

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

Description:

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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: Federal Reserve Questions 2 and 4

Question 2 - Should the Reserve Banks develop a 24x7x365 Real Time Gross Settlement (RTGS) service? Why or why not?

Question 4 - 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?

Longview Capital Corporation Response

Yes. Longview Capital Corporation agrees the Fed should develop a system for 24x7x365 settlement of payments. For community banks this type of system would mean equal and fair access to real-time payments and real-time settlement, offering choice and flexibility in the faster payments ecosystem.

The Federal Reserve providing RTGS is absolutely essential to the future of community banking.

Why? If the Fed does not provide this service, community banks will be forced to provide their information to be serviced by solution providers owned and controlled by the largest financial institutions in the country. When faster payments are concentrated through a single solution provider, community banks will lose choice and innovation will be hampered.

A community bank's ability to efficiently and effectively manage an RTGS system would require a liquidity management tool. We applaud the Fed for recognizing an important element of this service.

The result will be better service to account holders and businesses.

Federal Reserve Question 3f-i

Is a proxy database or directory that allows faster payment services to route end-user payments using the recipient's alias, such as email 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?

Longview Capital Corporation Response

Yes. Longview Capital Corporation strongly believes the Fed must provide an open and interoperable directory service (database) that payment and financial service providers and financial institutions can access to determine how to route a faster payment. This directory would allow payments to perform as text messaging does now. Consider how individuals can send and receive text messages, regardless of the carriers used on either end of the text message.

If the Fed does not provide a directory service in which all faster payment solutions can integrate, the ability to determine how to access consumer accounts will be controlled by a single solution provider. Community banks will lose choice and innovation will be hampered.

We believe such a directory is vital for establishing interoperability. It would provide all institutions access to real-time payments — regardless of their solution — further encouraging the adoption of real-time payments among all financial institutions.

Federal Reserve Question 3g

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

Longview Capital Corporation Response

The question of interoperability is the linchpin for the kind of faster payments ecosystem the Fed envisions.

Currently, there are multiple P2P payment solutions in the marketplace and none are interoperable. To illustrate, P2P solutions like SHAZAM BOLT\$ are often denied routing P2P transactions to DDA accounts at large financial institutions. This effectively requires that your customers use the large institution's P2P solution to meet their payment needs. It's critical the Fed understand that the faster payments system, as it currently exists, is fragmented. This fragmentation restricts access, limits competition and creates a burden for community institutions. As a result of this fragmentation, many community institutions, in order to serve their customers and members, may be forced to sign up for an option, like Zelle #174; which is owned by the nation's largest banks. Obviously, this relationship presents tremendous risk to the community banks, as taking this step will provide customer information to a consortium of the country's largest institutions. We don't believe it's acceptable for community banks to be forced to "default" to using these applications and technologies to meet the needs of their customers. Community banks will lose choice and innovation will be hampered. Some would argue that allowing, or even promoting, this relationship is advantageous as it helps achieve ubiquity.

However, if ubiquity is achieved by forcing community institutions to use the large bank consortiums then the public's payment needs are not properly being served. Only ubiquity obtained through multiple service provider interoperability properly serves the public's payment needs.

It may be difficult to keep track of all the developments with the faster payment system, and it may seem like it's implementation is down the road and the issues will be solved by someone else.

However, your bank's customers are in play. So it is critical that you be informed and take action, today.