



CONFERENCE OF STATE BANK SUPERVISORS

December 14<sup>th</sup>, 2018

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
Docket No. OP – 1625

Re: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments.

Dear Sir or Madam,

The Conference of State Bank Supervisors (“CSBS”)<sup>1</sup> appreciates the opportunity to comment on the Request for Information issued by the Federal Reserve Board (the “Board”) titled “Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments”.

CSBS and State bank regulators have long supported the Federal Reserve System (“FRS”) playing an operational role in providing payment and settlement services to the banking industry. Accordingly, State bank regulators would support the Federal Reserve Banks developing a service for 24x7x365 real-time interbank settlement of faster payments and functioning as a service provider in the operation of this system.

We agree that the development of a nationwide real-time interbank settlement infrastructure could play a pivotal role in enabling more banks to develop faster payments services that parallel emerging faster payment services in the U.S. and abroad. When compared to a private-sector real time gross settlement (RTGS) service, the development of a Reserve Bank 24x7x365 RTGS service is the most effective approach for ensuring equitable and ubiquitous access to all banks across the country regardless of type or size.

While State bank regulators would support the FRS developing and providing a real-time interbank faster payment service, we believe that such a system should remain truly “interbank”. Specifically, access to a 24x7x365 RTGS service provided by Reserve Banks must (for legal reasons) and ought to (for policy reasons) be limited to those institutions currently eligible to open a master account with the Reserve Banks, namely, depository institutions.

The policy rationale for limiting direct payments system access to depository institutions is clear and well-founded. Specifically, since providing an institution with a master account entails potentially

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<sup>1</sup> CSBS is the nationwide organization of state banking and financial regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS supports the state banking agencies by serving as a forum for policy and supervisory process development, by facilitating regulatory coordination on a state-to-state and state-to-federal basis, and by facilitating state implementation of policy through training, educational programs, and exam resource development.

extending credit to that institution in the form of an overdraft, the likelihood of such a credit extension being required is mitigated by limiting account access to depository institutions which, by definition, accept reservable, insured deposits. This policy rationale is as applicable in the context of a Reserve Bank 24x7x365 RTGS service as it is to existing Federal Reserve payment services.

As the Board continues along the path of developing a 24x7x365 RTGS service, we encourage the Board to forthrightly and candidly address any legal obstacles that may arise in this endeavor. When administering laws that serve as a barrier to entry to a service or industry, State bank regulators believe it is of utmost importance that legal mandates and limitations not simply be ignored because they may be inconvenient to some desired policy outcome.

With respect to payments system access, for instance, recasting legal limits as no more than operational challenges that may be addressed on a case-by-case basis is ultimately detrimental to competition and innovation in the financial services industry. Accordingly, we encourage the Board acknowledge legal obstacles and novel legal interpretations in a transparent and thorough manner as it continues forward with the faster payments initiative.

CSBS appreciates the opportunity to comment on this Request for Comments and look forward to future actions that the Federal Reserve may take to promote ubiquitous, safe, and efficient faster payments in the United States by facilitating real-time interbank settlement of faster payments

Sincerely,

A handwritten signature in black ink, appearing to read "John Ryan".

John Ryan  
President & CEO