



BUREAU OF THE
Fiscal Service
U.S. DEPARTMENT OF THE TREASURY

Strategies for Improving the U.S. Payment System

Zach Markiewicz
June 14-15, 2016

*The views expressed during this presentation are that of the presenter,
and not necessarily those of the Federal Reserve Bank of Kansas City
or the 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

Collaboration is the Key To Success



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

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

COMPLETED

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

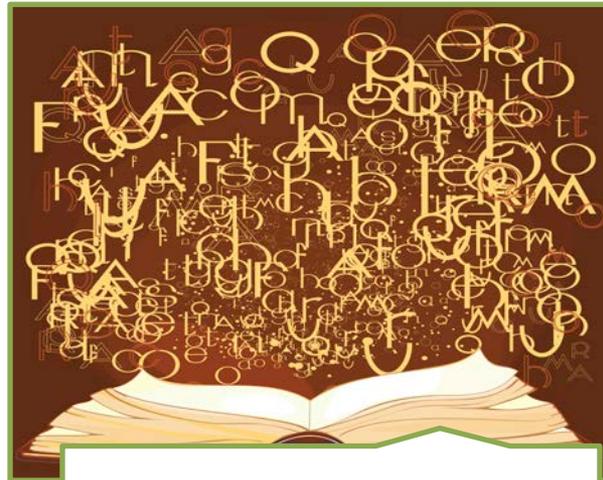
Nov 2016 – Mar 2017

Document the work...

Year One Accomplishments



Decision Making Framework

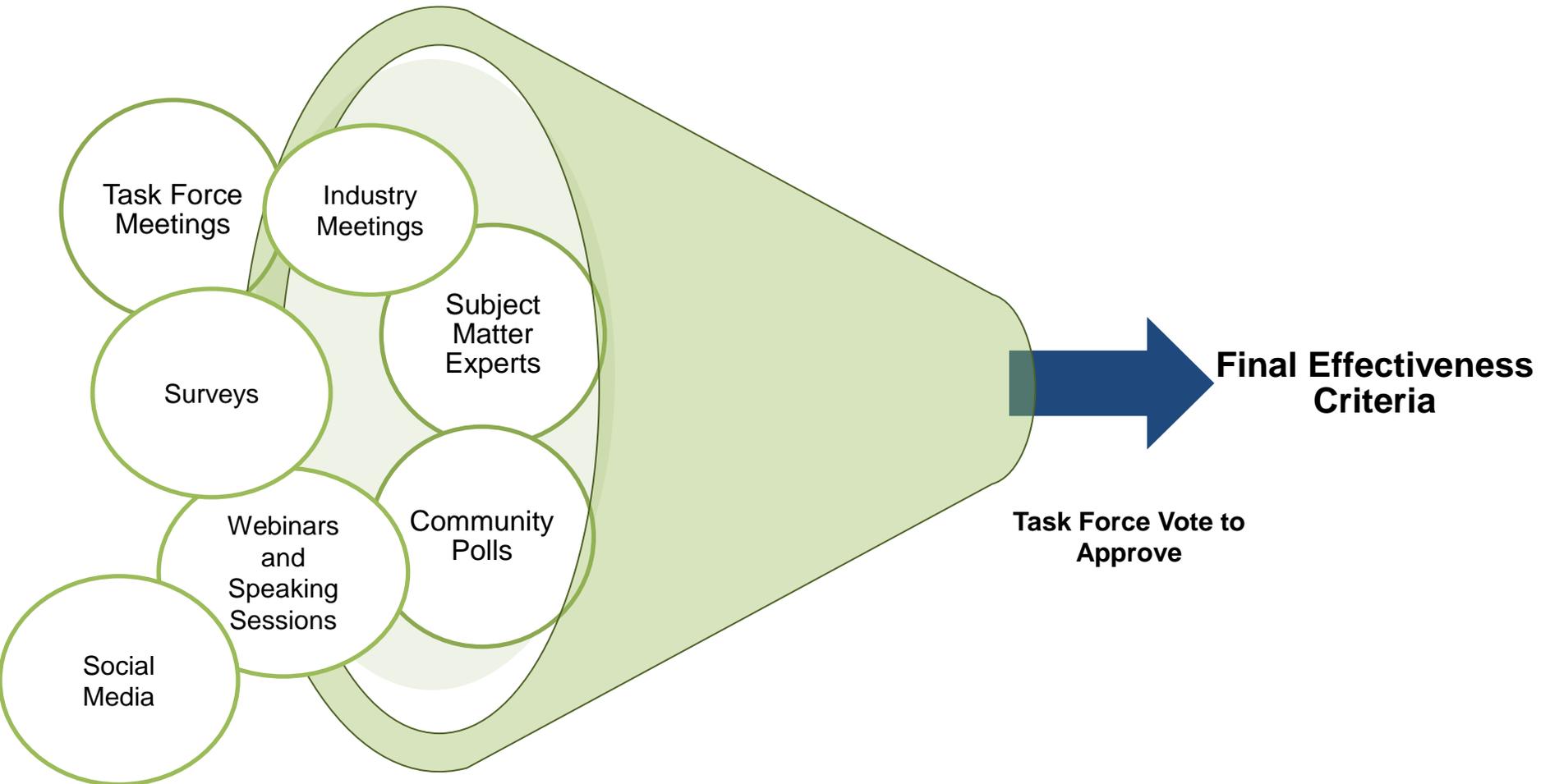


Glossary of Terms



Effectiveness Criteria

Developing the Faster Payments Effectiveness Criteria



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 Happening Now: Proposal Submission and Assessment



- Any Faster Payments Task Force member was eligible to submit a proposal for an end-to-end payment solution
- Assessment undertaken by Qualified Independent Assessment Team (QIAT)
- Qualitative assessment against the Effectiveness Criteria
- Task force will provide commentary on the assessments and proposals

What's Next: Publish Assessment Results and Recommendations for Next Steps



Final Work Product

The Faster Payments Task Force will publish the results of the faster payments solution assessments and recommendations for next steps in June 2017.

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

What's Happening Now: Work Groups



Payment Identity Management

- Launch Date – January 2016
- Chair: Nancy O'Malley, MasterCard



Information Sharing for the Mitigation of Payment Risk / Fraud

- Launch Date – March 2016
- Chair: Glen Ulrich, U.S. Bank



Data Protection

- Launch Date – May 2016
- Chair: Reed Luhtanen, Wal-Mart Stores, Inc.



Law and Regulation Coordination

- Launch Date – Q3/Q4 2016
- Chair: Victoria Strayer, TSYS



Standards Assessment Team

- Launch Date – March 2016
- Chair: Steve Mott, BetterBuyDesign

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

Year One Accomplishments

ISO 20022 Standard



Education



Resource Center



Wire Transfer Strategy

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®

Federal Reserve Highlights Progress in Efforts to Improve U.S. Payment System



“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



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



FedPayments Improvement

Questions?



Contact Information



Zach Markiewicz

Federal Reserve Bank of Kansas City

Payment Research Specialist

(816) 881-2860

zach.markiewicz@kc.frb.org