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Thank you for the opportunity to provide comment on Docket No. OP – 1625. Great Southern Bank wishes to provide a response to the following items:

1. Is RTGS the appropriate strategic foundation for interbank settlement of faster payments? Why or why not?

Yes, with reservations. RTGS would eliminate the interbank settlement risk that is present with deferred settlement, so that is a positive move forward. This would also support the goal of payment ubiquity by allowing real time settlement between more institutions.

There are some disadvantages or unknowns. The development of a real time gross settlement tool (and a corresponding liquidity management tool) would likely delay the overall goal of reaching payment ubiquity. Banks would need to consider the impact on their strategic initiatives if the RTGS system is interrupted. Will payments fail, or will settlement be diverted to a deferred model? And what contingency options exist? Banks will require time to understand demand from a customer perspective, and to ensure that there is sufficient liquidity to cover real time settlement. A liquidity management tool would need to go hand in hand with this model to ensure that payments are sufficiently funded 24x7x365. One additional challenge is the unknown legal framework for real time payments governance. We are not clear on the circumstances that may allow consumers or businesses to dispute payments sent and settled in real time (which could potentially pose a risk of loss to the debit institution regardless of the fact that funds were settled in real time).

2. Should the Reserve Banks develop a 24x7x365 RTGS settlement service? Why or why not?

Yes. Although a real time settlement option has been developed by The Clearing House, the Federal Reserve has been a trusted partner for years, and I believe would be a more reliable source for this type of solution to financial institutions of varying sizes. I believe the Reserve Banks development will mean that more institutions participate.

3. If the Reserve Banks develop a 24x7x365 RTGS settlement service,

a. Will there be sufficient demand for faster payments in the United States in the next ten years to support the development of a 24x7x365 RTGS settlement service? What will be

the sources of demand? What types of transactions are most likely to generate demand for faster payments?

There is demand right now, so we do believe there will continue to be demand over the next 10 years. This solution makes sense not only for consumers from a P2P perspective, but for businesses that are currently utilizing wire or ACH for cash concentration, disbursements, etc. We could also see value in settling funds between correspondent banks using RTGS. Customers utilizing wire transfers for same-day funding (title companies, for example) would see benefit in real time payment channels, as well.

d. What adjustments (for example, accounting, operations, and agreements) would banks and bank customers be required to make under a seven-day accounting regime where Reserve Banks record and report end-of-day balances for each calendar day during which payment activity occurs, including weekends and holidays? What time frame would be required to these changes? Would banks want the option to defer receipt of such information for nonbusiness days to the next business day? If necessary changes by banks represent a significant constraint to timely adoption of seven-day accounting for a 24x7x365 RTGS settlement service, are there alternative accounting or operational solutions that banks could implement?

Banks will require liquidity management tools and solutions from their core providers to operate in a 24x7x365 model. Staffing adjustments will need to be considered, whether that be staff on hand for extended hours, or additional hands to review settlement discrepancies or balancing issues with the RTGS process. We feel it would not be necessary to staff a department 24x7x365 as long as sufficient core integration and liquidity management tools exist to handle demand after normal business hours. We would also need to review customer agreements, risk management programs, and policies to make sure they speak to the needs of a real time payments environment. The time needed will vary from bank to bank. We would expect that most institutions would wish to defer accounting tasks to the “next business day” but could find value in separate reports for each day that real time settlement occurs, including weekends and holidays.

i. Is a proxy database or directory that allows faster payment services to route end-user payments using the recipient’s alias, such as e-mail address or phone number, rather than their bank routing and account information, needed for a 24x7x365 RTGS settlement service? How should such a database be provided to best facilitate nationwide adoption? Who should provide this service?

There is value in this from the perspective of protecting customer information; however with varying payment apps, we see this as being a challenge to keep updated. Customers would need to be given access to update this payment directory, the Federal Reserve would likely

not be the right entity to take responsibility for that.

ii. Are fraud prevention services that provide tools to detect fraudulent transfers needed for a 24x7x365 RTGS settlement service? How should such tools be provided? Who should provide them?

We need to better understand the legal framework behind real time payments before this can be answered. We don't think this would be the responsibility of the Federal Reserve, but rather core providers or processors. If the funds are settled in real time, a fraud prevention service would not bring significant value unless it can disrupt the payment and settlement (particularly after hours or on weekends and holidays). One perspective is that real time payments are just like handing over cash. If you hand over paper money and the person you gave it to doesn't live up to their end of the agreement, there is no recourse. The same should apply to a real time payment, but the legal framework needs to be in place to be able to speak to the value here.

4. Should the Federal Reserve develop a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x365 basis to support services for real-time interbank settlement of faster payments, whether those services are provided by the private sector or the Reserve Banks? Why or why not?

Yes. If you develop a real time gross settlement service but do not provide a way to maintain liquidity outside of normal business hours, banks would either be in a position of overfunding their settlement accounts for real time payments, or they may be in a position where payments are halted due to funding issues. Neither situation is ideal.

5. If the Reserve Banks develop a liquidity management tool,

a. What type of tool would be preferable and why?

A combination of allowing transfer origination from one account to another, and automatic transfer of balances (sweep), would be appropriate. Banks need a choice – what they use will depend on how they are staffed, the hours they maintain, etc.

b. Would a liquidity management tool need to be available 24x7x365, or alternatively, during certain defined hours on weekends and holidays? During what hours should a liquidity management tool be available?

It should be developed with 24x7x365 capability in mind, because some institutions will benefit from the automation it can offer on an ongoing basis, while others may wish to only use it after hours, on weekends, and on fed holidays.

6. Should a 24x7x365 RTGS settlement service and liquidity management tool be developed in tandem or should the Federal Reserve pursue only one, or neither, of these initiatives? Why?

They should be developed in tandem. Many FI's will need a liquidity management tool in order to use the RTGS settlement service.

Thank you again for the opportunity to provide feedback!



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