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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.

No. what i do agree with is that for all of the new payment platforms, ubiquity seems to be missing. So I am not altogether sure about the opportunities presented or identified. I also believe that the market generally takes care of itself, without the government interfering. Therefore, I must believe there is more here than meets the eye. Who benefits? Follow the money.

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

My best advice, and not just because I am in the business of providing systems and software that produce MICR documents, is to leave it alone. You have enough to do it seems to me and trying to come up with some great central bank approach to this will most likely be wrong and/or cumbersome. The free market will probably have a better chance of getting it right. The nice thing about it is that if new solutions don't meet end-users' needs and desires, they do not get used, i.e., do not get purchased. Right now there is a lot of misinformation and a lot of promises being made about new payment platforms. This, I think, is the typical jockeying for position that goes on in new markets, from my experience. Thank you

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

No. who really benefits?

2i. What other outcomes should be pursued?

Leave it alone, free enterprise and market pressures will prod it along. There is so much going on out there concerning new payment methodologies, but nothing has rung true and all lack ubiquity and common acceptance. Keep big government out of it.

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

Nothing. Take care of your own house.

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?

No special action is required by a public authority. Free market evolution has always worked, like it or not and the intervention of public authority almost never delivers the desired result.

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

The FRB has other things to worry about, seems to me.

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.

No.

5ii. What other characteristics or features are important for a U.S. near real-time system?

A through E exist today. Near real time is perhaps an overvalued feature.

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?

A through D don't really work for business-to-business and business-to-consumer. The business engine is driven by accounting systems, which have their own way of doing things and their own way of reconciling on the back end. I do think that RDC should be looked at more closely as a way of speeding up payments, perhaps looking at it further back up the line.

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?

Disregarding the costs, you still need to have absolute ubiquity and acceptance. Nothing short of that will every work right.

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?

I have no idea how you are going to do this, unless an end-user has to be hooked into their bank in real time and the bank provides some indication that there are funds available. I for one would never let my bank have that kind of control over my payments.

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

B2B, B2C. In my opinion, I really have not heard about or seen anything that lends itself to efficient payments in either of two sectors. Closed trading groups can work, but outside of that they are not ubiquitous or generally accepted.

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?

who benefits, again?

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

while I can't speak to this with any real knowledge, I believe that fraud will and has found its way into any payment system that exists. Always will.

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

Yes. Of course. Take a look at online credit card fraud, hacking of databases, consumer information fraud. I think it will only get worse, actually.

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

I have no idea, except that mobile payments today, from my experience, are a pain, no matter how real time they are.

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

there is no implication. Why do payments have to be faster? Again, who really benefits. I am sure the FRB does, as they do not want to process paper. I am sure that the banks benefit somewhat, somehow. I fail to see the benefit to business, unless you are trying to sell new payment methodology and systems.

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?

since just about everything is done in batch mode today, I would imagine a heck of a lot. We already see what happens when a retailer's credit card authorization system goes down. Everything stops.

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

I think I heard something like 23 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?

Sounds a bit too big brother for me, if you know what I mean. The notion of centralization is always attractive almost always fraught with big problems.

12ii. What is the feasibility of this suggestion?

Not to be snarky, but what do you think the Tea Party would think of this? To me, this kind of flies in the face of our right to privacy. It also makes big government, er, bigger.

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. Why accelerate? Again, who benefits? Where is the ubiquitous acceptance? It'll take care of itself. Look at consumer electronic bill pay. What did the government have to do with that? Nothing, I think.

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?

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

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

who provides the incentives? Those who benefit, right? who are they?

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

None.

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?

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?

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?

Is anything secure, really? Look around you. Anything can be hacked. Especially huge central repositories of information. Happens all the time and we cannot seem to prevent it.

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

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

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

18i. How should this information be made available?

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

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

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?

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

