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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.

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

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?

I believe that we have opportunity to improve the speed and conveninece of all existing payment solutions. Wire transfers are not frequently used as a method to move money by the consumer market. Slight changes in how we manage the risk, pricing and documentation could make this a more viable option. We offer wires to commercial clients via online banking, the same could be doen for retail clients as well.

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

Work with regulators to reduce the bruden on payments caused by extensive regulation. The Patriot Act, while providi9ng value, has also affected our payment mechanism by making many FI's shy away from payment changes within their own location. Many payments are handled internally by FI's in the same way they were 30 years ago. This happens whiel we see other industries leap-frogging ahead of us. Regulators need to recognize that moving payments away from traditional institutions will make obtaining this information for more difficult in the future. Workign with industry experts could result in a win for banks, regulators and customer.

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?

The recent impact by big banks on the expedited payment initiative by NACHA speaks clearly to the need for a public authority to drive this change. Obvioulsy some make these decisions based on selfish reasons instead of thinking of the global benefits.

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

Today we are just beginning to see Fed districts adding returns item sends during the business day. This needs to become the norm to force FI's to begin adjusting to mid-day settlement issues. In addition, faster clearing of paid items needs to be escalated. If we can send return file mid-day, why not sned transit as well. Most of these functions are automated, even within small FI's and it could lead the way to acceptance of same-day clearing.

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?

I think we could use some of our existing solutions to perform this but could also begin reaching out to large EFT networks. If payments are going to settle like cards do today, they already have some of the hurdles addressed.

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?

Wire transfers today are so heaviliy regulated that they have become an internal audit nightmare for most banks. By looking at risk, we could certainly use the rails. Addressing issues like recourse or recovery would also be required. If funds are incorrectly routed, who bears the loss? Those are issues banks will care about as we move into new payment territory.

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?

Even in the card world, variouls models are present. For ease of settlement, next day would be desired. Managing funds to avoid an overdraft would be challenging otherwise.

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

All should be suitable and desired.

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?

I agree with the first and think the effort would not delay a shift. This also would start the industry thinking same day and changing internal processes.

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

8i. Will near-real-time payments create new fraud risks? If yes, please elaborate on those risks.
Yes. Risks will move to high tech with malware on mobile devices so fraud tools will need to include strong authentication.

9. To what extent would a ubiquitous near-real-time system bring about pivotal change to mobile payments?
It could move payment processing to a standard that could benefit all.

10. What would be the implication if the industry and/or the Federal Reserve Banks do not take any action to implement faster payments?
My concern is that the payment system would continue to move away from FI's making a large part of our role obsolete.

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

See comment above.

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

I think this will be a large concern to large banks with older legacy systems. Smaller FI's typically have moved to server environements.

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

I think 5 years minimum.

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?

This could be wonderful and is similar to how PopMoney operates but a dependence on one holder of data could be a point of resistance for many FI's and customers. FI's holding their own data with the Fed acting as the routing mechnism (similar to its role in ACH) would be more acceptable.

12ii. What is the feasibility of this suggestion?

It is feasible if buy-in obtained. Vendors with fixed systems today may be hesitant.

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. Because of legacy systems this could be difficult given the cost of changing existing APS systems. In addition, float is considered a positive when rates increase and funds invested. Difficualt to couteract but pricing could go far to incenting change. Something must drive a business reason for large business to move away from check. The big three forced electronic payment on many of their vendors perhaps a plan that makes this incented could help. We would need to do a better job of providing data with payment in a form that systems can use.

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?

Yes. 15 years to be check free.

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?

I believe they help but industry still feels we are lacking in this area.

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

While I do not know specifics, meeting with large billers, like utility companies could help define these barriers.

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

I think pricing would be most effective but it would need to be mandated so all FI's are consistent and it is not used as a competitive advantage.

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 electronification of business payments and/or cross-border payments?

It could help but would need to be implemented in ACH as well as wire.

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?

I think we need to continue to offer a varieety of payment mechanisms as each business has different needs.

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?

As was discovered during 9/11, we must identify and correct any single point of failure and provide alternatives. I believe authentication will be the most challenging but success will drive use.

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

Security of devices is far too dependent on the owner. Most people do not take steps to password protect mobile devices or patch software. We have seen ACH fraud taking advantage of these omissions. Placing financial responsibility on the owner of the device is the only way to correct those items.

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?
Notification of new threats along with the method to avoid them.

18i. How should this information be made available?

19. What future payment standards would materially improve payment security?
Use of biometrics for authentication.

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?
Joint marketing could help.

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