



# FIRST NATIONAL BANK of PROCTOR

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November 28, 2018

RE: Docket No. OP-1625

You may have received comments from SHAZAM, our card processing provider, on this issue. We concur with SHAZAM's position on faster payments for community banks and other small financial institutions.

Without the Federal Reserve's intervention and leadership in regards to faster payments systems for our customers the goals of safe, universal and robust access will not be achieved. This is due to the current environment of products and processes available to banks like ourselves are controlled and access limited to larger institutions who will not share faster payments with other vendors who are not direct competitors to the smaller banks and credit unions. The private sector is failing to provide equitable access to all financial without the smaller players giving up enterprise information regarding their customers and related data to the larger banks who deny access processor such as SHAZAM payment systems.

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

**Yes, to provide fast, safe, efficient and universal real time settlement for all banking customers.**

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

**Yes, for community banks this would mean fair and equal access to real time payments and settlement.**

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?

**Real time settlement through the Federal Reserve will provide safe, fair playing field for all financial institutions, large or small.**

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?

**TBD through Federal Reserve**

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.

**Time is important, but this solution would be superior to what is available now.**

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?

**Most banks, even small banks, have the processing available from their respective vendors for this.**

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?

**Very little with today's technology and software.**

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 email 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?

**If the Fed does *not* provide a directory service in which all faster payment solutions can integrate, the ability to determine how to access consumer accounts will be controlled by a single solution provider.**

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?

**Yes**

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?

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

**Very critical. Currently none available are interoperable. Access is fragmented and controlled by a consortium of larger institutions.**

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. 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?

**This will be more evident as we move forward.**

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?

**If the Fed does *not* provide this service, community banks and credit unions will be forced to give up their information to be serviced by solution providers owned and controlled by the largest financial institutions in the country.**

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

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?

**Yes**

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?

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?

**In my opinion that would have to be determined by the availability of Federal Reserve resources to develop both. The 24x7x365 RTGS is the priority right now.**

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?

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?

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?

Thank you for your consideration.

Todd Peyton, President

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