Fed's Proposed Settlement Action to Support Interbank Settlement
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1. Is RTGS the appropriate strategic foundation for interbank settlement of faster payments? Why or why not?

As indicated by the Board, I concur that RTGS is the best long term solution to interbank settlement. The key reason for my position is the overall reduction of risk this method will integrate into the fabric of Real Time Payments.

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

The Fed has always ensured that secure and open settlement options exist for bank of all sizes. If the Fed does not act in this manner the rise of RTP could reduce the Fed's overall role in how transactions within the US are processed.

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?

I believe the increasing trend in adoption of RTP will only accelerate in the years ahead. With the proper structure and security numerous use cases could drive payments toward this method at the expense of existing payment methods currently offered by the Fed including ACH and Fed Wire transactions. This will be caused by the potentially reduced costs RTP could offer as well as the inherent speed RTPs could offer which is universally valued by most participants in the payment ecosystem. These factor will ensure demand exists for RTP services.

b. What adjustments would the financial services industry and its customers be required to make to operate in a 24x7x365 settlement environment? Are these adjustments incremental or substantial? What would be the time frame required to make these adjustments? Are the costs of adjustment and potential disruption outweighed by the benefits of creating a 24x7x365 RTGS settlement service? Why or why not?

The changes suggested will impact different financial institutions in different ways based on the underlying architecture of their existing systems. For many the change could be substantial however the customer benefit derived by these changes should compensate for the work needed to implement these changes.

c. What is the ideal timeline for implementing a 24x7x365 RTGS settlement service? Would any potential timeline be too late from an industry adoption perspective? Would Federal Reserve action in faster payment settlement hasten or inhibit financial services industry adoption of faster payment services? Please explain.

The Fed has some time to act on implementing these services however a significant delay could create problems. If the Fed decides to offer these services the optimal timing would be within 2-3 years. Any potentially (although unlikely) negative short term impact by the Fed taking action in this space should be offset over the long term by the new options they would be making available within the overall ecosystem.

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 more than customers would need to make adjustments to accommodate a 7day processing environment for payments of this nature. Many banks would opt for daily reporting but might delay the receipt of these reports during weekend and holiday periods.

e. What incremental operational burden would banks face if a 24x7x365 RTGS settlement service were designed using accounts separate from banks' master accounts? How would the treatment of balances in separate accounts (for example, ability to earn interest and satisfy reserve balance requirements) affect demand for faster payment settlement?

This would depend on what additional automated tools the Fed or other provides might make available for the management of various liquidity and risk factors associated with the RTGS process. With tools that could be developed this burden would be minimized or eliminated over time.

f. Regarding auxiliary services or other service options, 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?

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?

iii. How important are these auxiliary services for adoption of faster payment settlement services by the financial services industry? How important are other service options such as transaction limits for risk management and offsetting mechanisms to conserve liquidity? Are there other auxiliary services or service options that are needed for the settlement service to be adopted?

The various services identified, as well as others, could prove valuable for the adoptions and use of the RTGS process primarily for small and midsized financial institutions. The best alternative would be the development of the Fed's systems to support interoperatibily so financial institutions could utilize existing or new offerings as they are created by the Fed, internal bank resources and external providers.

g. How critical is interoperability between RTGS services for faster payments to achieving ubiquity?

Ineroperatbility would be very beneficial however it is not a requirement for the Fed's service offering to be successful in the market. As stated in the Docket, the existing reach of the Fed to 11,000+ financial institutions already provides sufficient scale for success.

h. Could a 24x7x365 RTGS settlement service be used for purposes other than interbank settlement of retail faster payments? If so, for what other purposes could the service be used? Should its use be restricted and, if so, how?

I can foresee additional uses of this service however in the initial phases I would suggest it be limited to its initial intent used by entities regulated by the Government.

i. Are there specific areas, such as liquidity management, interoperability, accounting processes, or payment routing, for which stakeholders believe the Board should establish joint Federal Reserve and industry teams to identify approaches for implementation of a 24x7x365 RTGS settlement service?

Each of the items mentioned could benefit from an industry team (or multiple teams) to provide valuable feedback. Additional areas of consideration would be security and end user adoption.

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?

Due to the 24x7x365 nature of the system being consider by the Fed and other system that are/could be available in the market, any tools that could assist or automate the liquidity needs of the participating financial institutions would become a popular service of the banks participating in the program.

5. If the Reserve Banks develop a liquidity management tool, a. What type of tool would be preferable and why? i. A tool that requires a bank to originate a transfer from one account to another

ii. A tool that allows an agent to originate a transfer on behalf of one or more banks

iii. A tool that allows an automatic transfer of balances (or "sweep") based on pre-established thresholds and limits

iv. A combination of the above

v. An alternative approach

Option 4 would be the most desirable combination of services the Fed could make available. This would allow financial institutions to have the maximum flexibility available to manage their accounts and underlying liquidity. It would also create a fair and level operating environment for all size institutions to participate without significant benefits of scale or technology.

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?

A tool of this nature should be built to operate the same hours as the settlement system.

c. Could a liquidity management tool be used for purposes other than to support real-time settlement of retail faster payments? If so, for what other purposes could the tool be used? Should its use be restricted and, if so, how?

Usage of this tool could be used for other purposes as the ecosystem evolves and for members of the Fed system additional uses should be allowed. I do not see a reason why they should be limited unless a security risk is identified for alternate uses.

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?

I believe the most attractive option would be to develop both in tandem. The two efforts would certainly complement each other and once complete this combination would encourage the most adoptions by the largest number of financial institutions. If the RTGS service is not developed I hope the Fed will consider developing the liquidity management tool for other potential uses.

7. If the Federal Reserve pursues one or both of these actions, do they help achieve ubiquitous, nationwide access to safe and efficient faster payments in the long run? If so, which of the potential actions, or both, and in what ways?

If the Fed can provides these solutions and help create an overall ecosystem that allow this system to interact with other providers it could increase the adoptions of RTPs for multiple reasons. First it would create an implied legitimacy to RTP for those consumers and institutions that may be uncertain of the strength and validity of these payment types. Next it will provide potentially faster access to thousands of financial institutions who already have connectivity with the Fed. Also, it would create options within the marketplace creating a more competitive environment from a cost perspective.

8. What other approaches, not explicitly considered in this notice, might help achieve the broader goals of ubiquitous, nationwide access to faster payments in the United States?

None to recommend at this time.

9. Beyond the provision of payment and settlement services, are there other actions, under its existing authority, the Federal Reserve should consider that might help its broader goals with respect to the U.S. payment system?

- Action the Fed can take to help speed adoption include the following:
    - Continue supporting the FPC including work groups around topics such as Governance, Directories, User Education and other such items
    - Assist with driving modifications to existing regulations that make the adoption of faster payments more difficult for Banks and other providers
    - Continue work to support improvements in security elements of payments and processes involved in this new system.