

**System Center for Auditor Development  
(SCAD)**

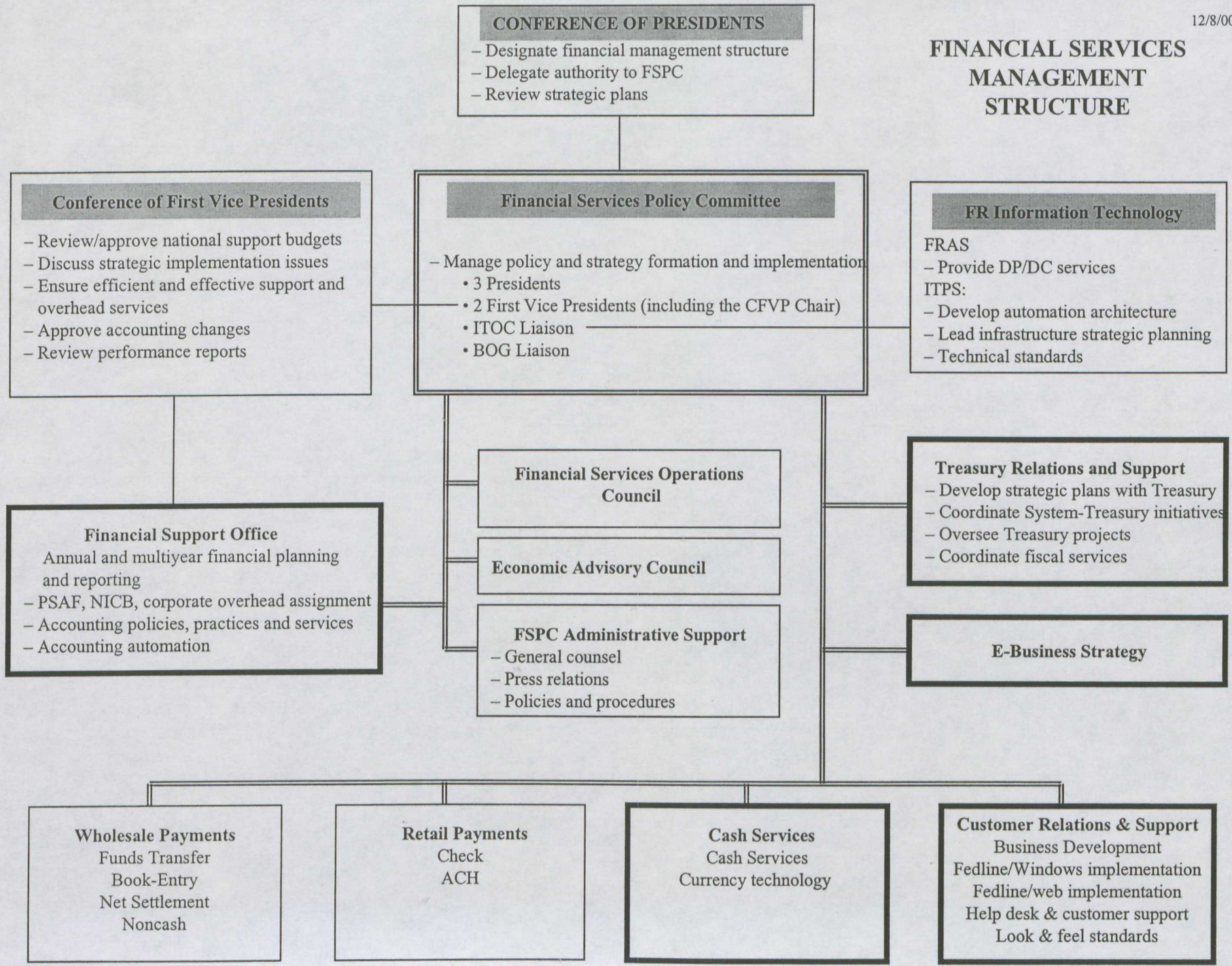
**Cathy E. Minehan, President  
Federal Reserve Bank of Boston**

**Monday, April 22, 2002**

## Financial Services Policy Committee

- Formed in 1994
- Followed 3 years of discussion on the Reserve Bank role in the payments system "Payment System Vision"
- Rivlin Committee formed in 1996; Report in 1997
- Intent is that Reserve Banks run their own financial services show; make the hard decisions
  - FRAS consolidation
  - Centralization of major payment/payment related systems
  - ACH
  - IAS
  - Check modernization
  - Move to the Web, away from Windows NT
- FSPC Organization (see chart)

# FINANCIAL SERVICES MANAGEMENT STRUCTURE



## FSPC Strategic Plan

- Developed in 1998
- Looks at
  - Payment System Environment
  - Discusses Reserve Bank Roles and Values
- Sets FSPC Goals and Strategies
  - 5 Goals:
    - Work with the markets to move retail payments from paper to electronics
    - Improve efficiency of U.S. payment system
    - Create products suited to a changing marketplace and ensure easy open secure access
    - Develop plans for the next generation of Reserve Bank financial services
    - Align staff, management processes and performance measures to meet strategic goals
- Articulates a vision of the financial services industry at the end of five years if Reserve Banks are successful

## Strategic Plan Report Card

Have had 3 years of work on the FSPC Strategic Plan - How have we done?

### Goal 1

Work with market forces to move retail payments from paper to electronics

### Progress:

- Retail Payment Research
- Treasury programs: POS, Smart-cards
- Expansion of the ACH
- Growth in ECP

Grade: B+/A-

## Goal 2

Improve the efficiency of the U.S. Payment System

### Progress:

- Check standardization/modernization efforts esp. EWA
- IAS consolidation
- Consolidation of back-office for ACH
- Completed standard cash automation
- New focus for standards coordination

Grade: B

### Goal 3

Create products for a changing marketplace and ensure easy, open secure access

#### Progress:

- Web information services roll out
- Image system services and EAD (part of check modernization)
- Cancellation of Windows NT
- High priority secure IP project

Grade: C

#### Goal 4

Develop plans for the next generation of Reserve Bank financial services

#### Progress:

- New focus for standards coordination
- Cash long term strategy
- Follow-up to 911
- Market research in wholesale

Grade: C-

## Goal 5

Align staffing, management processes and performance measures to meet strategic goals

### Progress:

- Reorganization of product offices
- Business development and customer service efforts
- Retaining expertise efforts
- Cost accounting, PSAF changes
- Business, IT client forum

Grade: B+

**Overall Grade: C+/B-**

## FSPC Annual Evaluation

2001

- Product of Reserve Bank, Product Office input and in-person discussions with senior management at Reserve Banks
- Critical link in ensuring FSPC meets the needs of Banks and Conference of Presidents
- Key Themes
  - Progress substantial in key projects
  - Difficulty in making cost recovery
  - Restructuring of product offices went well
  - Web/access is a challenge
- Key Areas of Focus for 2002
  - Business, IT integration
  - CRSO evolution/web and customer support
  - Financial 3 year pro forma
  - Next generation payment systems
  - 911 follow up
  - Cost reduction

## FSPC Chair Expectations of the Audit Community

- Significant coordination among Audit groups as they look at major projects, Product Offices
- Timely information
- “Speak Truth to Power” or avoid the “Emperor Has No Clothes” syndrome
- Involvement and support of director audit committees