

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

Description:

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From: Girard National Bank, Sean Lening

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

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

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Comments:

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The U.S. payment system must be modernized to improve the speed and security of payments for all end users. The Federal Reserve must continue to provide central bank settlement capabilities to support all faster payment service provider functionality currently in the marketplace and under development. Universal payment system access is critically important for financial institutions of all sizes, including our country's community banks. No potential private sector, faster payments service providers will be committed to the same level of integrity, safety, transparency, equitable access, and ubiquity as the Federal Reserve or to operate in an atmosphere of competitive fairness.

Accordingly, there are also three essential operational roles for the Federal Reserve in the modernization of the payment system.

1. The Federal Reserve should serve as an on-ramp to real-time payments, leveraging its connectivity among financial institutions to provide all financial institutions access to real-time payments.
2. The Federal Reserve should serve as an operator for real-time payments, as it currently provides for checks, ACH payments, and wire transfers.
3. The Federal Reserve should operate a payments directory that would link to financial institutions and to other private-sector payments directories.

These operational roles would be similar to those the Federal Reserve currently plays in checks, ACH payments, and wire transfers. There would be no need for the Federal Reserve to develop rules or standards for real-time payments. This is best left to the private sector and standards organizations.

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