Strategies for Improving the U.S. Payment System: Faster and Secure Task Force Updates

Missouri Independent Bankers Association
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Strategies for Improving the U.S. Payment 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 capabilities in the U.S.

**Payment Security:** Work to 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.

**Enhance Federal Reserve Bank Services:** Enhance Federal Reserve Bank payments, settlement and risk management services.

Source: *Strategies for Improving the U.S. Payment System paper*
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
Current Faster Payments Task Force Membership

Faster Payments Task Force ~292

- Non-Bank Providers, 30%
- Other Stakeholders, 30%
- Medium FI, 15%
- Large FI, 8%
- Small FI, 9%
- Govt End-User, 2%
- Consumer Interest, 2%
- Business End-User, 4%
- End-User, 4%

Task Force Registration Remains Open To All Interested
Faster Payments Task Force Work Overview

The Faster Payments Task Force work is helping to accelerate and enhance implementation of real-time payment capabilities in the United States

EFFECTIVENESS CRITERIA
• What features do we desire in a faster payments system?

CAPABILITY SHOWCASE
• What components of a faster payments system are available in the market?

SOLUTION PROPOSALS
• What could an end-to-end faster payment system in the United States look like? What needs does it serve and how?

QUALIFIED INDEPENDENT ASSESSMENT
• How do the proposed solutions measure up to the criteria?

CHALLENGES AND OPPORTUNITIES
• What barriers might the industry face in implementing faster payments? What opportunities exist to benefit all participants?

RECOMMENDATIONS AND NEXT STEPS
What actions should the industry take to facilitate successful implementation of faster payments?

Currently available on FedPaymentsImprovement.org

To be published in the first half of 2017

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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

**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

**Governance**
- G.1 Effective governance
- G.2 Inclusive governance

**Legal**
- L.1 Legal Framework
- L.2 Payment System Rules
- L.3 Consumer Protections
- L.4 Data privacy
- L.5 Intellectual property

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Strategy 3: Payment Security
Reduce fraud risk and advance the safety, security and resiliency of the payment system
Putting Payment Fraud in Context

Trends in Payment Fraud Activity
(Percent of Organizations that Experienced Attempted and/or Actual Payments Fraud)

Payment Method Responsible for Largest Dollar Amount of Loss from Fraud Loss
(Percentage Distribution of Organizations that Experienced Payments Fraud)

Source: 2016 AFP Payments Fraud and Control Survey
Putting Payment Fraud in Context

Trends by Methodology/Medium

Sources of Attempted / Actual Payments Fraud in 2015
(Percent of Organizations that Experienced Attempted or Actual Payments Fraud)

Patterns in Financial Industry
(Source: Verizon 2016 Data Breach Investigations Report)

| Source: 2016 AFP Payments Fraud and Control Survey |

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Discussion Questions

What are you and other banks seeing in terms of fraud patterns and threats?

Which threats are most concerning to you?
Secure Payments Task Force
Mission and Objectives of the Secure Payments 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
Current Secure Payments Task Force Membership

Secure Payments Task Force
~155

- Non-Bank Providers, 33%
- Medium FI, 10%
- Large FI, 9%
- Small FI, 14%
- Other Stakeholders, 28%
- Business End-User, 4%
- Consumer Interest, 1%
- Govt End-User, 1%

Task Force Registration Remains Open To All Interested
Secure Payments Task Force
Accomplishments to Date

- Collaborated on the Faster Payments Effectiveness Criteria
- Ongoing Support of the Evolution and Adoption of Standards
- Enhanced Federal Reserve Payment Security Research
- Identified and Advancing Work on Payment System Security Focus Areas
Secure Payments Task Force Work Efforts

### Payment Identity Management
*Identify and work to address weaknesses in current practices for establishing and authenticating the identity of end users, providers and devices in payment transactions*
- Work Group Chair: Nancy O’Malley, MasterCard

### Information Sharing for the Mitigation of Payment Risk / Fraud
*Enhance industry ability to mitigate fraud and risk by establishing standard metrics and protocols that reduce barriers to increased fraud and threat information sharing*
- Work Group Chair: Glen Ulrich, U.S. Bank

### Data Protection
*Provide payments participants with guidance on what data in the payments process should be protected and how*
- Work Group Chair: Reed Luhtanen, Wal-Mart Stores, Inc.

### Law and Regulation Coordination
*Identify opportunities for more consistent interpretation and application of payment laws and regulations to enhance payments system security*
- Work Group Chair: Victoria Strayer, TSYS

### Standards Assessment Team
*Contribute security expertise to the development of faster payments effectiveness criteria and to the assessment of faster payments solution proposals*
- Work Group Chair: Steve Mott, BetterBuyDesign
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.

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Questions?