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General

1. Are you in general agreement with the payment system gaps and opportunities identified in the "Payment System Improvement Public Consultation Paper"? Please explain, if desired.

Yes.

1i. What other gaps or opportunities not mentioned in the paper could be addressed to make improvements to the U.S. payment system?

2. Are you in general agreement with the desired outcomes for payment system improvements over the next 10 years? Please explain, if desired.

No. I think 10 years is too long. I think these are innovations that should be on a 5 year track rather than a 10 year track. Or at least segregate the objectives and flowchart them over a specific time period. Some require faster action to accomplish some of the others.

2i. What other outcomes should be pursued?

3. In what ways should the Federal Reserve Banks help improve the payment system as an operator, leader, and/or catalyst?

The Fed could play: 1. As an Exchange 2. As an exchange of exchanges 3. Alternative path for community banks and other smaller financial institutions 4. Rule writer, enforcer and regulator of all parties (bank and non-bank) in the payment system

Ubiquitous near-real-time payments

4. In discussions with industry participants, some have stated that implementing a system for near-real-time payments with the features described in the second desired outcome (ubiquitous participation; sender doesn't need to know the bank account number of the recipient; confirmation of good funds is made at the initiation of the payment; sender and receiver receive timely notification that the payment has been made; funds debited from the payer and made available in near real time to the payee) will require coordinated action by a public authority or industry group. Others have stated that current payment services are evolving toward this outcome and no special action by a public authority or industry group is required.

4i. Which of these perspectives is more accurate, and why?

I think the first statement is correct. We need to anticipate needs rather than react to needs. Even if the second statement prevails, the Fed should still be in the discussion and acting as a coordinator so we get it right the first time. If we don't have good rules and regs for all parties to follow, a significant breach will occur and consumer and business confidence will suffer, which will set back the entire effort.

4ii. What other perspective(s) should be considered?

None to add

5. The second desired outcome articulates features that are desirable for a near-real time payments system. They include:

- a. Ubiquitous participation
- b. Sender doesn't need to know the bank account number of the recipient
- c. Confirmation of good funds is made at the initiation of the payment
- d. Sender and receiver receive timely notification that the payment has been made
- e. Funds debited from the payer and made available in near real time to the payee

5i. Do you agree that these are important features of a U.S. near real-time system? Please explain, if desired.

Yes.

5ii. What other characteristics or features are important for a U.S. near real-time system?

None to add

6. Near-real-time payments with the features described in the second desired outcome could be provided several different ways, including but not limited to:
- a. Creating a separate wire transfer-like system for near-real-time payments that leverages the relevant processes, features, and infrastructure already established for existing wire transfer systems. This option may require a new front-end mechanism or new rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions.
 - b. Linking together existing limited-participation networks so that a sender in one network could make a payment to a receiver in another network seamlessly. This option may require common standards and rules and a centralized directory for routing payments across networks.
 - c. Modifying the ACH to speed up settlement. This option may require a new front-end mechanism or new network rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions. Payments would be settled periodically during the day.
 - d. Enhancing the debit card networks to enable ubiquitous near-real-time payments.
 - e. Implementing an entirely new payment system with the features described in the second desired outcome above.

6i. What would be the most effective way for the U.S. payment system to deliver ubiquitous near-real-time payments, including options that are not listed above?

I think economics will require we work within current structures. Adoption will lag if we try to implement an entirely new system. Too costly and time consuming for businesses and retail to adopt. A "reworked" system will probably require some of the actions listed in a, b, c & d

6ii. What are the likely pros and cons or costs and benefits of each option? What rule or regulation changes are needed to implement faster payments within existing payment processing channels?

Nothing to add.

6iii. Is it sufficient for a solution to be limited to near-real-time authorization and confirmation that good funds are on their way, or must end user funds availability and/or interbank settlement take place in near-real time as well?

I think for now, a solution can be limited to near real time authorization and confirmation. However, I think any systems built should anticipate the push to true real time.

6iv. Which payment scenarios are most and least suitable for near real-time payments? (B2B, P2P, P2B, POS, etc.)

I think all could be useful in near real time. Let's not limit our thinking or the possibilities.

7. Some industry participants have said that efforts to make check payments easier to use, such as by enabling fully electronic payment orders and/or by speeding up electronic check return information, will incrementally benefit the payment system. Others argue the resources needed to implement these efforts will delay a shift to near-real-time payments, which will ultimately be more beneficial to the payment system. Which of these perspectives do you agree with, and why?

Put resources toward the future, not the past or legacy systems that will ultimately disappear.

8. How will near-real-time payments affect fraud issues that exist with today's payment systems, if at all?

It should be a great benefit, especially for repeat fraud attempts on the same account.

8i. Will near-real-time payments create new fraud risks? If yes, please elaborate on those risks.

No My answer is no, but with a caveat. Bank and payment IT systems will have to become smarter and more real time as well with alerts and interactive software to alert non traditional behavior on customers accounts.

9. To what extent would a ubiquitous near-real-time system bring about pivotal change to mobile payments?

It will be the game changer.

10. What would be the implication if the industry and/or the Federal Reserve Banks do not take any action to implement faster payments?

Payments will continue to gravitate away from the banking channels to non-banking entities, running their access points back through the biggest banks. Mid sized and community banks and credit unions will continue to lose market share. Payment security will also be more susceptible to fraud.

10i. What is the cost, including the opportunity cost, of not implementing faster payments in the United States?

Lack of continuity in the directions of payments, the security of payments and the adaptability of consumers and businesses to these lower cost and more efficient channels.

11. To what extent will the industry need to modernize core processing and other backend systems to support near-real-time payments?

This will require significant updating.

11i. What is the likely timeframe for any such modernization?

It can and will happen more quickly than people think.

12. Some industry participants suggest that a new, centralized directory containing account numbers and routing information for businesses and/or consumers, to which every bank and other service providers are linked, will enable more electronic payments. A sender using this directory would not need to know the account or routing information of the receiver.

12i. What are the merits and drawbacks of this suggestion?

I think this could be accomplished using existing structures, but would require someone like the Fed and/or others to facilitate via an exchange of exchange. I don't think it would require a complete rebuild.

12ii. What is the feasibility of this suggestion?

I think a complete rebuild will significantly slow or inhibit the changes that are needed. Too much investment is already in place on existing structures.

Electronification

13. Some industry participants say that check use is an enduring part of the U.S. payment system and that moving away from checks more aggressively would be too disruptive for certain end users.

13i. Is accelerated migration from checks to electronic payment methods a high-priority desired outcome for the U.S. payment system? (Accelerated means faster than the current trend of gradual migration.) Please explain, if desired.

Yes. Electronic bill pay is proof that consumers and business will migrate to electronic versions of checks without actually writing checks anymore. We have to finish the job however and make it easier to figure out the electronic for the smaller retailers, service providers and etc. to receive these payments electronic rather than in paper form.

13ii. Should the Federal Reserve Banks establish a target for the percent of noncash payments to be initiated via electronic means, by a specific date? For example: "By the year 2018, 95% of all noncash payments will be made via electronic means." If Yes, what is the appropriate target level and date?

Yes. 2018

14. Business-to-business payments have remained largely paper-based due to difficulties with handling remittance information. Consumer bill payments also are heavily paper-based due to the lack of comfort some consumers have with electronic alternatives. In addition, many small businesses have not adopted ACH for recurring payments due to technical challenges and/or cost constraints. The payment industry has multiple efforts underway to address these issues.

14i. To what extent are these efforts resulting in migration from checks to other payment types?

More work to do. Adoption and training work.

14ii. What other barriers need to be addressed to accelerate migration of these payments?

14iii. What other tactics, including incentives, will effectively persuade businesses and consumers to migrate to electronic payments?

14iv. Which industry bodies should be responsible for developing and/or implementing these tactics?

Cross-border Payments

15. To what extent would the broader adoption of the XML-based ISO 20022 payment message standards in the United States facilitate electrification of business payments and/or cross-border payments?

16. What strategies and tactics do you think will help move the industry toward desired outcome four - consumers and businesses have greater choice in making convenient, cost-effective, and timely cross-border payments?

Safety

17. Payment security encompasses a broad range of issues including authentication of the parties involved in the transaction, the security of payment databases, the security of software and devices used by end users to access payment systems, and security of the infrastructure carrying payment messages.

17i. Among the issues listed above, or others, what are the key threats to payment system security today and in the future?

Consumer apathy to security since traditional legacy systems today typically protect them against financial losses.

17ii. Which of these threats are not adequately being addressed?

Consumers and businesses have to have skin in the risk game in order to cut down fraud. It is like the medical industry. If consumers don't share in the costs, they don't work to drive down costs and make better decisions.

17iii. What operational or technology changes could be implemented to further mitigate cyber threats?

18. What type of information on threat awareness and incident response activities would be useful for the industry?

It is extremely frustrating today in working with Visa and MasterCard on data breaches. We can't get any information from them as to where the breach occurred and at the end of the day, we as banks take the true losses and reissuing costs. Visa and MasterCard need to have more accountability for losses in the system due to data breaches so they drive change and innovation faster to all parties accessing the system.

18i. How should this information be made available?

19. What future payment standards would materially improve payment security?

19i. What are the obstacles to the adoption of security-related payment standards?

20. What collaborative actions should the Federal Reserve Banks take with the industry to promote the security of the payment system from end to end?

The Fed has to be the leader in these discussions.

21. Please share any additional perspectives on U.S. payment system improvements.

