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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. Yes. Our credit union is a member of the World Council of Credit Unions, and for several years now WOCCU members from Asia, Africa, and Europe have expressed their dismay at how far the U.S. payments systems is behind their systems, especially mobile payment platforms. And as a Low Income Designated Credit Union here in the U.S., a more modern, real-time electronic payments system would greatly benefit our Members by making them more aware of balances and cash flows as well as motivating them to abandon cash (and ineffective cash management), check cashiers and their associated payday lenders.

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

Check21 was a promising 21st Century start for the "enduring" segment of the marketplace. Then, not much else happened except for NACHA at least keeping pace with that "speed up".

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. However, the ten year timeline seems sluggish and far too conservative. In ten years, the innovators and public will have run this drawn out Fed vision over to the curb.

2i. What other outcomes should be pursued?

Focus on developing the "electronic wallet concept" with the aim of creating a cash-like, but cashless society.

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

Tough question, since these banks appear to be the anchors holding this development process back (except for the development of their own proprietary platforms). Branding these banks as "Federal Reserve" banks and keeping them as the "leadership/catalyst" focal point in this Fed vision almost appears to be a conflict of interest.

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?

You have answered your own question here by referring to your vision as "second desired outcome". Any financial institution that is not a Federal Reserve Bank, a NACHA veto holder, and/or under \$10B in assets, and all natural persons and businesses would prefer a public authority/industry group take over this project.

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

Some natural persons (consumers) and business (non-financial) interests should also be involved.

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?

Platform security in the form of transaction origination authentication (biometric?).

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?

Albert Einstein once said: "You can't solve new problems with old thinking." An entirely new payment system is necessary. A new system would also address the cumbersome, complex, unpopular and out-dated interchange system.

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?

Without anyone having seriously considered Option 2 (a new payments system entirely), it would be hard to answer this question. However, with all the various and complex interests tied to the existing platforms, doing anything to adapt these divergent capabilities with their special financial interests would make a pros/cons - cost/benefit - rules/regulations break-down exactly that. A Break-down.

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?

Yes, both. Half measures produce half results.

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

If P2P is perfected, secure, and cost-effective, all the rest follow.

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?

Again, the electronic wallet as an OS driven device on the P2P level will leap over all the intermediary iterations of system investments, including user education.

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

That's the real nut to crack here, isn't it? Real-time needs to be fool-proof. And that might require limiting the domain of the real-time system to U.S. only, with an added private (subscriber) layer for off shore transactions.

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

Yes. The world of money will always be gamed across all levels, inside and out. So, yes, new fraud risks will arise. However, it's difficult to say if those risks will be greater or less than current risks since a fully realized new system that doesn't track in all the known risks of attempting to integrate with existing systems has not even been explored (not publicly, anyway).

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

It would establish mobile as the preferred system across all financial users. Even businesses would adopt some form of digital, electronic communications that interfaced with the base system.

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

Bit Coin like, Black Market platforms will proliferate; consumer financial fraud will grow as impostors, posing as innovators circle our marketplace; and expensive "loaded cards" will become the norm.

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

Like EMV and our penchant for dragging our financial feet for the benefit of heavily invested interests, we will remain one of the more expensive and less educated consumer financial markets in the world.

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

Migrate to cloud technology core data platforms, with the latter expanding network bandwidth.

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

It is already underway. With a fully developed and underlying real-time platform open to this cloud technology put in place (3-5 years, max), the transition at the FI level could happen fast enough after that.

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?

The merits - innovative. The drawback - unknown.

12ii. What is the feasibility of this suggestion?

Unknown. This is a very small piece of the puzzle that may not even be relevant in the end.

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. This is more a social issue than a financial one, and the marketplace will dictate the outcome here. If some segment of the marketplace wants to stay with the "enduring" few and pay for its inefficiencies, they will choose to.

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?

The description of this issue correctly focuses on old thinking with the obvious outcome being a slow migration, especially in the areas described here. Electronic bill presentment was a lost opportunity for the USPS. And the resulting fragmentation of this marketplace service is ineffective, costly, and largely unsuccessful for all the benefits it provides. New problem - old thinking.

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

The adoption of a uniform, secure, and end-to-end platform by the ultimate core processor, the Fed.

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

Cost, speed and security.

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

The ultimate processor, the Fed.

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?

Unknown. Universal standards for communicating financial data are good. However, electronic payments crossing outside the legal jurisdiction of the U.S. should have a much higher (and privately insured?) threshold of authentication. Financial fraud is not a communications issue, but rather an authentication, trust and level of financial knowledge issue.

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?

Create a Fed sponsored task-force charged with developing a U.S. Standard for the implementation of a real-time transactions marketplace (one year timeline); then contract a private industry technologies team to develop an in-country P2P universal platform (one year timeline); and then beta test platform with a select and representative cross-section of the FI industry (one year timeline).

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?

A fragmented, non-standard marketplace of systems, software and devices is the primary threat. User knowledge and education is another, further exacerbated by the first.

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

Are any of them being addressed? Even FFIEC address the issues with "guidelines" that are not well developed.

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

Again, that's the real issue here. This is not being seriously developed. Lack of vision and leadership from the top down in the U.S. financial marketplace, some promoting the status quo out of self-interest while others attempt to innovate in an uncertain regulatory environment.

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

Real time information:)))

18i. How should this information be made available?

Through a real-time system.

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

That's not only a present day guess, but a moving target. Obviously, strong authentication tops the list. Well monitored system access (inside and out) is a close second. Strong enforcement, prosecution and sanctions for breach is third.

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

The underlying thought that it's not possible?

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?

Foster the creation of a payment system that can be secured from end to end.

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

