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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. BUT, PLEASE MAKE SAFETY and SOUNDNESS YOUR PRIMARY GOAL - banks/private operators all focus on speed/efficiency/etc. and 'SETTLE FOR GOOD ENOUGH' security. The FFIEC should not just encourage banks to address the 'trojan' problem - they should MANDATE that they PROTECT the merchants against it by REQUIRING the use of the RedForce Lab token - or - its equivalent!!

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

THE WORLD IS SHRINKING - YOU MUST NOT CONTINUE TO TAKE only A U S view - You need to plan 'from the future back', e.g., a fully interconnected world that has universal cross border protections supported by aggressive/timely prosecution. Today's attorneys have erected the equal of contractual malpractice protection for the banks, etc.

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

Yes. Well before 10 years, 85% + of the world will all be online - you should 'plan from this projected future back' to minimize the issues that impact those in the most poorly protected/emerging countries

2i. What other outcomes should be pursued?

More aggressive coordination on QUICKLY identifying/precluding cross border breaches

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

Increase the sharing of ALL info re any new threats/attacks/etc.

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?

WITHIN the U S we should be able to get very close to full REAL TIME finality. But, for cross border transactions, the protection inherent in delayed finality will always be necessary for transacting with the less developed/compliant nations payment system participants.

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

Collaboration , such as this, should be extended to other leading nations via B I S leadership.

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?

issue' resolution between merchants/consumers when compromise occurs

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?

SETTING CLEAR medium TERM improvement and SECURITY requirements that all U S participants must meet - thereby providing an incentive for all the network operators mentioned to more aggressively aclose/limit security gaps.

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?

incentives to for profit operators will fund the necessary developments - as long as the Fed's services also improve at the same pace.

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?

THE LATER

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

MOST: B2B for large firms - need to ensure SMEs also are vgiven inexpensive tools to participate fully; P2B. LEAST: P2P; POS - at least until the TRJANS are 100% blocked

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?

You should not FORCE consumers or SMEs to stop using reliable, familiar tools. Rather, you should FOCUS on issuing regulations/services/etc. that incent providers to adopt best practice - especially relative to SECURITY/Breach resolution.

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

IF JUSTICE (prosecution, fines and incarceration) is aggressive and REAL TIME - crime will seek alternative targets

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

Yes. EACH new 'leap' in technology must be anticipated/studied/etc. BEFORE it is deployed. Providers must be required to UNDERWRITE all such new risks before deploying new services - including having sufficient balance sheets/bonding capacity to pay claims.

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

It would initially lead to MORE fraud attacks - UNLESS the monitoring/prosecution capabilities are equally fast

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

fewer/slower economic productivity gains

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

potentially watching more innovations be perfected off shore

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

IF they have a clear timeline for WHAT will be available, the majority will upgrade. Shared services for SMS's will need to be incentivized to assure timely participation. BUT, banks should be REQUIRED to SHARE the risk - versus today when they, by contract, dump all communication risk on the merchants

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

it will continue to EVOLVE as technology continues to evolve - best to anticipate and lead rather than follow and have more breaches

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 there IS value/protection in KNOWING your counterparty. Each counterparty should provide access to its info only when it is convinced it won't be compromised

12ii. What is the feasibility of this suggestion?

TOO RISKY!! Any trials should be LIMITED to major MNCs

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. The infrastructure is there/works. Only when usage drops to less than 20% of a firm's transactions will there be incentive to discontinue it. Fund the SUPERIOR (in SECURITY and efficiency) alternatives and educate the market - let the market drive adoption

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?

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?

somewhat. The GOAL should be to reduce LOSSES versus just reduce cost.

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

FAIRER RISK SHARING BETWEEN BANKS/Providers and consumers/SMEs

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

SWIFTY ARREST and JUSTICE for exploiters/violators; superior dispute resolution services that are fair and balanced

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

A cross section of USER reps of all types must work jointly with the banks/government/third party operators

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?

not sure

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?

a LEVEL playing field for consumers and SMEs versus providers/counterparties

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?

enroute info being intercepted/modified/redirected by trojans

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

TROJANS - the FFIEC is too 'meek' not willing to REQUIRE banks devise/test/install protections - need to outlaw contracts that stick all this risk on nonbank originators

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

TOKEBNS!!

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

REL TIME sharing/alerts followed by SPEEDY arrest/prosecution

18i. How should this information be made available?

ON LINE

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

REAL TEETH IN KNOW YOUR COUNTER PARTY FOR ALL ON AN EQUAL BASIS - including a way to authenticate @

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

LAWERS who shift all risk from banks/operators ytp consumers/SMEs

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?

an ongoing series of focus groups that identifies waekneses/new exposures and/or resolution hassilles for consumers/SMEs re identity/account info theft, etc.

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

