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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.

Yes.

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?

Straight thru electronic processing of Bill Pay items and changes to Same Day ACH that would make it more feasible across all time zones. It seems that an increase in the number of Operator and ODFI and RDFI exchanges should be made mandated.

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?

There are certainly discussions and some movement to near-real-time payments, but I believe that to get the adoption rate at a place that would truly be a benefit to all bank sizes, there should be a governing body that is well respected in the industry.. Federal Reserve Bank can play this role and mandates and goals around what % of adoption in what number of years will be "met". Even with Fed's participation I would wager that this initiative will take more than 10 years.

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

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?

Ansi standards where applicable would make payment exchanges and responses more consistent and timely. Real time alerts and duplicate transaction detection are critical.

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 wire network is certainly fast today, but I see political challenges with building a new similar payment channel for banks that make a nice amount of revenue...seems a bit delicate, but this is only going to happen with an electronic channel. I see timing challenges between the east and west coast banks and even a bigger challenge for Hawaii.

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?

6a) - political challenges and reduction of revenue on domestic transactions 6b) - good idea, requiring larger/more sophisticated cloud technology and required participation for all banks > than X\$. 6c) - This is a standard process in the wire channel and would need to be required for all "new" near-real-time payment channels...whatever they are 6d) - I am assuming this is via email and SMS which always presents the challenge of maintaining valid customer information 6e) - same as the above...plus, we had a limited amount of time to research to be in a position to provide estimates on costs and all pros/cons. This is all very exciting to think about and plan for.

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?

Ideally the authorization and confirmation of good funds should be near real time. With the % of returns it seems that interbank settlement would not need to be near-real-time, at least in phase 1.

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

The market is demanding fast movement of transaction; therefore all of these and any other ACH, bill pay, RDC and A2A payments should be part of the near-real-time payment transactions. Today checks are still slower, but of course have greatly improved over the years. If banks had IP software that interfaced to account balances at the time of presentment and then an auto return process was part of the workflow, check could be part of the mix.

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?

Focusing on the electronic channels first seems to make more sense and would seem to allow a quicker end date. Concentrating on the check channel as phase 2 would seem reasonable...especially as the electronic channel volumes increase the check volumes should decrease.

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

Great question...in one sense one might lean toward make it worse...payments moving so fast, analysis/trending/anomaly detection becomes so critical and much time available to react. But, on the other hand if all of the alerts are in place and senders and receivers are responsive, fraud could be reduced.

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

Yes. Fraudsters would be trying to count on banks not having the infrastructure to monitor and react fast enough.

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

There would be additional benefits with receiver especially...fast receipt of funds and high confidence that they are good funds. This payment channel would be very convenient and should recognize high adoption.

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

Customer frustration, both consumer and business, due to inconsistent process developed by each bank as an island. It also seems that this inconsistency and independence would equate to higher costs and then poor adoption.

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

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

Core processing changes will be huge. Vendors are talking, thinking and planning, but there is MUCH to do.

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

7 - 15 years

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?

Merits - Reduced duplication and higher confidence in payment finality Drawbacks - Cloud failure or compromise.

12ii. What is the feasibility of this suggestion?

Total guesstimate, but would say 90%

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. The best way to accomplish such a change that has potential to be perceived as disruptive is to market an alternative as a win/win, but must make it user friendly, intuitive and less than the check workflows.

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. 50%/2018, 75%/2020 and 99% by 2025

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?

At this point, the migration from checks has been slow. There is a need for small, medium and large banks to be on board with their electronic payment channels, as well as consistent rules to the game. At some point, some mandates need to be defined and communicated. It has worked for Check21 but needs to work faster with this round of change and the demands by the public.

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

Adherence to compliance and security requirements

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

Reduced process fees, new revenue, federally funded assistance to banks with assets lower than X\$, to allow high adoption and readiness.

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

Fee and revenue changes may start with the mega and large banks and then trickles down. Federal assistance of course would be driven by Federal Reserve.

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?

Customer demand. With the younger generations the demands of electronic, fast and cheap will be expected.

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?

Corporate takeover, data compromise, DDOS, fraudsters that are always one step ahead of the banks.

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

It is a constant struggle to stay ahead of the fraudsters. With the fast growing electronic channel, it is critical to spend the time on risk assessment and ensuring that the documented controls are in place and adequately monitored.

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

Enterprise transaction anomaly solution across all payment channels.

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

A sharing between banks.

18i. How should this information be made available?

Through a neutral facilitator.

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

Increased use of cloud technology.

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

Having the right staff on board to own and gain internal understanding and adoption.

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?

Hold multiple cross sectional power meeting across the U.S.

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

