



Fostering Standards: Business Case Drivers & Alternative Paths

Claudia Swendseid
Senior Vice President

Payments Information & Outreach Office
Federal Reserve Bank of Minneapolis

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Disclaimer

The opinions expressed are those of the individual presenter & not those of the Federal Reserve System or any Federal Reserve Bank



Why Payment Standards Matter

- Technical standards help promote:
 - Efficiency
 - Accessibility
 - Interoperability among providers & countries
 - Lower total costs
 - Reduced risk
 - Level playing field





Payment Standards Development Organizations (SDOs)

- Proprietary, closed SDOs



- Open, consensus SDOs



Relationship of International & U.S. Open, Consensus Standards



Technical Committee 68 - TC68



Subcommittee 2 – SC2 Security

X9F – Data & Information Security

Subcommittee 4 – SC4 Securities

X9D - Securities

Subcommittee 7 – SC7 Core Banking

X9AB - Payments

ISO 20022

Technical Committee 154



X12F – Finance



X9's Technical Subcommittees



X9AB: Payments

- CHECKS
- CARDS
- MOBILE
- EBT
- LEI
- RETAIL

X9C: Corporate Payments

- BTRS
- REMITTANCE GLOSSARY
- REMITTANCE STANDARDS
- INVENTORY
- SIMPLIFIED DEDUCTION CODES

X9D: Securities

- CODES
- MESSAGES
- CUSIP
- AUTOMATED TRADING

X9F: Data & Information Security

- CRYPTOGRAPHY
- CLOUD SECURITY
- CARDHOLDER AUTHENTICATION
- INTEGRATED CHIPS
- SECURE INTERNET AUTHENTICATION



Payment Standards Initiatives

- 1) Complete development of ISO standard for mobile banking & payments (ISO 12812)
- 2) Advance implementation of EMV chip cards in U.S.
- 3) Agree on U.S. approach to adopting ISO 20022 payment message standards
- 4) Develop new ISO 20022 message standards to support U.S. industry needs, e.g., standalone remittance advice
- 5) Develop new security standards consistent with technology advances, e.g., biometric, cloud
- 6) Promote B2B standards that foster straight-through processing



How Standards Solve Problems

THE PROCESS

- 1) Identify gap or need
- 2) Create new work item
- 3) Engage stakeholders
- 4) Collaborate to develop technical specifications
- 5) Obtain approval
- 6) Encourage adoption

- Potential areas in which standards can play enabling roles in the future:
 - Improve B2B straight-through processing
 - Strengthen payment system security
 - Promote ubiquity of mobile payments
 - Improve interoperability of payments globally



APPENDIX



Key Differences in Standards

Categories of Standards	Examples
<p>Mandatory: Usually tied to a law or regulation; sometimes a proprietary standard. Nonconformance may lead to financial or other penalties. Often used to address important societal issues.</p>	<p>Processes required to support Regs CC, E, II; PCI Council standards</p>
<p>Consensus, Voluntary: Typically developed by organizations “certified” by quasi-government body; voluntary in theory but widely adopted in practice for benefits gained, e.g., efficiency, interchangeability, ease of production, & security.</p>	<p>Standards developed by X9, X12 & ISO</p>
<p>Proprietary vs. Open: Proprietary standards are developed by a limited number of participants with direct interest in outcome; open standards are developed in a public forum.</p>	<p>Proprietary: EMVco’s EMV standards Open: X9</p>
<p>Consortia: Standards developed & available for use among member organizations to solve a specific need of the group.</p>	<p>RosettaNet</p>
<p>De facto: Developed outside official standards bodies but achieving market dominance; typically proprietary.</p>	<p>Fed check formats; NACHA file format</p>



Characteristics of ANSI Standards

Voluntary	<p>Any interested party may participate, but there may be a fee</p> <p>Broad base of stakeholder groups representing all interested parties</p>
Consensus based	<p>All comments & objections are addressed</p> <p>Appeal process is defined</p> <p>Majority vote is required but not unanimity</p>
Open	<p>Process is transparent; venue is neutral</p> <p>Standards are available to all, but there may be a fee</p>

- New standards & periodic updates of legacy standards follow same process
- Standards cover a wide range, e.g., formats, specifications, processes, calculations, physical layouts, etc.
- Technical reports offer information, best practices, etc.



ISO 12812

- ISO 12812 mobile financial services standards development
 - Part 1: General Framework
 - Part 2: Security & Data Protection for Mobile Financial Services
 - Part 3: Financial Application Management
 - Part 4: Mobile Person-to-Person
 - Part 5: Person to Business Payments
 - Part 6: General Mobile Banking Operations