

December 14 , 2018

Via Electronic Submission

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

Re: **Docket No. OP-1625; Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments**

Dear Ms. Misback,

Citizens Bank, N.A. (**Citizens**) appreciates the opportunity to provide input in response to the request for comment issued by the Board of Governors of the Federal Reserve System (**Board**) regarding potential Federal Reserve services that may help achieve the goals of ubiquitous, nationwide access to safe and efficient faster payments. Citizens strongly supports the Faster Payment Task Force's (**FPTF**) goal of a safe, efficient, equitable, and ubiquitous faster payment system for the U.S. by 2020. Citizens is evidencing its support both as an owner/member of The Clearing House Payments Company, LLC (**TCH**) and directly by working diligently toward connecting to TCH's RTP[®] network, a real time gross settlement (**RTGS**) and clearing infrastructure for faster payments, by early 2019. As you know, the TCH RTP network is the first new payment "rail" for the U.S. in more than 40 years, and Citizens recognizes this common vision would not be realizable without the Federal Reserve's constructive role as the facilitator of the FPTF.

The Board has asked for comment on two potential Federal Reserve services, a 24x7x365 real time gross settlement service (**Fed RTGS Service**) and a liquidity management tool (**Liquidity Service**). As more fully discussed below, Citizens Bank:

- Believes there is an important role for the Federal Reserve to play to support faster payments in the U.S by providing an expansion of Fedwire Funds Service operating hours for the sole purpose of managing balances in the RTP joint account; it is unclear whether this can be accommodated by expanding the operating hours alone or requiring the addition of a new Liquidity Service;
- Believes the RTP network will provide a ubiquitous solution to consumers, small business, commercial and government users that will continue to deliver payments security, technology, and convenience to address the rapidly changing technology world;
- Believes the introduction of an alternate RTGS Service maintained and operated by the Federal Reserve could create confusion and uncertainty in the payments space causing some banks to delay committing to either system. In Citizens' view, industry participants will be tempted to wait until a "winner" is determined between two separate RTGS systems as they will want to

forgo having to invest in multiple faster payments systems, which could delay the adoption of both systems and reduce the possibility that either system will become widely adopted.

- Believes that two separate systems may result in increased technology costs, add operational costs to manage competing systems and operating rules, and intensify consumer confusion and dissatisfaction, all of which are in direct conflict with the goals of the FPTF.
- Believes that some of these concerns may be addressed if both the TCH RTP system and a new Fed RTGS Service were interoperable. However, it is unclear to Citizens how technologically feasible this would be and, if the TCH RTP system is shown to be safe, reliable and fully operationally, why a separate system would be needed except to provide redundancy, in which case full interoperability may not actually be desired.

Notwithstanding our concerns about the creation of a new Fed RTGS Service, Citizens is committed to exploring how best to achieve our shared goal of a ubiquitous faster payment system for the U.S.

To further elaborate on our position, Citizens supports the Federal Reserve's limited role to extend operating hours of the Fedwire Funds Service to 24x7x365 for the sole purpose of maintaining liquidity in the RTP joint account. Increasing the hours for all banks to top up their joint account balances will help ensure the success of the RTP network and maintain consumer and business confidence in the new system.

With respect to our on-going commitment to the TCH RTP network, Citizens has been working diligently to provide an industrial-grade system to enable a safe, secure, and instant payment environment to our consumer and business clients. The TCH RTP system will provide Citizens the ability to create a true payment community where senders and receivers can exchange messages to ensure accurate posting, help consumers avoid late fees and overdrafts, and provide payment certainty that will help alleviate various conflicts in today's collection environment.

If the Federal Reserve does develop a faster payments system, it would be critical that it be fully interoperable with the TCH RTP system. If interoperability isn't planned for and achieved, then by introducing another RTGS, the Federal Reserve could be increasing participants' investment cost because participants would need to connect to both systems. This could delay investment, or worse, require investment in disparate systems that could increase technology and operational costs and create the potential for consumer and small business confusion and frustration, all while making ubiquity harder to achieve.

Developing interoperable systems is only the beginning. The Federal Reserve would have to ensure that operating rules and policies are identical for a consistent customer experience. Consumers especially want an instant payment system that is user-friendly, reliable, and secure. Creating multiple payment systems could be counterproductive to creating that ubiquitous experience and certainly could create a significant obstacle on the path to ubiquity.

To summarize, Citizens believes that extending the Fedwire Service will help ensure proper liquidity management of the TCH RTP system and, with immediate bank-to-bank settlement, increase the safety of TCH RTP. Citizens also believes that the Federal Reserve has a role to ensure TCH maintains a fair and equitable system to all bank participants – meaning rules that enhance and secure everyone's

experience, while ensuring equitable pricing for all. However, Citizens does not believe that the Federal Reserve should set up a new Fed RTGS Service as a separate and discreet RTGS system as this will as it will almost certainly delay full scale adoption across the industry. Banks will be better able to remain competitive by spending scarce investment dollars on a single platform and minimizing costs by supporting a single new operations team. Finally, Citizens believes that the Federal Reserve can best play a constructive role in the development and wide adoption of a RTGS system, and meet their FPTF goals by 2020, by supporting TCH's continued efforts to bring a safe, ubiquitous system to banks, big and small, as well as consumer and corporate participants through TCH's development and implementation of the TCH RTP system.

Citizens thanks you for the opportunity to comment on these important issues and questions concerning the development of a RTGS system that serves all of the participants in our country's payment infrastructure.

Sincerely,

A handwritten signature in black ink, appearing to read "Cummins", with a stylized flourish at the end.

Michael Cummins, EVP
Head of Treasury Solutions