



For release at noon EST

January 26, 2015

Federal Reserve Issues “Strategies for Improving the U.S. Payment System”

The Federal Reserve today issued “Strategies for Improving the U.S. Payment System,” which presents a multi-faceted plan for collaborating with payment system stakeholders including large and small businesses, emerging payments firms, card networks, payment processors, consumers and financial institutions to enhance the speed, safety and efficiency of the U.S. payment system.

“A safer, more efficient and faster payment system contributes to public confidence and economic growth,” said Federal Reserve Board Governor Jerome H. Powell, who will co-chair the initiative’s oversight committee. “We look forward to working with payment stakeholders to realize this vision.”

“Strategies for Improving the U.S. Payment System” communicates desired outcomes for the payment system and outlines the strategies and tactics the Federal Reserve will pursue, in collaboration with stakeholders, to help the country achieve these outcomes. The paper outlines the Federal Reserve’s intent to establish a task force to identify effective approaches for implementing safe, ubiquitous, faster payment capabilities. The paper also calls for a task force to advise the Federal Reserve on reducing payment fraud and advancing the safety, security and resiliency of the payment system. Additionally, the Federal Reserve will pursue efforts to enhance payment system efficiency through work on standards, directories and business-to-business payment improvements, alongside efforts to enhance Fed-provided services for same-day automated clearing house (ACH), risk management and settlement.

“This plan reflects the contributions and commitment of thousands of payment system participants who shared their expertise and perspectives during the past 18 months,” stated Esther George, president of the Federal Reserve Bank of Kansas City and a member of the Federal Reserve’s Financial Services Policy Committee. “Consequently, we believe the strategies and tactics in the plan have broad support and strong prospects for success.” George will serve as executive sponsor for the payment system improvement initiative, a joint effort of the Federal Reserve Banks and Board of Governors.

The Federal Reserve’s strategic direction for financial services focuses on improving the end-to-end speed, safety and efficiency of the payment system. The Federal Reserve undertook an extensive 18-month research program aimed at identifying key gaps and opportunities,

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gaining industry and end-user perspectives on needs and priorities and defining ways to achieve payment improvements. “Strategies for Improving the U.S. Payment System” details the conclusions of those efforts.

To begin the next phase of industry engagement on payment system improvement, President George and Governor Powell will host a webcast, accessible via www.ustream.tv/federalreserve, at 1:00 p.m. EST on January 29. They will share views on the Federal Reserve’s vision for the future U.S. payment system and plans for collaborating with stakeholders to achieve shared goals. In addition, a subsequent series of FedForum teleseminars on February 4 and 10 will present an overview of the strategies and a question-and-answer session. Register at FedPaymentsImprovement.org for the FedForum events, and to submit advance questions for the January 29 webcast.

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.

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The Financial Services Policy Committee (FSPC) is responsible for the overall direction of financial services and related support functions for the Federal Reserve Banks, as well as for providing Federal Reserve Bank leadership to foster the integrity, efficiency and accessibility of the evolving U.S. payment system. The FSPC is composed of three Reserve Bank presidents and two Reserve Bank first vice presidents.

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