

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

Description:

Comment ID: 133078

From: Community Trust Bank, Sheila Burcham

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

Comments:

NONCONFIDENTIAL // EXTERNAL

December 13, 2018

Ms. Ann Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

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

Dear Ms. Misback:

I am the President and CEO for Community Trust Bank, a small independent community bank located in southern Illinois and have served on the CBAI's payments task force over the past year. Consequently, I am very concerned about issues that may affect our independence and the ability to compete in the ever changing financial industry which is the reason of my letter and comments.

I write this for your consideration regarding the Federal Reserve Bank's role in the future payments system.

Questions 1 and 2 - Is RTGS an appropriate strategic foundation for interbank settlement of faster payments and should the Federal Reserve develop a 24x7x365 settlement service?

Yes, I believe the Federal Reserve is the only entity that could provide the avenue for an equitable fair real time payment and settlement solution to all financial institutions. Should the Federal Reserve develop a settlement service? I would say yes or perhaps purchase the one already developed by the largest banks, The Clearing House, and make it available to all financial institutions. Why reinvent the wheel if such a transaction could take place? I hope that a solution for faster payments will come from the Federal Reserve so as a small bank I do not have to become affiliated with a provider that could manipulate our banks and customers information for the benefit of their organization.

Question 3 - Will there be sufficient demand for faster payments in the United States in the next ten years; What is the ideal time to market and when is it too late; required industry adjustments and operational burden; interoperability between RTGS for faster payments to achieving ubiquity?

If the recent development and use of payments through application technology is any indication of the demand, I believe there will be great demand for faster payments in the United States within the next ten years. Furthermore, the time to develop and market such a system has come and should be as soon as feasibly possible. Too late would be when smaller community banks have been forced to

connect to The Clearing House or some such conduit due to competition and the demands of our customers - how long can we wait for an alternative, unfortunately that is unknown but that time is growing short.

I believe that while the industry has been slow in the past to change and adapt to technology, we have been successful and must be willing to change to remain viable and competitive.

Interoperability is essential to a faster payments system and provides a level playing field for all financial institutions if done through a Federal Reserve platform. No more should there be a payment stopped because it is not allowed to flow through to an account at a larger institution requiring a user to sign up only for their payment system. A customer should be able to have one account at any institution and make a payment to any other institution or business they desire without multiple payment accounts.

Questions 4 - 7 - regarding liquidity management tool.

I believe a liquidity management tool is essential in this faster payment environment as items are settled real time throughout the day. Furthermore, I believe the Federal Reserve is the only organization that can provide both of these services in the fairest way to all entities involved in a faster payments system on a level playing field.

While I realize I cannot even begin to comprehend all that is required in developing a system of this magnitude, I do understand the necessity of this type of a faster payment system to all financial institutions ubiquitously. Also, I truly believe the only way it can be done fairly is with the Federal Reserve directly involved in the system. Thank you for your time and consideration of my comments.

Respectfully,

Sheila Burcham
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