

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

Description:

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Comment ID: 133311

From: Valley National Bank, Debbie L. Chastain

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Subject: OP-1625 -Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments

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Comments:

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To -

Ms. Ann Misback, Secretary

Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue, N.W.

Washington, D.C. 20551

Re: Potential Actions to Support Interbank Settlement of Faster Payments

Docket No. OP - 1625

Thank you for the opportunity to submit comments. Valley National Bank, Tulsa Oklahoma offers the following responses to the Federal Reserve's Request for Comment regarding RTGS and Liquidity Management.

We are a LT \$1B community FI in the process of implementing a strategic Technology Transformation to be a viable long-term community bank.

Valley National Bank is the first FI in the United States engaging with SAP Banking Services for Core processing and technology transformation to accomplish our long-term viability goal.

Real Time payment services are a significant component of our Technology Transformation project.

Question 1:

Is RTGS the appropriate strategy foundation for interbank settlement of faster payments? Why or Why Not?

Yes

RTGS eliminates interbank settlement risk inherent to a deferred net settlement model.

Eliminating cross-channel interbank settlement risk may facilitate interoperability and ubiquity.

Opens doors for a 24x7x365 economy (competitive advantage).

RTGS should allow for more ubiquitous, safe and secure faster payments in the US.

We do have some concerns -

Disruption to RTGS - cannot occur. Redundancy must be available in any Real Time payment system.

The Federal Reserve should supplement the market solutions for faster payments in a positive impact.

We do not want to see the current initiatives for faster payment solutions negatively impacted by Federal Reserve actions.

Question 2:

Should the Reserve Banks develop a 24x7x365 settlement service? Why or Why Not?

Yes

The Federal Reserve is viewed as a trusted partner in the financial services industry.

Encourages competition and innovation in the market.

The Federal Reserve as an Operator will help achieve ubiquity as with ACH.

More community financial institutions will participate in a service not owned by the select few, "larger banks".

Having the Federal Reserve play a role would be beneficial in providing competition and resiliency for faster payments in the U.S.

Existing solutions may not benefit all community financial institutions.

The Federal Reserve provides settlement for checks, wires, and ACH - faster payments is a natural fit with the other payment settlements.

Non-bank providers are providing a faster payment experience, circumventing financial institutions.

We do have some concerns ~

The Federal Reserve solution should complement RTP system developed by The Clearing House - and not slow down the industry's progress towards faster payments while some FI wait to see what the Federal Reserve will do before the FI makes strategic decisions. Expediency on Federal Reserve Faster Payments strategic decisions is needed for the market.

Costs and time to market for a new Federal Reserve RTGS service are unclear - is this initiative somewhat defendant upon the Atlanta Federal Reserve significant technology upgrades and therefore could be pushed out further than 2020?

Ability to share B2B remittance details is unclear. Without end to end remittance inclusion on B2B payments through the Federal Reserve RTP solution, adoption will be hindered in the B2B payment space.

Question 3A:

If the Reserve Banks develop a 24/7/365 RTGS settlement service, will there be sufficient demand for faster payments in the Unites in the next ten years to support the development of a 24/7/365 RTGS settlement service? What will be the sources of demand? What types of transactions are most likely to generate demand for faster payments?

Yes

The ongoing response from the market is YES.

In a global economy, RTGS is prudent regardless of initial demand.

The service is available in UE and Australia - the USA needs to be competitive.

We predict highest demand will be for P2P, Retail Point of sale, B2B\* and C2B\* payments (\*assumption is remittance will be passed with payments via the RTP solution).

Question 3FI:

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 recipients' alias, such as email address or phone number, rather than their bank routing and account information, needed for a 24/7/365 RTGS settlement service? How should such a database be provided to best facilitate nationwide adoption Who should provide the service?

A directory service is essential to a RTGS service.

Directory services have already demonstrated value in the marketplace.

There are currently directories in the market; interoperability is essential to address the growing demand for faster payments.

Question 3FII:

Regarding auxiliary services or other service options, are fraud prevention services that provide tools to detect fraudulent transfers needed for a 24x7x365 RTGS service? How should such tools be provided? Who should provide them?

Fraud prevention in a real-time environment is critical to the U.S. payments system

Tools could be provided by the Federal Reserve as a service or by other parties - we do not believe one single solution is a requirement.

Fraud prevention tools should work with other payments system and not be solely for RTGS

Question 3G:

How critical is interoperability between RTGS services for faster payments to achieving ubiquity?

If the Federal Reserve creates an RTGS service, interoperability is a critical component or else we have a fragmented payment system.

The private sector, and non-bank providers, are already developing or offering faster payments solutions; interoperability between these services, and any offered by the Federal Reserve, is critical to ubiquity.

True operability is more than transmitting payments and should include consideration of messaging,

speed, and other features.

Question 3H;

Could a 24x7x365 RTGS settlement service be used for purposes other than interbank settlement of retail faster payments? If so, for what other purposes could the service be used? Should its use be restricted and if so how?

An RTGS service could improve settlement for other payment services such as ACH and Wires.

Question 3I:

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 team to identify approaches for implementation of a 24x7x365 RTGS settlement service? The Federal Reserve could play a key role in directory services for faster payments through continued efforts to convene industry participants to work together toward collaboration, interoperability and utilizing common technical standards.

Question 4:

Should the Federal Reserve develop a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x265 basis to support service for real-time interbank settlement for faster payments whether those services are provided by the private sector or the Reserve Banks?

Why or why not?

This tool would be a valuable instrument that can help with account management during non-business hours, particularly if it facilitates automated liquidity management.

This tool should address all payment systems and not be limited to real-time payments.

Moving forward with RTGS should not hinge on the development of a liquidity management tool.

There is already a need for this tool to support payments being processed through The Clearing House's Real-Time Payments System.

Question 6:

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?

Both are valuable and one should not hold up the development of the other.

There is a great need now for RTGS even without the liquidity management tool.

There is a need for the liquidity management tool now, and it would be useful on its own.

Questions 7:

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?

Development of the RTGS service is the most critical step towards achieving safe, secure and efficient faster payments.

The liquidity management tool is a useful service or product, but it is not going to get the U.S. to ubiquity on its own.

We would like to see favorable pricing set for any new tools to encourage adoption and make legacy systems more quickly comply with faster payment solutions provided by the Federal Reserve.

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