

**Name:** Deanna Marcroft  
**Organization:** Sierra Select  
**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. There is always room for improvement. In C2B government intervention is occasionally helpful, however in B2B transactions. For the multitude of small businesses this appears to be more intentional governmental busy work.**

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

**Please forgive any answers not plugged into the appropriate box. I read the original document in stages and tried to start filling out this questionnaire but it wouldn't let you save and come back to complete it. This required a large time commitment but it's nice to know you asked questions before plunging ahead. Many of our customers (small retailers) still like using paper checks because it helps them control their spending (checks require intentional effort) unlike credit cards which can more easily dig them a big financial hole of debt. I'm more interested in making them happy than pushing someones payment industry agenda. Thanks for listening**

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

**No. The market will drive the need, not the government.**

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?

**None**

**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.**

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?

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?

**Any system that can't significantly reduce fraud and create real time transactions is simply just another pothole**

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

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?

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

Near real time won't prevent most fraud

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

Yes. Sure, the fraudsters will increase their order sizes to get the maximum benefit quickly because they know they will probably be discovered quicker

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

It's primarily C2B consumers using mobile payments - they're impatient and have that newest gadget mentality so retailers may need to meet their demands. The only businesses enamored of the next shiny thing tend to be tech companies. Most B2B is Not transacted like that and must consider the ROI (costs) involved and the reduced productivity while they train staff to upgrade and work out processes around the flaws.

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

None and would save the aggravation and huge amounts of money trying to force everyone into the same box.

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

B2B changes will occur at the natural pace they need to and as software systems become more versatile.

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

Right now you have software that is very costly and still has limited flexibility, it may be written for sales functions, but it doesn't meet the current needs and requires many modifications to the accounting processes just be functional. Right now it can't even keep up with all the sales tax regulations for each state.

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

Many years. I can't emphasize enough the differences between C2B (consumer to business transactions) - which is typically retail over the counter cash/credit card sales vs B2B (business to business transactions) which are significantly more involved and involve more payment methods, terms and things of that nature.

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?

Fraudsters and Hackers will love you for creating that

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.

**No. This is only desirable if the U.S. government plans to subsidize all the small businesses software changes and pay all the fees incurred**

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?

**Migration is a push, not a pull unless you are a great big company or government that can demand your business customers do it your way.**

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

**Payment electronically is not necessarily better or worse than checks. If you always start with the assumption that electronic Must be better/faster etc you are missing the point that it isn't always convenient or the most efficient. As a department that receives these payments, it requires logging on to a bank website (assuming my computer and server are always in a good mood), then scanning through pages of postings every day to look for things that need to be posted to our customers accounts. We still have to post them 1 by 1, the software isn't intelligent enough to do it and the cost to get and test modifications for new software can be prohibitive. In those same few minutes, I can prepare a deposit, electronically scan it. Still have to post 1 by 1. So there isn't a sufficient cost benefit, there isn't a productivity benefit**

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

**Pay all the software vendors to come up with a payment solution and upgrade their products, then buy all small businesses the new software and pay the fees for any modifications needed**

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

It has to start with software vendors building better accounting software packages, not just bolt on's to make a basic package functional.

### **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?

hackers, identity thieves

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

If universities, dept of consumer affairs, dept of veteran affairs, big retailers, financial institutions and many other governments all get hacked or have fraudulent transactions AND they have spent billions trying to secure stuff, why would I think it's possible to adequately address the threats

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?

**You need more than just consumers, financial institutions, big retailers/manufacturers, software providers and attorneys. You also need manufacturers, distributors, transportation and other Small businesses who have tiny profit margins/staffs whose burden is much more substantial to implement changes.**

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

