



December 14, 2018

Via Electronic Submission

Ms. Ann E. Misback  
Secretary  
Board of Governors  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

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

Dear Ms. Misback:

PULSE Network LLC (“PULSE”) respectfully submits the following comments on the Request for Comment entitled *Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments* (“the Notice”). PULSE appreciates and supports the Federal Reserve’s efforts to collaborate with the payments industry to promote faster, safer payments in the United States. Nevertheless, we believe the development and operation of a Real Time Gross Settlement (“RTGS”) system as proposed by the Federal Reserve is not advisable for the reasons set out below. PULSE would urge the Federal Reserve to take the time to review input from across the entire payments industry before deciding whether to proceed with development of RTGS.

**Who we are:**

PULSE® is a subsidiary of Discover Financial Services (NYSE: DFS), a direct banking and payment services company with one of the most recognized brands in U.S. financial services. PULSE operates one of the nation’s leading debit/ATM networks.

**Real Time Gross Settlement**

At this time, PULSE believes that the development and operation of the RTGS system by the Federal Reserve is not advisable because (1) we do not know if RTGS is the appropriate foundation for the settlement of faster payments and (2) we believe that the market already has the capability to meet the needs of consumer demands for a faster payments system.

Specifically, PULSE has the following responses to the Notice’s first two questions about RTGS. PULSE currently does not have enough information about the RTGS proposal to respond to question three.

1. Is RTGS the appropriate strategic foundation for interbank settlement of faster payments? Why or why not?
  - At this time, PULSE believes that RTGS as proposed is unnecessary for the interbank settlement of faster payments. More generally, it is unclear whether

RTGS is necessary to support faster payments. If RTGS is necessary, we would need additional information to determine the best foundation.

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

- At this time, we believe the development and operation of the RTGS system by the Federal Reserve is not advisable for the following reasons:
  - i. **Debit networks already provide real-time authorization and clearing services.** For example, PULSE has been providing real-time authorization and clearing services to the market for over 30 years. Debit network solutions have helped to facilitate the expansion of deposit access solutions in recent history. We believe the market already has the ability to provide what a new Federal Reserve-built transaction processing facility would provide for retail payments. To the extent that additional real time gross settlement services become a market requirement, we believe private sector participants are in a better position to meet the demand.
  - ii. **The industry has already made investments to support faster payments.** Debit networks like PULSE have made significant investments in systems, operations and risk management to support faster payments. Because debit payments tend to be high volume, low dollar transactions, debit networks have evolved as highly efficient service providers. If PULSE is required to use a Federal Reserve RTGS system, there will be additional, unnecessary costs and efforts associated with supporting a duplicative system, because real time authorization and clearing is already the norm in the marketplace.
  - iii. **Fraud Monitoring.** Any RTGS system would need to invest in fraud detection services to mitigate the risk of fraudulent transactions, which would be duplicative of investments already made by the industry. With its current solutions, PULSE conducts real time fraud transaction monitoring on our network. Further, PULSE conducts extensive risk management to monitor any potentially suspicious network activity, and we have the ability to intervene based on risk profile.

### **Liquidity Management Tool**

PULSE generally supports the implementation of a liquidity management tool that could be used with private sector solutions. However, PULSE currently does not have enough information about the liquidity management tool to answer questions four through seven of the Notice.

Sincerely,



David Schneider  
President, PULSE Network LLC  
Senior Vice President, Discover Financial Services