

Strategies for Improving the U.S. Payment System

A large, semi-transparent dollar sign is positioned on the left side of the slide. In the center and right, several chess pieces are arranged on a grid background that resembles a game board. The pieces include a king, a queen, a rook, a bishop, a knight, and a pawn. The background is a dark blue grid with a glowing effect, suggesting a strategic or technological theme.

**Association for Financial Technology
Fall Summit**

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Senior Vice President

Federal Reserve Banks



U.S Payment Ecosystem



ACH PAYMENT



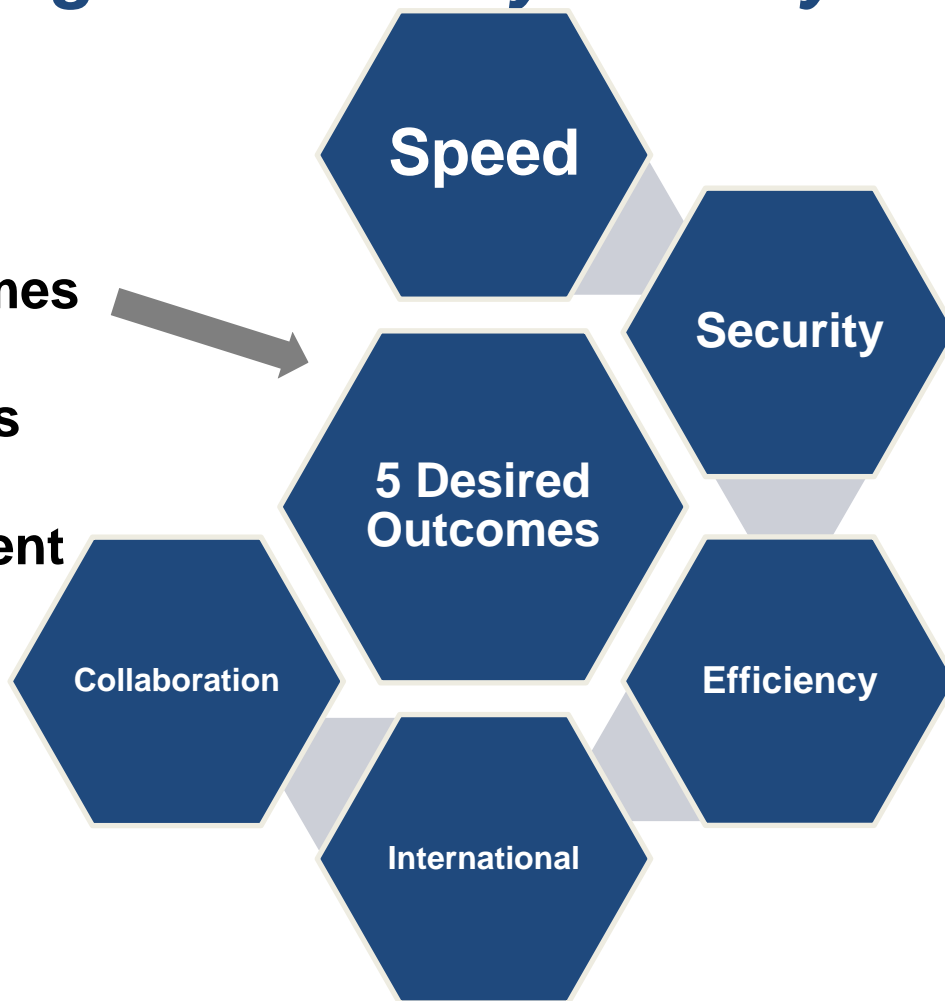
The road we've traveled...





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

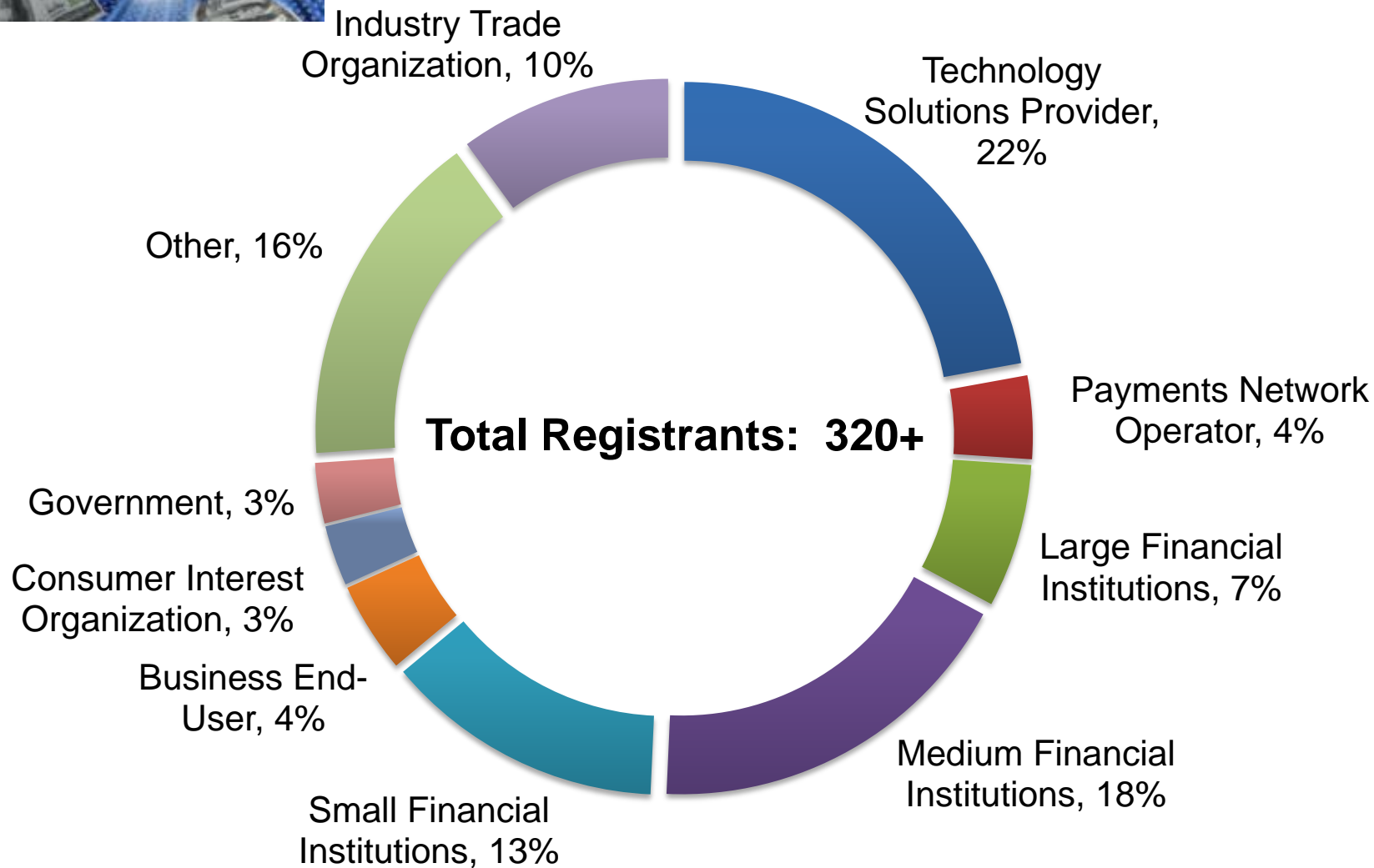
Represent...
views on future
needs for a safe,
ubiquitous faster
payments
solution

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

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



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

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

Legal

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



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.

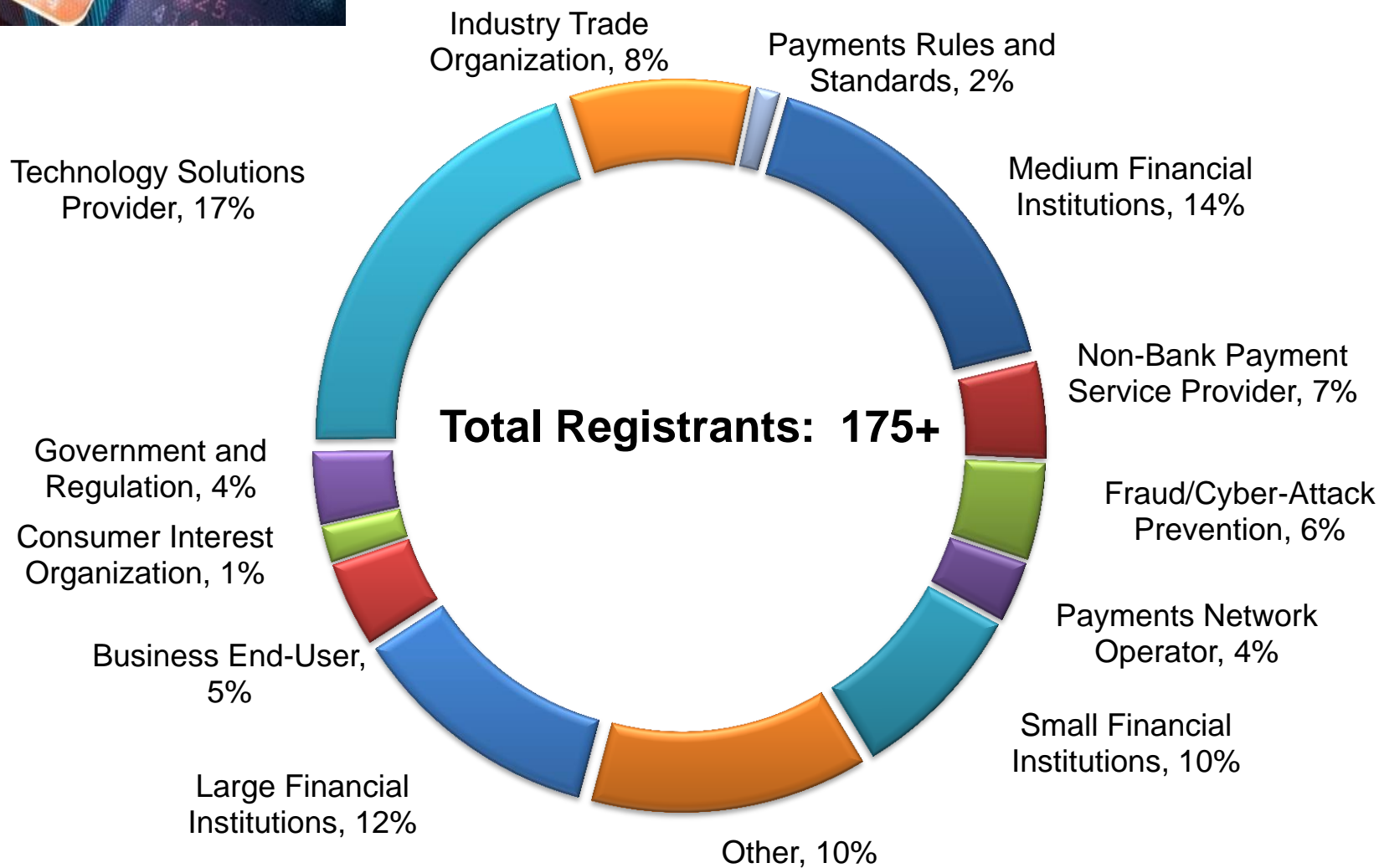
Determine
areas of focus for
payment security
and priorities for
future action

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
- 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

**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.



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!**

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



@FedPayImprove



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Questions?