

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

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Comment ID: 132946

From: The Citizens Bank of Winfield, William Russell Carothers, II

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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To: The Honorable Jerome H. Powell - Chair and the Board of Governors of the Federal Reserve

Subject: Comments on actions the Federal Reserve should take with regard to the role it will play.

Given its current role in the payment processing and settlement services the Federal Reserve has a working infrastructure that could fully support the real-time components of a faster payment system.

The Federal Reserve absolutely needs to maintain the major role.

The Federal Reserve Act of 1913 provides for the roles of the Fed to include stability and safety as well as fostering payment and settlement system safety and efficiency. The banking community has always been able to rely on the Federal Reserve Bank as a processing entity for our operational needs. If a payment system structure is not advantageous for smaller or medium sized banks and credit unions, it will create a gap that will impact the economy of communities and sectors of the economy unable to participate in the proposed structure.

The Federal Reserve needs to be not just involved, but continue supervising any newly created system. The key functions of the Federal Reserve Bank include helping maintain the stability of the financial system, fostering payment and settlement system safety and efficiency, and promoting consumer protection and community development. The Federal Reserve needs to be in charge to insure the security and safety of the network concerns, vendor management requirements and documentation of the security requirements and appropriate agreements for the payments processing environment which will be crucial to ensure back end issues do not arise for participants in faster payments process.

A faster payments system should be based on the principles that most financial institutions currently use in operations. The system should have medium or low risk, should be compliant with all banking regulations, and promote the ability to clear rapidly but not have reservations on collect ability of the transfer system from unknown sources that are not legitimate providers. To meet these requirements the Federal Reserve must be involved. A strong security frame work for networks and providers must be established cross referenced to existing regulations and rules.

If the Regulatory process turns out not to be the equivalent for any group processing faster payments, then it's going to leave a hole in the financial system. This is where the bad guys will go.

I do not believe that the Faster Payments Task Force representatives of Fintech-IT companies, major corporate retailers and the mega banks are considering the needs of the community banks and small credit unions that will allow us equal access or protection that we now have under the Federal Reserve System.

I have been in the community banking field going on 56 years. Over that time period, I have watched the banking system go down from over seventeen thousand banks to approximately fifty five hundred. Most of those that have gone were small banks either from failure but mostly from acquisition. If this new Faster Payments leaves the remaining ones out, it will add to the demise, particularly in the rural areas, where volume is too low for the big banks. While small credit unions may have grown in number, they would be affected similarly.

Thank you for the opportunity you have allowed me to go on record on this issue. We need the Federal Reserve involvement.

Sincerely,

William Russell Carothers, II

Chairman & CEO

The Citizens Bank of Winfield