

Federal Reserve Bank request for comment on Potential Actions to Facilitate Real-Time Interbank Settlement of Faster Payments

State Bank of Toulon response to the above would be as follows:

First, we believe it is of the upmost importance that the Fed continue its leadership in faster payments, even becoming an operator of faster payments. This issue has a significant impact upon our local community bank and the payments industry as a whole. I've read through the entire set of comment questions and would like to just address thoughts on the following ones.

Federal Reserve Question 2 & 4

We believe yes there should be a 24x7x365 settlement of payments. For community banks such as ours this type of system would mean equal and fair access to real-time payments and real-time settlements, offering most of all choice and flexibility in the entire fast payments ecosystem. Once again we believe the Federal Reserve providing RTGS is absolutely essential to the future of community banking.

Contrary, if the Federal Reserve does NOT provide this service, our community banks will be forced to give up their information, information that we cherish as part of the privacy provisions, to our larger bank counterparts, who have ownership in the other solution providers. When faster payments are concentrated through just one single source, community banks lose choice and innovation will be hampered.

As such if we as a community bank were to manage an RTGS system it would require a liquidity management tool, whereas we feel the Fed recognizing this important element as a needed service and thus providing a better service to accountholders and businesses.

Federal Reserve Question 3f-i

State Bank of Toulon strongly believes, as does it provider SHAZAM and our Community Bankers Association of Illinois, the Federal Reserve must provide an open and interoperable directory service or database that payment and financial service providers and its financial institutions can access to determine how to route a faster payment. It would allow payments to perform similar to text messages do currently.

If Federal Reseve does NOT provide a directory service in which all faster payment solutions can integrate, then once again the ability to determine how to access consumer accounts will be

controlled by a single solution provider. Community banks like ourselves will lose choice and innovation will be stalled and/or hampered.

Federal Reserve Question 3g

Currently there are multiple P2P payments solutions in the marketplace. None are interoperable. To illustrate, P2P solutions like ShazamBOLTS are regularly denied routing P2P transactions to DDA accounts of large financial institutions. In turn, this effectively requires us and our customers use the large institution to use their P2P solution.

We believe its critical the Federal Reserve understand that the faster payments system, as it currently operates, is fragmented. This in turn will restrict access, limit competition, and creates a real burden for our community banks. As result of this fragmentation, our institution, in order to serve their customers, may be forced to sign up for an option, like Zelle, which is owned by the nations largest banks. Obviously goes without saying this would present a tremendous risk to our community bank here and all over and all goes back to the customer information and privacy and ownership. Community institutions will lose choice and innovation hampered once again.

Some can argue that allowing, or even prompting, this relationship is advantageous as it helps achieve ubiquity. However, if ubiquity is achieved by forcing our community bank to use the large bank consortiums, then the public's payment needs are not properly being served. Only that obtained through multiple service provider interoperability properly serves the public's payment needs.

Sincerely,

Douglas E. Parrott
President/CEO
Chairman of Illinois Transfer System, division of Shazam