

Minutes of the regular meeting of the
FINTECH ADVISORY GROUP
 10:30am-12:30pm, Tuesday, October 5, 2021
 Federal Reserve Bank of New York
 WebEx Call

Present:

Marla Blow, President and Chief Operating Officer, Skoll Foundation
 Michael Bodson, President and Chief Executive Officer, DTCC
 Lee Braine, Managing Director of Research and Engineering, Barclays
 Frank Fallon, Global Head of Financial Services, Amazon Web Services
 Matt Harris, Partner, Bain Capital Ventures
 Cathie Mahon, President and Chief Executive Officer, Inclusiv
 Patrick Murck, Chief Legal Officer, Transparent Systems, Inc.
 Ulku Rowe, Director of Financial Services, Google Cloud
 Michael Tae, Corporate Vice President, Broadridge Financial Solutions
 David Waller, Partner and Head of Data Science and Analytics, Oliver Wyman

Federal Reserve attendees:

John C. Williams, Chair	Adrienne Manns
Elizabeth Caviness, Secretariat	Antoine Martin
Christopher Armstrong	Sishush Maru
Clive Blackwood	Jenny McMahan
Matthew Bray	Harry Mendell
Vic Chakrian	Helen Mucciolo
Benjamin Chan	Erika Ota Liedtke
Toni Dechario	Joey Patel
Lacey Dingman	Julie Remache
Dianne Dobbeck	Joshua Rosenberg
Pamela Dyson	Giovanni Salmeri
Hampton Finer	Asani Sarkar
Julia Gouny	Shrilaxmi Satyanarayana
Naureen Hassan	Johanna Schwab
Michael Held	Joseph Torregrossa
Jack Janson	Per von Zelowitz
Kimberly Liao	Patricia Zobel
Alison Liu	

Elizabeth Caviness, Officer, Markets Group called the conference call to order at 10:30am. The meeting focused on innovation in the payments ecosystem. John C. Williams, Chair of the Fintech Advisory Group (FTAG), offered welcome remarks. Shrilaxmi Satyanarayana, Assistant Vice President and Counsel, reviewed the New York Fed's antitrust guidelines for members of advisory and sponsored groups.

Matt Harris, Partner at Bain Capital Ventures, provided an overview of recent trends in payments. There is continued movement toward embedded payments methods in retail payments, with payments activity bundled within merchant software platforms and, increasingly, into customer-facing applications. This integration leads to a more comprehensive customer experience and better customer retention. While retail payment digitization is advanced, embedded payments in software solutions is

likely to continue to drive digitization in business-to-business payments, which are still dependent on slower, more manual payment methods such as ACH. Point-of-sale financing is growing in the context of e-commerce, offering the ability to underwrite customers in real time and provide attractive credit and potentially challenging business models of credit card companies. Members noted that it is unclear whether these financing arrangements follow prudent credit risk management standards. Members also discussed the implications of embedded finance for banks, noting that banks are likely to face increasing competitive pressures and revenue compression. Future payments are moving from credit card transactions toward direct account-to-account transfers, which are faster and cheaper, and members commented that this trend is accelerated in jurisdictions that have pursued open banking regulations. Some members noted that they did not see a role for cryptoassets in payments, while recognizing that a well-designed stablecoin could help move money across borders in the future. Members generally expressed skepticism of the role of central bank digital currencies to offer a solution to payments challenges.

Hampton Finer, Vice President at the New York Fed, gave a brief presentation of work underway at the Bank for International Settlements (BIS) and Financial Stability Board (FSB) on the future of cross-border payments. The BIS and FSB have laid out a roadmap aimed at addressing various payments challenges and frictions such as cost, speed, access, and transparency. These frictions are persistent for retail and wholesale payments and remittances. The work contains a comprehensive set of objectives for the future of payments, existing payment infrastructures, and data and market practices. Next steps for this work include continued industry engagement. Members discussed the challenges of extending the benefits of these improvements to both large and small jurisdictions, as some smaller jurisdictions have less sophisticated systems and bigger hurdles that will take time to work through. Members noted that extending payment corridors and aligning real-time gross settlement operating hours is a significant challenge, as are liquidity concerns, interoperability, and length of transaction chains.

Per von Zelowitz, BIS Innovation Leader at the New York Fed, provided an overview of the New York Innovation Center (NYIC). The NYIC was established through a strategic partnership between the BIS and the New York Fed, with the key goal of providing an innovation execution capability for the Federal Reserve System (System) using a venture studio model. The model is designed to explore high impact innovations through collaboration with New York Fed, System, BIS, and private sector stakeholders across key focus areas, which might include exploration of matters related to the future of money, supervisory and regulatory technology, improvements in Fed infrastructures (including trading and payments), open finance, and climate risk. Members noted that, there are a variety of high-impact areas for consideration by a central bank, including sustainability, accessibility, cybersecurity, the technological design of the future of money, open finance, and decentralized finance.

Naureen Hassan, First Vice President at the New York Fed, briefly discussed the strategic focus of the FTAG. As the landscape continues to evolve, the FTAG will focus more on innovation in payments, both domestically and internationally, including other technological themes affecting the financial sector.

The meeting adjourned at approximately 12:30pm.