The Federal Reserve’s Role in the Payments System

- Advocate
- Convener
- Educator
- Change Agent

Foster the integrity, efficiency, and accessibility of the payments system

- FedCash Services
- Retail Services
- Wholesale Services
- FedLine Services
- FedNow℠ Services

- Services to the U.S. Treasury and other government agencies
Financial Services Evolution

1910s

1913: Federal Reserve established; check clearing established

1914-1915: First Federal Reserve notes distributed; began acting as the U.S. government’s fiscal agent

1918: Early version of funds transfer established

1980s

1980: Monetary Control Act passed

Cash Fiscal Product Office established (was later changed to Cash Product Office and Wholesale Product Office)

1960s & 70s

1960s: Funds transfer took electronic form

1972: Automated Clearing House (ACH) network created

1978: Federal Reserve began managing a national network of linked ACH networks

1990s

1994: Retail Payments Office established

2000s


2003: Check Clearing for the 21st Century Act passed

2010s

2011: Esther joins the COP financial services oversight committee (FSPC)

2013-2017: Engaged industry in Payment System Improvement / Strategies for Improving the U.S. Payment System initiative

2016-2019: Esther chairs FSPC

2019: FedNowSM Service announcement

2020+

Financial Services Reorganization

FedNowSM Service Launch
Federal Reserve Financial Services Reorganization

**Past:** Business Line Oriented ~ Product Centric ~ Specific Reserve Banks

- Cash Product Office
  - FRB San Francisco
- Customer Relations and Support Office
  - FRB Chicago
- Retail Payments Office
  - FRB Atlanta
- Wholesale Product Office
  - FRB New York
- FedNowSM Development
  - FRB Boston

**Current:** Functionally Oriented ~ Enterprise Centric ~ All Reserve Banks

<table>
<thead>
<tr>
<th>Chief Payments Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRFS Operations</td>
</tr>
<tr>
<td>FRFS Technology</td>
</tr>
<tr>
<td>FRFS Product &amp; Relationship Management</td>
</tr>
<tr>
<td>FRFS FedCash Services</td>
</tr>
<tr>
<td>FRFS Support Services</td>
</tr>
<tr>
<td>FRFS People &amp; Culture</td>
</tr>
<tr>
<td>FRFS Chief of Staff</td>
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</tbody>
</table>
Scale and Scope of the FRB Kansas City Contribution

The Bank employs roughly 14% of all FRFS employees\(^1\) in the System.

*FRB Kansas City employee count includes 9 employees in the Payments Committee Support Office.

\(^1\) Excludes FRFS Contractors
Environmental Drivers

The FRFS Enterprise faces a dynamic operating environment characterized by increasing change and complexity

Changing Payments Environment
- Operating Environment
- FinTech Evolution & Digital Currency
- Global Payments Fragmentation
- Outsourcing, Consolidation, & People Change
- Processor & Supply Chain Complexity

Changing Business Dynamics
- Competition
- New Payments & Payment Substitutions
- Security, Fraud, & Risk Management

Changing Policy Outlook
- Legal, Legislative, & Regulatory
- Macro Environment
Strategic Direction

Over the next two years, the FRFS Enterprise will focus its efforts on three strategic objectives:

<table>
<thead>
<tr>
<th>Guiding Themes &amp; Objectives</th>
<th>Desired Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DELIVER</strong></td>
<td>Successfully Launch FedNow</td>
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<td>Execute on large scale programs</td>
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<tr>
<td><strong>LEAD</strong></td>
<td>Improve Payments System Efficiency, Security, and Resiliency</td>
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<td>Drive product improvements to benefit our diverse customer base</td>
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<td><strong>TRANSFORM</strong></td>
<td>Advance FRFS’ Competitive Position</td>
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<td>Advance the FRFS functional alignment and leverage our diversity in creating a unified customer-focused enterprise</td>
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<td>Enable Seamless Operation of the Enterprise</td>
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<td></td>
<td>Establish FRFS Integrated Payments Strategy and Roadmaps</td>
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</tbody>
</table>
Federal Reserve Financial Services
Business and Strategy Update

FRB Kansas City Joint Boards of Directors
January 12, 2023

Presenters: Kim Robbins, FRFS Chief of Enterprise Services
Josias Aleman, Payments Committee Support Office Director