



Strategies for Improving the U.S. Payment System

Progress Report | January 2017

In Pursuit of a Better Payment System

In January 2015, the Federal Reserve released *Strategies for Improving the U.S. Payment System*, an ambitious, multi-year plan that focuses on improving the speed, efficiency, and security of the U.S. payment system from end-to-end. Since the release of this multi-year plan, the Federal Reserve has worked with payment stakeholders to execute the strategies outlined in the paper. The goal is to enhance the U.S. payment system to meet the changing demands of American consumers and businesses. This progress report outlines the important work completed and highlights next steps.

We invite you to engage as these initiatives progress by visiting FedPaymentsImprovement.org.

We are confident that these efforts will continue to generate momentum for innovation in the payments industry and result in better, safer, faster payments for everyone.





Strategy 1: Stakeholder Engagement

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

Momentum across the payments industry continues to be strong, resulting in substantial progress on each of the identified strategies for improving the U.S. payment system. To help ensure that you receive updates and information as it becomes available, join the [FedPayments Improvement Community](#).

Accomplishments

- Continued to facilitate collaborative work efforts of 300+ [Faster Payments Task Force](#) participants, 170+ [Secure Payments Task Force](#) participants, 550+ [Business Payments Coalition](#) members, and the ISO® 20022 Stakeholder Group¹
- Conducted nearly 500 presentations at domestic and international industry conferences and meetings to inform stakeholders of progress and solicit input and participation
- Engaged an online stakeholder community of 4,000 members
- Solicited broad stakeholder input on planned Secure Payments Task Force initiatives, with over 75 percent of respondents agreeing that solutions would add value to the payments industry

What's Next

- Host educational webinars that cover initiatives such as the Faster Payments Task Force's final report—*The U.S. Path to Faster Payments*, Secure Payments Task Force initiatives, electronic invoicing, small business payments education, B2B payments standards education and ISO 20022
- Continue to participate in industry events to provide opportunities for stakeholders with interest to engage in all payment improvement initiatives

¹ The ISO 20022 Stakeholder Group consists of the Federal Reserve Banks, The Clearing House Payments Company L.L.C., NACHA – The Electronic Payments Association, and the Accredited Standards Committee X9 – Financial Industry Standards, Inc.





Strategy 2: Faster Payments

Identify effective approaches for implementing safe, ubiquitous, faster payments

The **Faster Payments Task Force** was established in May 2015 to identify effective approaches for implementing safe, ubiquitous, faster payment capabilities. Since then, the task force has established Faster Payments Effectiveness Criteria, designed and completed a process by which faster payment solution proposals were assessed, and begun exploring challenges and opportunities the industry may face in the course of implementing faster payments capabilities in the United States. During 2016, the task force continued their momentum and made substantial progress and is expecting to achieve a number of significant milestones in 2017.

Accomplishments

- Published the **Faster Payments Effectiveness Criteria**, which are a description of stakeholder needs that serve as a guide for innovation in the industry and provided the foundation against which the faster payment solution proposals were assessed
- Solicited and received 22 faster payments solution proposal submissions from task force participants
- Conducted the initial review and assessment by the Qualified Independent Assessment Team (QIAT) of each proposal
- Of the 22 proposals received, 19 voluntarily progressed through review by the 500+ participants of the two task forces from October 3 – December 31, 2016
- Established a Challenges and Opportunities Work Group, made up of Faster and Secure Payments Task Force participants, to analyze issues or barriers that may inhibit payments evolution, with initial plans to explore provider interoperability; rules and standards; governance; adoption; safety and security; and next steps
- Finalized and published part one of a two part final report, *The U.S. Path to Faster Payments*; part one is a high-level overview of the task force's background and processes, the payments landscape and the benefits of faster payments



What's Next

- Complete the review of the faster payments solution proposals and assessments
- Publish the final report, *The U.S. Path to Faster Payments*, in mid-2017 inclusive of part two - an in-depth report covering the assessment of faster payments solution proposals, challenges and opportunities for achieving faster payments in the United States, and the task force's recommendations and suggestions for industry action
- Determine next steps for industry collaboration to continue pursuit of safe, ubiquitous, faster payments capabilities for the United States

Strategy 3: Payment Security

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

The [Secure Payments Task Force](#) was established in June 2015 to advise the Federal Reserve on payment security matters, coordinate with the Faster Payments Task Force and determine payment security priorities for future action. The task force is collaboratively working to outline ways for the industry to improve payment identity management practices, provide guidance on standardizing fraud and risk data and publish a framework for protecting sensitive payment data. During 2016, the task force continued their momentum by accomplishing key steps towards finalizing the resources listed below, which are expected to be released to the payments industry beginning in 2017.

Accomplishments

- Mapped out the lifecycle of eight key payment types (ACH, Card Not Present, Card PIN, Card Signature, Check, Contactless, Wallet and Wire) to assess existing identity management controls to inform identity management practices to help mitigate fraud vectors
- Drafted guiding principles and identified components of a data protection framework for industry participants to use when developing action plans to protect sensitive data throughout the payments lifecycle
- Drafted a documented list of payment fraud data and risk mitigation resources to increase access to actionable information to enhance the effectiveness of preventing fraud
- Assembled a group of payment security standards experts to review and assess standards pertinent to task force initiatives and identify gaps that may need to be addressed to advance payment security
- Reviewed faster payments solution proposals and draft assessments, with a focus on payment security
- Began efforts to define industry challenges and solutions to provide a consistent interpretation and application of laws and regulations affecting payment system participants
- Provided feedback to the Federal Reserve on expanding fraud data reporting, resulting in an enhancement in the [2016 Federal Reserve Payments Study](#) and in future releases of the study

What's Next

- Develop a resource that outlines high-level payment identity management recommendations and industry perspectives to support payment industry participants as they evaluate their payment identity management landscape and related security plans
- Develop a framework to identify and protect sensitive payment data at rest and in transit, leading toward a universal security baseline for the payments industry to help identify and appropriately manage risk throughout the payments process
- Promote standardized requirements for collecting and reporting fraud data across industry segments and payment types and develop a framework to expand the availability and sharing of actionable information across the U.S. payments industry and globally to quickly identify risks and take timely action
- Advance discussions regarding law and regulation challenges that impede advancement of payment security and engage with applicable policy makers, regulatory agencies and oversight bodies to foster improved payment security

Strategy 4: Payment Efficiency

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

In support of the desire to lower end-to-end costs, enable innovative payment services and shift to electronic payment forms, the Federal Reserve supports industry efforts to foster the creation of technology and standards that enable more ubiquitous electronic payments to meet the demands of American consumers and businesses. In the United States, opportunities to improve payment system efficiency are especially significant in business-to-business (B2B) transactions, which from end-to-end include the invoice, payment and remittance detail.

Electronic Payments

- Promoted Volume 2 of the [Small Business Payments Toolkit](#), leading to over 17,000 downloads
- Supported the Business Payments Coalition (formally known as the Remittance Coalition) B2B Directory steering committee as it begins defining the requirements, governance and operational models for the Business Payments Directory Association
- Advanced work on catalog of e-invoicing standards completed by the Business Payments Coalition E-invoicing Work Group

What's Next

- Release of the [Small Business Payments Toolkit Volume 3](#), and promotion efforts for the toolkit and the e-invoicing initiative
- Continue to support the Business Payments Directory Association as it establishes the business model, technical design and functionality for the B2B Directory
- Complete the inventory of e-invoicing standards in the United States and begin the work to publish the catalog through Accredited Standards Committee X9

ISO 2022 Standard

- Convened the ISO 2022 Education and Promotion Work Group to research and document adoption by U.S. organizations, including perceived benefits and business cases
- Collaborated with industry groups on promotion and education opportunities for efforts such as presenting the wire services conversion roadmap, NACHA ISO 2022-to-ACH mapping guide, use cases and benefits for both high-value and low-value payments, and the *Understanding ISO® 2022 Resource Guide* developed by the Business Payments Coalition Vendor Forum Education and Promotion Work Group
- Contributed to SWIFT's ISO 2022 work groups to engage with international stakeholders on global efforts
- Engaged SWIFT to assist with creating the detailed mapping documents, usage guidelines and implementation plan to support the ISO 2022 implementation for the Fedwire® Funds Service
- Continued engagement with NACHA and The Clearing House to conduct financial institution and corporate one-on-one interviews and further development of use case studies on awareness, adoption and/or use of ISO 2022 and existing ACH tools in the marketplace to aid in integration

What's Next

- Conduct a series of in-person meetings and online webinars to educate customers and vendors about the ISO 2022 implementation plans for the Fedwire Funds Service and ACH tools in the marketplace to support integration in the network
- Publish final mapping documents, usage guidelines and implementation plan for the Fedwire Funds Service
- Continue industry stakeholder outreach, education and dialogue to promote ISO 2022 for payment systems including detailed implementation plan and timeline for high-value payments, roadmaps of milestone deliverables and tools and resources to support integration in the ACH network



Strategy 5: Enhanced Federal Reserve Services

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

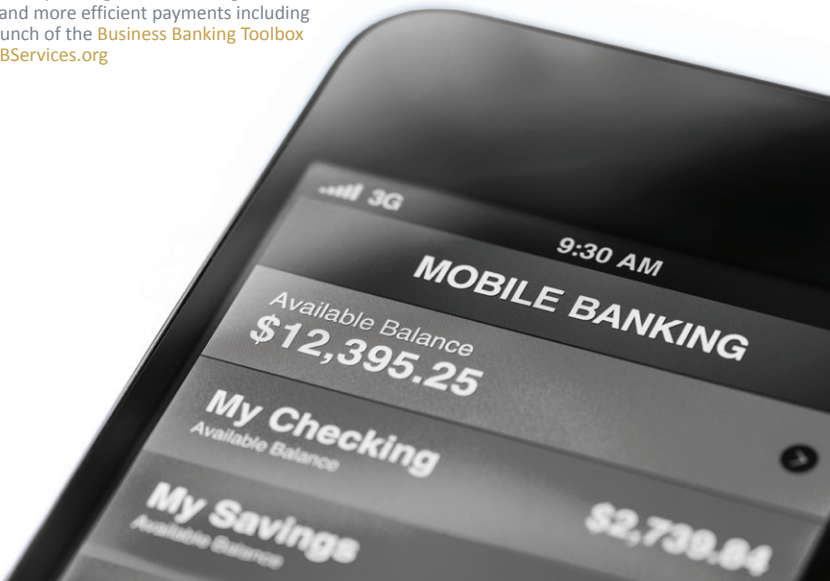
Federal Reserve Financial Services current efforts to support faster, safer, more efficient payments are focused on Same Day ACH, directory services and enhanced risk management tools.

Accomplishments

- Continued to support enhanced payment speed through implementation of Phase 1 of NACHA's Same Day ACH Rule
- Enhanced the FedPayments® Reporter Service with additional reports allowing financial institutions greater access to data thus improving service efficiency and risk management efforts
- Enhanced the FedTransaction Analyzer® tool by providing additional Fedwire Funds data designed to aid users with risk management practices and provide users with more complete insight into wire activity
- Continued ongoing education and outreach efforts regarding service enhancements and tool development geared at driving faster, safer and more efficient payments including the launch of the *Business Banking Toolbox* on FRBServices.org

What's Next

- Continue Federal Reserve and industry preparedness for Same Day ACH Phase 2 implementation to support enhanced payment speed
- Begin development of additional risk management enhancement options for the FedTransaction Analyzer tool and the FedPayments Reporter Service
- Continue ongoing customer education and outreach about risk management, security best practices and payments speed and efficiency including resource center updates on FRBServices.org, webinars, testing opportunities and operational notices and readiness reports





The Road Ahead

Join us in building a faster, safer, more efficient payment system. Visit [FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org), follow us on Twitter ([@FedPayImprove](https://twitter.com/FedPayImprove)) and join the online FedPayments Improvement Community.



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