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The Road Ahead

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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 Group
- 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

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Strategy 3: Faster Payments

Faster payments can make an immediate impact by enhancing the safety and security of the payment system.

What’s Next

• Promote the development and adoption of a comprehensive ACH risk management framework.
• Enhance Federal Reserve Bank payment, settlement and risk management efforts.
• Continue Federal Reserve and industry preparedness for Same Day ACH Phase 2 implementation.
• Enhance the FedPayments® Reporter Service with additional reports allowing financial institutions greater access to data thus improving service efficiency and risk management.
• Continue engagement with NACHA and The Clearing House to advance the industry’s efforts to improve ACH fraud prevention.

Accomplishments

• Continued to support enhanced payment speed through implementation of Phase 1 of NACHA’s Same Day ACH Rule.
• Engaged SWIFT to assist with creating the detailed mapping documents, use cases and design for the ISO 20022-to-ACH implementation plan to support the ISO 20022 implementation for the Fedwire® 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 20022 and existing ACH tools in the marketplace to aid in integration.

ISO 20022 Standard

• Convened the ISO 20022 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 write services conversion roadmap, NACHA ISO 20022-to-ACH mapping guide, use cases and benefits for both high-value and low-value payments, and the Understanding ISO 20022 Resource Guide developed by the Business Payments Coalition B2B Forum Education and Promotion Work Group.
• Contributed to SWIFT’s ISO 20022 work groups to engage with international stakeholders on global efforts.
• Engaged SWIFT to assist with creating the detailed mapping documents, use cases and design for the ISO 20022 implementation plan to support the ISO 20022 implementation for the Fedwire® 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 20022 and existing ACH tools in the marketplace to aid in integration.

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Strategy 3: Payment Security
Reduce fraud risk and advance the security, safety and resiliency of the payments 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 develop a framework for securing payment data. The task force continued their momentum by approaching 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, Card Present) to assess existing identity management controls to inform identity management recommendations to help mitigate fraud vectors.
- Drafting 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 infrastructure, 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 case studies to better 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 risk management policies and reporting 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 industry 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 America’s 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 involve the invoice, payment, and remittance detail.

Electronic Payments
- Promoted Version 2 of the Small Business Payments Toolkit, leading to over 17,000 downloads.
- Supported the Business Payments Coalition (formerly known as the Remittance Coalition) B2B Directory steering committee as it begins defining 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 2, and promotion efforts for the toolkit and the e-invoicing initiative.
- Continues 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.

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.
- Enhanced the FedTransaction Analyzer® tool by adding additional Federal Reserve tools 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 on the launch of the Business Banking Toolbox on FRBServices.org, webinars, testing opportunities and operational notices and readiness reports.

What’s Next
- Continue Federal Reserve industry and preparedness for Same Day ACH Phase 2 implementation to support enhanced payment speed.
- 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.
Strategy 3: Payment Security
Reduce fraud risk and advance the security, safety and resiliency of the payments 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 develop a framework for assessing identity data. During 2016, the task force continued their momentum by accomplishing steps toward finalizing the resources listed below, which are expected to be released to the payments industry in 2017.

Accomplishments
- Mapped out the lifecycle of eight key payment types (ACH, Card Not Present, Card PIN, Card Signature, Check, Contactless debit) 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
- Established a group of payments 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 information collection 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 considerations 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 advocacy groups 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 America’s 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 (formerly known as the Remittance Coalition) B2B Directory steering committee as it begins developing use case requirements for service 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 2, 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 20022 Standard
- Convened the ISO 20022 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 20022-to-ACH mapping guide, use cases and benefits for both high-value and low-value payments, and the Understanding ISO® 20022 Resource Guide developed by the Business Payments Coalition Vender Forum Education and Promotion Work Group
- Contributed to SWIFT’s ISO 20022 workgroups 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 20022 implementation for the Federal Reserve’s Service
- Continued engagement with NACHA and The Clearinghouse 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 20022 and existing ACH tools in the marketplace to aid in integration

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
- Enhanced the FedTransaction Analyzer® tool by expanding additional Federal Reserve 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 by engaging the launch of the Business Banking Toolbox on FRBServices.org, webinars, testing opportunities and operational notices and readiness reports

What’s Next
- Continue all 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

Strategy 2: Faster Payments
Identity 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 Initiative Criteria and developed a process by which Faster Payments solution proposals were assessed, and began exploring challenges and opportunities the industry may face in the secure adoption of faster payments. During 2016, the task force continued their momentum and made substantial progress and is expected to achieve a number of significant milestones in 2017.

Accomplishments
- Published the Faster Payments Effectiveness Criteria, designed and completed a process by which faster payments solution proposals were assessed and begun exploring challenges and opportunities the industry may face in the secure adoption of faster payments
- Published the final report, which includes detailed assessment of faster payments solution proposals, challenges and opportunities facing faster payments in the United States, and the task force’s recommendations and suggestions for industry action
- Determined next steps for industry collaboration to continue pursuit of safe, ubiquitous, faster payments capabilities for the United States

What’s Next
- Convene a series of in-person meetings and online webinars to educate customers and vendors about the ISO 20022 implementation plans for the Federal Reserve’s services 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 20022 for payment systems including detailed implementation plan and timeline for high-value payments, roadmaps of milestone deliveries and tools and resources to support integration in the ACH network

Strategy 1: Payment Efficiency
Achieve greater end-to-end efficiency for domestic and cross-border payments

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