

THE CITIZENS BANK OF WINFIELD

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December 14, 2018

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

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

Dear Federal Reserve Board of Governors:

A faster payments system should be based on the principles that most financial institutions currently use in operations. The system should have medium or low risk; should be compliant with all banking regulations; and promote the ability to clear rapidly but not have reservations on collectability of the transfer system from unknown sources that are not legitimate providers. The Federal Reserve Bank must be involved to allow for the needed regulatory and rule making ability to assist with Federal regulatory, law and other economic landscape as well as provide an operational avenue for smaller and medium sized community banks.

Q1 RTGS is a viable system for interbank settlements since it promotes speed and safety all in one system. Why? Other models fail to provide a system that promotes monitoring of liquidity and a failure to be interoperable between services of financial institutions.

Q2 It is essential to the future of community banking for the Federal Reserve to develop RTGS settlement services. This type of system would mean equal and fair access to real-time payments and real-time settlement for community banks. Why? If the Fed does not provide this service, community banks will be forced to give up their information to be serviced by solution providers owned and controlled by the largest financial institutions in the country.

Q3. A. With the upcoming generation, we feel there could be sufficient demand to support the RTGS settlement service. The demand could come from retail and service businesses to speed up receipt of payments.

Q3. B-E. Financial services industry will be required to update all operations, develop software, secure communications to external provider, conduct analysis of all financial industry regulations, modify policies and procedures, develop/validate a liquidity management system, review/update BCP of all providers, and educate customers. Methods of fraud prevention must be implemented whether physical employee presence is needed or software is used to prevent loss by fraud. Community banks do not usually staff 24x7x365.

Q3. I. This database or directory is vital for establishing interoperability and would provide all institutions access to real-time payments. We feel the Fed must provide an open and interoperable directory service/database that can be accessed to determine how to route a faster payment. No other entity except the Fed would be committed to a higher level of safety, transparency, equitable access and ubiquity. Fraud prevention tools will be required whether provided by the Fed or the financial institution. Transactional limits for risk management and offsetting mechanisms to conserve liquidity are necessary.

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Q3. G. We feel interoperability is vital for the faster payments system to operate as envisioned. The current system is fragmented as some financial institutions monopolize the P2P system and deny routing for community institutions transactions. This fragmentation restricts access, limits competition and creates an operational barrier for community institutions.

Q4. A liquidity management tool developed and managed by the Fed is essential if settlement services are provided by the Fed. Transactions posting from a private sector entity could pose an operational weakness that could promote fraud.

Q5. A. The liquidity tool should allow a combination of all options mentioned. The liquidity management tool should be flexible and should allow a bank to originate a transfer from one account to another, allow an automatic transfer of balances (sweep) based on pre-established thresholds and limits, and allow correspondent banks to aggregate balances on behalf of respondents as needed.

Q5. B. Liquidity management tool should be available 24x7x365.

Q5. C. Use of the liquidity management tool should be restricted to faster payments at the beginning but could potentially be expanded in the future.

Q6. The RTGS settlement service and the liquidity management tool are a necessity to faster payments.

Q7. Both of the actions are needed by the Fed to provide integrity, safety, transparency, equitable access and ubiquity between all financial institutions.

As the Faster Payments system could eventually replace the current legacy payment systems like wires, ACH and check processing, we believe the Fed needs to be at the center of this effort. The Fed should be directly involved in development of a system that ensures financial institutions of all sizes have an opportunity to participate in the new faster payments. By developing the necessary infrastructure to support a faster payments system that provides for interoperability, the Federal Reserve will provide all sizes of financial institutions the prospect of having equitable access to a real-time interbank settlement infrastructure for faster payments. We respectfully urge the Federal Reserve to be involved in developing a 24x7x365 RTGS settlement service and a liquidity management tool.

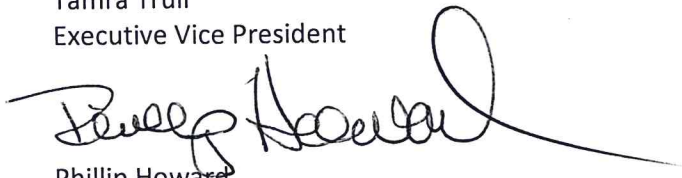
Thank you for an opportunity to comment on this very important matter.

Sincerely,

The Citizens Bank of Winfield



Tamra Trull
Executive Vice President



Phillip Howard
Senior Vice President