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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?

I am glad to see that these outcomes are consistent with our goals and the goals of consumers, that they are in touch with trends.

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

Yes.

2i. What other outcomes should be pursued?

Keeping the costs manageable throughout the process of adding new payment channels.

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

I see the FRB as a facilitator, a seeker of solutions.

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 believe that payment systems are evolving toward that goal, but public authority and industry groups have to be facilitators, providing solutions and support.

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

With the various payment methods out there already, I think there will be consumer awareness to consider. How will a mobile wallet use existing payment systems (like PayPal, which uses ACH and debit and credit cards) or create its own unique channel?

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?

The assumption that all consumers will have a cellphone or internet access which these payment systems will require. I see this as smart phone technology.

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?

The debit card and credit card systems are already at or near real time transactions. The wire system is definitely not a good option. I think we have to expand on the plastic card system. The infrastructure is already there. How can we link our cellphone number or our email address to our bank account and use the debit/credit cards systems?

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?

I think a new payment system could be developed using the internet. Maybe someone has done it already, but a central database of account numbers, with live connections to the financial institution to verify balances could be the hub/exchange that handles the moving of funds.

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?

Yes, settlement has to be near real-time...just like credit, debit and ach.

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

All.

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?

I agree that it's a waste of time and resources to implement efforts to speed up the check clearing system. Checks are unnecessary, prone to be vehicles of fraud. I think more effort should be expended moving to other payment channels.

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

As with credit and debit cards, the challenge is safeguarding the information so that it doesn't fall into the hands of criminals. The new smart cards may make a difference when they are introduced in the USA, but being very proactive on the security is going to be paramount.

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

Yes. There will always be risks. Databases can and will be hacked. The safeguarding has to be the responsibility of both the warehouse, the issuers and the consumers and the merchants.

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

Not much unless you are talking about a whole new payment system (not ach, debit or credit or pos). A new system would give us the opportunity to make it as bulletproof as possible. But stuff happens. Nothing is foolproof. There will always be issues. They'll just be different than the issues we already have, but this is our future.

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

It would slow down progress.

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

I think checks will phase out eventually. It could happen faster though with help.

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

Good question for our data processor.

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

Another good question for our data processor.

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?

It's almost a necessity. Security would have to be a very high priority.

12ii. What is the feasibility of this suggestion?

I think it's possible. Would this be an existing entity providing the service or an opportunity for a brand new entity?

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.

No. I don't think it's a high priority. Check use is declining. Most of our new members don't even order checks, they use a debit card or online billpay. With the availability and convenience and low cost of alternate payment methods, checks will gradually fade away.

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 lever and date?

Yes. 10% growth a year.

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?

Our biggest obstacle as a business is a merchant's inability to do an ach debit to a general ledger. It's available, but many are entrenched in the notion that it has to be savings or checking. As a credit union, we have adopted debit and credit card payments and will soon look to originate ach as well. Compliance cost is the biggest reason why we have not done ACH origination before this.

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

Again, cost and compliance is a major factor for small credit unions such as us. We have very limited manpower, too.

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

Reduce cost and compliance!

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?

Don't know.

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?

Don't know.

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?

Computer security and hackers. Consumer education about securing their payment devices and computers and home networks.

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

I think they are all being addressed, but we have to move quickly to adopt more secure methods of payment, such as the new emt cards.

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

I think that something biometric would solve a lot of issues. Especially regarding losses sustained through fraudulent card usage. Once a consumer has done the groundwork for security, the payment process should be easy.

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

We get notified of breaches now. Are we getting notified in a timely way to prevent losses? Not sure. Most losses are stopped after the card is being used in an unauthorized way.

18i. How should this information be made available?

By email, by daily report, through our normal processing channels.

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

Stringent sign up requirements, fast and secure verification of information provided by consumers and by merchants.

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

Unknown

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?

Give innovators free rein to develop the channels the process and the devices, then work out the compliance issues.

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

