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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 appreciate the fact that the Fed is undertaking this project. Sean Rodgriguez did an excellent job of hosting the Town Hall Meeting in Dallas. Also, I very much appreciate Matt Davies of the Federal Reserve in Dallas for being so helpful and available in the Dallas/Fort Worth area.

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?

Someone needs to step up as a leader in the Payments Industry, to set standards that work within a global framework. New payment processes are often developed independently and we end up with multiple products that are very similar and it is inefficient to have to interface with them all.

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?

Both are partly right. I believe it will happen much faster and more efficiently if a public authority or industry group coordinates.

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?

I am less concerned about the sender knowing bank account information of receiver unless this will eliminate the need for Notifications of Change when routing or account number changes. And hopefully the receiver would confirm that the name of the recipient matches the name the payment is being sent to. Wires today do this but ACH payments do not. We send out hundreds of thousands of credits each month and it is always a problem if the receiver gives us bad banking and the payment goes to an unknown third party. The majority of the time the erroneous payment receiver will pull the funds out of the account so we cannot reverse the ACH and we end up in a collection process assuming the receiving bank will cooperate with us.

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'm not sure option C. will get you where you need to be since ACH is a store and forward batch process. You would almost have to modify the wire system or use Debit/ATM networks or create a new system that combines wires and the debit and/or ATM networks.

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?

Cons would be longer processing hours and increased expenses, would need rules around erroneous or unauthorized debits/payments and associated liability, timeframes.

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?

It would be nice to have the option. There are times when real time settlement is required and other times it is not necessary so long as you have confirmation of good funds. Depends on your business model.

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

Most suitable POS (of course I am biased). I don't think and payment types are not suitable for real-time payments.

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 view anything that speeds up the flow of funds or information as beneficial to the system.

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

I actually think certain types of fraud would be reduced by having real-time payment information.

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

Yes. Criminals will always find a way to exploit a new system although I'm not sure it would be any worse than it is today. Perhaps victims would find out about the fraud sooner.

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

Mobile Payments are moving ahead with or without a near real time system.

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

Payment systems will continue to develop outside of the Federal Reserve.

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

The U.S. has always been a financial leader in the global economy but if we fail to keep up with the rest of the world our businesses and financial institutions will be at a disadvantage when competing internationally.

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

We are not a bank so I am not qualified to comment. As a processor we can make any adjustments required by the system.

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

2 - 3 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?

I'm not sure what is gained other than a false sense of security. Who will maintain this directory and what happens when the information is bad/out of date? Who will be responsible when someone does not receive their payment due to bad info in the directory?

12ii. What is the feasibility of this suggestion?

Not sure.

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. It is definitely a priority although I'm not sure I would qualify it as a "high" priority. Within another generation checks will be mostly gone anyway. There does need to be an easy way for consumers to make low value payments. So many people have already gone to on-line banking systems, it seems like that would be a good start. My bank prints out checks from what I enter into their system when I pay bills.

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?

No

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?

I believe these efforts are helping.

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

Float (mail and clearing)

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

Banks should convert their bill pay systems to 100% electronic payment and allow small businesses to utilize a bill pay system similar to what consumers use.

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

Banks led 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 electronification of business payments and/or cross-border payments?

Would probably be beneficial

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?

Pricing and timing need to be improved.

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?

Unauthorized access to sensitive information and funds.

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

Most are technical in nature.

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

I don't have the technology background to speak to this.

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

18i. How should this information be made available?
This is very sensitive information and care should be taken not to give this information to the wrong group.

19. What future payment standards would materially improve payment security?
Some sort of dual authentication model.

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

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?
System security standards.

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