

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

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From: First National Bank of Sparta, David Sternberg

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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Ladies and Gentlemen,

I reach out to you today in response to the questions:

Question #2

Should the Federal Reserve develop a 24x7x365 real time gross settlement service?

Question #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 or faster payments, whether those services are provided by the private sector or the Reserve Banks?

The simple answer is YES and YES the Federal Reserve should provide the service. During the financial crisis we saw large and small financial institutions fail at a rate not seen in most of our lifetimes. Uncertainty and fear gripped the nation and liquidity disappeared in the financial system. A faster payment system is a necessity in the modern environment we now find ourselves in. Entrusting this task to a private entity is unimaginable and would not be in the best interest of the public. No one among us has a crystal ball showing the next Leman Brothers; only the Federal Reserve has the ability to offer a universal solution that is fair for all banks regardless of size and can guaranteed to be there no matter what the future holds.

Sincerely,

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