

The Federal Reserve Publication On Payment System Improvements

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In September 2013, the Federal Reserve System (**Fed**) issued a Public Consultation Paper on the subject of Payment System Improvements (**Fed paper**). The Fed solicited responses to its publication and many of the country's most influential payment industry stakeholders submitted responses to key questions posed by the Fed paper, including suggestions for remediation of antiquated policies, procedures and infrastructure components that lag behind advances in technology.

The Fed has been active in analyzing the next wave of payment innovation through hosting a series of forums and conferences over the last several years. They correctly surmised that there is a tremendous need for seamless, ubiquitous and device agnostic payment methodologies that enable real-time mobile payments between customer DDA accounts and merchant DDA accounts, by way of a collaborative, secure and innovative ecosystem evolution.

Recent revelations around data breaches at TJX companies (2007), Target stores (2013) and Neiman Marcus (2013) highlight the timeliness of the Fed's attention to payment system improvements. Compromise of the security at these companies demonstrates the weaknesses in cross-platform use of credit or debit card information, by the simple premise that once credit or debit card information is compromised on one delivery method, be it the card reader, payment gateway, mobile wallet/device or merchant server, all methods of delivery of credit or debit card information become rendered useless. All methods and devices tied to that credit card or debit card will be no longer secure or safe for use in commerce. This is devastating to the long-term confidence in payment systems migration and the true globalization of m/eCommerce.

Several companies submitted comprehensive analysis that addressed the issue of real-time DDA payments head-on, including **FIS** and **International CyberBanque**. These companies appear to complement one another in that each addresses different sides of real-time DDA payment transactions. FIS constructed global-enabled payment rails for facilitating the back-end settlement among banks and International CyberBanque's technology proposes a robust strategy and methodology for front-end authentication of users, all in a bank-centric and merchant-centric manner. Moreover, stakeholders throughout the payment transaction channel appear to profit from the seamless integration opportunities within this innovative payment method.

Based upon recent events and the focus by industry experts, I highly recommend reading the Fed paper and accompanying user submissions, for gaining greater insight into the future direction of global payments.

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