

December 14, 2018

Via Electronic Submission

Ann Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Re: Docket No. OP-1625; Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Dear Ms. Misback,

Bank of America¹ appreciates the opportunity to comment on the potential actions that the Federal Reserve could take to help achieve ubiquitous, nationwide access to safe and efficient faster payments. Bank of America commends the Board of Governors of the Federal Reserve System (Board) for issuing the Request for Comments and considering the points of view of market participants such as Bank of America and thus, the interests of individual customers we serve.

Bank of America embraces the Federal Reserve Faster Payments Task Force's (FPTF) goal to make faster payments available to every U.S. consumer and business by 2020. Bank of America believes the Federal Reserve could accelerate the adoption of faster payments solutions by focusing its near-term attention on providing enhanced liquidity management tools and services to help banks manage their inter-bank funding and settlement needs during non-standard business days.

We believe the Federal Reserve has an important role to play as a convener for the marketplace to advance faster payments. We do not see the necessity for the Federal Reserve to become an operator of a new 24/7/365 Real Time Gross Settlement (RTGS) Service since available, in-market options for faster payments are successfully being adopted and used. These market-driven solutions can provide ubiquitous, resilient real time payments capabilities which are accessible to all and provide a strong foundation for innovation and competition to meet participants' needs.

Multiple faster payment solutions are currently available and gaining momentum.

The Federal Reserve defines faster payments to be those which operate all day, every day, and provide the receiver with quick access to funds.² In recent years, the private sector has produced a number of faster payment solutions meeting that definition for lower value, high volume transactions where

¹ Bank of America Corporation is one of the world's leading financial institutions, serving individual consumers, small and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. The company provides unmatched convenience in the United States, serving approximately 67 million consumer and small business clients with approximately 4,400 retail financial centers, approximately 16,100 ATMs, and award-winning digital banking with more than 36 million active users, including nearly 26 million mobile users. Bank of America Corporation stock (NYSE: BAC) is listed on the New York Stock Exchange.

² Federal Reserve's Request for Comments, Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments. P.4 "Faster payments allow end users to initiate and receive payments at any time of the day, any day of the year, and to complete those payments in near-real time (from the end users' perspective), such that, within seconds, the recipient has access to final funds that can be used to make other payments."

counterparty and settlement risk is low. These solutions are predominately built on networks that leverage existing ACH, Fedwire® and debit network services available to financial institutions of all sizes. There is resiliency and redundancy in the current private sector offerings suggesting there is not a compelling need for the Federal Reserve to enter the market with an additional public sector offering.

For example:

- The Zelle Network®³ (“Zelle”) was formed in response to customer demand for cashless solutions to person-to-person (P2P) payments. Zelle facilitates final funds transfers 24/7/365 between individuals within minutes, at no cost to customers, by exchanging payment information between end-users’ banks to complete the transfer. Customers who are in receipt of funds have access to and can spend those funds right away. Within the Zelle Network, more than \$32 billion of payments, representing 116 million transactions, were completed in Q3 2018 alone with an approximate growth rate of 70% year-over-year.⁴
- The Clearing House (“TCH”)⁵ launched the RTP® network in late 2017 to deliver 24/7/365 clearing and real-time interbank settlement, combined with robust messaging and data capabilities for financial institutions of all sizes. According to TCH, the RTP network is on track to reach approximately 50% of U.S. deposit accounts by 2019 and has a clear path to ubiquity in the near future.
- Visa Inc.’s Visa Direct and MasterCard Inc.’s MasterCard Send™⁶ are examples of debit networks that provide all debit cardholder customers with a mechanism to receive faster payments 24/7/365. While these networks require that funds be made available to a receiver within 30 minutes, typically transactions are completed within seconds.

Neither Zelle, RTP, Visa Direct nor MasterCard Send require alignment or interoperability with other like services to work. Instead, these faster payment solution providers compete to respond to customers’ needs and continuously improve and innovate to drive adoption. Similarly, if the Federal Reserve were to decide

³ About Zelle- Brought to you by Early Warning Services, LLC, an innovator in payment and risk management solutions, Zelle makes it easy, fast and safe for money to move. The Zelle Network connects the nation’s leading financial institutions, enabling consumers to send fast person-to-person payments to friends and family with a bank account in the U.S. Funds are available directly in consumer bank accounts generally within minutes when the recipient is already enrolled with Zelle. To learn more about Zelle and its participating financial institutions, visit <https://www.zellepay.com>.

⁴ <https://www.earlywarning.com/news/press-releases/2018/zelle-network-announces-32-billion-116-million-in-payments-for-Q3-2018.html>

⁵ Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching the RTP network, a real-time gross settlement (RTGS) payment system that modernizes core payments capabilities for all U.S. financial institutions.

⁶ Per Visa and MasterCard published information, Visa Direct and MasterCard Send enable their customers through their financial institutions to send and receive person-to-person payments, funds disbursements and business-to-business settlements directly to an eligible Visa or MasterCard card account in a fast, secure and convenient way. This push payment capability is delivered through the use of the Original Credit Transaction (OCT), a network transaction that enables eligible debit and prepaid cards to receive push payment credits. Thus any U.S. bank offering deposit accounts linked with debit cards can access this capability.

to build and operate a new 24/7/365 RTGS Service, Bank of America does not believe interoperability with other real time payments services is a realistic goal without dampening innovation and competition. The goal of interoperability also creates challenges with respect to governance and parity of feature functionality. Introduction of another, new Federal Reserve operated RTGS Service could slow adoption, potentially causing some institutions to delay integration pending clarity on architecture and features, add incremental costs to participants, and result in fragmentation and slower innovation. This could result in higher costs for financial institutions, consumers and businesses.

Expansion of interbank settlement services will facilitate faster payment innovation.

Bank of America believes the expansion of Fedwire Funds Services (FFS) operating days to provide off-hours liquidity for RTGS transfers between Federal Reserve accounts would help RTP participants exchange funds in step with client transactions, and thus enable more effective and efficient uses of capital during those periods. Similarly, Bank of America encourages the Board to consider expanding the National Settlement Service (NSS) to include weekends and holidays.⁷ These additional services could benefit gross and net interbank daily settlement and would align with customers' growing immediate payment needs. The Board's active leadership in providing these liquidity management tools would benefit the expansion and ubiquity of faster payments.

In conclusion, we commend the Board for its role in successfully facilitating faster payments in the U.S. and believe it can continue to facilitate faster payments by:

- Convening stakeholders as a follow-on to the Faster Payments Task Force; and
- Providing off-hours liquidity by expanding Fedwire Funds Service and the National Settlement Service to weekends and holidays.

Sincerely,



Mark C. Monaco
Head of Enterprise Payments

cc: Sarah F. Gordon, Global Regulatory Relations

⁷ The NSS serves a critical role to enable inter-bank settlement and clearing of funds and we believe its expansion to daily settlement could further accelerate U.S. faster payments marketplace innovations.

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