

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

Description:

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From: Dupaco Community Credit Union, Todd Link

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:

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Proposal: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments [OP-1625]

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Your comment: I attended one of the Fed listening sessions in Cedar Rapids Iowa in November 2019. I would like to thank the Federal Reserve for creating these feedback opportunities. This was a great opportunity for you to hear from people that live and breathe payments 24/7/365.

Payments have likely never been at a larger crossroads than they are today. The next five years will indelibly shape the next fifty with how payments are made, what rails the payment ride and who controls the tracks.

I had a tree removed at my house. One of the payment options, was P2P being offered by the logger. He noted, e-invoicing saves him time and expense and instant payment saves him billing and collection issues which in turn allows him to re-deploy resources much faster back into his business. While the premise of the faster payment is in theory fairly simple, due to a lack of consistent interoperable rule sets and fragmented service providers the space is clouded with uncertainty and lack of consistency which is inevitably slowing down our march to a better system. It is hard to count the number of P2P providers that have come and gone over the past five years as a result of a central network available to all.

I would encourage the Federal Reserve to help create and hopefully manage the faster payment process. Our members benefit from a reliable payment system rooted in strong controls and equal access to all. Right now, that simply is not the case. We have Fintechs that have tremendous creative power but little experience in fraud mitigation or strong financial regulation. On the flip side we have major organizations and FI's that already exert an overpowering force on the whole banking industry now looking to control the payments ecosystem which doesn't bode well for credit unions striving to provide services to underserved communities and rural residents.

Real time payments not only represent the future of our industry, they truly are the present. The longer we take to hammer out strong, consistent, and universal processing guidelines which includes equal access to all, the more time we allow for the system to languish in its larger objective for real time

payment and settlement. We are not getting the results we could under a centralized Fed developed system.

If we leave faster payments to the industry alone we risk a limited number of players with deep pockets controlling the system and tilting the payment sphere to their orbit (including pricing/rules/participation requirements and platform of preference). The Federal Reserve has served as a central, fair, and consistent means with regard to image clearing, ACH, and wire transfer. The Fed has an opportunity to work with ALL FI's to create a robust payment network the likes of which the world has never known. And in this scenario, we have an equitable playing field, competitive pricing, uniform platform requirements, and appropriate regulatory oversight.

As you think about the future, I would strongly encourage you to consider using the strength of the existing Fed network and rails to deploy the quickest, safest, and most effective real time payments system available.

However a multiyear approach to getting this done is not as responsive to changing market conditions as financial service providers will seek. If multiple years pass before a system is deployed there is a strong likelihood that a private system will have enough time to generate a loyal following which would dampen long-term Fed use and viability.

I am happy to answer any questions you may have.

Best Regards,

Todd J Lin