

Payment System Improvement

ICBA Comments on Federal Reserve Banks' Consultation Paper

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The Independent Community Bankers of America (ICBA)¹ is pleased to submit comments on the Federal Reserve Banks' Payment System Improvement – Public Consultation Paper (Consultation Paper). This paper articulates the Federal Reserve Banks' perspective on the key gaps and opportunities in the current payments environment as well as the desired outcomes for closing these gaps and opportunities.

I. Summary of ICBA Comments

As a long-time advocate of the Federal Reserve System's role to maintain efficient, accessible, reliable and safe payment systems for all stakeholders, ICBA welcomes and applauds the Federal Reserve's updated strategic direction in payments announced in October 2012. This new strategic direction includes a 10-year vision for improving the speed and efficiency of the U.S. payment system from the point of origination to the point of receipt, including payment notification and reconciliation. We applaud the expansion of the collaborative and engagement processes to include all organizations involved in delivering payment services to end users. This inclusion is vital to the success of future improvements and the Federal Reserve's execution of its core mission and strategic goal to "foster the integrity, efficiency and accessibility of U.S. payment and settlement systems."

ICBA applauds the Federal Reserve for seeking a broad spectrum of opinions from community banks and other payment system stakeholders. Additionally, ICBA:

Gaps and Opportunities

ICBA commends the Federal Reserve for articulating gaps/opportunities in the payments system and:

- Agrees with the gaps and opportunities and the over-arching problem statement in the Consultation Paper; however, we believe that some of the gaps and opportunities are more urgent than others and that a categorization based on urgency is appropriate.

¹ The Independent Community Bankers of America® (ICBA), the nation's voice for nearly 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

ICBA members operate approximately 23,600 locations nationwide, employ almost 300,000 Americans and hold more than \$1.2 trillion in assets, \$1 trillion in deposits and \$750 billion in loans to consumers, small businesses and the agricultural community. For more information, visit www.icba.org.

- Strongly urges the Federal Reserve to consider the impact of online and mobile channels, the lack of ubiquitous near-real-time payments, ubiquitous exchange between limited-participation (closed) systems, and the lack of functionality in legacy systems as gaps that need immediate attention and resolution.
- Believes that safety and security and straight-through processing for business transactions should be categorized as intermediate gaps and addressed accordingly.
- Believes that international payments and eliminating check usage should be categorized as longer-term gaps and addressed accordingly.

Desired Outcomes

- Generally agrees with the identified desired outcomes, however, we are concerned that 10 years is far too long for achieving the first three desired outcomes given the far-reaching and profound impact of online and mobile innovations.

Key Improvements

- Is supportive of the Federal Reserve's efforts to collaborate with all payments stakeholders and urges the Federal Reserve to establish measurable milestones for attaining key improvements.
- Urges the Federal Reserve to examine the various payment methods to identify potential opportunities to enhance their relevancy in online and mobile infrastructures.

Faster Payments

- Regards faster payments as an urgent priority that should be accomplished within three years or less.
- Strongly supports the Federal Reserve enabling a payment system that can facilitate fast and efficient (near-real-time), person-to-person and other retail payments that are robust, ubiquitous and do not require the sender to know the bank account number of the recipient.
- Strongly urges the Federal Reserve to develop and operate a central directory linking person-to-person payment systems to enable ubiquity.

Greater Electronification

- Strongly encourages the Federal Reserve to make paper check payments unnecessary or irrelevant over time by requiring ubiquitous same-day ACH and fostering the development of business-to-business remittance processing standards and electronic payment orders for remotely created business-to-business transactions as alternatives to establishing a fixed deadline for ending check payments.
- Strongly supports the transition to a ubiquitous, same-day ACH environment and urges the Federal Reserve to take a leadership role by requiring same-day ACH among all ACH participants.

- Believes it is essential to evolve the U.S. payment system in a manner that facilitates straight-through processing and allows for uniform processing of business-to-business transactions.

Cross-Border Payments

- Recognizes the importance of both domestic and international standards in supporting robust cross-border consumer and business payments from, and to, the United States.

Security

- Urges the Federal Reserve to continue to develop and maintain robust risk management tools for ACH and Fedwire, to enable financial institutions to effectively manage and mitigate risk.
- Urges the Federal Reserve to collaborate with payment system stakeholders to study the viability of establishing cross-channel payments fraud functionality.

Roles of the Federal Reserve

- Strongly supports the Federal Reserve System in assuming a leadership role (serving as a catalyst, service provider and regulator) in moving the nation's payment system to accommodate online and mobile channels.
- Strongly contends that the Federal Reserve in its regulator and gatekeeper role is best positioned, in select instances such as same-day ACH, to nimbly and timely implement the rules necessary to accommodate payment system advancement and innovation.
- Strongly believes that the Federal Reserve must exert a continuous leadership role to foster the integrity, efficiency and accessibility of U.S. payment and settlement systems by ensuring that all system participants adhere to common legal, regulatory, operational and customer-care requirements.

II. ICBA Guiding Principles

To assist in responding to the Consultation Paper, ICBA consulted its Federal Reserve Financial Services Work Group and its Bank Operations and Payments Committee. The groups developed guiding principles to provide a framework for ICBA's response. These guiding principles are consistent with ICBA's core principles of: 1) supporting fair competition in the financial services industry; 2) supporting a balanced financial system that does not favor any segment of the financial services sector; and 3) opposing the concentration of economic and financial services resources: and, 4) above all, preserve the integrity of the US payment system.

ICBA's guiding principles for responding to the Consultation Paper are below.

- Ubiquitous and universal access to payment services among financial institutions is crucial to faster, seamless and more efficient payments for financial institutions and their customers.
- Customers expect and demand prompt, efficient, and near-real-time payment offerings in an interconnected marketplace.
- The ongoing protection and security of customer financial information and transaction data is paramount.
- Customers generally expect accounts transacting payments to be federally insured and the applicability of federal deposit insurance should be transparent.
- The payment system evolution should be collaborative and combine the expertise of financial services payment professionals and innovators to better understand the online and mobile spaces and the necessity of keeping pace with change.
- Non-bank payment products possessing the same attributes and functionalities as those offered by financial institutions should be subject to the same legal and regulatory framework and oversight as financial institutions.

III. Gaps and Opportunities

The Consultation Paper includes the results of the Federal Reserve Banks' recent analysis of gaps and opportunities in today's payments environment relative to the Federal Reserve's updated vision for "a safe and accessible but faster and more efficient payments on an end-to-end basis." The key gaps and opportunities are summarized below.²

- Check writing continues because important attributes such as ubiquity and convenience are not well replicated by electronic alternatives. Many check receivers lack the ability to request a preferred alternative form of payment.
- There is no ubiquitous near-real-time retail payment system in the United States. Instead, many incremental, fragmented initiatives are underway.
- Recent payment innovations are limited-participation systems requiring both the sender and receiver to join and share applicable information. These systems also lack ubiquity.
- Some features desired increasingly by end users -- real-time authorization and authentication, account and funds validation, real-payment assurance, timely notification to all transaction parties, near real-time posting and funds availability, and masked account details -- are generally lacking in many legacy payment systems.
- Cross-border payments from, and to, the United States are inefficient and impractical for most regulated financial institutions and their customers.
- Mobile devices have the potential to transform commerce and payments.

² *Payment System Improvement - Public Consultation Paper*, pp 3-4.

- Many businesses have payment and accounting systems that are complex and costly to change, making it difficult to achieve automated, straight-through processing of invoices, payments and remittance information.
- Consumer fears about payment security sometimes inhibit adoption of electronic payments.

The Consultation Paper summarized the gaps and opportunities into an over-arching problem statement.

*End users of payment services are increasingly demanding real-time transactional and informational features with global commerce capabilities. Legacy payment systems provide a solid foundation for payment services; however, some of these systems (e.g., check and ACH) rely on paper-based and/or batch processes, which are not universally fast or efficient from an end-user perspective by today's standards. The challenge for the industry is to provide a payment system for the future that combines the valued attributes of legacy payment methods – convenience, safety and universal reach at low cost to the end user – with new technology that enables faster processing, enhanced convenience, and the extraction and use of valuable information that accompanies payments.*³

ICBA believes that the gap and opportunity analysis, as well as the over-arching problem statement are accurate and reflective of today's payments environment; however, we believe that some of the gaps and opportunities are more urgent than others and that a categorization based on urgency is appropriate. The three tiers below reflect our suggested categorization.

A. Tier One: Immediate and Urgent Gaps and Opportunities

These gaps have the greatest impact for all payment system participants, including community banks and their customers, and require immediate attention and resolution.

- *Impact of online and mobile channels.* Online and mobile devices are transforming wide-ranging aspects of business and commerce and transforming customer expectations for faster payments.
- *Lack of ubiquitous, near-real-time payments.* Innovation in the U.S. payment system has not kept pace with technology and changing customer expectations.
- *Lack of functionality in legacy systems.* Some features that are desired increasingly by end users are generally lacking in many legacy payment systems.
- *Limited participation (closed) systems.* These systems do not provide the same ubiquity as legacy payment systems, forcing customers to establish and maintain numerous redundant registrations for essentially the same function.

³ Ibid, p 4.

B. Tier Two: Intermediate Gaps and Opportunities

While the following gaps and opportunities are important for community banks and their customers, they do not threaten the relevancy of financial institutions and the critical roles they play in providing safe and secure payments, and, therefore, are intermediate priorities.

- *Safety and security.* While consumer concerns about payment safety and security may inhibit electronic payment adoption, few young consumers have these concerns and value convenience over security.
- *Lack of straight-through processing for business transactions.* The lack of a strong business case for overcoming the complexity and cost to implement new technology and processes is a strong impediment for change.

C. Tier Three: Longer-term Gaps and Opportunities

The gaps and opportunities below are longer-term concerns for community banks and their customers.

- *International payments.* While cross-border payments from, and to, the United States are currently inefficient and impractical for most regulated financial institutions, the overall volume for most community banks is rather low.
- *Eliminating check use.* If the above gaps are addressed, the need for checks will decrease and check volume will erode to the point of irrelevance over time.

IV. Desired Outcomes

The Consultation Paper identifies and seeks comments on five desired outcomes for addressing the referenced gaps and opportunities within a 10-year horizon.

While ICBA generally agrees with the desired outcomes, we are concerned that 10 years is far too long for achieving the first three desired outcomes given the far-reaching and profound impact of online and mobile innovations on the infrastructures supporting commerce and payments. The lack of a coordinated and collaborative vision for the future of payments has already created a fragmented payment system that includes non-bank providers offering payment products and services that have all of the attributes of traditional bank offerings without being subject to the same legal and regulatory framework and oversight as the products and services offered by banks. ICBA comments on the various outcomes follow below.

Desired outcome 1: *Key improvements for the future state of the payment system have been collectively identified and embraced by payment participants, and material progress has been made in implementing them.*

ICBA Comments

ICBA is appreciative of the Federal Reserve's collaborative efforts to identify the key improvements needed to adapt and evolve the U.S. payment system to meet the needs of all stakeholders. We applaud the Federal Reserve's direct outreach to community banks and other stakeholders and the formation of focused work groups such as the Remittance Coalition and the Mobile Payments Industry Work Group. These work groups and other outreach provide valuable and diverse forums for identifying payment system gaps and opportunities for addressing these gaps. While the development of the Consultation Paper is a notable and important milestone, it is now time to establish measurable milestones for attaining the key improvements needed to support the future state of payments.

Collaborative outreach and analysis should be ongoing after the Consultation Paper responses are evaluated and initial action plans released. ICBA encourages the Federal Reserve to examine the various payment methods to identify potential opportunities to enhance their relevancy in online and mobile infrastructures.

Desired outcome 2: *A ubiquitous electronic solution(s) for making retail payments exists that does not require the sender to know the bank account number of the recipient. Confirmation of good funds will be made at the initiation of the payment. The sender and receiver will receive timely notification that the payment has been made. Funds will be debited from the payer and made available in near real-time to the payee.*

ICBA Comments

ICBA strongly applauds the Consultation Paper's recognition that faster payments should be a priority for all financial institutions and encourages the Federal Reserve to act quickly on this outcome which ICBA regards as an urgent priority that should be accomplished within three years or less.

Enabling a payment system that can facilitate fast and efficient, person-to-person payments should be an urgent priority for the future U.S. payment system. The ability for customers to send money to friends and family from a bank's website or mobile app will benefit consumers and the financial institutions that serve them, regardless of size. Consumers will benefit by having federally-insured transactions that offer proven customer care and standard error-resolution policies.

To accomplish this, ICBA strongly urges the Federal Reserve to:

- Create a central directory to link multiple person-to-person payment systems (e.g. iPay, PopMoney and clearXchange) to enable ubiquity; and
- Create/support robust, ubiquitous, electronic solution(s) for making retail payments that do not require the sender to know the bank account number of the recipient.

ICBA is mindful of the impact of these recommendations on the core processing systems of community banks and other financial institutions. While there will be a short-term cost burden for financial

institutions to modify core processing platforms to accommodate these new capabilities, the long-term benefit of relevancy and ubiquity, we believe, is worth the short-term costs. Additionally, payment system stakeholders will be more willing to make supporting investments once there is a common vision with actionable and achievable milestones.

A. Create Central Person-to-Person Payments Directory

ICBA strongly believes that a central directory is paramount to establishing and maintaining an infrastructure supporting universal person-to-person payments. The creation of an open person-to-person infrastructure which connects and links closed systems will add value to consumers by enabling a single point of registration and eliminating the need for redundant registrations.

Multiple person-to-person system registrations create an environment ripe for consumer confusion and needless over population of sensitive consumer financial data online. An environment requiring consumers to register for each person-to-person closed system requires, at a minimum, bank routing number, account number and other personally-identifiable information which, if intercepted, could result in identify theft and payment fraud.

The creation of a central directory is essential to establishing an open system that connects a sender to a receiver without the need to share critical and confidential personally-identifiable information. The directory would not own, house or store customer information. Rather, it would serve as a master information bank that would link closed-payment systems together and enable ubiquity. ICBA strongly urges the Federal Reserve to develop and operate this vital central directory.

B. Create a Near-Real-Time Solution for Retail Payments

ICBA strongly supports the development of a ubiquitous, near real-time payment system which would be of great value to community banks and their customers for person-to-person, government and merchant transactions. Such a system would give consumers the ability to make last-minute payments and provide a near-real-time confirmation of good funds while not requiring consumers to give their account information to a third party, thus protecting their personally-identifiable data. This can only be accomplished if the funds are pushed by the consumer to the receiver (e.g. an online retailer). Such a payment system would drastically reduce fraud associated with online retail transactions, especially with card-not-present transactions.

This new payment system must have the capability to provide a good funds guaranty to the merchant. This can only be achieved by solid and confirmed identification and verification of the users at both ends. However, this new payment option or capability should enhance, not exclude, other payment choices.

Establishing a new, ubiquitous, near-real-time payment system adds another payment option that should be tailored to support both legacy payment products as well as emerging payment innovations. Additionally, this option would provide universal access for financial institutions of all sizes and meet consumers' expectations, benefitting all stakeholders by providing reliability, speed and security to the exchange of payments.

Desired outcome 3: *Over the long run, greater electrification and process improvements have reduced the average end-to-end (societal) costs of payment transactions and resulted in innovative payment services that deliver improved value to consumers, businesses and governments.*

ICBA Comments

Check usage continues to decline as the marketplace fosters electronic alternatives. Incremental progress towards faster, efficient and secure electronic payments that carry critical information for both the sender and receiver will continue to drive the utilization away from checks (paper or otherwise). The adoption of online and mobile channels will further spur innovation and develop additional alternatives to business-to-business checks. Any effort to set a goal or target for moving away from checks would be too disruptive and is ill-advised and unnecessary at this time.

Rather than establishing a fixed deadline for ending check payments, ICBA strongly encourages the Federal Reserve to make paper check payments unnecessary/irrelevant over time by:

- Requiring system-wide, same-day ACH;
- Fostering the development of business-to-business remittance processing standards; and
- Fostering the development of electronic payment orders for business-to-business transactions.

C. Require Same-Day ACH

ICBA strongly supports the transition to a ubiquitous same-day ACH environment. Such an environment is vital and of great urgency to all ACH participants -- financial institutions of all sizes and types, consumers and businesses. Same-day ACH levels the playing field between community banks and larger competitors, including non-bank providers; enables the faster flow of funds; reduces settlement risk for financial institutions; and will lead to greater business and consumer adoption of emerging electronic payments such as mobile and person-to-person. The adoption of same-day ACH would be of great value in payroll processing and is essential in providing faster delivery of emergency payroll. Lastly, faster ACH payments will further spur payments innovation.

On April 22, 2013, ICBA released a white paper, *"Same-Day ACH: An Opportunity for Leadership,"*⁴ expressing its strong support for system-wide, same-day ACH capabilities and encouraging community banks and other institutions to adopt same-day ACH services.

⁴ <http://www.icba.org/files/ICBASites/PDFs/samedayACH.pdf>

The white paper specifically recommends community banks:

- Adopt same-day ACH services;
- Encourage their correspondent banks and processing providers to adopt and support same-day ACH services;
- Collaborate to identify specific uses and geographies for collective participation among banks where same-day ACH provides value; and
- Encourage their regional payments association to aggressively advocate for same-day ACH.

Technological innovation has raised customer expectations regarding faster payments. A transition to same-day ACH is relatively easy to support with rules modifications and select technology advances.

Consumers using mobile and online devices to conduct commerce increasingly expect near-real-time payments. Currently, the ACH network fails to meet these expectations. Industry adoption of the Federal Reserve's enhanced ACH same-day product line has been slow and the true value of same-day ACH will only be realized with ubiquity.

To fill this void many larger financial institutions are implementing virtual real-time solutions via debit card networks to facilitate faster and possibly immediate payments. This can be a costly alternative for community banks and their customers.

The ACH network is a proven, reliable, ubiquitous, and low-cost means of sending and receiving payments. Same-day ACH capabilities will keep the ACH network and the financial institutions it connects relevant as online and mobile commerce grow.

ICBA strongly urges the Federal Reserve to take a leadership role by requiring same-day ACH among all ACH participants. We believe this action is consistent with the Federal Reserve's operator role and most importantly, its core mission and strategic goal to "foster the integrity, efficiency and accessibility of U.S. payment and settlement systems."

B. Foster Business-to-Business Remittance Processing Standards

ICBA strongly believes that it is essential to evolve the U.S. payment system in a manner that facilitates straight-through processing and allows for uniform processing of business-to-business transactions. We support the efforts of the Minneapolis Federal Reserve and the Remittance Coalition in working together to promote greater use of electronic business-to-business payments and electronic remittance data exchanges. We applaud the work of the Coalition as it addresses the barriers to adoption of electronic alternatives to paper checks and remittance advices.

C. Electronic Payment Orders

While electronic payment orders -- a paperless manner of sending a check -- could provide a short-term, faster solution for check transactions, it also could create significant consumer confusion. ICBA urges the Federal Reserve to consider electronic payment orders only for remotely created business-to-business payments. Electronic payment orders in business-to-business transactions would encourage adoption and growth of electronic payments for transactions that are currently reliant on paper checks. Additionally, since ACH Operating Rules do not permit the conversion of business checks to ACH transactions, using electronic payment orders for this purpose would fill a void in the current payments landscape.

Desired outcome 4: *Consumers and businesses have better choice in making convenient, cost-effective, and timely cross-border payments from, and to, the United States.*

ICBA Comments

The volume of cross-border personal and business payments will grow as technology spurs global commerce. In an increasingly global society, international standards are essential to strengthening the framework for a robust cross-border payment system. Although the development and adoption of standards can be very laborious and protracted, international payment standards are one of the linchpins critical to expanding international trade and trading partner confidence for a successful international payment system. ICBA recognizes the importance of both domestic and international standards and is an active member of the X9, Accredited Standards Committee.

Desired outcome 5: *The Federal Reserve Banks have collaborated, as appropriate, with the industry to promote the security of the payment system from end-to-end amid a rapidly evolving technology and threat environment. In addition, public confidence in the security of Federal Reserve financial services has remained high.*

ICBA Comments

ICBA strongly believes that adopting our recommendations for the second desired outcome, particularly the creation of a near real-time good-funds payment system, will greatly decrease transaction fraud. Each desired outcome should be implemented in a manner that enables financial institutions to effectively mitigate risk.

Additionally, the Federal Reserve should continue to develop and maintain robust risk management tools for ACH and Fedwire, to enable financial institutions to effectively manage and mitigate risk.

While existing electronic payment channels each have tailored risk management and fraud control and alert features and functionalities, there is no cross-channel capability for identifying, managing and mitigating fraud across multiple payment channels. ICBA believes that robust cross-channel risk

management and fraud control and alert is vital to the security of the U.S. and global payment systems going forward.

ICBA urges the Federal Reserve to collaborate with the payment system stakeholders to study the viability of establishing cross-channel payments fraud functionality. This study should incorporate the Financial Services Information Sharing and Analysis Center.

As the Federal Reserve moves forward with its strategic plan, ICBA underscores that transaction data security, customer care standards, and error resolution should not be compromised and should be a foundational consideration for all payment systems, whether they are offered by financial institutions or third-parties. Therefore, the regulatory framework that applies to financial institutions should be applied to third-party payment systems.

V. Roles of the Federal Reserve

Given their role as financial intermediaries, ICBA strongly believes that it is vital for all financial institutions to remain relevant in a changing payment landscape. This will not occur unless the Federal Reserve takes a strong leadership role going forward. The Federal Reserve System is uniquely positioned to lead in providing efficiency and guidance because of its dual roles as payment system service provider and regulator.

As a service provider, the Federal Reserve plays an indispensable role in ensuring that financial institutions nationwide have universal access to competitive, efficient and affordable payment services which permit them to meet the rapidly changing needs of their customers.

ICBA strongly supports the Federal Reserve System in assuming a leadership role in moving the nation's payment system to accommodate online and mobile channels. We believe this leadership role should include serving as a:

- Catalyst for development and implementation of a strategic vision for a national payment infrastructure;
- Service provider and operator of payment products that allows all financial institutions, regardless of size, to offer state-of-the-art and secure payments; and
- Regulator and gate keeper of the payments system to ensure that all participants adhere to common rules and requirements.

A. Catalyst for Strategic Vision

Again, ICBA applauds the Federal Reserve's efforts to serve as a catalyst for the development and execution of a strategic payments vision that will add value to all participants: consumers, financial institutions, businesses, and the technology enablers and innovators that develop solutions for online

and mobile commerce. The Federal Reserve is uniquely positioned to serve as an honest, trusted broker to gather perspectives from all institutions and use these perspectives to formulate a strategic vision for payment system improvement.

ICBA strongly supports the Federal Reserve's role as the catalyst in establishing and maintaining an open, faster, and more efficient and secure payment system with near real-time functionality.

B. Service Provider and Operator of Payment Services

The Federal Reserve ensures that all depository institutions (commercial banks, thrifts and credit unions) have access to its services. This ensures that all areas of the United States receive essential payment services.

By serving as a service provider, the Federal Reserve complements its role as regulator by providing a unique opportunity for ensuring the integrity and safety and soundness of the payment system through its operational involvement. The Federal Reserve's service provider role plays a key role in maintaining a competitive and reasonably-priced payment system. The Federal Reserve's marketplace presence provides a transparent benchmark for all banks to assess private-sector pricing of comparable services.

As innovation brings new, siloed payment systems, all with distinct communities of customers, we believe the role of the Federal Reserve is to link these communities together, rather than supplant them. In essence, the Federal Reserve should serve as an interstate highway system for payments; it should not replace existing state and county roads, rather it should provide infrastructure that benefits all systems and end users.

C. Payments Regulator and Gatekeeper

ICBA strongly contends that the Federal Reserve in its regulator and gatekeeper role is best positioned, in select instances, to nimbly and timely implement the rules necessary to accommodate payment system advancement and innovation. The failure of the NACHA proposed rule implementing same-day ACH is a prime example of the need for the Federal Reserve to exert its authority in instances where public policies and/or rules are needed to advance the efficiency and integrity of the payment system. In the instance of the same-day ACH proposal, votes were cast on the basis of what is in the perceived best interest of individual large financial institutions versus the interests of all stakeholders in the U.S. payment system.

Unfortunately, NACHA's direct membership fees and voting allocation policy effectively exclude the perspective of community banks and other small financial institutions. While the regional payments associations add value and serve as the voice for smaller institutions within NACHA, many are governed by larger institutions, diluting their voice.

The Federal Reserve could bring integrity and trust to the same-day ACH rulemaking process, and the ability to effectively and transparently research the marketplace and vet rulemaking proposals to enhance the ACH. We believe that it is well within the Federal Reserve's role as ACH Operator role, to require universal same-day ACH.

ICBA believes the impact on community banks would be severe if the Federal Reserve failed to lead with regard to universal same-day ACH. Failure to meet customer expectations will drive customers away from safe, secure payment systems toward unsecure payment systems such as digital currencies.

From a macro perspective, ICBA strongly believes that the Federal Reserve must exert a continuous leadership role to foster the integrity, efficiency and accessibility of U.S. payment and settlement systems by ensuring that all system participants adhere to common legal, regulatory, operational and customer-care requirements.

VI. Conclusion

The Federal Reserve has taken a first step toward a serious and genuine collaborative effort to define the future payment system by publishing this Consultation Paper. The Federal Reserve's continued leadership to bring all payment system stakeholders together is critical to achieving the strategic vision articulated in 2012 and the desired outcomes. Successful strategic planning must be ongoing and provide for nimble and timely responses to changing dynamics. Strong Federal Reserve leadership is vital to ensuring an accessible, ubiquitous, secure and safe payment system going forward. Stakeholders will not all agree on the implementing objectives but the goal must be an open, affordable, fast, secure and easy end-to-end payment system.

ICBA wholeheartedly applauds the Federal Reserve for its leadership efforts in shaping the future U.S. payment system and encourage the Federal Reserve to continue and, in some instances, accelerate its efforts towards this endeavor in the future.

Thank you for the opportunity to comment on the Consultation Paper. Please do not hesitate to contact Cary Whaley, Vice President, Payments and Technology Policy, at cary.whaley@icba.org or 202.659.8111 with questions regarding our comments.