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M E M O R A N D U M

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To Our Clients and Friends

Re: Federal Reserve Strategies for Improving the Payment System

The Federal Reserve today released its long-awaited paper detailing strategies it intends to pursue to improve the U.S. payments system. The Federal Reserve states that technology has brought the U.S. payment system to a critical juncture and calls on all stakeholders to join together to improve the payment system. The paper sets out the following five Fed strategies:

- Strategy #1 Actively engage with stakeholders to improve the payment system
- Strategy #2 Working with stakeholders to identify effective approaches to implement an infrastructure to support a safe, ubiquitous faster system that promotes commerce, facilitates innovation and reduces fraud
- Strategy #3 Collaborating with stakeholders to reduce fraud risk and advance safety, security and resiliency of the payment system
- Strategy #4 Achieve greater end-to-end efficiency for U.S. and cross-border payment capabilities, including the possibility of the Fed providing such services directly
- Strategy #5 Enhance Federal Reserve Bank payment, settlement and risk management services

Importantly, the Fed stated that it would offer new financial services in support of its strategies in accordance with its pricing principles, which require it to recover costs, offer the services only if they provide public benefits, and also only if the Fed concludes that other providers cannot do so with reasonable effectiveness, scope and equity.

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The Federal Reserve's study can be found on our website at
<http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker, or Ben Gray at (202) 776-0700.