Name: Jerry Rau
Organization: Ultimate Gaming
Industry Segment: Business/Merchant

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. Yes, the system lacks efficiency and velocity. It also has additional risk that would not be present with a different model.

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

Banks should be only the commodity provider and facilitate the movement of the money is a secure way. Rich services should be done by the market.

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

Yes. Yes

2i. What other outcomes should be pursued?

The data that gets presented for each transaction needs to be richer in content so that proper decisions can be made for risk and compliance.

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

Model the peer to peer network rather than the clearing house methodology currently used. Bring in experts and companies that have successfully deployed these methods.

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?

We need a mandate by a public authority. Another option would be reduce regulations as a catalyst for non banking networks to be able to solve this issue.

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

Incentivise non banking entities to create a network, and perform oversight of that network.

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 agree with the outcomes

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?

Item a would be preferred, but with lack of that, we would need e. b will never work, c would still be too slow, and d would be costly without legislation to reduce fees.

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?

see above

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?

Confirmation of good funds is sufficient

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

P2P most suitable, and B2B less. This should be a solution to satisfy the consumer needs first and business second.

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?

We need to stop spending money on a system that needs to be changed in its entirety.

8. How will near-real-time payments affect fraud issues that exist with today's payment systems, if at all?
It would reduce it significantly. It would also allow for the faster exchange of goods and services, and allow us to be less dependent on the card network.

8i. Will near-real-time payments create new fraud risks? If yes, please elaborate on those risks.
Yes. Different ones. but less overall exposure.

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

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

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

I'm sure there are economic implications, but I am not qualified to comment on that impact.

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

It will be significant, so setting up a new network may be cheaper.

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

A decade with mandates, and longer without.

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?

Synchronization would be a problem, and overhead may be significant.

12ii. What is the feasibility of this suggestion?

Low

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 reduction will become a natural outcome of a better system. The migration off should be a task at the end of this project.

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?

Recently I don't think there is much velocity of change going on. We have sort of plateaued.

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

Velocity for consumer payments, and richer content and velocity for business.

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

Making and good process and education when it is deployed.

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

Banking, Bank servicing companies, new innovative payment companies, and the various business sectors using payments.

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?

Standardization is needed. The type is dependent on the solution.

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?

Better "in border" processing will facilitate a better cross border options

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?

Any secure payment process that works as fast as we need it, will need effective credentialing of the sender and receiver to be viable.

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

These are table stakes. You must have security in any payment system. We all know the shortcomings of what we have now. There are vulnerabilities due to the complexity of the process.

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

Basic common sense of the people involved in the processes.

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

18i. How should this information be made available?
Simple is better. Alerts to entities who can then share with appropriate persons within the organization.

19. What future payment standards would materially improve payment security?
Rich data and credentialing.

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

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?
Unfortunately only mandates work, but only after information gathering.

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