

December 10, 2013

Federal Reserve Banks

RE: Comments on Payment System Improvement - Public Consultation Paper

Dear Federal Reserve Financial Services,

I am writing on behalf of Xceed Financial Credit Union, which serves over 300 Select Employer Groups nationwide. We have 67 thousand members and over 1 billion in assets under management. Xceed appreciates the opportunity to provide comments to the Federal Reserve Banks on its Payment System Improvement – Public Consultation Paper.

Gap/Opportunities in Today's Payment System

Xceed Financial is in general agreement with the payment system gaps and opportunities identified in the Federal Reserve's Payment System Improvement – Public Consultation Paper. We would, however, suggest that the most important challenge facing the U.S. system, vis a vis other countries, is the existence of a large number of processors which makes coordination and standardization problematic. In addition, we feel that addressing consumers' security concerns – making them comfortable with the new payments system – will be critical to making a successful and timely transition from paper checks to real-time electronic payments.

Desired Outcomes

Xceed Financial is also in general agreement with the desired outcomes for payment system improvements, and we specifically agree with the features for a near-real-time payments system described in the second desired outcome. We think that the timely system described offers both consumers and the merchants with whom they do business important reassurances about the security and validity of payments.

However, we feel strongly that the 10-year timeframe being discussed is too long -- we support a much expedited conversion schedule of no more than 3-5 years for eliminating check payments. This shorter timeframe is important because of the speed with which changes takes place in the marketplace and with technology. Our view is that a 10-year timeframe is so long as to be meaningless, and that even 3-5 years is lenient.

We also hold the view that achieving a ubiquitous electronic solution as described will, in fact, require coordinated action by a public authority or industry group that will have the capacity to set the necessary industry standards to ensure consistency and protect the interests of consumers.

Ubiquitous near-real-time payments

Xceed Financial opposes efforts to make check payments easier to use. We believe that such actions are a waste of resources that will delay a shift to near-real-time payments, which will ultimately be more beneficial to consumers, merchants, and the U.S. economy.

Clearly, near-real-time payments will help to minimize fraud issues that exist with today's payment systems since the system will provide prompt information about the availability of funds that cannot happen with checks. A ubiquitous near-real-time system will also facilitate mobile payments – our experience is that mobile users desire immediacy and that real time capacity is, in fact, a key rationale for their use of mobile devices.

Furthermore, the technology to modernize core processing and other backend systems to support near-real-time payments is currently available. Xceed Financial is among the many institutions planning to roll-out this technology within the year. When standards are in place, it will be possible to expedite similar modernization throughout the industry.

Electronification

Xceed Financial agrees that check use is a well-established part of the U.S. payment system, especially among our Baby Boomer members; however, this should not be an excuse for delaying a timely transition to a better system. Instead, the shift to electronic payments should be a high priority and we should establish targets for it. The example provided -- "By the year 2018, 95% of all noncash payments will be made via electronic means." -- is a very reasonable goal. Reaching it, however, will entail aggressive education and outreach to allay check users' concerns about electronic payments and ensure they are comfortable using the technology.

Safety

Xceed Financial believes that the key safety issue currently affecting the electronic payments system is the tension between transaction security and consumer convenience. Going forward, it will be essential to balance security with ease-of-use if we are to be successful in transitioning check users to electronic payments.

General

Xceed Financial supports the Federal Reserve's efforts to address the gaps in the current payments system, and believes the Federal Reserve can be of great service by setting a 3-5 year timeframe for dispensing with checks and making the transition electronic payments. We would suggest the Federal Reserve follow the example of some other countries by appointing a payment systems group to set standards and oversee the transition -- we recommend this group include leading processors, as well as credit unions and banks, retailers/merchants and consumer advocates.

Finally, we encourage the Federal Reserve to act aggressively to achieve the desired outcomes for the U.S. payments system since many other nations are already far ahead of our country in this endeavor. Prompt action is necessary for the U.S. to stay relevant in the global financial system, and we are convinced that such action will pay significant economic benefits through greatly-increased efficiency of transactions as well as reduced fraud.

Thank you for the opportunity to provide input comment on the Payment System Improvement -- Public Consultation Paper and for considering our views.

Sincerely,

Teresa Freeborn
CEO
Xceed Financial FCU

cc: CCUL