

Federal Reserve Updates Strategies and Tactics for Promoting Payment System Improvements

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On September 6, 2017, the Federal Reserve System (“FRS”) [published](#) a paper that identifies updated strategies and tactics for improving the U.S. payments system. The paper, entitled *Strategies for Improving the U.S. Payment System: Federal Reserve Next Steps in the Payments Improvement Journey*, refines the strategies set forth in a previous FRS paper, *Strategies for Improving the U.S. Payment System*, published in January 2015, and outlines nine tactics the FRS intends to pursue to advance progress on payment system improvements. The tactics fall into three broad categories: FRS service enhancements, FRS research, and industry collaboration efforts.

The new FRS paper retains without substantive change three of the five strategies outlined in the 2015 paper: speed, security, and collaboration. The fourth strategy outlined in the 2015 paper focused on achieving greater end-to-end efficiency for domestic and cross-border payments. The new paper divides this prior strategy into separate domestic and international components as follows: (1) efficiency—achieving greater end-to-end efficiency for domestic payments; and (2) international—working to enhance the timeliness, cost effectiveness, and convenience of cross-border payments. The tempered expectations for improving cross-border payments reflects concerns about compliance with anti-money laundering, terrorist financing, and economic sanctions requirements. The FRS also decided against enhancing the Fedwire Funds Service to make it easier for participating institutions to send cross-border payments.

The fifth strategy outlined in the 2015 paper—enhancing FRS payments, settlement and risk management services—has been eliminated. Instead, the FRS recharacterizes as tactics two types of potential enhancements to FRS services. First, the FRS will pursue enhancements to FRS settlement services to support real-time retail payments, such as assessing the demand for weekend hours. Second, the FRS will explore and assess the need, if any, for the FRS to engage as a service provider in areas beyond providing settlement services in a faster payments ecosystem. The *American Banker* reported that, while industry stakeholders generally support enhancements to the FRS’s settlement services, an expanded FRS role as a service provider is more controversial with support from small banks and credit unions and resistance from larger institutions.

To support the payment security strategy, the FRS plans to conduct a study to analyze payment system vulnerabilities, the costs and benefits of potential approaches to mitigate those vulnerabilities,

and the misalignment of incentives that hinder the advancement of potential solutions to key vulnerabilities. This study could influence the faster payments system initiative as well as the FRS's broader thinking on cybersecurity standards more generally.

Finally, the FRS expressed support for collaborative industry efforts to develop standards for the electronic processing of business-to-business invoices, payments, and remittance information; catalog existing electronic invoicing standards; and design an e-invoice interoperability framework for the U.S. market.

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