

# In Pursuit of a Better Payment System



# FEDERAL RESERVE NEXT STEPS IN THE PAYMENTS IMPROVEMENT JOURNEY

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**STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM**

**SPEED**



**EFFICIENCY**



**COLLABORATION**



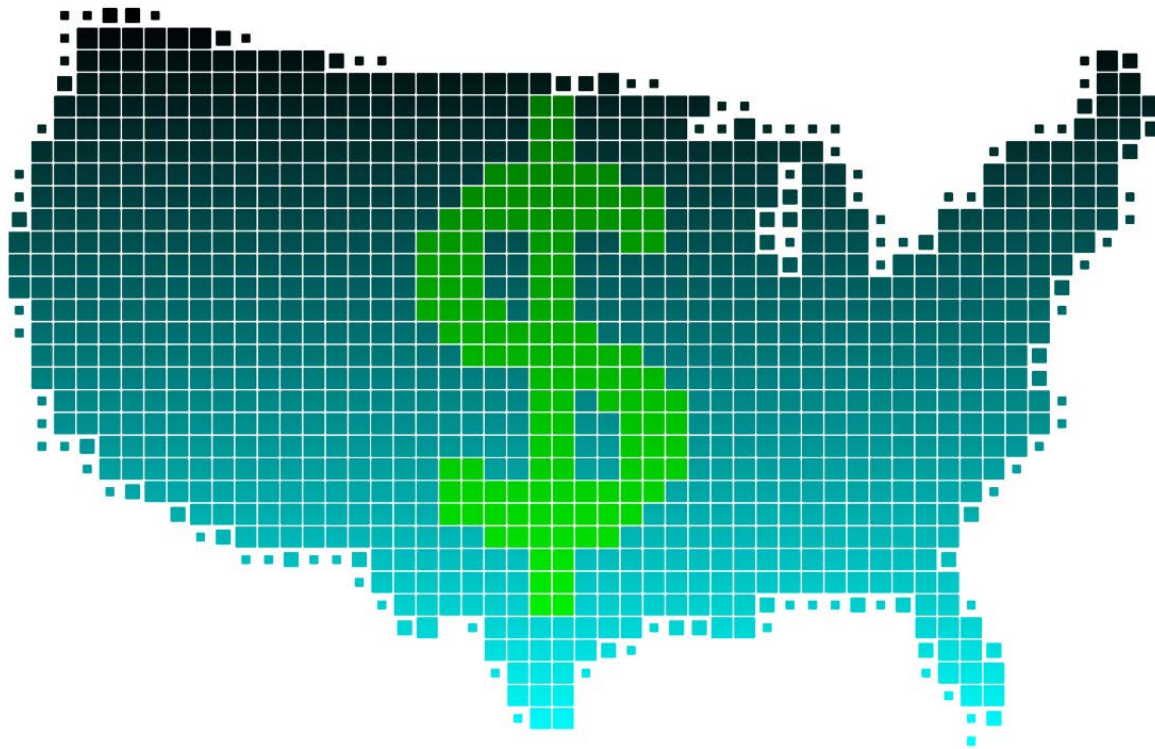
**SECURITY**



**INTERNATIONAL**



# Payments Ecosystem in the United States



**ACH PAYMENT**



## STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM



**SPEED**

**SECURITY**

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**INTERNATIONAL**

**COLLABORATION**

# Federal Reserve Next Steps in the Payments Improvement Journey

**Summarizes progress toward desired outcomes**

**Outlines the Federal Reserve's planned next steps**

**Serves as a call to action for all stakeholders**



## 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.**



# ACHIEVING SPEED: PROGRESS, CHALLENGES, AND OPPORTUNITIES

Promising market activity

Task force roadmap for 2020

Broad stakeholder collaboration

Achieving interoperability, ubiquity, and accessibility poses challenges



<b>Ubiquity</b> U.1 Accessibility U.2 Usability U.3 Predictability U.4 Connected Core Capability U.5 Cross-Border Functionality U.6 Multiple Use Cases	<b>Efficiency</b> E.1 Enable 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	<b>Safety and Security</b> S.1 Risk Management S.2 Player 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
<b>Speed (Fast)</b> 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 Perceived visibility of payment status	<b>Governance</b> G.1 Effective governance G.2 Inclusive governance	
<b>Legal</b> L.1 Legal Framework L.2 Payment System Rules L.3 Consumer Protections		L.4 Data privacy L.5 Intellectual property



## STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM



# NEXT STEPS FOR THE FEDERAL RESERVE



**Support GFFT and other collaborative industry efforts**



**Pursue settlement services that address future needs**



**Assess the need for Federal Reserve engagement as a service provider**

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



## **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.**

# ACHIEVING SECURITY: PROGRESS, CHALLENGES, AND OPPORTUNITIES

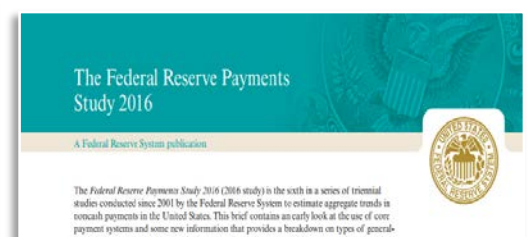
Task force security best practices and resources

Dynamic threat environment

Overwhelming number of opportunities and initiatives

Participant understanding and incentives

Broad stakeholder collaboration



STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM





# NEXT STEPS FOR THE FEDERAL RESERVE



**Continue  
Secure  
Payments Task  
Force**



**Analyze and  
prioritize  
payment  
security  
vulnerabilities**



**Fed - and  
industry -  
sponsored  
collaboration**



**Continue  
enhancing risk  
management  
services**

**Work to reduce fraud risk and advance the safety, security, and resiliency of the payment system.**



## **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.**

# ACHIEVING EFFICIENCY: PROGRESS, CHALLENGES, AND OPPORTUNITIES

Adoption of ISO 20022 for wire and ACH

Stakeholder education

Continued industry collaboration

Potential for new payment systems to address current barriers





# FEDERAL RESERVE NEXT STEPS



**Support efforts to develop and promote standards for electronic invoicing, payments and remittance information**



**Explore the drivers for continued use of checks for B2B payments**

**Achieve greater end-to-end efficiency for domestic payments.**



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

**STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM**

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# ACHIEVING INTERNATIONAL: PROGRESS, CHALLENGES, AND OPPORTUNITIES

- Positive market activity
- Ongoing compliance concerns
- Standards progress
- End-user challenges



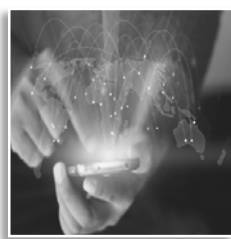
**DESIRED OUTCOME  
IMPROVEMENTS IN CROSS-BORDER PAYMENTS**

U.S. consumers and businesses will have better choices in sending and receiving convenient, cost-effective and timely cross-border payments from and to the U.S.

**What is ISO 2022?**  
ISO 2022 is a harmonized set of XML messaging standards across major financial services domains (Cash, Securities, Trade, Card and Foreign Exchange) based on a shared data dictionary and business process model. It has emerged as an enabler of a single, common "language" for global financial communications that can assist organizations in responding to evolving demands.

**ACH Systems: FedACH® and Electronic Payments Net**  
The study included the current landscape of U.S. participation activities in global markets and competitive environment for U.S. participants.  
**Interviews and surveys in the U.S. market sought to**

- Assess understanding and perspectives
- Assess adoption status



# FEDERAL RESERVE NEXT STEPS



**Engage stakeholders on cross-border payments challenges and opportunities**



**Participate in collaborative industry efforts on cross-border issues**

**Collaborate with stakeholders 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.**



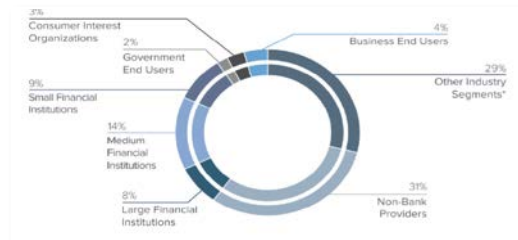
# ACHIEVING COLLABORATION: PROGRESS, CHALLENGES, AND OPPORTUNITIES

Diverse and broad stakeholder participation

Industry-driven solutions

Stakeholder resource challenges

Targeted engagement tactics



**Engage for Change!**  
 Subscribe to the Payments Exchange blog and follow us on Twitter to make sure you get the latest updates to participate in the payments improvement discussion!

**In Pursuit of a Better Payment System**

## STRATEGIES FOR IMPROVING THE U.S. PAYMENT SYSTEM




# FEDERAL RESERVE NEXT STEPS



**Highly interactive and flexible payments improvement community**



**Expanded outreach and education to drive adoption of improvements**



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

# Engage in these Next Steps to Achieve a Faster, Ubiquitous, Safer, More Efficient Payment System for the United States.



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## Join the Community!