# DIGITAL TRANSACTIONS

Trends in the Electronic Exchange of Value

# CAN VISA+ TRANSFORM P2P PAYMENTS?

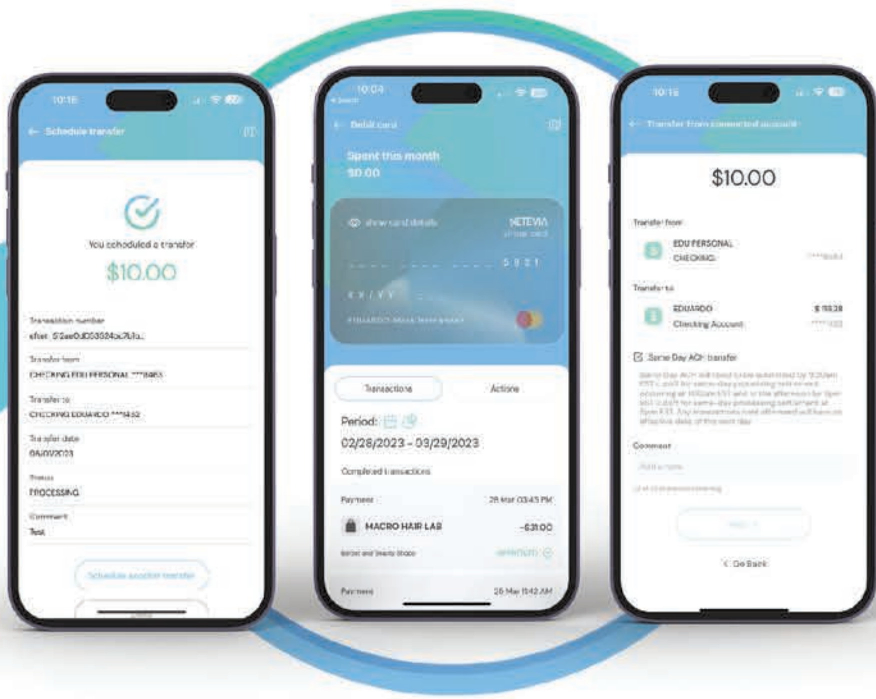
Peer to peer transfers are hitting the big time,
but one big issue remains: networks aren't interoperable.

Volume Twenty, Number Seven • DigitalTransactions.net • July 2023

**ALSO IN THIS ISSUE:**

# NETEVIA

## REVOLUTIONIZING THE ISO INDUSTRY WITH BANKING SERVICES




**Earn on Account Balances**

**Sign up Bonus on Deposits**

**Earn on Card Spend**

Revolutionize your financial journey with our cutting-edge digital banking services. Experience the true meaning of banking done right

**Fully Digital | Easy Sign Up | Unlimited Cash Back**

(866)668-6529 x 131 isorelations@netevia.com www.netevia.com

Netevia is not a bank. Banking services provided by Sutton Bank, Member FDIC. Should the member bank holding your balance fail, you are insured for up to $250,000 of your money in the account.

50th ANNIVERSARY

# Looking Forward to Another 50 Years of Innovation

While other companies have come and gone, GCF remains a leader in servicing the electronic payments industry. Now in our 50th year, we remain independent and fully committed to being your best and most profitable source for merchant supplies – offering online ordering & tracking, drop shipping direct to your clients, quarterly rebates, flexible billing options, and warehousing/fulfillment services.

Whether you want the ability to purchase directly from the manufacturers, the convenience of working with a single source for all your merchant supply needs, or if you're simply looking for a new revenue source, give GCF a call today and profit from our experience.

See us at MWAA in Schaumburg (July 19 - 20) &
at RetailNow in Orlando (July 30 - August 1)

## THE COMPANIES OF GENERAL CREDIT FORMS

GCF
GENERAL CREDIT FORMS, INC.

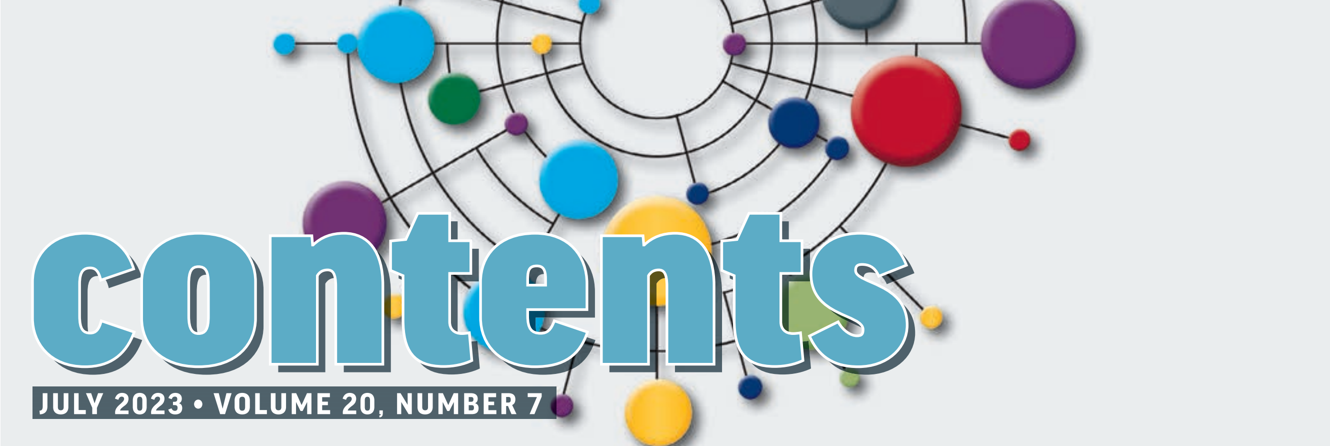
Advanced Labeling Systems

GOLDEN BUSINESS FORMS, INC.

PSi Paper Systems INCORPORATED

South Seas Data LLC

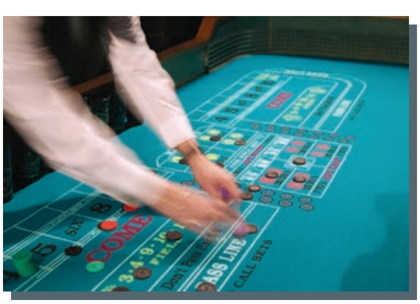
www.gcfinc.com • (888) GCF-NEWS



# contents

JULY 2023 • VOLUME 20, NUMBER 7



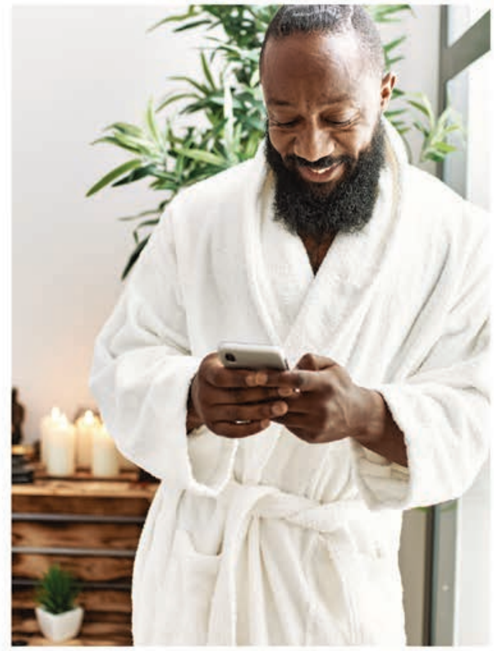




Cover Illustration: Elizabeth Novak, 123rf.com

Digital Transactions (USPS 024-247) is published monthly by Boland Hill Media LLC, 800 Roosevelt Road, Building B, Suite 212, Glen Ellyn, IL, 60137. Periodicals Postage Paid at Glen Ellyn, IL, and at additional mailing offices. POSTMASTER: Send address changes to Digital Transactions, P.O. Box 493, Northbrook, IL 60065-3553.

MAGTEK®
SECURITY FROM THE INSIDE

Revolutionizing the Future of Payments with

## THE POWER OF TOKENIZATION

Read More About DynaFlex II

Make payments a breath of fresh air with MagTek hardware and Magensa Services. Create payment applications that are ready for in-person, in-app, and online payments with Tokenization and subscription-ready services. Our omnichannel solutions ensure flexible payment acceptance across various platforms and existing systems that boost customer loyalty, surpass customer expectations and unlock your business's full potential.

### Magensa Tokenization Services

- Omnichannel solutions
- In-app payments and invoicing
- Subscription ready services
- Hosted payment pages for eCommerce
- Easier development and integration

### DynaFlex II Family

- Flexible and rugged secure card reader authenticator
- Ready to accept NFC mobile wallets, EMV Contactless, EMV Contact Chip, 1D/2D barcodes, QR Codes, and magnetic stripe payments.
- PCI PTS 6.x certified
- Responsive touchscreen for manual entry

MagTek, Inc.
1710 Apollo Court
Seal Beach, CA 90740

**FIND OUT MORE**

562.546.6400
sales@magtek.com
www.magtek.com

# the gimlet eye

## DURBIN'S $15-BILLION BET

**IT'S JULY, THE** peak of summer-vacation season, so we apologize in advance if we're interrupting your beach time with a message about the mundane mechanics of payments. But butt in we will, if only because the the topic of acceptance costs just won't yield to a seasonal hiatus.

As you recline on the sand, the Credit Card Competition Act is returning to the spotlight in Washington, this time with notably more bipartisan support than was the case last year. You may recall the CCCA. That's the legislation, backed by Sens. Richard Durbin, D.-Ill., and Roger Marshall, R-Iowa, that seeks to put a lid on rising merchant costs for credit card acceptance by requiring more competition for processing (more on that in a moment).

The bill got little traction in 2022, but now it's back with more Republicans in both chambers of Congress joining Durbin's fellow Democrats in lining up behind it. Instead of requiring a hard cap on transaction costs—as Durbin's debit card regulation did a decade ago—the bill cleverly evades that minefield by adopting a fig leaf of market-sounding wisdom. It says each credit card transaction must offer merchants a choice of networks, one that is not limited to the Visa/Mastercard duality. Visa can be one of the networks, but if so Mastercard can't be in the mix, and vice versa (for more on this, see page 6).

We called this a fig leaf of wisdom because it sounds so reasonable. After all, who can object to a proposed law that would set up a more competitive landscape in this market, where merchant costs for credit card processing have risen steeply over the years to $126.4 billion in 2022, according to the Merchants Payments Coalition?

And, after all, the bill isn't mandating which networks must be used. It's simply opening the doors wider for such systems as debit card networks to get in the game with better rates for merchants than the Visa/Mastercard duo—and downstream processors—offer. One research firm, Atlanta-based CMS Payments Intelligence Inc.. figures the bill could save merchants $15 billion a year in acceptance costs.

Apparently, with its bipartisan support—eight Senators and Representatives re-introduced the bill last month, including five Republicans—that argument is picking up some momentum. The bill may have flopped last year, but now its chances of passage are looking better.

We said a moment ago the bill is clever because it doesn't mandate caps, but instead requires more competitors. But real competition doesn't come from Washington mandates. It comes when rivals see a market where investments clearly yield required payoffs. That kind of market can't be created by government fiat.

*John Stewart, Editor* | john@digitaltransactions.net



JULY 2023 • VOL. 20, NO. 7

DIGITAL TRANSACTIONS

Trends in the Electronic Exchange of Value

**PUBLISHER** Robert A. Jenisch

**EDITOR-IN-CHIEF** John Stewart

**SENIOR EDITOR, DIGITAL**
Kevin Woodward

**CORRESPONDENTS**
Jim Daly, Peter Lucas

**ART DIRECTOR/PRODUCTION EDITOR**
Elizabeth Novak



**DIRECTOR OF ADVERTISING**
**Robert A. Jenisch**, 877-658-0418
bob@digitaltransactions.net

**ADVERTISING SALES REPRESENTATIVES**
**Robert Mitchell**, 877-658-0418, x7
bmitchell@digitaltransactions.net
**Rob Akert**, 877-658-0418, x6
rakert@digitaltransactions.net

*Digital Transactions, Digital Transactions News,* and DigitalTransactions.net are publications of Boland Hill Media LLC, 800 Roosevelt Road, Suite B212, Glen Ellyn, IL 60137

John Stewart, Managing Director
Robert A. Jenisch, Managing Director

For advertising information, call 877-658-0418. To subscribe or give us a change of address, go to www.digitaltransactions.net and click on "Subscriber Care" or call 847-559-7599.

# MERCHANTS WILL REAP $15 BILLION FROM THE CCCA, SAYS ONE RESEARCHER

As proponents and adversaries wrangle over the newly resurrected Credit Card Competition Act, a market-research firm has raised by more than one-third its estimate of how much the bill could save U.S. merchants.

A year ago, the firm, Atlanta-based CMS Payments Intelligence Inc., calculated the bill would result in $11 billion in credit card fee savings yearly for card-accepting sellers. Now, the firm has boosted that number 36% to $15 billion, a figure it calls a "conservative" estimate.

Accounting for the increase are such factors as the growth of card payments, the rising cost of acceptance, and inflation, the firm says.

The CCCA last month was reintroduced with at least some bipartisan support in both chambers of Congress after failing to win passage in 2022.

The bill, originally launched by Sens. Richard Durbin, D-Ill., and Roger Marshall, R-Kan., aims to control card-acceptance costs by requiring that acquiring banks offer merchants choices for transaction routing beyond the two big credit card networks. If one choice is Visa, for example, the other can't be Mastercard.

The bill would operate by requiring card-issuing banks with more than $100 billion in assets to include the second, unaffiliated-network option on their cards.

Proponents of the bill, including many major chains that have complained for years about their cost of card acceptance, have argued these provisions will spur competition for payment processing and drive down acceptance rates, a factor CMSPI's estimate takes into account.

Opponents argue the bill is an effort to interfere with market forces and could push merchants into agreements with systems that don't offer the array of technology the two big international networks have developed.

Some critics of the legislation also argue it will have little impact on a major piece of merchants' overall acceptance costs.

"As long as [CCCA] covered issuers have choice for the second enabled credit-card network, they could drop any network that chose to compete for merchant-routing volume by slashing interchange. I'd be very surprised if credit card interchange fees fell," notes Eric Grover, a payments consultant based in Minden, Nev. Interchange fees are a major component of merchants' overall acceptance costs.

Other fees, however, are a different matter, Grover says. "Issuers don't have a direct stake in licensing and processing fees that networks change acquirers, which are passed onto merchants. There'd be enormous pressure on network fees on the acceptance side of the network. They could be ratcheted down to zero," he notes.

Durbin has a history of seeking to control card costs for merchants. He is the lawmaker behind the Durbin Amendment, a rule that went into place more than a decade ago as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The amendment charges the Federal Reserve with restraining fees for debit card acceptance.

*—John Stewart*

# THE CFPB SEES ROOM FOR INDUSTRY STANDARD-SETTING BODIES IN OPEN BANKING...

Although the Consumer Financial Protection Bureau plans to develop a federal regulation governing the protection of consumer financial data shared through open banking, the agency says open banking will be best served if it does not "micromanage" open banking itself.

Back in October, the CFPB announced its intention to develop regulation that will govern how consumers' financial information is shared among financial institutions and payment providers. The CFPB plans to formalize what it terms "an unused legal authority enacted by Congress in 2010" to give consumers the right to control their personal financial data. The agency says it will solicit comments on its proposed regulation in a few months, then finalize it in 2024.

"Our proposal will recognize that the CFPB must resolve certain core issues because system participants are deadlocked or because existing approaches do not put consumers fully in the driver's seat," CFPB Director Rohit Chopra said in a blog post this spring. "But many of the details in open banking will be handled through standard-setting outside of the agency. Properly pursued, such standards can allow open banking to evolve as new technologies emerge, new products develop, and new data-security challenges arise."

The CFPB's stance—allowing industry bodies to develop technical standards while it develops overarching data-sharing guidelines—is viewed as a positive development, according to the Electronic Transactions Association, a Washington, D.C. payments trade group that has closely watched developments around open-banking regulation.

"There are a lot of technicalities in open banking, and data needs to be shared properly and safely," says Scott Talbott, senior vice president for government relations at the ETA. "A combination of government and industry standards is the right approach to ensure the policy goal of consumer data protection is achieved, while staying ahead of the changing technology behind open banking."

Open-banking technology allows payments players such as fintechs to access consumer accounts to verify ownership and funds availability for functions such as payments and transfers. Standards-setting bodies such as the Financial Data Exchange have developed rules to govern that access and protect consumer privacy.

One challenge for regulators is keeping pace with how technological advances in a specific industry impact existing regulation. "Regulators often struggle to stay ahead of technology, and the approach the CFPB is taking is the best of both worlds. The government [would set] overarching, guiding principals, while the industry focuses on the technical details," says Talbott.

*—Peter Lucas*

# ...AND LOOKS TO DEFINE 'LARGER COMPANIES'

The Consumer Financial Protection Bureau is looking at creating a rule to define so-called larger companies in the consumer-payments industry, according to a notice the regulator posted in June.

The rule if established would clarify the CFPB's supervisory authority with respect to nonbank payments companies, lending impetus to a recent trend at the agency toward more active rulemaking in payments. The agency has over the years established similar definitions of larger companies in other financial markets.

How the CFPB will define "larger companies" remains to be settled. But it will be a closely watched development, as it will set the boundaries for how far the agency' reach may extend.

The agency's post, which appears on a Web site of the Office of Management and Budget, says, "[t]he CFPB has defined larger participants in several markets and is considering issuing additional regulations to define further the scope of the CFPB's nonbank supervision program. In particular, the CFPB is considering rules to define larger participants in markets for consumer payments."

The reference to "larger participants" to establish the agency's scope stems from section 1024 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, also known as the Dodd-Frank Act, which was enacted in July 2010 and authorized creation of the CFPB. In the past, number of customers and total revenue have been among criteria the bureau has used in efforts to map the boundaries of larger companies.

Payments organizations and lobbyist groups are taking a cautious approach to the early moves by the CFPB to define larger payments companies. "ETA supports the concept of same activity, same risk, same regulatory outcome, and encourages the CFPB to continue to work towards a positive policy environment that encourages continued innovation," says a spokesman for the Electronic Transactions Association, a Washington, D.C.-based payments group with some 500 member companies, in reacting to the bureau's OMB post.

The bureau has become significantly more active in investigating payments practices since the appointment in October 2021 of Rohit Chopra as executive director. Chopra has directed investigations of such matters as buy now, pay later loans, open banking, and credit card fees.

*—John Stewart*

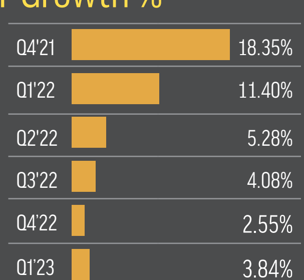
MONTHLY MERCHANT METRIC

## Total Same Store Sales YOY Growth %

This is sourced from The Strawhecker Group's merchant datawarehouse of over 3M merchants in the U.S. market. The ability to understand this data is important as SMB merchants and the payments providers that serve them are key drivers of the economy.

All data is for SMB merchants defined as merchants with **less than $5M in annual card volume.**

**Metric Definitions:** (Only use definitions related to an individual month's release) **Same Store Sales YOY Growth %** - Annual volume change/growth of retained (non-attrited merchants with positive revenue and volume) accounts for given period divided by total portfolio volume from same period of the prior year. **Note:** Previous metric included all active merchants, those with positive revenue, whereas the new metric shown only includes merchants with postive revenue **and volume**.




tsg

This report is based upon information we consider reliable, but its accuracy and completeness cannot be guaranteed. Information provided is not all inclusive. All information listed is as available. For internal use only. Reproducing or allowing reproduction or dissemination of any portion of this report externally for any purpose is strictly prohibited and may violate the intellectual property rights of The Strawhecker Group.

security notes

trends & tactics

# THE NEW AGE OF SECURITY

BY
GIDEON
SAMID
gideon@bitmint.com

**TECHNOLOGY SHIFTS** responsibilities to us, the people. Not long ago we called a travel agent to book a flight. We stood in line at the bank, to get the teller to move some funds. Today more of us store money in a phone, and rely on reputable ciphers to do what banks used to do just yesterday.

The ciphers that underlie cyber-finance are few and vouched for by a small cadre of elite mathematicians, most of them serving commercial and government interests. Edward Snowden revealed a few years ago that the U.S. government secretly cracked ciphers they declared ‘\”safe” and “uncracked.” It is a daunting reality: Every smart cipher surrenders to a smarter mathematician. AES, RSA, and Elliptic Curves are no exception.

These algorithms are in the clear. And, in theory we can change and tweak them as we please. But we don’t do it because we are not cryptographers. And so they serve as stationary targets for their attackers.

It is quite exciting, then, to observe a fundamental alternative for projecting security. We may soon do away with the intimidating mathematical complexity of today’s ciphers, and replace it with a flow of randomness. It is similar to what Elon Musk did for the automotive industry. He switched its source of power from petroleum to batteries. This is why I like to call this emerging cyber innovation “Tesla Cryptography” (Google it).

Fountains of randomness are cheap and easy. They may be low grade (algorithmic), they may be high grade (physical, e.g.. U.S. patent 11,394,530), or even quantum grade—perfect. The projected security is directly proportional to the amount of randomness used. Soon enough, we, the message transmitters, the payors, and the payees, will decide how much randomness to pump in, to achieve our desired security.

The case is like riding a train with no control over its speed. With Tesla Cryptography, we drive our own car, and our own foot is on the gas pedal. The more randomness we use, the “messier” the operation, but it would be our choice how much inconvenience to put up with in order to project our desired security. More security for larger sums, more convenience for smaller sums.

Come to think of it, all this is a remarkable shift of responsibility from an obscure mathematician to the de facto stakeholder, to the person who would be harmed if the security is breached. And, in its fold, this shift hides an even more explosive promise: a level playing field. Today, governments and big corporations run the cryptography show, and we are in their hands. But randomness-powered cryptography allows each of us to pump in sufficient randomness to ensure that no one, however smart and well-equipped, can break our communication.

Cryptanalysis is pattern-busting, alas. Randomness is patternless and hence immunized against cyber attacks. Unassailable communication security is a very positive and a welcome reality for the most part, but not always.

Payments cyber-insecurity will be a thing of the past. Cryptographic vaults will be more reliable than anything banks can promise us. As high-quality randomness becomes increasingly accessible, funds will be increasingly trusted to personal computing devices, less to bank accounts. Payments (and influence) will flow unimpeded across geographic and geo-political barriers. Traditional financial institutions, beginning with central banks, will all transform and adjust.

Digital money will be catapulted to heights and distances so far that our imagination will fail to even come close to what is coming down the pike. Much as Alexander Graham Bell had not a clue how far this little thing he called a telephone would go. DT

# HOW FUNDS ARE REALLY PROTECTED

BY BEN JACKSON
bjackson@ipa.org

**IN JUNE, THE** Consumer Financial Protection Bureau issued a Consumer Advisory and Issue Brief warning users of payment apps like PayPal, Venmo, and Cash App that their money might not be covered by FDIC deposit insurance.

The problem with this approach is that it might actually increase the risk for consumers.

In its "Issue Spotlight," the Bureau writes, "companies are also exposed to risk if customers demand their funds all at once," and warns that customers could lose money if this happens. Yet, in its Consumer Advisory issued on the same day, in a highlight box, the Bureau tells consumers: "Tip: Send yourself a reminder to move your money from the app to your insured account." It even offers a link so consumers can send themselves an e-mail with the subject, "Your money is at greater risk when you hold it in a payment app, instead of moving it to an account with deposit insurance."

Could the CFPB create the very condition that it thinks could put consumer funds at risk? While I certainly would like to think that the Bureau takes the "Protection" part of its name seriously, it seems its communication strategy needs some work. This juxtaposition of recognizing the risk and then calling for consumers to move their money feels tone deaf in the wake of the Silicon Valley Bank failure, which was precipitated by a similar run on deposits.

Even if the CFPB's Advisory and Spotlight do not cause a run on deposits, they nonetheless present the facts about payment apps in a way that seems to muddy the waters on protection.

While the Advisory and Spotlight mention that deposit insurance only protects a depositor if a bank fails, the recommendation still is to move money into an insured account. But if that account is offered through the app provider, and that provider fails, depositors still face risks. If those funds are in a bank, the contract between the bank and the provider may protect those funds, or a bankruptcy court could treat any funds in accounts as belonging to the provider. Either way, Federal Deposit Insurance Corp. protection is not a panacea. The real risk depends on how much money consumers have in the app, and for how long.

Additionally, the Bureau says that, despite thousands of pages of disclosure rules, "it is not always clear to consumers when they are dealing directly with a bank or with a nonbank." But FDIC pass-through insurance means dealing with a bank directly is not always necessary.

Although the Bureau acknowledges the existence of pass-through insurance, it writes that, in addition to the regulations governing such insurance, "some nonbank payment apps place pre-conditions on their products." But in the event of a bank failure, the app provider does not decide who gets insured. That's up to the FDIC, which laid out in 2008 that if the funds are 1) at an insured institution, 2) in a custodial account, and 3) attributable to specific individuals, they are insured.

Finally, funds held by companies with Money Transmitter Licenses are registered with the U.S. Treasury and regulated by the states. Most states have liquidity, net worth, and other requirements to safeguard individual funds.

In light of all of this, payments providers of all kinds should make sure that consumers know how their funds are protected. While it might seem redundant, given the disclosures required by the CFPB and other regulators, the Silicon Valley Bank failure taught us how fast negative messages, and panic, can spread among customers. Regular reminders about how deposits are protected can help prevent the spread of misinformation, regardless of the source. DT


REGISTRATION NOW OPEN
RetailNOW®
2023
Where the Industry Meets!
July 30 - August 1 // Gaylord Palms // Orlando, FL
www.GoRSPA.org/RetailNOW
RSPA

# BETTING THE HOUSE

## Payments companies should make simplicity of use a big bet when courting iGaming providers.

BY **KEVIN WOODWARD**

**EVERYONE, ESPECIALLY** those placing bets online and hoping to win big, wants a smooth payment experience. Online gaming providers are no different. They want their customers to easily fund their betting accounts and have a simple experience managing their payments.

That's where payments providers may be able to capture some share in the iGaming space.

Defined by the American Gaming Association as real-money online wagering on casino games such as slots, table games, or poker, iGaming is a growing industry with lots of potential payoff for payments companies. How much? One indicator may be the 22.7% increase in iGaming gross revenue in the first quarter of 2023 compared to the year-ago quarter.

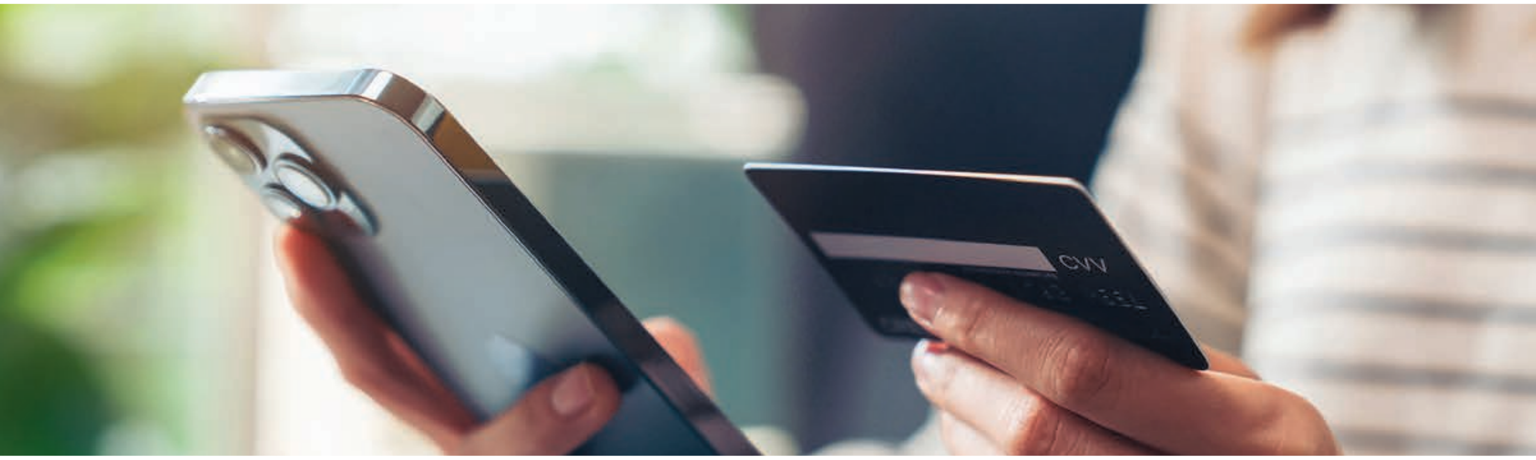

Data from the Washington, D.C.-based AGA's Commercial Gaming Revenue Tracker shows that online sports betting and iGaming accounted for 24.7%, or $4 billion, of gross gaming revenue in the first quarter, which totaled $16.6 billion for all gaming verticals.

As chief executive of North America iGaming for London-based Paysafe Ltd., Zak Cutler is tasked with knowing what iGaming companies want from payments companies. He probably has a good idea because, prior to joining Paysafe in 2021, he spent 10 years working at three different online-gaming companies.

What is it they want? Simplicity and ease of use rank high, though a single integration is atop the list of must-haves, Cutler says. "The high-level stuff they want is a single integration so that they can fulfill every payment need, money in, money out," Cutler tells *Digital Transactions*.

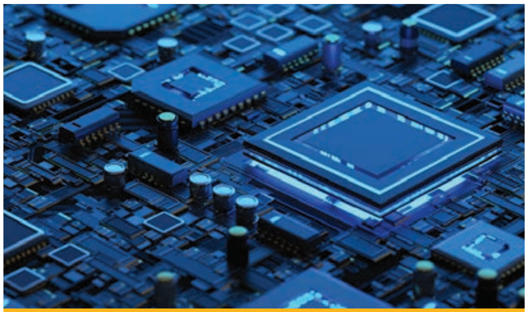
Another must-have is fraud protection. "It doesn't matter where you are in the world, the temptation of shiny bonuses, quick access to money, and de facto online wallets continues to be too alluring for organized criminals and habitually abusive users," says Matt DeLauro, chief revenue officer at Seon, a London-based fraud-prevention firm that has U.S. offices in Austin, Texas. Thirty-six states allow legalized sports betting, he says.

# Payment Solutions
## Customized to Fit Your Business



We're not your one-size fits all integrated payment solution, meaning we have the tools and expertise to implement creative **solutions that work for you today and for years to come**.

**DEDICATED EXPERT SUPPORT**



**ALL-IN-ONE TECH SOLUTIONS**

**FLEXIBLE PAYMENT PLANS**

**See why so many businesses choose Celero.**

celero core

**Scan to Learn More!**


> Cutler: "The high-level stuff [casinos] want is a single integration so that they can fulfill every payment need, money in, money out."

But iGaming companies can't exist without bettors, and their experiences must be seamless. "Our iGaming clients insist on keeping their players happy, and today's players expect the entire experience to be 'pixel perfect,'" says Michael Kaplan, chief revenue officer at PayNearMe Inc., a Santa Clara, Calif.-based firm.

Involved in iGaming since 2013, PayNearMe launched MoneyLine in 2021 to make it easier for players to receive payouts and make deposits in their iGaming accounts. "At the first sign of a hiccup or glitch, players—especially new ones—can become leery of the entire process," Kaplan says.

Tackling integrations has become quicker thanks to API codes, but the process can still have challenges. As Cutler says, the tricky part of easy integrations is that clients want redundancy. If one payment processor is down, they want instant routing to another, with no discernible interruption for the gaming consumer. Paysafe can offer three different forms of card acquiring through its gateway, Cutler says.

A key component is funding and payouts. Indeed, 36% those surveyed for Paysafe's "All the ways players pay" report, released earlier this year, said quick and easy payouts was their most important criterion for selecting an online sportsbook. That was followed by a trustworthy brand, 32%, and good odds, 28%.

Cutler says that means iGaming companies want to offer funding and payouts in multiple options. "How you want to fund is really a pie chart," he says. "There's credit, electronic cash, ACH, online banking, and digital wallets. You want to play a little in each."

While credit cards are the biggest piece, he says, they tend to have the lowest profit margins. Online banking is in the middle. "The opportunity is to be a gateway, a single connection that offers all of them."

"Providing reliable, fast, and consumer-friendly deposit and withdrawal appears to be the largest opportunity currently in the market," says Kaplan. "Third-party, gaming-specific wallets represent a very small and decreasing percentage of deposits and withdrawals."

## A MIXED BAG

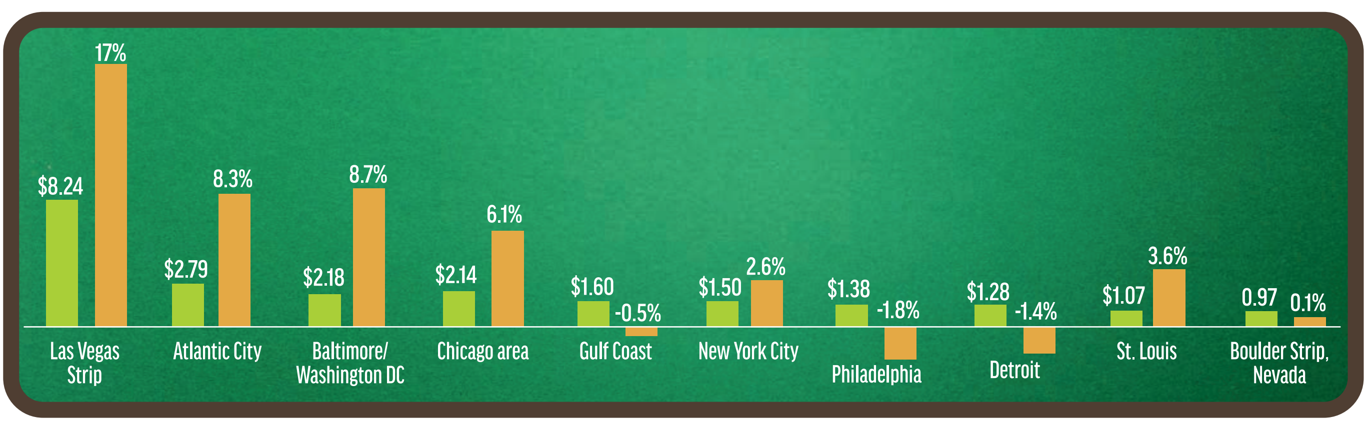
The uniqueness of iGaming also means there are special risk and compliance matters for payments companies, made more complicated because each state with online gambling has its own rules to abide by.

"The iGaming sector is growing quickly, while also facing pressure to uphold regulatory and compliance requirements," DeLauro says. "At the same time, the sector is being affected by a significant fraud problem that it must tackle. That's leading to iGaming

## WHERE THE HIGH ROLLERS ARE

(Top 10 U.S. markets in 2022, by gross gaming revenue, in billions)

Revenue | Change from 2021




Source: American Gaming Association

businesses looking for compliant services that enable effective risk management."

Because of this, iGaming operators are looking for services that go beyond the regulatory requirements, he says. They are considering adopting or strengthening anti-money laundering and know-your-customer procedures, conducting risk assessments, and seeking ongoing monitoring and reporting.

But doing all this requires a balance. "Establishing robust anti-fraud, KYC, and AML processes requires a delicate balance where the company puts in place key security measures that address the issues, limiting destructive behavior," DeLauro says. "Concurrently, it's important for the company to avoid applying excessive measures that negatively impact customers' experiences."

These experiences shouldn't burden the onboarding process with undue friction, he says. "However, it's clear that more must be done to tackle this pronounced and evolving issue," he adds.

Compliance matters will be tricky because of the lack of consistency from state to state, Kaplan says. "Each new state passes its own legislation to legalize the activity and then writes [its] own regulation to govern it," he says. "Once that is done, all of the participants in the market need to educate themselves on the regulation to understand how to operate their service legally in that state."


DeLauro

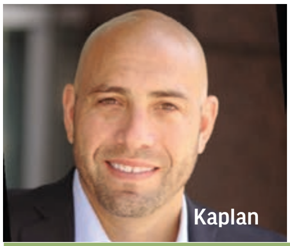
DeLauro: "The iGaming sector is growing quickly, while also facing pressure to uphold regulatory and compliance requirements."

Some states require specific licensing and background checks of participating payments companies, "while others don't require anything other than a simple registration. It is a complete mixed bag," adds Kaplan.

What payments companies and their iGaming clients don't want is bettor confusion when it comes to funding their accounts and collecting their winnings. Cutler, in his experience both as a client and now on the payments side, says seamless payouts are paramount. According to the Paysafe report, which surveyed 2,002 U.S. consumers in November, 38% expect an instant or near-instant payout. Many—25%—said that's important because deposits are instant and their withdrawals should be, too.

## THE FIRST DEPOSIT

Giving bettors a streamlined, seamless experience is how operators can differentiate themselves, Kaplan says, "so they expect their payments partners to be hyper-focused on the user experience."


Kaplan

Kaplan: "Our iGaming clients insist on keeping their players happy, and today's players expect the entire experience to be 'pixel perfect.'"

That could mean being able to provide routine funding and payouts and being able to cater to an iGaming company's high rollers. These consumers may need different service levels, Cutler says. They may have higher betting limits or demand 24/7 access to funds.

"Operators spend considerable amounts of money in match or bonus play in an attempt to attract new customers, get them through their registration, and KYC flows, and into their applications," Kaplan says. "However, no customer is truly acquired until they've successfully made a first deposit.

The allure of iGaming and online gambling in general is strong. U.S. sports betting could reach $7 billion in volume by 2025, DeLauro says, citing a Morgan Stanley report.

"Within each newly legalized state is a new pool of potential customers for operators—meaning huge opportunity for new revenue," Kaplan says. "New and casual bettors often won't hesitate to abandon a betting app if they feel uneasy during the registration and deposit process. It's imperative that payments providers enable operators to facilitate a first-deposit experience that builds trust."

"In a market booming with new bettors," he continues, "a provider with a focus on optimizing payment experiences is critical for operators to reduce acquisition cost, maximize the lifetime value of a player and ultimately, drive more profitability." DT

AVAILABLE EXCLUSIVELY FROM

ElectronicPayments®

# FREE

## EXATOUCH® POS PROGRAM

Create a long-lasting powerhouse of revenue-generating opportunities with EPI's FREE Exatouch® POS Program! Access lucrative merchant verticals while enjoying higher residuals, bonuses, and the best full-service experience in the industry.

**ZERO Hardware Fees & No Upfront Costs**

**Upfront Bonuses & Lucrative Residuals**

**Support for Dual Pricing**

**24/7 In-House Tech Support**

**Industry-Leading POS with FREE Built-In Features & Essential Tools**

Fast-track your growth and residual income today with a proven partner invested in your success!

**631-591-7679 | keith@electronicpayments.com**
**www.residuals.com**

# BY 2025, MOST TRANSACTIONS WILL BE SETTLED IN REAL TIME

That's a good thing, though it's important to understand the potential drawbacks of instant payments.

BY **LARRY TALLEY**

Larry Talley is the founder and chief executive of Everyware.

**BY 2025, THE** majority of financial transactions will be settled in real time. There's good reason for this prediction. Merchants and customers are demanding faster ways to pay or collect funds, and larger companies, as well as government agencies, are jumping on the trend, too.

Indeed, two of the major real-time payments players in the United States are The Clearing House Payments Co., which launched its Real Time Payments network in 2017, and the Federal Reserve's FedNow service, set for its commercial launch this month.


Here are some supporting facts for my prediction:

**ACH Isn't the Best Option Any More**

Standard electronic payments or money transfers are normally completed via the Automated Clearing House, or ACH, which handles everything from Social Security and salaries to mortgages. However, those transactions are not done in real time, and can be delayed by bank holidays and weekends.

Real-time payments, or RTP, are managed by The Clearing House and governed by major U.S. banks. RTP is gaining traction, and once the FedNow program launches, more and more payments will have access to these services, and instant payment will likely become the new normal. By 2030, the ACH payment system may no longer exist!

**The FedNow Service Program**

The FedNow Service Program is scheduled to launch in July. It will pave the way for instant, real-time payments to become even more popular and accessible. Developed by the Federal Reserve, the program allows financial institutions of every size—and in every community throughout the United States—to provide safe and


DAS BBQ
clover
Subtotal
Tax
Total
$8.70

efficient around-the-clock payment services every day of the year.

It will likely take companies at least two years to adjust their business models to effectively use RTP to settle transactions in real time.

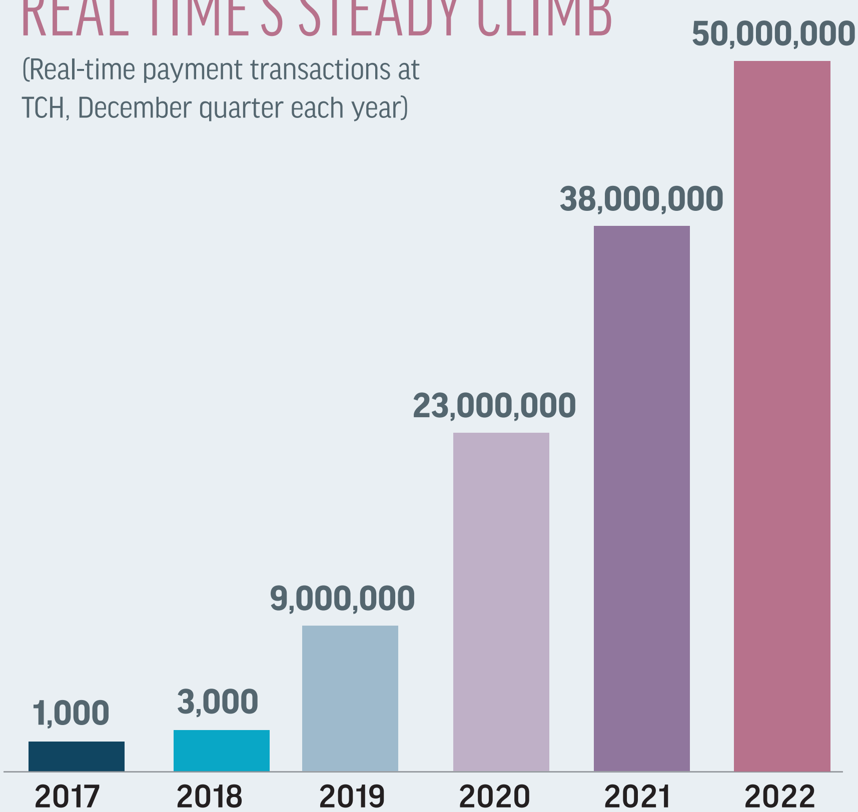
**Everyone Wants to Get Paid Faster**
Face it, instant payments are the future, and industries are recognizing the significance of this fact. If merchants are paid faster, customers are paid more quickly—a win-win for both parties. Here are two industry examples:

**The Automotive Industry**
Vehicle purchases are typically large transactions in excess of $10,000, which carry a lot of risk. An ACH payment can take up to three days before an issue like insufficient funds—or something else—arises. RTP can mean a faster transfer of ownership instead of waiting for a check to clear. The seller can quickly confirm receipt of payment.

In the event of an accident, RTP can also aid in speeding up the processing of claims. Insurance companies will have the ability to transfer funds to repair shops or customers instantly, reducing time and resources to get back on the road and improving customer satisfaction. This has the added benefit of helping repair shops and other vendors increase cash flow and reduce the need for financing or credit.

REAL TIME'S STEADY CLIMB

(Real-time payment transactions at TCH, December quarter each year)




Source: The Clearing House

**Healthcare**
Here, more and more refunds are being issued due to recent changes in regulations. RTP is replacing paper checks to streamline the process. Some examples of improvements include:

- Copays and deductibles: Patients can pay their copays and deductibles instantly using RTP, which can reduce the administrative burden for healthcare providers and help consumers manage their healthcare expenses more effectively;
- Telemedicine visits: The ability to pay for appointments instantly helps improve the overall patient experience by reducing administrative delays and making it easier for patients to access care;
- Medical equipment and supplies: Consumers can purchase medical equipment and supplies instantly using RTP, meaning chronic conditions or other health needs are managed effectively, without the time lost to manual processing of paper checks.

But RTP also has drawbacks. It's important to look at both sides of the matter and consider challenges to widespread adoption of RTP. Some of these obstacles can slow companies when adjusting their business models. They include:

- Infrastructure: RTP requires robust and secure payment infrastructure that can handle large volumes of transactions. Some financial institutions may not have the necessary technology in place to support RTP, which could slow down adoption;
- Regulation: RTP is subject to complex regulatory frameworks. Some financial institutions may

be hesitant to adopt it if they are concerned about compliance;

- Interoperability: RTP requires a high degree of interoperability between financial institutions and payment systems. If different payment systems are not able to communicate effectively with each other, that could limit the usefulness and adoption of RTP;
- Consumer adoption: Even if financial institutions can adopt RTP, consumer adoption may be slow if users are not familiar, or comfortable, with the technology.

Even with all the challenges, the good news is that the financial industry, and specifically payment-service providers, are actively addressing the issues that can come with widespread adoption of real-time payments.

Robust and secure payment infrastructure is being developed to handle large volumes of transactions, while compliance with regulatory frameworks is being put in place to encourage adoption. Industry players are also promoting interoperability among different payment systems to maximize the usefulness of RTP.

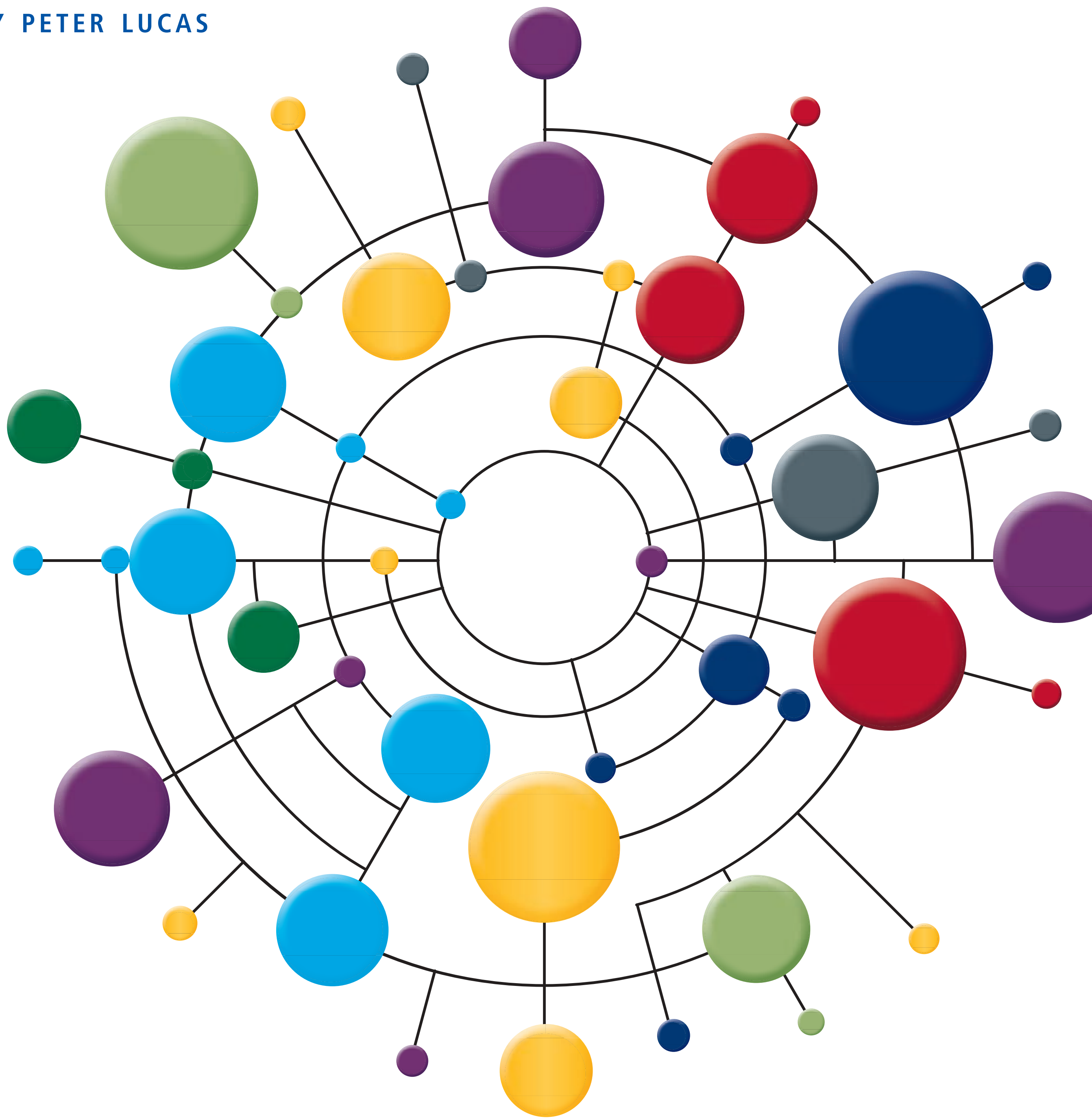
Furthermore, companies are educating consumers on the benefits of RTP and promoting awareness to increase consumer adoption. With these efforts, the industry is well-positioned to overcome the challenges and fully realize the potential of RTP, transforming the way we make and receive payments.

Companies and customers alike already recognize the value of RTP and will continue to be eager to adopt it. The coming launch of the FedNow program, paired with the developments I've outlined above, shows that we are poised to enter a (not-too-distant) future where all transactions will be settled in real time. We can't always predict how the evolution will happen, but we absolutely can predict that it will come. DT

# CAN VISA+ TRANSFORM P2P PAYMENTS?

Peer-to-peer transfers have turned into big business, but one nagging problem remains: there's no interoperability between networks. Visa is forging a solution, though there are complications.

BY PETER LUCAS



Peer-to-peer payments have in a relatively short period of time become ingrained in consumers' daily lives. Whether it's sending a family member birthday cash, money to a child at college, or repaying a friend for lunch, P2P payments make it easy and convenient to send money within minutes without having to visit a bank or ATM.

This has resulted in explosive growth. In 2022, global P2P payments totaled $3.04 billion, up from $2.62 billion in 2022, a 16.4% increase, according to The Business Research Company. Asia-Pacific was the largest region for P2P payments, followed by North America. The market is projected to grow at a 16.5% compound annual growth rate, reaching a total of $5.61 billion in 2027.

On a user basis, 64% of adults sent or received a payment through a P2P app in 2022, according to Consumer Reports Inc. Among consumers 18 to 29, that figure rose to 81%. Consumer Reports' data is based on a nationwide survey of 2,116 adults in March of 2022. In addition, 40% of respondents said they used a P2P app at least once a month, with 18% using an app at least once a week.

But for all the growth in P2P usage, one thing has been lacking: network interoperability. Despite the availability of extensive P2P networks owned by resourceful corporate parents—major examples include Venmo, Zelle, and CashApp—consumers can send money only to other users within the same network. A Zelle user, for example, must find some other way to send money to a Venmo user.

As a result, many consumers have downloaded more than one P2P app to ensure they can send money to family and friends, and even small businesses, using the recipient's preferred network. That's cumbersome.

"Network interoperability is important, as consumers rely more on different forms of digital payments," says Delicia Hand, director of financial fairness for Consumer Reports. "Our research shows that younger consumers use four to five P2P apps. Consumers shouldn't have to download a new app each time that want to send or receive a P2P payment."

## 'HEAD SCRATCHER'

What's the solution? Sensing a big opportunity to stimulate more P2P volume across networks, Visa Inc. in April announced Visa+, a so-called network-of-networks for P2P payments.

The aim of Visa+ is to enable consumers to send P2P payments to anyone, regardless of the networks the sender and recipient use. It is also a response to growing consumer demand for interoperability among P2P networks, Visa says. Its research reveals that 60% of surveyed P2P app users have had to download another app to send money to someone, and that 79% of respondents were interested in being able to send and receive funds across different apps.

"From our experience in the history of payments, closed-loop systems can prove to be a challenging long-term strategy from a growth perspective," says Chris Newkirk, global head of commercial and money movement solutions for Visa.

"Like what you see in the streaming market with the proliferation of services, there's only so much user growth, and eventually these networks will need to look at other ways to continue growing. That's where interoperability comes in."

The introduction of Visa+ is an ambitious gambit, and one sorely needed in the P2P space, payments experts say. But it is by no means a slam dunk. Challenges facing Visa+ and its partners include transaction security, consumer awareness, and speed of rollout. But the biggest challenge looming over the project is whether Visa can get all the major P2P networks on board.

So far, Visa has assembled an impressive roster of networks for the initial trial of Visa+, scheduled for later this year. These include PayPal and Venmo, which, surprisingly, are not interoperable despite PayPal's ownership of Venmo, among the largest of the dedicated P2P apps (chart, page 26). Other networks signed to come onboard include DailyPay, i2c, TabaPay, and Western Union.

Conspicuously absent from the list of network partners, however, are Zelle, which is operated by bank-owned Early Warning Services LLC, and Block Inc.'s Cash App.

Both networks are key players in the P2P business, with Zelle having been adopted by 40% of P2P users in the U.S., according to J.D. Power, while Cash App has 52.9 million users in the U.S., according to Insider Intelligence (formerly eMarketer).

"If Visa wants Visa+ to be successful in North America, they are going to need Zelle on board," says Thad Peterson, a strategic advisor for Aite-Novarica Group, a payments consulting firm.

For now, Zelle is mum on whether it intends to join Visa+. The network, which declined an interview request, says by email that it is not currently working with Visa+ but is always open to expanding its offerings to "democratize money movement" for all. When asked by email about the prospects of other P2P networks, such as Zelle and Cash App, joining Visa+, Visa did not respond.

Zelle's absence from the initial list of partners is something of a head-scratcher, as the banks that own Early Warning are Visa members, says Peterson. "I see Visa+ attracting a lot of P2P networks in North America as network interoperability is essential to the growth of P2P payments, but for now Zelle is not part of Visa+," he adds.

Some observers speculate that Zelle has chosen to remain on the sidelines as Visa+ ramps up so that it can focus on its Paze digital wallet. Paze, which was announced in March and will begin its pilot stage this summer, is aimed exclusively at e-commerce use and will be available to all banks, according to Early Warning. The wallet is scheduled to begin rolling out this fall.

Still, even if Zelle does come onboard later on, Visa+ will still need Cash App. "Without Cash App, Visa+ will lack ubiquity," says industry expert Sarah Grotta "Clearly, P2P networks such as Zelle and Cash App have been successful without Visa+."

## 'A BIG HURDLE'

To initiate payments between P2P networks using Visa+, consumers must create a so-called payname, which they set up in the P2P app they prefer to use. The user can then share her payname with anyone she pays or wants to receive payments from, using the payment app linked to that payname.

Although Visa bills the service as moving funds in real time, funds availability will depend on the

Peterson: "Visa typically ties its products to its cards, so it's questionable whether non-Visa cardholders will realize they can use the network."

banks involved in the transfer and the region they are in, the card company cautions.

While interoperability will make it easier for consumers to send and receive P2P payments, security will remain an issue, as it does with all other payment systems. Cybercriminals are certain to find ways to exploit the new connectivity between networks.

"As apps and accounts become more connected, there is a risk of scams," says Hand. "If consumers treat a P2P account the same as a depository account, shouldn't they have the same level of security as they do around a depository account? Payments scams evolve."

Consumer awareness about network interoperability will play a big role in the success of Visa+. One reason is that many consumers have formed negative opinions, or have misconceptions, about P2P apps they don't use, says John Cabell, managing director, intelligence, for J.D. Power. "Consumer awareness is a going to be a big hurdle to overcome," he adds.

Another hurdle is whether consumers who don't have a Visa-branded card will realize they can use Visa+ once it rolls out. "Visa typically ties its products to its cards, so it's questionable whether non-Visa cardholders will realize they can use the network," says Peterson.

One way to build awareness about network interoperability is for participating P2P networks to promote that capability through their own apps. Visa, too, plans to leverage its brand as well as work with its partners to build consumers awareness.

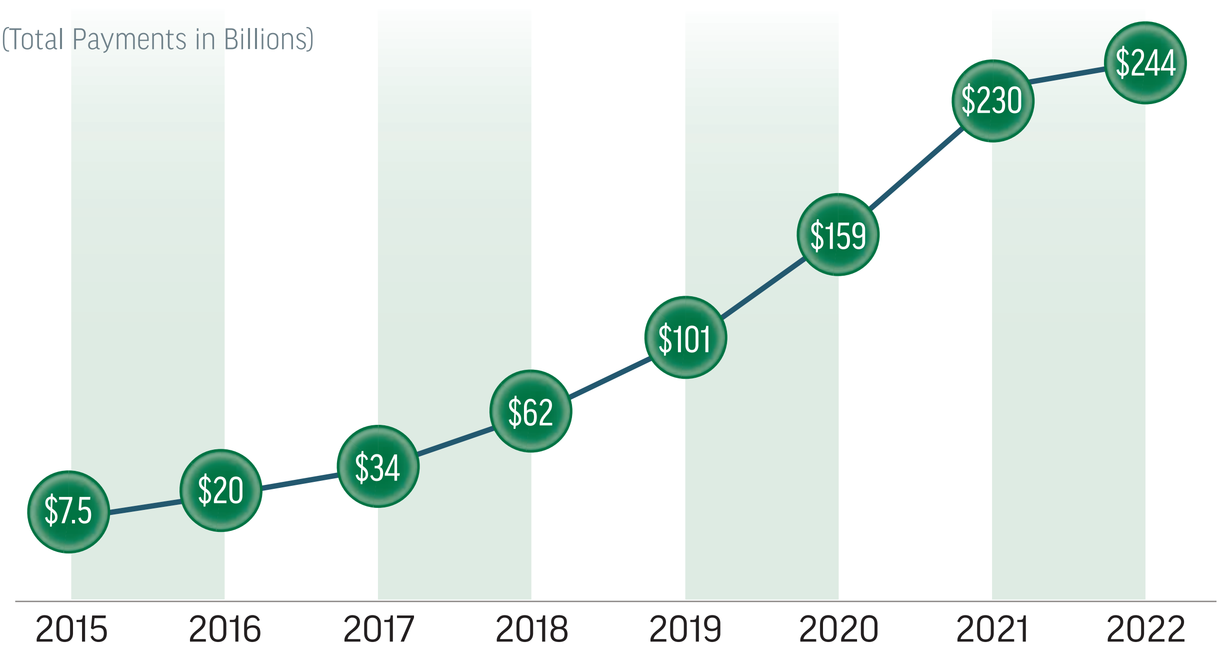
"Usage and industrywide interoperability will ultimately be driven by awareness. The large user base of our partners, combined with Visa's trusted brand, will help drive awareness and trial among users," says Visa's Newkirk.

## 'AN AREA TO WATCH'

As of now, Visa+ is expected to begin rolling out some time in 2024. That timeline seems reasonable to payments experts, given Visa's track record for introducing new products on time. A larger question about the rollout is who will be responsible for building the framework that connects P2P networks to Visa+.

## VENMO'S VAULTING VOLUME SLOWS

(Total Payments in Billions)




Source: Business of Apps

Grotta: "Clearly, P2P networks such as Zelle and Cash App have been successful without VISA+."

It appears that responsibility will be shared by P2P network partners and Visa. "Visa, DailyPay, and other participating wallets and partners did all the hard work [when it comes to connectivity]," says Dekel Beeri, vice president, payment strategy, for DailyPay.

For its part, Visa says its role in overseeing Visa+ will include connecting endpoints and form factors and enabling interoperability. Part of Visa's network-of-networks strategy includes using all available networks to initiate a transaction and being a single connection point for its partners.

But what participating networks will pay for transactions that run through Visa+ remains cloudy. Visa declined to share any specifics on network pricing. However, Ryan Dew, senior vice president of global product at i2c, says that while network pricing is not yet finalized, pricing is likely to be akin to that for Visa Direct and other money-movement services already enabled through Visa.

On the consumer side, Beeri says DailyPay does not plan to transfer any new costs to Visa+ users. "We want to provide the best service and provide it whenever and wherever our users need access to their earned wages." he adds.

One area in which interoperability is likely to boost P2P volume is business-to-consumer disbursements, such as payroll. Enabling disbursements will help fintechs with B2C payments to their customers, according to a TabaPay blog post on the company's Web site.

"Fintechs like DailyPay, which already send millions of earned-wage transactions to consumers' bank and card accounts, can expand their reach to participating wallets with a Visa+ payname," the post says. "Consumers can get funds when they want and where they want, quickly and securely. Visa+ paynames can also provide neo-banks a path to provide enhanced P2P services that increase engagement with their platform."

Looking at gig workers who get paid daily or per delivery, B2C payments would help them get paid faster and better manage their income stream, according to Hand. "But again, these types of payments must be facilitated in a way that is safe for the consumer," Hand says.

Growing B2C disbursements through Visa+ will also open the door for Visa to tackle the international space for P2P payments, Grotta adds. "This is an area to watch going forward," she says.

## A GAME-CHANGER

The primary reason Visa is taking the lead on P2P network interoperability, as opposed to the P2P networks themselves, is that interoperability is of the essence of what the company does. "Interoperability has historically been at the core of what Visa does. So, "creating interoperability among closed-loop wallets is right in our wheelhouse," says Newkirk.

"Visa has the technology and network to reach wallet endpoints around the world and enable money movement between them through consistent operating standards and risk controls," he continues. "We are flexible and are working on several approaches to meet client needs regarding interoperability."

If Newkirk's optimism turns out to be well-founded, Visa+ should perform as expected, and that will be a game-changer in the world of P2P payments. If not, it's likely some other standard-bearer will step in to forge interoperability among the networks. DT

SPONSORED CONTENT

# WHY E-COMMERCE PAYMENTS ARE ESSENTIAL FOR BUSINESS AGILITY

E-commerce and social commerce have been growing in popularity over the past few years, with online sales expected to account for almost a quarter of global retail sales by 2025. As consumer behavior shifts towards online shopping, businesses must adapt quickly to changing demands and expectations. One crucial element of any business strategy is enabling e-commerce payments.

A significant challenge businesses face regarding e-commerce payments is optimizing their platform for mobile and multi-channel purchases. Consumers expect to be able to buy products seamlessly across multiple channels, including social media platforms. To stay competitive, businesses must offer customers a seamless checkout experience across all channels.

Adopting an e-commerce platform optimized for multi-channel purchases can help merchants gain a strategic advantage over their competitors. A unified payment system streamlines the checkout process, making it easier for customers to buy what they want. With fewer steps in the sales funnel, businesses can increase customer loyalty and trust.

APEXOnline is an all-in-one e-commerce platform designed specifically for small businesses. It offers a cost-effective solution that lets retailers sell their products online through a visual shop builder. The platform is mobile-optimized, with unlimited products that can be uploaded for purchase. APEXOnline integrates with shipping vendors, making it easy to calculate shipping fees and automate structured data and sitemaps for search engine optimization.

In today's fast-paced business environment, agility is critical. Businesses must adapt quickly to changing market conditions, customer demands, and technological advances. E-commerce payments are an essential component of business agility. By enabling e-commerce payments, businesses can quickly respond to customers' needs and stay ahead of the competition.

A unified payment system can also help businesses increase customer loyalty and trust. Customers want to feel confident that their payment information is secure and that their transactions are processed efficiently. A unified payment system can provide this peace of mind, making it more likely that customers will return to make future purchases.

Businesses that fail to enable e-commerce payments risk losing customers to competitors who offer a better checkout experience. Social commerce and live commerce add convenience to the checkout experience, but they require merchants to optimize their platforms for mobile and multi-channel purchases.

By prioritizing and leveraging the right e-commerce solution, businesses can add more customers, improve operational efficiency, and promote scalable growth. APEXOnline provides small businesses with a cost-effective and easy-to-use solution that streamlines the checkout process, integrates with shipping vendors, and consolidates transaction data.

In conclusion, e-commerce payments are essential for any business that wants to remain competitive in today's digital landscape. Businesses must prioritize and leverage the right e-commerce solution to increase customers, improve efficiency, and promote scalable growth. With APEXOnline, small businesses can take advantage of a comprehensive and easy-to-use e-commerce platform that enables them to sell products seamlessly across multiple channels while streamlining the checkout process and improving customer trust and loyalty. To learn more visit us at go-afs.com.

AFS

AGILE FINANCIAL SYSTEMS

Agile Financial Systems (AFS) is an innovative financial technology solution provider based in Southlake, TX with the goal to provide omni-channel services and financial payment solutions to a variety of business owners. To learn more about us, visit go-afs.com.

Do you trust Powell and Co.?

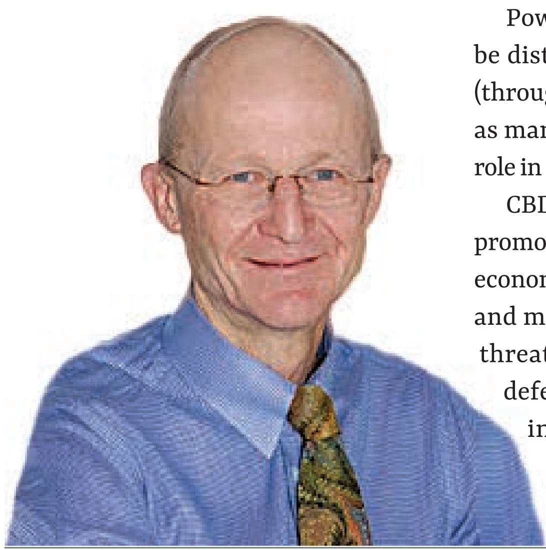
endpoint

# LEAVE E-MONEY TO THE PRIVATE SECTOR

## The case for the Fed running digital dollars is at best unclear, at worst unwise.

BY **ERIC GROVER**

Eric Grover is principal at Intrepid Ventures.



**LIKE MANY CENTRAL** banks, the Federal Reserve has been studying, and socializing, the idea of issuing digital currency, which in some form might be held and used by individuals, firms, banks, and other central banks. In 2022, the Fed published a thoughtful white paper, "Money and Payments: The U.S. Dollar in the Age of Digital Transformation."

On its own prerogative, however, the Fed can't issue a digital dollar. It's a creature of Congress. On March 8, testifying to the House Financial Services Committee, Fed Chairman Jerome Powell reiterated that the Fed would require statutory authorization from Congress to issue a retail central bank digital currency (CBDC). He noted a wholesale CBDC might not require it.

Powell said a Fed e-dollar would be distributed by the private sector (through banks), rather than directly as many partisans of a greater state role in the financial system had hoped.

CBDC advocates contend it would promote financial inclusion, increase economic efficiency, foster payments and money innovation, address the threat of China's digital yuan, and defend King Dollar. While sounding like mom, God, and apple pie, these assertions don't bear scrutiny.

The U.S. payments system is substantially digital, has network critical mass, works well, and is continuously improving. Most consumers and businesses transact with commercial-bank—not central-bank--money, using private-sector payments systems. There isn't a burning need that an electronic greenback would fix.

### THE E-YUAN DUD

Today, there are two forms of central-bank money. The Fed issues physical cash distributed by banks, and banks transact in central-bank accounts.

Money is a network. The greater the number of people willing to transact in it, the greater its value. Absent a mandate coercing consumers and businesses to accept Fed e-dollars, their path to network critical mass would be difficult.

In 2011, 8.2% of U.S. households were unbanked. Banks compete fiercely for new customers. With mobile phones, banking and electronic payments are available any time, anywhere. By 2021, only 4.5% of U.S, households were unbanked, of which 4% were long-term unbanked.

Of the unbanked, 34.1% cited privacy concerns as a reason, 33% said they don't trust banks, and 29.5% said bank fees were too high. Some 32.8%

of the unbanked use prepaid cards, and 18.1% use nonbank online-payment services. For those in the gray and black economies, operating in cash is a plus.

Traditional and challenger banks continue to bring people into the system. But if policymakers wanted condition-free, fee-free bank accounts to be more available, they would repeal debit-interchange price controls.

China's e-yuan bogeyman thus far has been a dud. As of December 2022, it was a paltry .005% of M2—cash, coins, demand-deposit accounts, and other liquid deposits. Mobile-payments giants Alipay and WeChat Pay, and payment-card-network monopoly China UnionPay, provide convenient, ubiquitous retail, bill, and peer-to-peer payments. The greatest uptake has been by the state and state-owned enterprises.

The yuan isn't freely convertible. The digital yuan is a tool of surveillance. Its share of foreign-currency reserves, and trade and foreign-debt denominated in yuan, is de minimis compared with King Dollar.

Looking at other parts of the world, the first CBDC, Ecuador's dinero electrónico, failed. Early CBDCs such as the Bahamas' sand dollar, Jamaica's JAM-DEX, and Nigeria's e-naira, have disappointed.

## THE FED'S FULL PLATE

A Fed digital dollar would discourage banks and fintechs from innovating in digital payments. No firm wants to compete with the central bank, which is the financial system's paramount regulator and enjoys unlimited resources.

Fears that a Fed e-dollar would be used to track and limit how and where money was used, however, should be put in context. If you use a credit card to buy a cup of coffee, it's not private. PayPal bans users from paying for legal firearms purchases.

While Powell assured Congress an e-dollar would ensure privacy, and would likely have more built-in privacy protection than the e-yuan, it wouldn't be anonymous.

The central bank has more on its plate than it can handle. It's responsible for executing monetary policy subject to its congressional mandate. It's the financial system's paramount regulator. And, it operates payment systems that compete with the private sector.

The Fed's monetary and regulatory competence is overrated. Since its 1913 birth, prices have been anything but stable, in contrast with the preceding century. There have been multiple financial crises and recessions. In recent years, the Fed's easy money was a major cause of the financial crisis—which the Fed didn't see coming. And it was asleep at the switch when Silicon Valley Bank failed.

Evangelists contend CBDCs would be risk-free in contrast with private-sector digital cash. Nothing is risk-free, but electronic banknotes, where deposits are insured by the government, are hardly risky. Digital dollars, public or private, would, however, have plausible benefits. In some respects, digital currencies are simpler than reigning payment systems. Payment and settlement are one transaction.

An e-greenback could improve cross-border payments for consumers, businesses, banks, and central banks. Private and/or public digital dollars would naturally supplant debased national currencies, enabling greater wealth creation in countries with untrustworthy money.

If there's a compelling case for digital dollars, and only the Fed is capable of issuing them, Congress should instruct it to issue an e-greenback. But the argument for a digital dollar is at best unclear. With light but clear regulatory oversight, banks, fintechs, and private payment systems are capable of developing and supporting digital banknotes.