

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

Description:

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From: Union Bank, Inc., Tim Aiken

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

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Submitted by:

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Union Bank supports and encourages the Federal Reserve's (the Fed") full and complete involvement in the development of a national Faster Payments system that will be accessible by all U.S financial institutions. U.S. financial institutions have benefitted from the Fed's key role in facilitating the safe and secure development of the existing ubiquitous payment systems in the U.S. (checks, wire, and ACH). It only stands to reason that the Fed should take a lead role in developing the next major advancement in U.S. payment systems.

Such a Faster Payments system should feature Real-Time Gross Settlement (RTGS), in order to simplify clearing functions and reduce settlement risk. We further support and encourage the Fed to design RTGS to be compatible with current wire and ACH systems. As a final component to a national Faster Payments system, we support and encourage the Fed to develop a Liquidity Management Tool, to compliment RTGS.

At this time, we continue to see increased usage among our customers of non-bank Faster Payment providers such as PayPal and Venmo; so, it is apparent that demand for this service is increasing. However, we at Union Bank do not have confidence that privately-developed Faster Payments systems (such as those mentioned above) or Zelle, which is owned and operated by the nation's largest financial institutions, will be accessible to community banks on an equitable basis.

Lastly, we are concerned, should the Fed not take a lead operational role in the development of a national Faster Payments system, that many community financial institutions will be placed at a distinct competitive disadvantage.

Thank you for the opportunity to comment.

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