

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

Description:

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Comment ID: 133081

From: MidWestOne Bank, John J. Henk

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:

NONCONFIDENTIAL // EXTERNAL

To: Federal Reserve Bank

From: John J. Henk

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

This is provided pursuant to the Federal Reserve Request for Comment on whether it should consider creating a new, faster settlement infrastructure to support real time payments in the United States. I currently operate as the Chief Information Officer for MidWestOne Bank. MidwestOne Bank currently maintains approximately \$3.2 billion in assets, and is headquartered in Iowa City, IA.

I would like to express my support for the Federal Reserve Bank (the "Fed") development of a Real Time Gross Settlement Service (RTGS) and Liquidity Management Tool. The US lags the rest of the world regarding support for an open, comprehensive real-time payments infrastructure. Regarding the question about whether services should be provided by the private sector or the Fed, it would be more beneficial if the Fed offer services for real-time interbank settlement. Relegating this role to the private sector will result in less innovation and choice for community financial institutions as proprietary solutions emerge. This would not be in the best long-term interests of the customers we support. An open, standards-based directory service that payment providers, financial service providers, and financial institutions can access to route payments is essential to maintain choice and flexibility. The Fed would also be better suited to enforce data protection and security standards to ensure the security of confidential data and reduce associated fraud. The Fed is uniquely suited to address these needs and enforce a level playing field, both now and in the future.

Further, a community financial institutions ability to manage an RTGS system would greatly benefit from the Fed's support of a liquidity management tool. From an operational standpoint, liquidity management needs could be effectively addressed through the utilization of such a tool, which would encourage widespread adoption and support. However, although encouraging adoption and efficient administration, a liquidity management tool is not an absolute requirement for RTGS.

A safe and effective real-time payment and settlement system is vital to the continued economic stability and prosperity of our country and its citizens, which is in direct alignment with the Fed's role. I applaud the Fed's engagement on this topic, and respectfully suggest that is it time to act. Thank you for the opportunity to comment on this important proposal.

John J. Henk  
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Iowa City, IA

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