

The U.S. Payments Industry: Findings, Opportunities and Strategies for the Future

Collaborating to Improve the
US Payments System

Guest Speakers:

- ▶ **Sean Rodriguez**, Senior Vice President, Industry Relations

FEDERAL RESERVE  FINANCIAL SERVICES

Federal Reserve System

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Welcome everyone

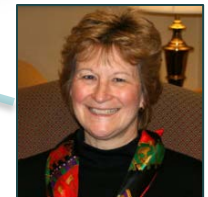
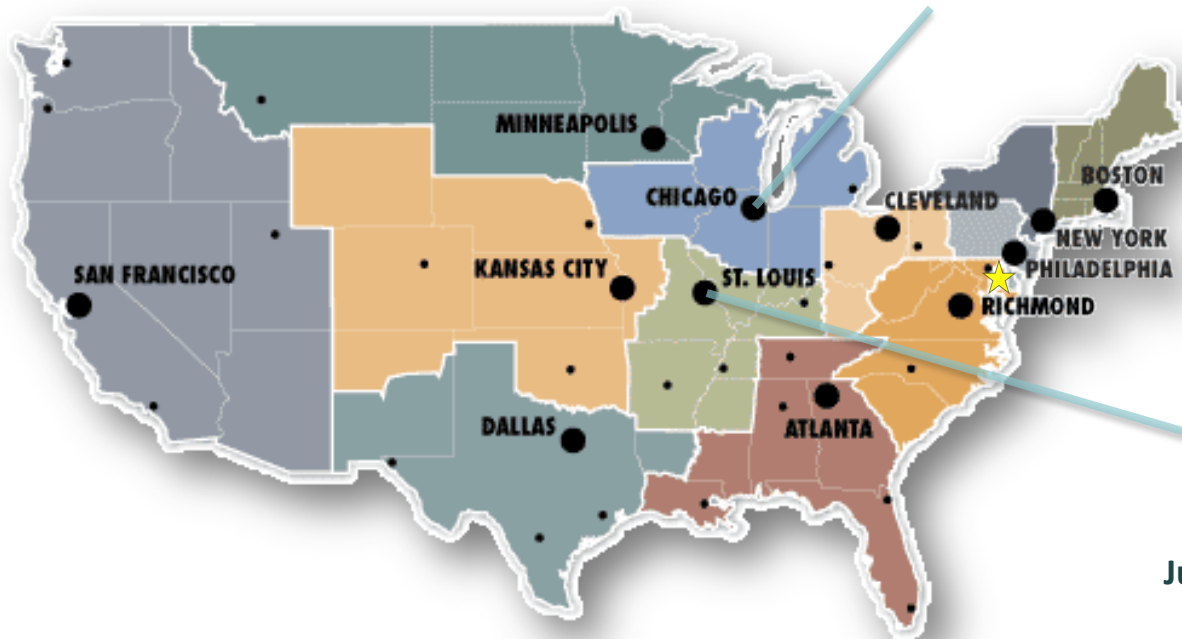
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Our Presenter and Host Today



Sean Rodriguez

Senior Vice President, Industry Relations
Federal Reserve Bank of Chicago



Julie Stackhouse

Federal Reserve
Bank of St. Louis

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Agenda

- **Federal Reserve Financial Services (FRFS)
Strategic Direction and Areas of Focus**
- **Payment System Improvement – Public
Consultation Paper**
- **Questions & Discussion**

FRFS Broadens its Strategic Focus toward End-to-End

Safety and Security

- Maintain and enhance FRB network security
- Enhance understanding of end-to-end security
- Collaborate and promote industry best practices

Speed

- Develop solutions to enhance payment speed
- Understand market demand for faster payments
- Continue migration of paper to electronic

Efficiency

- Develop solutions to promote efficiency
- Understand needs and barriers
- Promote standards adoption to improve efficiency

Payment System Improvement – Public Consultation Paper

As a next step in defining FRFS strategic initiatives, Federal Reserve Banks have released a *Payment System Improvement – Public Consultation Paper* for public comment until December 13.

- **The paper seeks the input of payment system providers and end users on:**
 - Payment system gaps, opportunities and desired outcomes
 - Potential strategies and tactics to shape the future of the U.S. payment system
 - The Federal Reserve Banks’ role in implementing these strategies and tactics

Payment System Improvement – Public Consultation Paper Payment *System Gaps & Opportunities*

Continued End-User Check Writing

Challenges in Converting Businesses to Electronics

Closed Payment Communities

Lack of Contemporary Features in Traditional Payment Channels

Slowness of U.S. Payments

Mobile Technology Revolution

Obstacles in International Payments

Security Concerns

Payment System Improvement – Public Consultation Paper *Five Desired Outcomes*

-  ***Ubiquitous Real-Time Retail Payments***
-  ***Improved Efficiency***
-  ***Improvements in Cross-Border Payments***
-  ***Enhanced Payments Safety and Security***
-  ***Strategic Industry Engagement***

Desired Outcome

Ubiquitous Real-Time Retail Payments

- A ubiquitous electronic solution(s) for making retail payments provides confirmation of good funds at payment initiation and timely sender/receiver payment notification, debits payer funds and makes them available to payees in near-real time and does not require the sender to know the recipient's bank account number.

Near-real-time, ubiquitous payments could be provided in several different ways. Which would be the most effective?

Is it sufficient for a solution to be limited to near-real-time authorization and confirmation that good funds are on their way, or must end-user funds availability and/or interbank settlement take place in near-real time, as well?

Which payment scenarios are most and least suitable for near-real-time payments? (B2B, P2P, P2B, POS, etc.)

Desired Outcome *Improved Efficiency*

- **Greater electronification and process improvements have reduced the average end-to-end (societal) costs of payment transactions and resulted in innovative payment services that deliver improved value to consumers, businesses and governments.**

What barriers need to be addressed to accelerate migration of B2B and consumer bill payments?

What other tactics, including incentives, will effectively persuade businesses and consumers to migrate to electronic payments?

Which industry bodies should be responsible for developing and/or implementing these tactics?

Desired Outcome

Improvements in Cross-Border Payments

- **Consumers and businesses have better choice in making convenient, cost-effective and timely cross-border payments from and to the U.S.**

What strategies and tactics do you think will help move the industry toward this desired outcome?

To what extent would the broader adoption of the XML-based ISO 20022 payment message standards in the U.S. facilitate electrification of business payments and/or cross-border payments?

Desired Outcome *Enhanced Payment Safety and Security*

- **We have collaborated with the industry to promote end-to-end payment system security amid a rapidly evolving technology and threat environment. Public confidence in FRFS security has remained high.**

What are the key threats to payment system security today and in the future? Which threats are not adequately being addressed?

What type of information on threat awareness and incident response activities would be useful for the industry?

Desired Outcome *Strategic Industry Engagement*

- **Key improvements for the future state of the payment system have been collectively identified and embraced by payment participants, and material progress has been made in implementing them.**

Are you in general agreement with the desired outcomes for payment system improvements over the next 10 years?

In what ways should the Federal Reserve Banks help improve the payment system as an operator, leader and/or catalyst?

What strategies would you suggest for ensuring strong industry engagement?

Share Your Views on the Questions Posed in the Consultation Paper

Visit FedPaymentsImprovement.org to view the paper and instructions on submitting responses.



Respond via online survey at
FedPaymentsImprovement.org




Respond via email to
comment@FedPaymentsImprovement.org



Respond until
December 13, 2013

Next Steps

- 
- Continue payments industry collaboration efforts to encourage and document interactive dialogue on the U.S. payment system gaps and opportunities, desired outcomes and possible solutions that improve speed, efficiency and security.
 - Use *Consultation Paper* industry input to inform FRFS future plans and actions and identify areas where collaboration with industry or independent industry action would be useful in the implementation of U.S. payment system improvements.
 - Define and prioritize U.S. payment system improvement initiatives that advance the speed, efficiency and security of payments and communicate these plans in a white paper expected to be published in the second half of 2014.

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