

December 10, 2018

Via Electronic Submission

Ms. Ann E. Misback  
Secretary  
Board of Governors  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

Re: Request for Comment: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments. Docket No. OP-1625

Dear Ms. Misback:

The American Bankers Association<sup>1</sup> (ABA) respectfully submits the following comments on the Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments (the Notice). ABA shares the Board of Governors' goal of a modern, secure, and innovative payments marketplace. Since the founding of our country, banks have been the pioneers in developing and deploying new payment options, resulting in rapid advances which are reflected in the proliferating choices available in the marketplace today.

In a country with a uniquely large and competitive banking sector, banks are varied in terms of asset size, charter, geographic location and business focus. While there is a range of views on the appropriate level of action by the Board, there is broad industry agreement on certain actions and principles which would promote the ability of banks to provide faster payment solutions. We urge the Federal Reserve to make these three elements primary considerations in its analysis.

- **Liquidity Management Tool (LMT):** An LMT would help financial institutions manage fund balances dedicated for settling faster payment transactions, regardless of whether the transactions travel on existing faster payment rails or on any new capability offered by the Federal Reserve or private sector entity. The Federal Reserve is a logical provider of this service. If executed with a focus on flexibility it could facilitate a variety of faster payment solutions and catalyze their adoption. The Federal Reserve should launch the LMT quickly and it should be independent of any other actions that might be taken by the Federal Reserve.
- **Interoperability:** If the Board decides to create new or upgraded payments capabilities, interoperability with private sector solutions now in the marketplace is critical. If the Board develops a faster settlement solution, the approach used must be directly interoperable with private sector faster payment solutions and must be capable of interoperability with future private sector solutions to avoid the inefficiency and expense of maintaining functionally similar but incompatible systems.

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<sup>1</sup> The American Bankers Association is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits, and extend nearly \$10 trillion in loans.

- **Chartered Financial Institution Access:** Consumer protection is a longstanding central tenet of the nation’s financial services laws and policies. Banks, as licensees chartered by federal and state authorities and regularly examined for continued compliance with regulations, are the only institutions permitted by law to access the Federal Reserve’s payment systems. This arrangement is good policy that permits virtually unlimited innovation by those entities interfacing with banks and other chartered institutions. In an era of increasing cyber threats and data breaches at unregulated entities, we urge the Federal Reserve to keep the nation’s payment systems secure by respecting the law’s provision for direct access solely to chartered financial institutions that are regularly examined and subject to capital reserve requirements. The Federal Reserve should ensure that the nonbank participants working through banks to access the faster payments system be subject to the stringent oversight. The effectiveness of this structure was demonstrated when the Federal Reserve and financial institutions worked together to support check processing while planes were grounded after the 9/11 attacks.

As noted earlier, the added value of the Federal Reserve becoming the operator of a Real Time Gross Settlement System (RTGS), when weighed against potential unintended consequences, is an area of active discussion within the banking industry. The questions considered are complex and often involve estimating the ideal market structure for settlement services and how those choices impact the timelines for faster payments adoption.

A key backdrop for these discussions is the existence of The Clearing House’s (TCH) Real Time Payments (RTP) product, a not-for-profit and bank-owned system that charges the same fees to all financial institutions, provides no volume discounts, and operates with a cost recovery model not designed to benefit one FI over another.

The intersection of a private sector solution and the Notice seeking input on a role for the Federal Reserve lends itself to natural comparisons with the evolution of the market structures in prior emerging payment types. Most relevant to the question posed in the Notice, the Federal Reserve and The Clearing House both provide check and Automated Clearing House (ACH) clearing. These systems are interoperable, owing to common operating rules.

Depending on one’s perspective, this cooperative competition model has supported commoditization or redundancy in the ecosystem for ACH and check products. For some, these market attributes promote needed price competition and resiliency; for others they represent a duplication of effort and added complexity that could, in this case, delay faster payments adoption.

The current uncertainty around the Federal Reserve’s go-forward role in the faster payments marketplace is a question whose resolution would be welcomed by banks. We urge in the strongest of terms that whatever decisions the Federal Reserve makes on the critical issues, they need to be decided quickly. The uncertainty created in the meantime will contribute to business decisions being delayed, which benefits no one and will slow adoption.

If the Federal Reserve does move ahead, it must develop and offer the service quickly. The Faster Payments Task Force Final Report Part Two identified the year 2020 as the target for ubiquitous end-user receipt of faster payments. That should remain the goal with the recognition that extended delays may harm consumers and providers. Banks waiting for a Federal Reserve solution will be at a disadvantage in the marketplace if implementation is delayed and the goal of achieving ubiquity of faster payments will not be realized. Without a clear articulation of the expected timeframe, the chances of success are significantly diminished to the detriment of the entire industry.

If the Federal Reserve offers a faster settlement service, it is essential that it provide real time fraud detection services. The Federal Reserve will be in the unique position to view activity across the entire network, identify suspicious activity, and implement a risk-based scoring service for each transaction. This important aspect of a provider of real time payments was sorely missing from the Notice and any decision of whether or not to move forward must seriously consider whether such a service could be provided.

The remainder of this letter provides a detailed review of key areas of consensus and areas where banks may hold different opinions. Our goal is to provide the Federal Reserve with as much input as possible on these issues of critical importance to our industry and reflect the thoughtful and detailed comments of our members.

### **Offering a Liquidity Management Tool**

The LMT contemplated by the Notice would accommodate 24x7x365 funds transfers from a financial institution's master account to a faster payments account, which could prevent funds from sitting idle in faster payment accounts or low balances causing payments to be halted overnight or on weekends when Fedwire is closed.

An LMT offered by the Federal Reserve would help to meet the challenge that banks face in determining the appropriate balance to maintain in a prefunded account, like TCH RTP. As a common facility that would provide benefits to bank customers, an LMT can be and should be developed independently of any other Federal Reserve initiative as quickly as possible. It is essential that banks be able to access the LMT in conjunction with any systems they choose to use, and that it be made available on an equal basis to those systems.

ABA recommends that the Federal Reserve create an LMT that can be used with private sector solutions and Federal Reserve products. An LMT can be offered independently of, i.e., not linked to or contingent upon, a specific Federal Reserve faster payments product. This should be a high priority mission for the Federal Reserve that should be pursued immediately for the benefit of banks that could use this service to process faster payments using private solutions.**Interoperability**

It is absolutely essential that any Federal Reserve operated RTGS service be interoperable with comparable private sector solutions. If the Board were to create a solution that was not interoperable, the effect on the faster payments marketplace would be dramatic. Banks would be forced to make a choice between two bad options. First, operate two systems to ensure that their customers could make and receive payments to parties using either system. This is wasteful, expensive, and inefficient. Second, a bank could operate one system only, but risk losing customers when transactions to and from the other operator fail to complete. These scenarios are not acceptable, and they would represent unnecessary costs that could be avoided by clearly communicating that the Federal Reserve is committed to pursuing interoperability in its products.

The Federal Reserve Check and ACH clearing services are effective because transactions can begin on that platform and move to the TCH solution if needed. If the Board pursues an RTGS solution, a comparable manner of moving payments from one platform to another seamlessly is required. As a second-mover in the marketplace, should such Federal Reserve capabilities be added, they would benefit greatly from adopting practices already accepted by the industry.<sup>2</sup>

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<sup>2</sup> ABA recognizes that to become interoperable, both parties must come to an agreement on a number of terms and that interoperability is practically limited to a given payment type. It is not reasonable, nor prudent, to allow

Banks are in a variety of stages of faster payments adoption and having certainty that investments made now will remain viable in the future will contribute to overall faster payments adoption. It is also important that any Federal Reserve solution be compatible with all of the core processors that support financial institutions in the United States. Community banks typically rely on core processors who must add new capabilities to their systems on the banks' behalf. These upgrades are often costly and prioritized based upon urgency of need. The fewer distinct programming roadmaps required to be executed by the cores, the faster new capabilities become available to vast majority of banks.

While direct interoperability among end user solutions is made unnecessary by the involvement of banks, it is crucial that any system which holds itself out as a bank-to-bank settlement system be focused on serving as many banks as possible, even if a bank uses another system exclusively. Operating similar faster payment solutions that do not allow transactions to move seamlessly between them will diminish the value of both systems.

ABA recommends that, if the Federal Reserve does provide a faster settlement service, it adopt existing private sector protocols to allow transactions to flow across platforms. Its commitment to this principle should be communicated as early on as possible.

### **Chartered Financial Institution Access to the Payments System**

The banking industry has long partnered with and offered services to nonbanks to provide improved payment services to their customers. These arrangements range from these nonbanks providing authorization services to core processing to payroll automation. Nonbanks also provide services to banks creating online banking programs and customer facing applications to facilitate payments. The innovations that have arisen in the B2B payment space have been built upon the reliable and trusted platform of bank-based clearing. The longstanding policy, required by statute, that only regulated financial institutions may access the Federal Reserve's payment systems is prudent policy which should be maintained.

Consumer protection relies upon preparation, controls, and accountability. Settlement risk associated with third parties that originate ACH transactions via a bank is mitigated by the fact that the bank takes full responsibility for the validity of the transactions and for settling the transactions on behalf of that third party. If a third party originates unauthorized ACH debits, the bank that originated those transactions must return the funds even if the third party client has absconded. The bank is regulated, capitalized and regularly examined. It manages the risk of processing transactions for its clients and is responsible for making counterparties whole when transactions are rightfully disputed.

If the previous case involved a third party ACH processor that operated with direct access to the payment system, the results would be much different. If the third party absconds with the funds before the debits are identified as unauthorized there is no recourse for those whose accounts were debited.

In the RTGS environment contemplated in the Notice, settlement risk would be dramatically reduced because the funds must clear and settle simultaneously. The risk is reduced because if the funds are not available, the transaction is not made. There is no time lag between the clearing and settling of the transaction.

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transactions to pass from one payment rail to another if there are material differences in the speed of clearing or settlement, different message formats or levels of security, or other characteristics. For example, a transaction originated as an ACH should not be expected to settle on a faster payments rail, nor should a faster payment be expected to move on check or wire rails.

While settlement risk is reduced for RTGS participants, care must be taken that the risk of fraudulent and unauthorized transactions does not increase along with the speed that the funds can move out of an account. Financial institutions must meet stringent requirements regarding protecting customer accounts from intrusions and unauthorized access, protecting the privacy of personal account data, and protecting and insuring any customer deposits that are used to facilitate payments or that result from payments being received. None of these risks is reduced by the introduction of an RTGS system.

Allowing unregulated non-banks into the faster payments system would introduce an unacceptable level of risk to all participants and would create risk ripples throughout the economy. Any data breaches, or privacy mishaps, or unauthorized faster payment transactions that originate at a non-bank would harm not just that entity but all of the banks that meet more stringent customer protection guidelines. In the absence of bank-based controls at institutions working closely with regulators, systemic implications would be more difficult to manage.

ABA recommends that, the Federal Reserve maintain its current policy, provided for by existing law, of payment services being restricted to chartered financial institutions.

### **The Federal Reserve Acting as Operator**

In addition to the three points of action referenced above, the industry is considering the Notice's contemplation of the Federal Reserve operating a new or upgraded faster payments capability. There is limited detail in the Notice about what that capability could be, which impacts the ability of commenters to evaluate a final operational product that may be offered. However, it is possible to describe the issues at play thematically.

For both check and ACH processing the Federal Reserve and The Clearing House offer payment processing services. In one view, this model is seen as reason for the Federal Reserve to upgrade its systems. Under this theory, the Federal Reserve's participation could:

- Create competition on price and service, thereby reducing pricing risk associated with a single vendor market;
- Lower the risk associated with a system-wide failure; and
- Decrease the time it will take to reach end-user ubiquity because the Federal Reserve already has connections with more than 11,000 banks and credit unions, while reducing the need for banks to enter into agreements with new vendors.

With speed, ubiquity and fairness as shared overall goals, there are also arguments that the Federal Reserve's entrance into the marketplace could inhibit the ability of existing private sector solutions to meet the demand for faster payment services. The private sector has made a significant commitment to making payments faster by building the payments infrastructure utilizing a joint account at the Federal Reserve Bank of New York to settle. It is in the early implementation stage and is adding new bank participants. From this perspective, the Federal Reserve should focus on strategies that avoid:

- Using its dominant market position to delay the adoption of existing faster payments solutions by promising a system that will not be available for some time, inadvertently slowing ubiquity;
- Creating duplicative systems, where the economy must recoup twice the infrastructure cost of a single system; and

- Creating expectations that a Federal Reserve capability will operate at a lower overall cost to the banking sector, which may be speculative and could distort incentives.

## **The Monetary Control Act**

The Monetary Control Act and the Federal Reserve's longstanding policy regarding the provision of payments services requires the Federal Reserve to meet three criteria when considering offering a new service. There are a variety of opinions as to whether the proposal, as outlined, would meet these requirements. More details are necessary regarding the Board proposal before the challenges of the Monetary Control Act and Federal Reserve Policy can be resolved with certainty, but some initial observations may be helpful. The basic requirements are:

1. Full recovery of costs over the long run.
  - In one view, meeting this could be a challenge because The Clearing House's (TCH) Real Time Payment (RTP) product will be in place at the largest banks in the country by the end of 2019 and many smaller banks are expected to join during that same time period. Given that large volume that TCH RTP will capture before a Federal Reserve solution goes live, meeting the cost recovery requirements will be challenging because the pool of transactions will be shrinking. It will be difficult to allocate the costs of a new system across a much smaller pool of transactions at a reasonable price to ensure cost recovery in the long run.
  - Alternatively, based on the level of detail provided in the proposal, it may be too soon to determine if full recovery of costs can be achieved. It is possible that the Federal Reserve solution could draw volume away from TCH RTP, but it is difficult to determine the attractiveness of the Board proposal without more detail and the impact, if any, of the Fed being a late entry into the market.
2. The service will provide a clear public benefit.
  - In one view, the proposal does not make it clear how the Federal Reserve offering a faster payments system would promote the integrity of the payment system, improve the effectiveness of financial markets, or improve the efficiency of the payment system. The special status of the Federal Reserve and its dominant market position may create the perception that the private sector is not afforded a fair competitive opportunity, leading to pricing distortions and diminished options for banks in the long run.
  - In another view, this threshold will be met due to the expected benefits of competition, better pricing and service. In addition, having two service providers will increase the system's resiliency in case of a national emergency. As noted earlier, the Federal Reserve played an essential role in facilitating check processing after the 9/11 attacks and having it play a similar role in faster payments in case of a national emergency could help the system keep running.
  - As noted above, the Federal Reserve should make a decision on whether to offer this service quickly. If it moves ahead, it must develop and offer the service quickly. The public benefits, however justified, will diminish in value should indecision or delays hamper reaching ubiquity.

3. *The service should be one that other providers alone can't be expected to provide with reasonable scope, effectiveness, and equity.*
- At this time, some believe that intervention into a relatively new private sector marketplace by the Federal Reserve is premature. The TCH RTP hasn't been given the chance to prove that it can meet these high expectations on its own. Federal Reserve intervention would be a self-fulfilling prophecy, causing harm to private sector solutions that are seeking traction in a nascent marketplace, reinforcing the Federal Reserve's position as the dominant provider across all bank payment services.
  - Despite these considerations, there may be benefits to having more than one service provider to ensure that they compete on scope and price and service. Moreover, resiliency, particularly in times of crisis, argue for more than one provider and for involvement of the Central Bank. No other country has stood up a real time payments service without central bank involvement and given the importance of the U.S. in the global economy, some believe that this function can only be provided with the Federal Reserve's involvement and understanding of the intricacies of payment flows.

### **Other Issues of Interest**

In the Notice, there were several additional questions for consideration that are not fully captured in the discussion above. This section lays out additional comments to address these.

**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.**

As mentioned above, if a 24x7x365 service is to be created, it should be announced within the shortest period of time possible, and then implemented in a manner to be interoperable with comparable private sector solutions as quickly as possible.

The proposal itself is serving to inhibit adoption of faster payments. The specter of a Board solution is causing banks that are not pioneers in faster payments to delay adopting private sector solutions in lieu of the promise of the Federal Reserve product.

If the Board decides to become an operator, it should make that announcement as soon as possible and dedicate the appropriate resources to implement a solution interoperable with comparable private sector solutions as soon as possible to minimize market disruption.

Even if the Board proposes an "optimal solution", if it is not viable in the short term, it will not be optimal or viable at all. In faster payments, there is no succeeding in the long run. Success is granted to those that move quickly. The Board must make a decision quickly and then implement quickly to have any chance of providing a real public benefit through a new payment system. If the Board decides not to pursue a role as operator, it should make that announcement as soon as possible.

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

If a faster interbank settlement solution were created, ABA's membership has diverse opinions as to whether a RTGS or Net Deferred Settlement (NDS) process would be best.

Those banks favoring the RTGS solution noted the benefits of creating a new system that is not reliant on outdated technology that actually creates a real time payment. It would reduce settlement risk dramatically and represent a true improvement beyond what the existing infrastructure can provide.

Those banks favoring NDS support upgrading the existing Fedwire system by extending its hours overnight and on weekends and holidays as well as speeding up the payment origination process. By upgrading an existing system, the implementation timeline would be reduced and the cost to develop it would be lower.

Upgrading existing systems could be the first step towards faster payments while more extensive, longer term solutions are created.

**If the Reserve Banks develop a 24x7x365 RTGS settlement service, 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?**

ABA's membership believes that demand for faster payments will increase over the next ten years in conjunction with financial institutions being able to provide the service. There is not consensus on whether Federal Reserve operated RTGS service is needed.

**What will be the sources of demand? What types of transactions are most likely to generate demand for faster payments?**

ABA's membership believes that demand will develop across consumer and commercial transactions where faster payments make sense. There are many payment types that are best suited for existing rails exist and aren't expected to migrate to faster payments at this time.

**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?**

ABA's membership has reached consensus that adjustments would need to be made in a 24x7x365 settlement environment. These adjustments would likely be substantial for financial institutions but they are as of yet undefined because there is no clarity as to the details of the proposed new service. Similarly, it is not possible to provide a response regarding the timeline required or potential level of disruption without knowing how the new service would work.

**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?**



There is not enough detail provided in the proposal to provide a precise answer to the question of how big of a burden would this create regarding accounting and reporting changes that would be necessary. It would be substantial, not minimal. The same answer would apply to the question of the time needed to make the changes. Without knowing the changes, an accurate estimate of the time needed to make those changes can't be determined.

There may be compelling reasons for some banks to defer the receipt of information related to faster payments until the next business day. This is an option that should be protected.

**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?**

Maintaining a separate 24x7x365 faster settlement account would be beneficial if certain conditions were met. Bank Treasury Management functions could perform better and more tailored data tracking, analysis, and reporting activities on a segregated account. However, separate accounts would require that financial institutions manage fund balances closely. Balances that reach zero would introduce the risk of payment failing before it starts creating a negative customer experience and distrust in the system itself. Separate accounts would require that banks have the ability to move funds to and from their master account on nights and weekends. The Federal Reserve could address this issue by ensuring its LMT includes an automated sweep feature where participating banks can set minimum balance thresholds in the segregated RTGS account below which predetermined amounts could be auto-swept from the bank's master Federal Reserve account.

Maintaining a separate 24x7x35 account would be eased if the funds were treated similarly to those that were in the master account with regard to earning interest and satisfying capital reserve requirements. Unequal treatment of the funds would be detrimental to the service.

**Regarding auxiliary services or other service options, is a proxy database or directory that allows faster payment services to route end-user payments using the recipient's alias, such as e-mail 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?**

Additional detail is needed to provide a comprehensive response. If two services become interoperable then there is a clear need to be able to pass transactions to one another. Two parties can enter into an agreement on how to move the transactions.

As more parties offer services, a database or directory of directories may become more valuable than negotiating multiple bilateral agreements. There is the potential for the Federal Reserve to serve the role of a switch, routing transactions from originators to receivers, while maintaining minimal account information. This would be an alternative to a database of data that would be populated by private sector competitors and would also become a very attractive target for hackers.

**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?**

As emphasized above, if the Federal Reserve offers a faster settlement service, it is essential that it provide real time fraud detection services. The Federal Reserve will be in the unique position to view activity across the entire network, identify suspicious activity, and implement a risk-based scoring service

for each transaction. The Federal Reserve should share this information in real time with financial institutions to enable them to make a judgment to approve or block transactions.

**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?**

The LMT is essential and should be given the highest priority as long as it can serve the private sector solutions as well as any Federal Reserve RTGS system that may be created. Transaction limits may be desirable as the system ramps up and participants get a better view on volatility of fund balances. Other systems have started with lower caps that have been increased and the same method can be followed here.

**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?**

If the Board chooses to provide an RTGS service, it is important that it collaborate with the industry on a number of issues including interoperability, accounting and payment routing. There will likely be other areas where strong industry participation would provide a benefit and a process to set up joint teams should be developed.

On the matter of liquidity management, the Board should move immediately to create a collaborative team. Moving quickly on this issue would benefit the industry tremendously and it is not dependent on the Federal Reserve becoming an operator.

**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?**

Yes. ABA strongly favors the development of an LMT that can be used in conjunction with private sector solutions. The Federal Reserve should explore the possibility of allowing financial institutions that have exhausted the balance in their master accounts to fall into a daylight overdraft position or to borrow funds from the Federal Reserve to ensure faster payments liquidity. See the discussion earlier in this response.

**If the Reserve Banks develop a liquidity management tool, what type of tool would be preferable and why? A tool that requires a bank to originate a transfer from one account to another? A tool that allows an agent to originate a transfer on behalf of one or more banks? A tool that allows an automatic transfer of balances (or “sweep”) based on pre-established thresholds and limits or a combination of the above?**

ABA has outlined its support for an LMT several times already and will do so again in this section. It is important not to place undue restrictions on how the funds may be originated. Each bank should be able to use the LMT in the way that best serves their needs.

Some banks may wish to actively manage their funds 24x7x365. Others may use a third party to manage their funding levels by providing them with authorization to move funds to and from their master account to a dedicated faster payments account. Still, others may enable an automated system that would originate transactions when certain balance thresholds are met.

It is too soon to restrict how funds transfers will be originated and all methods should be considered as possible.

**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?**

Liquidity management will be needed 24x7x365. It would be preferable to use one system to manage funding in lieu of using Fedwire during regular hours and then switching off on nights and weekends. It may be worthwhile to explore whether Fedwire can be extended and enhanced to cover the short overnights during the week and on the weekends. Using an existing system would be easier for the banks and cut development costs and times. This alternative needs to be balanced against the assumption that adding on to legacy systems is not usually an efficient long-term solution.

**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?**

There is a clear need for an LMT and it should not be linked to a Federal Reserve operated RTGS service.

The Federal Reserve should move immediately towards creating a liquidity management tool that can be used by the private sector. This will promote faster adoption of faster payment services.

**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?**

Creating an LMT that can be used in private sector solutions as well as any solution the Federal Reserve may promote adoption of faster payments in the United States.

There is a lack of consensus among ABA's membership as to whether a Federal Reserve RTGS system would help or hinder the development of faster payments in the United States. See the discussion earlier in this response.

Thank you for the opportunity to provide comments regarding the Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments. We appreciate the Board's leadership in soliciting industry feedback on potential actions to promote the development of faster payments in the United States. We look forward to working with you for the benefit of the payments system and all that use it.

Should you have any questions, please contact the undersigned at [skenneally@aba.com](mailto:skenneally@aba.com).

Sincerely,



Stephen K. Kenneally  
Senior Vice President, Center for Payments and Cybersecurity