

In Pursuit of a Better Payment System



Strategies for Improving the U.S. Payment System Progress Report Webinar

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Connie Theien

Vice President of Industry Relations
Federal Reserve System

Dan Gonzalez

Vice President of Industry Relations
Federal Reserve System



Five strategies in pursuit of five desired outcomes

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

2. Identify effective approach(es) for implementing safe, ubiquitous, faster payments.

3. Reduce fraud risk and advance the safety, security and resiliency of the payment system.

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

5. Enhance Federal Reserve Bank payment, settlement and risk management services to address identified gaps.



SPEED

SECURITY



EFFICIENCY

INTERNATIONAL



COLLABORATION



Strategy 1: Stakeholder Engagement

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



Year One Accomplishments

Collaboration



Established the 320-member Faster Payments Task Force

Established the 180-member Secure Payments Task Force

Provided education and input opportunities in support of payments efficiency initiatives

Engaged stakeholders in payments improvement initiatives through industry events, communications and the FedPaymentsImprovement Community



Year One Accomplishments

Collaboration



“We have seen many of the strategies and tactics included in the plan come to life through broad, unprecedented stakeholder support. When implemented, the strategies will contribute to public confidence and the global competitiveness of the U.S. payment system.”

Esther George
President and CEO, Federal Reserve Bank of Kansas City

“Our progress this past year is a consequence of the engagement and commitment of a diverse group of payment system stakeholders. Their ongoing collaboration will be essential in creating a payment system that offers greater speed, security and efficiency.”

Jerome H. Powell
Federal Reserve Board Governor





Strategy 2: Faster Payments

Identify effective approaches for implementing safe, ubiquitous, faster payments



Mission and Objectives of the Faster Payments Task Force

Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States

Represent...
views on future needs for a safe, ubiquitous faster payments solution

Assess...
alternative approach(es) for faster payment capabilities

Address...
other issues deemed important to the successful development of effective approaches



High-Level Work Plan and Timeline

PHASE 1
Development of process and criteria for identifying and assessing solutions
June 2015 - Jan 2016

Plan the work...

PHASE 2
Development and assessment of solution proposals
Feb - Nov 2016

Do the work...

PHASE 3
Review and publication of assessment results and recommendations
Nov 2016 – Mar 2017

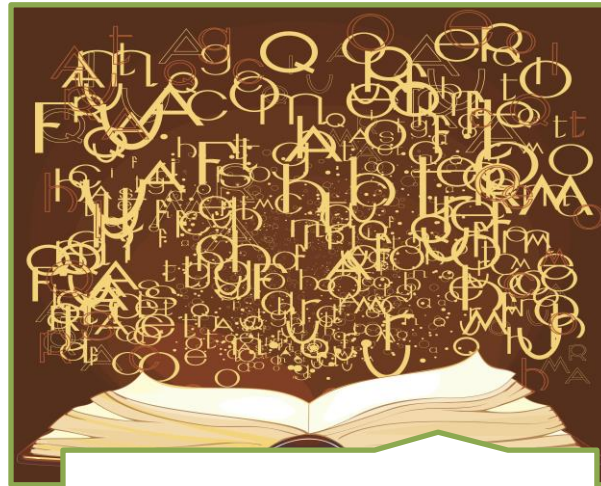
Document the work...



Year One Accomplishments



Decision Making Framework



Glossary of Terms

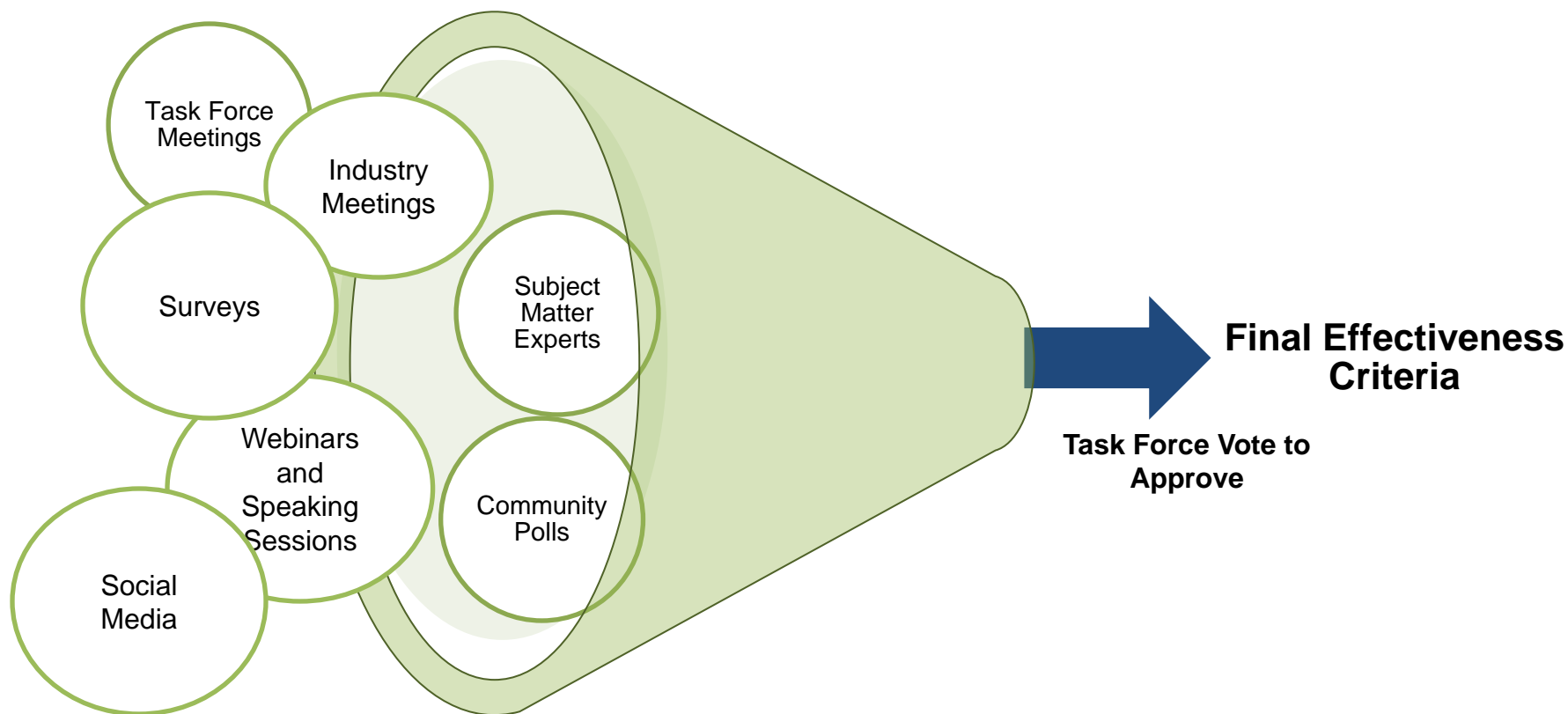


Effectiveness Criteria

Faster Payments Effectiveness Criteria

Purpose:

- A description of stakeholder needs that can be used by the market to guide faster payments innovation
- A framework to be used by the Faster Payments Task Force for identifying effective approaches to faster payments





Faster Payments Effectiveness Criteria

Ubiquity

- U.1 Accessibility
- U.2 Usability
- U.3 Predictability
- U.4 Contextual Data Capability
- U.5 Cross-Border Functionality
- U.6 Multiple Use Cases

Speed (Fast)

- F.1 Fast Approval
- F.2 Fast Clearing
- F.3 Fast Availability of Good Funds to Payee
- F.4 Fast Settlement among Depository Institutions and Regulated Non-bank Account Providers
- F.5 Prompt visibility of payment status

Efficiency

- E.1 Enables Competition
- E.2 Capability to enable value-added services
- E.3 Implementation Timeline
- E.4 Payment Format Standards
- E.5 Comprehensiveness
- E.6 Scalability and Adaptability
- E.7 Exceptions and Investigations Process

Governance

- G.1 Effective governance
- G.2 Inclusive governance

Safety and Security

- S.1 Risk Management
- S.2 Payer Authorization
- S.3 Payment Finality
- S.4 Settlement Approach
- S.5 Handling Disputed Payments
- S.6 Fraud Information Sharing
- S.7 Security Controls
- S.8 Resiliency
- S.9 End-user Data Protection
- S.10 End-user/Provider Authentication
- S.11 Participation Requirements

Legal

- L.1 Legal Framework
- L.2 Payment System Rules
- L.3 Consumer Protections
- L.4 Data privacy
- L.5 Intellectual property

What's Next?



Capability Showcase

- Creates awareness of marketplace solutions that could support faster payments
- Helps prepare industry for proposal work, offering the opportunity for solution providers to collaborate
- Educates the task force

Solution Proposal and Assessment

- Any Faster Payments Task Force member is eligible to submit a solution proposal.
- Each proposal will be assessed against the faster payments effectiveness criteria.
- A proposal template, developed by the Faster Payments Task Force, will be provided.



Strategy 3: Payment Security

Reduce fraud risk and advance the safety, security and resiliency of the payment system



Mission and Objectives of the Secure Payment Task Force

Provide a forum for stakeholders to advise the Fed in its leader/catalyst and operator roles on payment security matters, and identify and promote actions that can be taken by payment system participants collectively and/or by the Federal Reserve System.

Determine
areas of focus for
payment security
and priorities for
future action

Advise
the Fed on
payment security
matters

Coordinate
with the Faster
Payments Task
Force



Year One Accomplishments



Collaborated on the Effectiveness Criteria



Ongoing Support of the Evolution and Adoption of Standards



Enhanced Federal Reserve Payment Security Research



Identified Areas of Focus



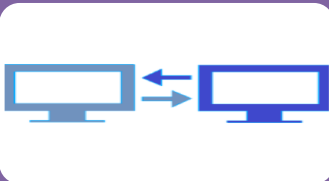
Areas of Focus for Future Action



Payment Identity Management



Law and Regulation Coordination



Information Sharing for Mitigation
of Payment Risk and Fraud



Data Protection



Collaboration on the Effectiveness Criteria

The Secure Payments Task Force helped develop the security-related Faster Payments Effectiveness Criteria

Safety and Security

- | | |
|--------------------------------|---------------------------------------|
| S.1 Risk Management | S.6 Fraud Information Sharing |
| S.2 Payer Authorization | S.7 Security Controls |
| S.3 Payment Finality | S.8 Resiliency |
| S.4 Settlement Approach | S.9 End-user Data Protection |
| S.5 Handling Disputed Payments | S.10 End-user/Provider Authentication |
| | S.11 Participation Requirements |



What's Next?

1.



Advance the
Initial Work Group
Initiatives

2.



Analyze the
Work Group
Support
Structure and
Tool Set

3.



Prepare for the
Launch of
Subsequent
Work Groups

4.



Identify Targeted
Opportunities re:
Research,
Standards and
Education
Opportunities

5.



Consult on Faster
Payments
Proposal Process
and Final Work
Product Output



Strategy 4: Payments Efficiency

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



Year One Accomplishments

B2B Payments Electronification



Small Business
Payments Toolkit



B2B Directory



Standards



What's Next for B2B Electronification?



B2B Directory Proof of Concept and Directory Association

- Address issues concerning trust, governance, security, business model, roll-out and adoption
- Test electronic payment identity examples, use cases and information flows
- Establish a Directory Association to bring directory to production



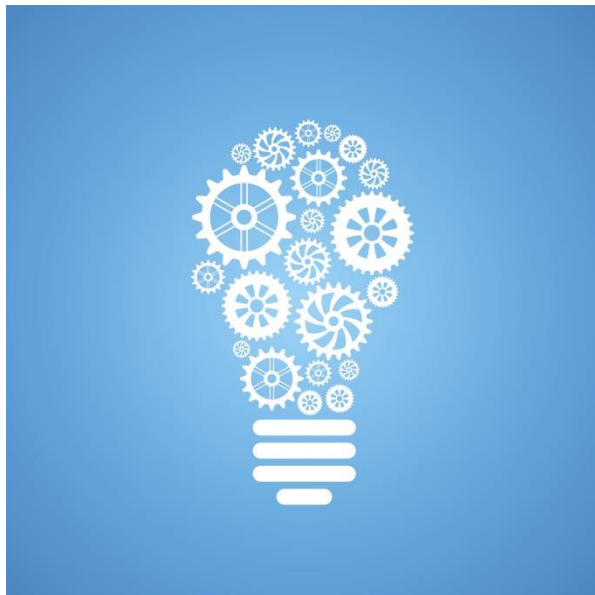
ISO 2022 Remittance Standards Education Work Group

- Education and promotion of remittance standards
- Tools to support moving from legacy to ISO 2022 standards.



Year One Accomplishments

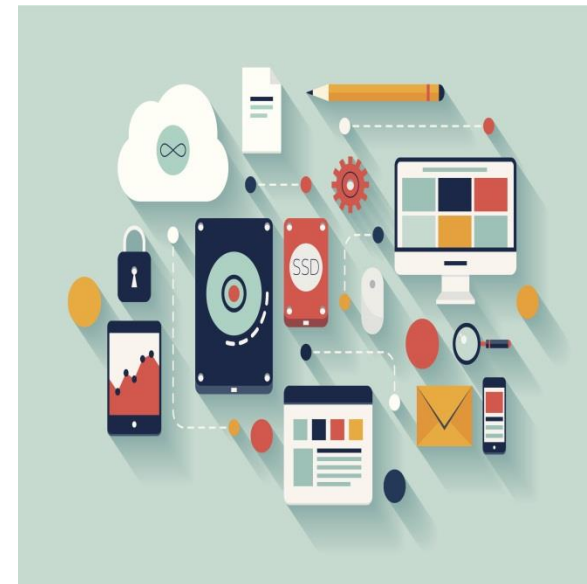
ISO 20022 Standard



Education



Resource Center



Wire Transfer
Strategy



What's Next for ISO 20022 implementation?



ISO 20022 for Wire Transfer

- Develop a detailed plan and timeline for implementation of the ISO 20022 format for wire transfers



ISO 20022 for ACH

- Continue industry education and collaboration on the rationale and benefits of the potential conversion of the ACH network to ISO 20022



Strategy 5: Enhanced Federal Reserve Services

Enhance Federal Reserve Bank payment, settlement and risk management services to address identified gaps

Year One Accomplishments



Expanded hours of the National Settlement Service

Announced support and began planning for the NACHA Same-Day ACH initiative

Collaborated with FS-ISAC to distribute their community bank threat report to financial institutions via FedLine®

What's Next?



Implement enhancements to FedACH® SameDay Service

Explore enhancements to the FedGlobal ACH Service



Join the Community at [FedPaymentsImprovement.org!](https://www.fedpaymentsimprovement.org)

Receive information on task forces and work groups, invitations to live/virtual events, surveys and other online feedback opportunities.



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Questions?