payments improvement community; and

- Furthering outreach and education efforts to create awareness and encourage adoption of identified improvements and initiatives.

## **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](https://FedPaymentsImprovement.org).

## **Payments Exchange Blog**

Share your thoughts on our blog at [FedPaymentsImprovement.org](https://FedPaymentsImprovement.org).

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