

Proposal: 1625 Potential FR Actions to Support Interbank Settlement of Faster Payments  
Description:

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Comment ID: 132919

From: First Bethany Bank & Trust, Priscilla Cude

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Subject: OP-1625 -Potential Federal Reserve Actions to Support Interbank Settlement of  
Faster Payments

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Comments:

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To Whom It May Concern:

As a small community bank (\$210M) I would like to voice our desire for the Fed to be an active participant in the Faster/Real-Time Payments system. Historically, the Fed has been a payment rail provider for ACH, wires, image, and cash services. We think this makes it natural and necessary for the Fed to be a provider in the new faster payments world. We are concerned that if the Fed is not a participant of this system, then the megabanks, who already have ownership interests in the only real-time payment system (The Clearing House, TCH) will have exclusive control to set pricing, implement standards, and enforce rules of their own creation, all the while denying community banks any participation in system governance. With no effective natural competitor, megabanks will have the practical capability to monopolize the newest, fastest, safest, and potentially most efficient payment offering yet.

We would like to see the Fed become a transaction operator for a new real-time payment rail. The Fed is uniquely positioned in the marketplace to be a moderating force, keeping the market fair, competitive, and open to any bank that wants to participate. And, while the Fed might set rules and standards for this new payments system, its presence as an operator will at least interject transparency into the process, from which community banks will benefit. We also anticipate the Fed's presence will promote interoperability with providers that might otherwise be shut out of a monopolized market. In the view of TCH and its big-bank ownership interests, small banks are merely an afterthought, and will have no meaningful role.

If the Fed becomes a real-time payment operator, community banks will have alternatives in their selection of service providers, and not be forced into the arms of any one provider. Community financial institutions have liquidity management needs that are much different from the big banks. With the Fed as a transaction operator, community banks would be enabled to manage their own settlement (as we do on other payment rails) without being forced to give control to larger institutions. This would also allow each community financial institution to use the correspondent of its choice to manage its 24/7 liquidity needs, and permit them to request that their balances be used for reserve requirements, and that interest be paid on static balances (as is done today with EBA accounts).

The Fed has acted as a check on the private sector, and the availability of Fed's service alternatives has led to a more transparent, competitive, equitable playing field for the payment system. Currently, the only payment rail the Fed has not supported is cards: exactly where we have historically experienced unfairness with regard to pricing, rules, standards, and accessibility.

Lastly, we view the Fed's potential entry into the faster payments world as a Real-Time Gross Settlement provider as an essential next step to keep our nation's system healthy and competitive in the global market. RTGS is emerging as the standard in the central bank offerings of other countries, and it stands to reason that the US should not want to be left behind.

Your consideration is much appreciated.

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