

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

Description:

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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: In today's world of instant gratification, a centralized Real Time, 24/7 network through the Federal Reserve would be a welcome change for both Consumers and Financial Institutions. However, if not implemented properly, this could have a number of negative consequences that could affect all parties. A few of the current areas of concern, which are expanded in greater detail below, are account number verification, API integration, and fraud.

In regards to account number verification, there is a concern that opening a network that is 24/7 will have to be staffed by each financial institution at all times. In the current ACH environment, there is no ability for one Financial Institution to verify an account number is correct unless they send a pre-notification transaction. When we get to Real Time Settlement, the assumption would be that the pre-notifications would no longer be necessary. If that is the case, there would need to be some mechanism within the system that could tell if an account number at the receiving Financial Institution is correct. This would be very similar to how a Debit Card transaction works today.

As mentioned above, this is where the API call would have to come in. In order for this to be as efficient as possible, one would argue that each participating Financial Institution would have to contribute basic account information to the Federal Reserve, either through an API call or another file sharing mechanism, that would allow the sending institution to know if the account number entered was a legitimate account number, or not. Having the ability to know whether an account has sufficient funds for a particular transaction would also be beneficial.

As in anything, the more data that is shared between Financial Institutions, as suggested above, creates a very real threat of exposure to fraud. Any solution implemented by the Federal Reserve would need to keep that risk in mind while creating a new product of this magnitude. It could be surmised that if this product gets universal adoption, or as close to that as possible; and if that adoption was centered around some sort of file sharing process, that information could be vulnerable if not properly protected. It would be imperative that this be brought into consideration before going live with

such a product.

While this product is something that is already somewhat offered in the Market Place (The Clearing House's RTP solution as one example) the solution by the Fed has the potential to have a much higher adoption rate and, therefore, would be far more effective. Altra Federal Credit Union is very much looking forward to future developments of this product and is eager to see how everything unfolds.

Thank you,

Josh Goodman

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