

**In Pursuit of a  
Better Payment  
System**



# **Building a Faster, Safer Payment System**

**PayCLT Meeting  
March 18, 2016**

**Dan Gonzalez  
Vice President, Payments Industry Relations**



## 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**



# **Why Pursue a Payments Improvement Initiative in the United States?**

**Market fragmentation**

**Stakeholder momentum**

**Engage the unbanked / underbanked population**

**The United States is at risk of falling behind**

**High-income millennials could influence future financial services**



## Strategy 2: Faster Payments

*Identify effective approaches for implementing safe, ubiquitous, faster payments*



# Mission and Objectives of the Faster Payments Task Force

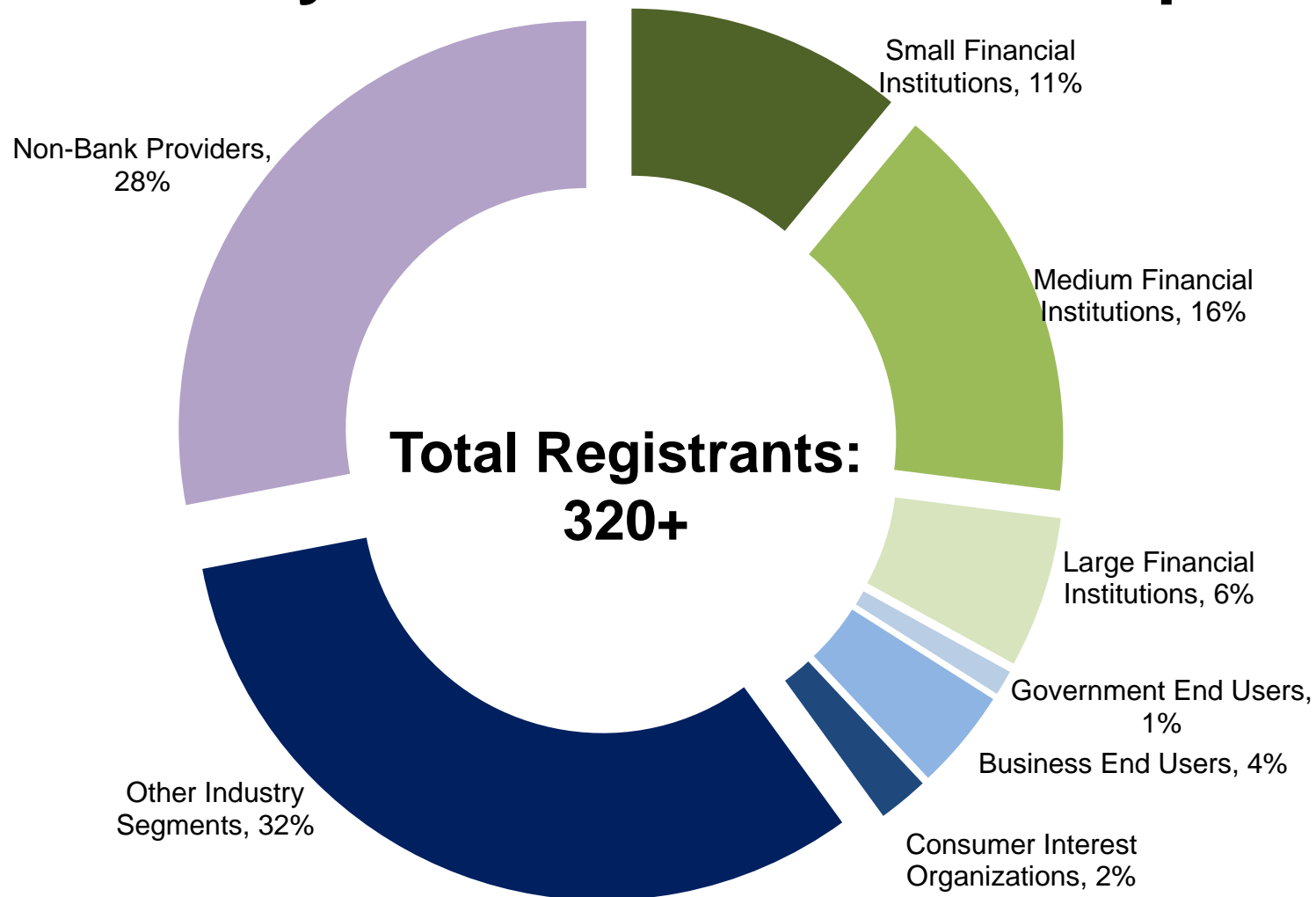
*Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States*

**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

# Faster Payments Task Force Composition





# High-Level Work Plan and Timeline

**COMPLETE**

## **PHASE 1**

Develop process for  
assessing solutions

**June 2015 - Jan 2016**

*Plan the work...*

## **PHASE 2**

Assess end-to-end solution  
proposals

**Feb - Nov 2016**

*Do the work...*

## **PHASE 3**

Finalize and publish  
assessment results

**Nov 2016 – Mar 2017**

*Document the work...*



# Year One Accomplishments



**Decision-Making Framework**



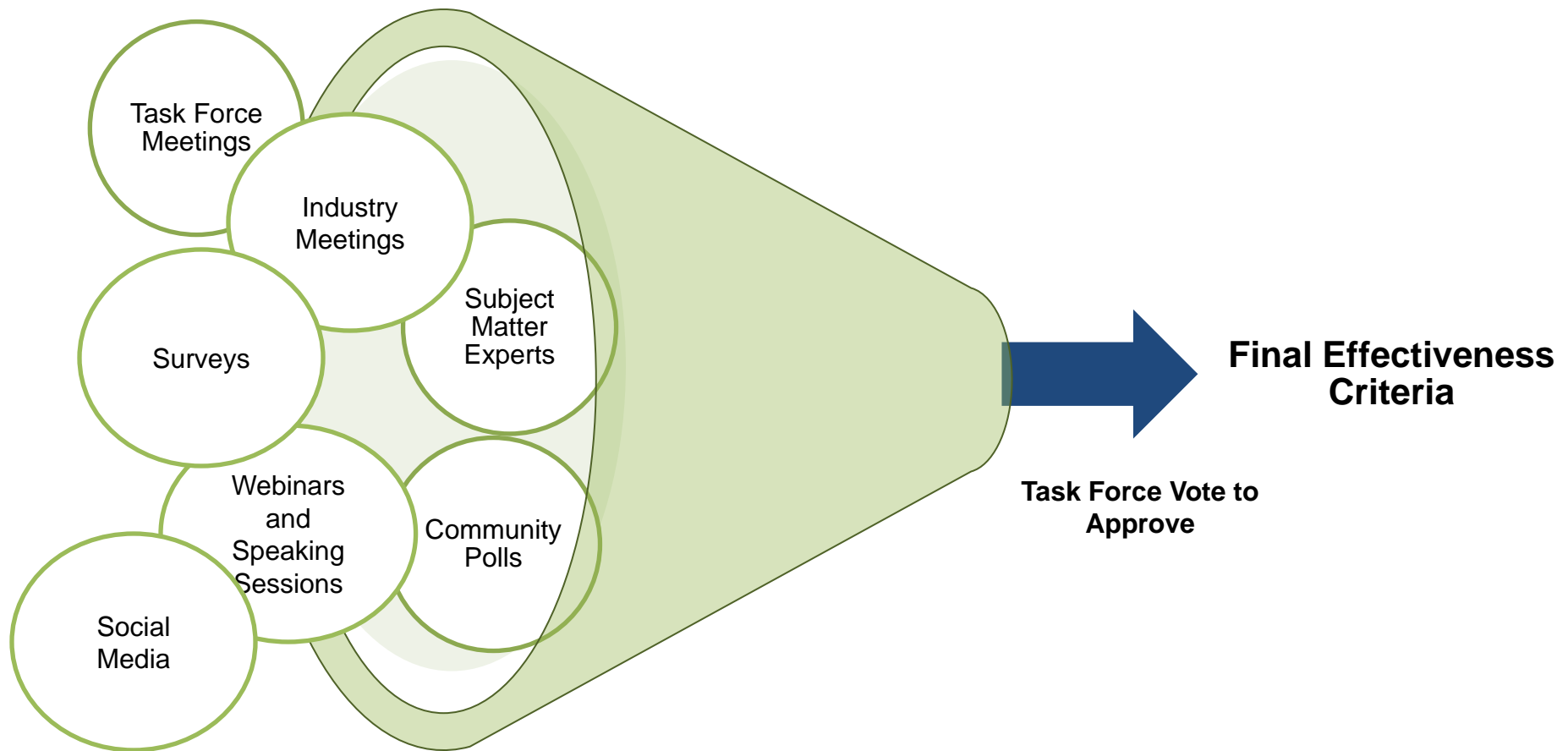
**Glossary of Terms**



**Faster Payments  
Effectiveness Criteria**



# Developing the 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



## Calling All Payments Innovators!

The Faster Payments Task Force is interested in learning about your cutting-edge ideas to make payments faster!



# What is Happening Now

## Faster Payments Capability Showcase

- Awareness of marketplace solutions
- Helps prepare industry for proposal work
- Educates the task force

# Next Steps



**Assessment of  
Solution  
Proposals**



**Final Work  
Product**



# 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.*

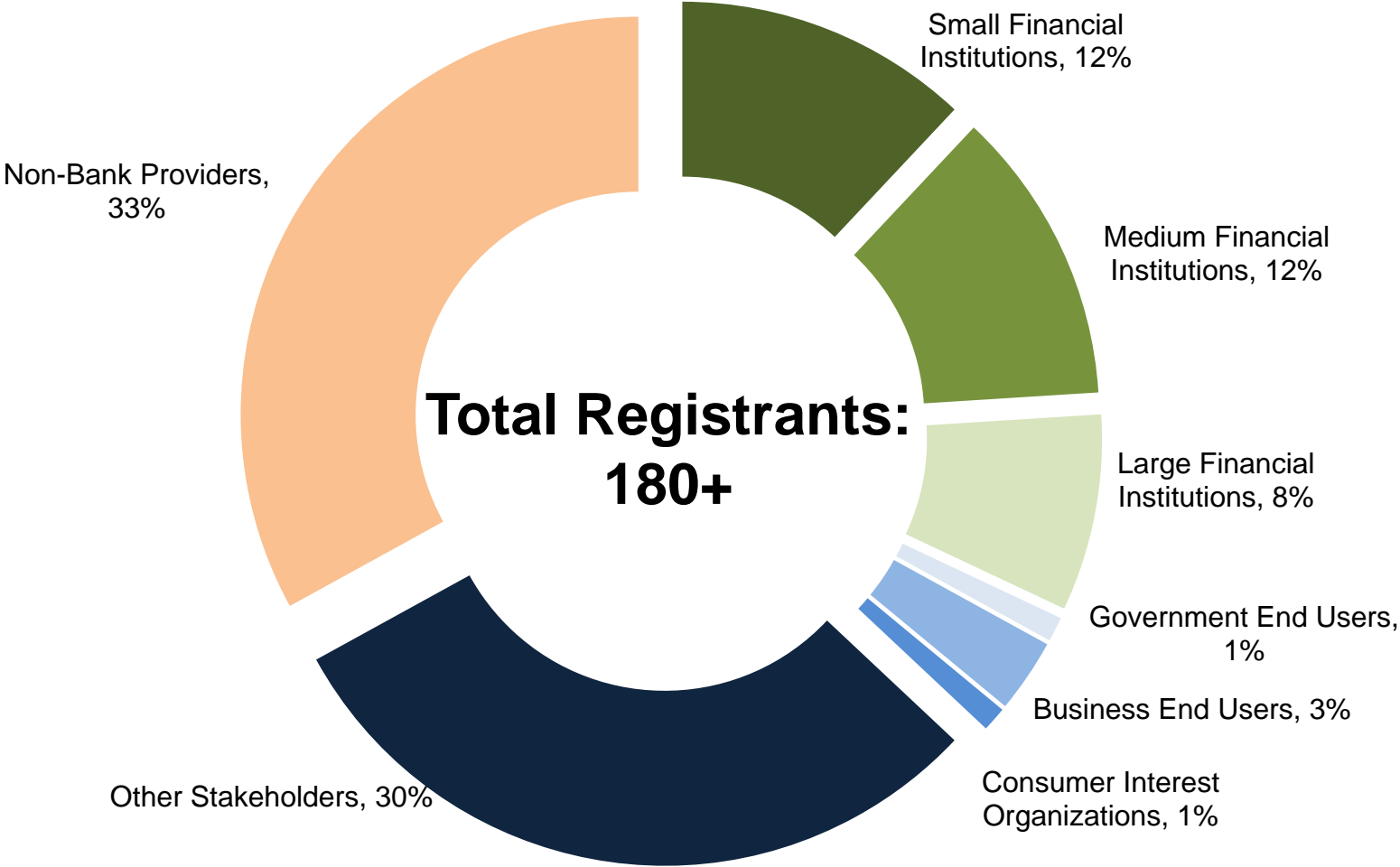
**Determine**  
areas of focus for  
payment security  
and priorities for  
future action

**Advise**  
the Fed on  
payment security  
matters

**Coordinate**  
with the Faster  
Payments Task  
Force



# Secure Payments Task Force Composition





# Year One Accomplishments



Collaboration on the Effectiveness Criteria



Identification of Areas of Focus for Future Action



# Collaboration on the Effectiveness Criteria

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

## Safety and Security

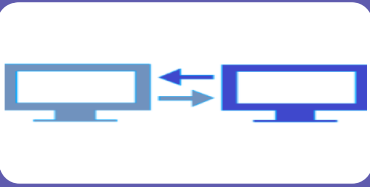
- |                                |                                       |
|--------------------------------|---------------------------------------|
| S.1 Risk Management            | S.6 Fraud Information Sharing         |
| S.2 Payer Authorization        | S.7 Security Controls                 |
| 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       |



# Areas of Focus for Future Action



Payment Identity Management



Information Sharing for Mitigation of Payment Risk and Fraud



Data Protection



Law and Regulation Coordination



# What's Next?



**Work Groups  
for Remaining  
Focus Areas**



**Guidance on  
Fed Research,  
Education and  
Standards  
Efforts**



**Consult on  
Faster  
Payments  
Solution  
Proposal  
Assessment**



## 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?