

# Strategies for Improving the U.S. Payment System



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Fall Summit**

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# U.S Payment Ecosystem



ACH PAYMENT



FEDERAL RESERVE BANK of KANSAS CITY  
Denver Branch



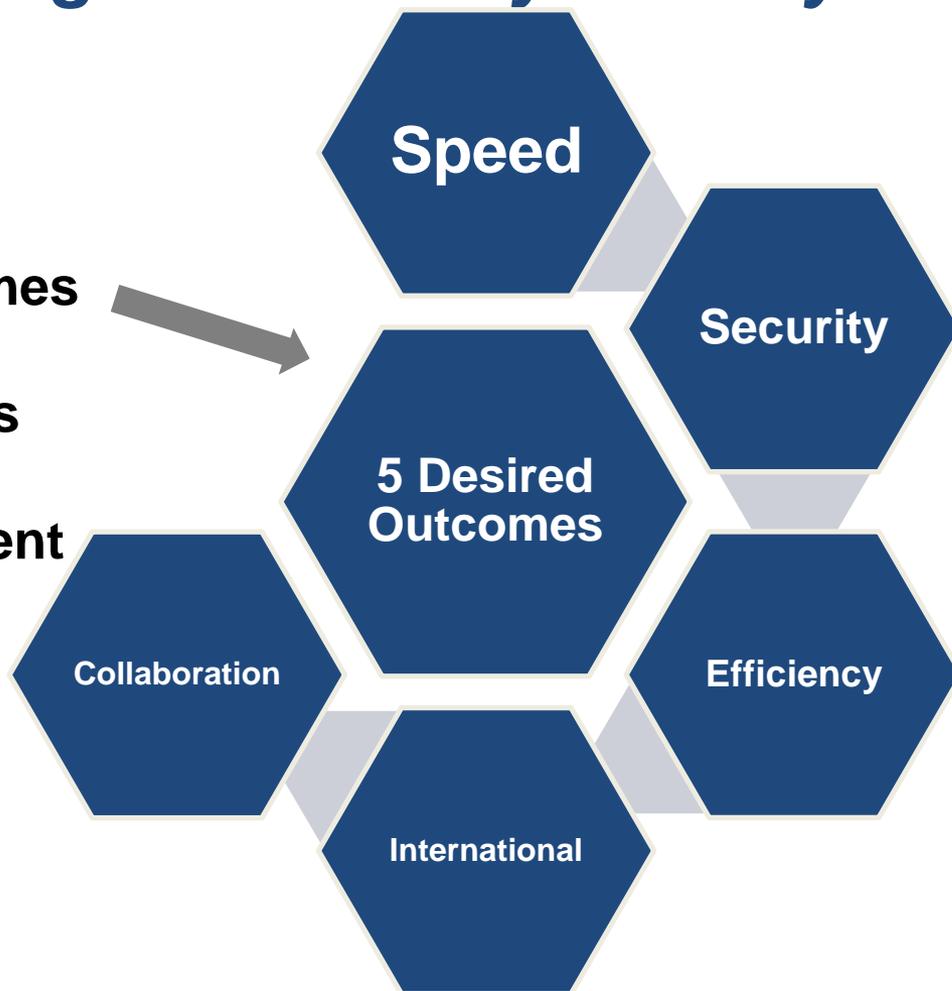
# The road we've traveled...





## *Strategies for Improving the U.S. Payment System*

- Released January 2015
- Communicates **desired outcomes**
- Delineates multi-year **strategies**
- Solicits **stakeholder engagement** and **commitment**



# Strategies for Improving the Payments System



## Stakeholder Engagement

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



## Faster Payments

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



## Payment Security

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



## End-to-End Payment Efficiency

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



## Enhanced Federal Reserve Services

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



# Strategy 1: Stakeholder Engagement

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

## FedPayments Improvement Community

Receive communications and invitations to live/virtual forums, surveys, industry-/Fed-sponsored groups and events, and online feedback mechanisms.

## FedPaymentsImprovement.org



@FedPayImprove



FedPayments Improvement



FedPayments Improvement

Payments Exchange Blog

## Issue-Specific Task Forces





# Issue Specific Task Forces

## Design and Structure



### Payments Community

- Stays current by reviewing Task Force materials online
- Provides input on Task Force questions and work products online

### Task Force

- Elects Steering Committee to help guide work effort
- Provides input and/or develops Task Force work products
- Endorses recommendations and conclusions from work efforts

### Steering Committee

- Advises the Federal Reserve chair on meeting agendas and assists in prioritizing work
- Recommends scope of Task Force work groups and provides input on when full Task Force deliberation is needed

### Work Group(s)

- Formed as needed to complete research and analysis, develop proposals or recommendations for Task Force to review and endorse



# Strategy 2: Faster Payments

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

## Establish...

a faster payments task force to identify and evaluate alternative approaches for meeting end-user needs for faster authorization, clearing, availability of funds and settlement.





# Faster Payments Task Force

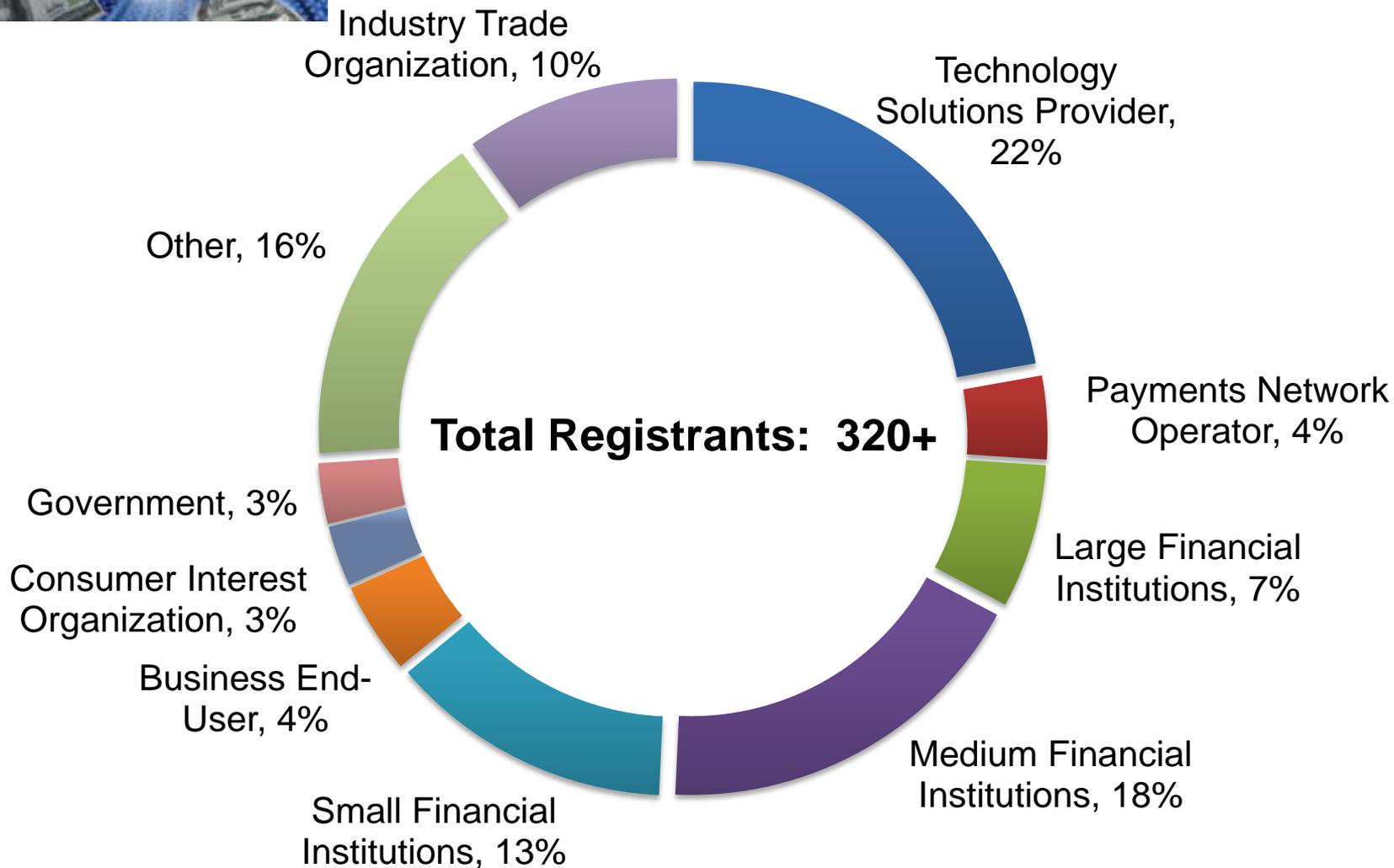
## Mission and Objectives

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





# Faster Payments Task Force Composition





# Faster Payments Task Force

## High-Level Work Plan and Timeline

### PHASE 1

- **Began June 2015**
- Development of process and criteria for identifying and evaluating approaches

*Plan the work...*

### PHASE 2

- Iterative development and evaluation of approach proposals

*Do the work...*

### PHASE 3

- **End Dec 2016**
- Review and publication of evaluation results and recommendations

*Document the work...*



# Faster Payments Task Force

## Phase 1 Key Deliverables



**Decision Making Framework**



**Effectiveness Criteria**



**Proposal Assessment Architecture**



# Faster Payments Task Force

## Draft Criteria Groupings and Names

### Ubiquity

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

### Speed (Fast)

- F.1 Fast authorization
- F.2 Fast clearing
- F.3 Fast availability
- F.4 Fast settlement
- F.5 Prompt visibility of status, end to end

### Legal

- L.1 Legal framework for payments
- L.2 Proprietary technology

### Efficiency

- E.1 Competition Among Providers
- E.2 Competition for Value Added Services
- E.3 Cost Effectiveness
- E.4 Implementation Timeline
- E.5 Format Standards
- E.6 Comprehensive
- E.7 Scalable and Adaptable
- E.8 Exceptions and Investigations

### Governance

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

### Safety and Security

- S.1 Payment initiation
- S.2 Authorization
- S.3 Finality and irrevocability
- S.4 Settlement
- S.5 Fraudulent or erroneous payments
- S.6 Fraud information sharing
- S.7 Robust compliance with law
- S.8 Strong security
- S.9 Strong resiliency
- S.10 End user privacy
- S.11 End user authentication
- S.12 Risk-based participation requirements



# Strategy 3: Payment Security

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

## Establish...

- a task force to advise on payment security matters, coordinate with the faster payments task force and determine payment security priorities for future action

## Explore...

- additional anti-fraud and risk-management services
- improvements to fraud data and payment security research
- enhanced collaboration with government and industry





# Secure Payments Task Force

## Mission and Objectives

*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.*

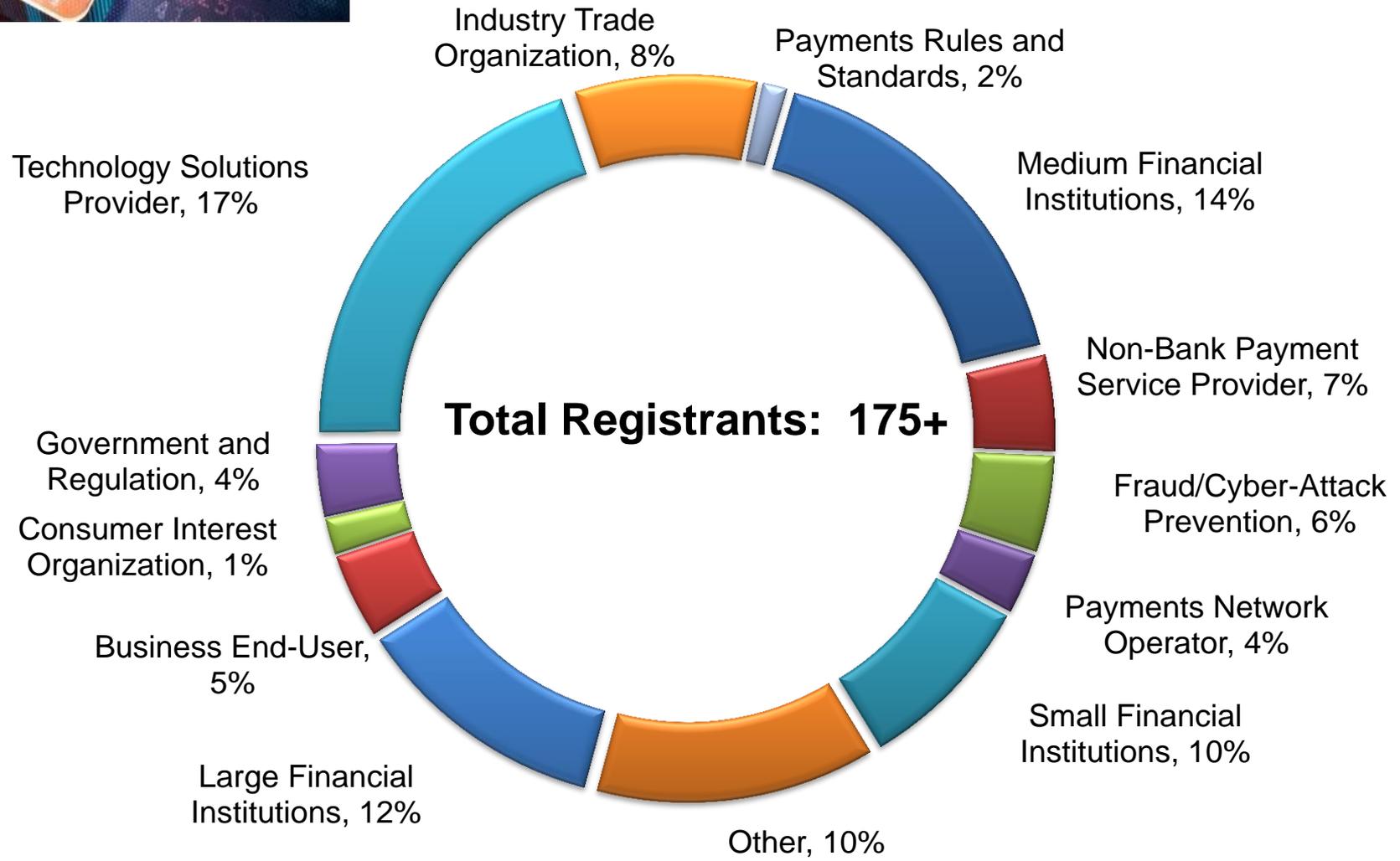
**Determine**  
areas of focus for  
payment security  
and priorities for  
future action

**Advise**  
the Fed on  
payment security  
matters

**Coordinate**  
with the Faster  
Payments Task  
Force



# Secure Payments Task Force Composition





# Secure Payments Task Force

## High-Level Work Plan

### Phase 1

- Identify areas of focus

*Plan the work...*

### Phase 2

- Define priorities for action and plan for execution

*Do the work...*

### Phase 3

- Pursue Improvements

*Document the work...*



# Secure Payments Task Force

Objective One—Coordinate with the Faster Payments Task Force

## Safety and Security

- S.1 Payment initiation
- S.2 Authorization
- S.3 Finality and irrevocability
- S.4 Settlement
- S.5 Fraudulent or erroneous payments
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**On target to  
complete the  
Effectiveness  
Criteria  
by Fall 2015**



# Secure Payments Task Force

## Objective 2 - Potential Areas of Focus

### Payment Identity Management and Authentication

- Framework, technologies, standards, and implementation strategies to strengthen identity management, enrollment and authentication and authorization across payment channels and methods

### Fraud/Risk Technologies, Solutions and Best Practices

- Encryption and tokenization; analytics to detect and mitigate fraudulent activity; approaches to prevent account takeover; solutions to addressing vulnerabilities of endpoints

### Fraud/Cyber Information Sharing and Privacy Protections

- Sharing of threat information and fraud data across the payments eco-system; sharing data to support research

### Payment Network Rules and Regulations

- Examine possible adjustments to payment network rules and regulations that have the potential to improve security

Source – Secure Payments Task Force Survey



# Secure Payments Task Force

## Objective 3 – Advise the Fed

### Standards and Protocols

- Ideas for specific activities or actions the Fed might take to:
  - Identify gaps where security standards are needed and accelerate standards/protocol development.
  - Foster industry-wide adoption of payment security standards and protocols.

### Education, Outreach, and Research

- Topics or problems that would benefit most from Fed involvement in education and outreach, or academic/policy research.



# Strategy 4: End-to-End Payment Efficiency

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

## Develop...

an implementation strategy for the application of the ISO 20022 standard to U.S. payment transactions

## Work...

with industry stakeholders to develop interoperable payment directories

## Accelerate...

the adoption of secure electronic business-to-business (B2B) payments





# Strategy 4: End-to-End Payment Efficiency

## ISO 20022

### Activities for U.S. Wire Systems



**Complete**

- Finalized use cases
- Held educational webinars
- Distributed an online survey

**Upcoming**

- Announce high-level implementation plan for U.S. wire transfer systems at Sibos 2015

### Activities for ACH

**Complete**

- Partnership with NACHA
- Support release of ISO 20022 Mapping Guide
- Industry Webinar

**Upcoming**

- Participate in SWIFT Executive roundtable
- RPA member webinar
- NACHA to release white paper



Note: Information about the ISO 20022 webinar registration, webinar recordings and online survey will be posted to [fedpaymentsimprovement.org](http://fedpaymentsimprovement.org).



# Strategy 4: End-to-End Payment Efficiency

## B2B Directories

### Many B2B Payments Rely on Checks...

- Even though checks cost more to handle and are more vulnerable to fraud
- E-payments require specialized information

### The Goal of the B2B Directory is to...

- Enable business to make electronic payments to vendors and other payees
- Be scalable, trustworthy, and secure





# Strategy 4: End-to-End Payment Efficiency

## Small Business Toolkit

### The toolkit is...

A FREE set of resources for small businesses and the bankers and advisors who serve them

Encourages the adoption of electronic B2B payments and remittance information exchanges



### Small business payments toolkit contents...

Payment Types Explained

Understanding ACH

Working with Your Banker

Fraud Prevention and Mitigation Tips

Resources



### Next steps for small business toolkit work effort...

Promote the toolkit to financial institutions, vendors and business/trade organizations

Host small business toolkit education webinar on September 18



# Strategy 5: Enhanced Federal Reserve Services

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

## Improve ...

settlement speed of private-sector payment systems and Federal Reserve services

## Provide...

access to interoperable/secure directory tools

## Respond to...

demand for risk-management services





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

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



**@FedPayImprove**



**FedPayments Improvement**



**Questions?**