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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. There is a need for cost effective real time payments between individuals as well as businesses.

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

Check are still seen as a convenient form of payment. Payment by check at the point of sale was made too easy.

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?

Continue to support alternatives to cash and checks.

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?

Public authorities need to force the adoption of common standards

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?

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?

D. is the most expedient but C. is another alternative.

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?

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?

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

Most suitable: POS, P2B P2P Least suitable: B2B especially across borders

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?

Focus on near real time payments. Efforts should be on eliminating checks and not speeding up return information

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

No material impact

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

No

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

It will facilitate the implementation of mobile wallets

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

Nimble third party entrepreneurs will introduce new payment options.

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?

Memo post systems reliant on overnight batch processing will have to be replaced.

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

5 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?

Central directories have never worked in the past. You need a federated solution with appropriate standards.

12ii. What is the feasibility of this suggestion?

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. Paper invoicing and check processing creates billions of dollars of needless costs.

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. 2019 and 90%

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?

Moving forward but not fast enough.

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

Lack of business drive to place streamlining payment process at the top of their to-do list.

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

Start charging for the true cost of paper alternatives

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

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?

Using SWIFT XML based standards would be a good start for cross-border payments but a less verbose structure might be required if millions of small consumer payments are involved.

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?

Look at the SEPA initiative in Europe and work with payment authorities in Canada and Mexico initially

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?

Need to enhance hacking and DOS prevention capabilities. Need to enhance internet structure to make phishing more difficult.

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

Need for biometric security

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

More use of EMV chips and biometrics

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

Perhaps the NSA could turn their interception capabilities into ways to prevent criminal access to financial industry networks.

18i. How should this information be made available?

Through public disclosure. If a solution has to be hidden it is not a viable solution.

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

EMV, biometrics

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

privacy, costs, losses not being disclosed

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?

Fund a joint initiative to identify the best of breed security options. Alternatively just wait until other countries identify and patent these solutions.

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

