Strategies for Improving the U.S. Payment System

An Update on the Faster and Secure Payments Task Forces

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Federal Reserve System
Strategies for Improving U.S. Payment System:
Focus on Improving Speed, Efficiency, and Safety from End-to-End

Five desired outcomes developed with extensive payment stakeholder input

- Speed
- Security
- Efficiency
- International
- Collaboration
Faster Payments (Speed) Strategy

**Desired Outcome:**
A ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality.

Source: *Strategies for Improving the U.S. Payment System, January 2015*
Faster Payments Task Force
Mission and Objectives

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
Membership Segmentation

- Payments Network Operator, 4%
- Medium Financial Institutions, 18%
- Large Financial Institutions, 7%
- Small Financial Institutions, 13%
- Business End-User, 4%
- Consumer Interest Organization, 3%
- Government, 3%
- Other, 16%
- Industry Trade Organization, 10%
- Technology Solutions Provider, 22%

320+
Faster Payments Task Force
High-Level Work Plan

**PHASE 1**
Develop process for assessing solutions
May 2015 – March 2016

**PHASE 2**
Assess end-to-end solution proposals
April 2016 – January 2017

**PHASE 3**
Publish assessment results and recommended next steps
Targeted for mid-2017

Plan the work…
Do the work…
Document the work…
### Faster Payments Effectiveness Criteria

*Developed as a description of stakeholder needs that can be used to assess faster payments solutions and as a guide for innovation in the payments industry*

#### 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

#### 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

#### 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

#### 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
- L.6 Data privacy
Faster Payments Proposals: Submission and Assessment Process

- Any Faster Payments Task Force participant was eligible to submit a proposal for an end-to-end payments solution
- Assessment undertaken by Qualified Independent Assessment Team (QIAT)
- Qualitative assessment against the Effectiveness Criteria
- Task forces provided commentary on the assessments and proposals
Primary Objectives:

1) To present the results of the task force for implementing a safe, ubiquitous, faster payments capability in the U.S.

2) To propose recommendations and approaches for advancing the payments system

3) To champion the industry and stakeholders to take steps toward implementation and adoption of a faster payments capability

4) To suggest ideas to maintain momentum and continue collaboration for faster payments
Payment Security Strategy

*Desired Outcome:*  
U.S. payment system security that remains very strong, with public confidence that remains high and protections and incident response that keeps pace with the rapidly evolving and expanding threat environment.

Source: *Strategies for Improving the U.S. Payment System, January 2015*
Secure Payments Task Force
Mission and Objectives

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.

Advise the Fed on payment security matters

Coordinate with the Faster Payments Task Force

Determine areas of focus and priorities for action
Secure Payments Task Force

Membership Segmentation

- Technology Solutions Provider, 17%
- Non-Bank Payment Service Provider, 7%
- Fraud/Cyber-Attack Prevention, 6%
- Payments Network Operator, 4%
- Medium Financial Institutions, 14%
- Large Financial Institutions, 12%
- Small Financial Institutions, 10%
- Other, 10%
- Industry Trade Organization, 8%
- Payments Rules and Standards, 2%
- Government and Regulation, 4%
- Consumer Interest Organization, 1%
- Business End-User, 5%
- Other, 10%

180+ participants

The Federal Reserve Bank of Boston’s 2017 Cybersecurity Conference
## Secure Payments Task Force
### Areas of Focus

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Payment Identity Management</strong></td>
<td>Identification and adoption of payment identity management practices to mitigate existing and anticipated fraud vectors.</td>
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<tr>
<td><strong>Information Sharing for the Mitigation of Payment Risk / Fraud</strong></td>
<td>Payments industry fraud and risk data can be interpreted and acted upon by industry participants.</td>
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<tr>
<td><strong>Data Protection</strong></td>
<td>Identification and adoption of frameworks / methodologies for protecting sensitive payment data at rest and in transit.</td>
</tr>
<tr>
<td><strong>Law and Regulation Coordination</strong></td>
<td>Identify opportunities for more consistent interpretation and application of payment laws and regulations to enhance payments system security.</td>
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Secure Payments Task Force – Work Products

**Payment Use Cases**

- **Contactless**
- **ACH**
- **Wire**
- **Check**
- **Card PIN**
- **Card Signature**
- **Card-Not-Present**
- **Wallet**

*Serve as an Educational Reference Guide for Payments and Security Practitioners*

- **Payment Flows**
- **Controls**
- **Sensitive Data**
- **Risks**
- **Applicable Standards**

**Draft released for stakeholder comment:**

April 2017
Secure Payments Task Force – Work Products

**Information Sharing Data Sources**

Designed to improve awareness and implementation of inclusive cybersecurity and fraud information sharing

- List of known information sharing data sources
- Relevant data sources across payment types and payment system participants
- Categorized the data sources as freely available, subscription-based or proprietary

Draft released for stakeholder comment:

April 2017
Secure Payments Task Force – Work Products

Payment Security Framework

Contains practical, risk-based guidance and advice on payment identity management and data protection practices

- Payment Security Principles
- Baseline Security Requirements
- Recommended Security Requirements
- Stakeholder Perspectives
- Look Forward on Payment Security

Draft released for stakeholder comment: Mid - 2017
Secure Payments Task Force – Work Products

**Standard Fraud Reporting Requirements**

Creates a structure to standardize fraud metrics and reporting by payment type across the industry

- Enhancements to Existing Reports
- Standard Fraud Reporting Proposal

Draft released for stakeholder comment:
Mid - 2017
Secure Payments Task Force

Engagement Opportunities

Register for online opportunities to learn more and engage

Take an industry survey to provide targeted feedback

Registration for the Secure Payments Task Force remains open

- Payment Identity Management Work Group
- Information Sharing for the Mitigation of Payment Risk /Fraud Work Group
- Data Protection Work Group
- Law and Regulation Coordination Work Group
- Standards Assessment Team
Questions and Discussion