

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

Description:

Comment ID: 133362

From: Open Technology Solutions, LLC, Mike Atkins

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

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

Comments:

NONCONFIDENTIAL // EXTERNAL

Dec 14, 2018

Ms. Ann Misback

Secretary, Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue, N.W.

Washington, DC 20551

Dear Ms. Misback:

I respectfully submit the following considerations in regards to the Federal Reserve Docket No. OP-1625: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments.

Consumer expectations

Consumer expectations for the service they receive from their financial institution are increasingly driven by their experiences in the non-financial services digital world. An individual's ability to conduct business across a wide spectrum of industries, online, at any time of the day, with very little friction, complete order fulfillment, and a high degree of confidence is the baseline for expectations of their financial institution. Financial institutions are under increasing market demands to provide this level of service, or be replaced by organizations that can provide it.

Growth in desire for instant payments, driven by demographics

The growth in the desire for instant (or near instant) payments is accelerating. Each iteration of person-to-person payment capabilities has resulted in faster adoption of the technology. Demographics certainly plays a role in this, as entire segments of our transacting population rely more heavily on non-bank organizations to support transfer of funds between two parties. This demographic is clearly comfortable with using these capabilities, and is becoming less reliant on traditional banking services. The inability of a financial institution to provide these services puts the financial institution at a competitive disadvantage today, which will only worsen as time goes by. Beyond person-to-person payments, the capability for faster payments to support consumer and business needs will continue to expand as this demographic expands.

Need for a standardized RTGS service

While a variety of non-bank organizations have recognized the shift in demographics and market demand for instant payments, and have developed technology platforms to support this demand, limitations exist in these platforms, which create friction for the consumer. When the technology works, it works very well, providing a quick, efficient transfer of funds. However, when both users are not on the platform, or their institutions are not engaged with the platform, the consumer experiences friction, delays, and frustrations with the delivery or receipt of the payment. Each iteration of payment capabilities brings yet another option with more requirements for a consumer to meet in order to use the service. The opportunity is now for the Federal Reserve to provide a standardized RTGS service, available to all financial institutions, bringing real-time payment capabilities to all consumers much more quickly.

Interoperability with existing platforms/services to protect investments

Forward looking and fast adopting financial institutions have implemented one or more "faster" payment platforms. The risks incurred, and the investments expended, need to be recognized. Any

standardized RTGS service must be interoperable with existing "faster" payment platforms, to encourage the adoption of the RTGS service without undue disruption of the existing "faster" payment solutions in place.

Real-time nature of many FI systems and consumer-focused services

From the consumers' perspective, most financial institutions have adopted real-time systems, capable of transacting business 24x7x365. The expectation of the consumer is that their financial institution is open for business digitally all of the time. There is little tolerance for planned maintenance windows, or unplanned system outages. When any one service on a financial institution digital presence is non-operational for any reason, the consumer views the system as "down" if that is the service they were seeking to use. Consequently, should the Federal Reserve choose to provide a 24x7x365 RTGS service, there will be an expectation that it is truly operational 24x7x365, architected such that system maintenance can be performed while the system is available to the consumer, and redundant with failover capabilities to ensure that a system issue does not result in the system going offline. The consumer expectations are established by their use of Amazon, Google, and other online service providers. Consumers will not tolerate a service purported to be "always up" if in fact, it is occasionally down. Financial institutions will expect agreed upon service levels essentially demonstrating that.

I am encouraged by the Federal Reserve's interest in exploring the development of a RTGS service to be made widely-available. The demographics support it, consumers will demand it or go elsewhere, and the timing is now.

Thank you for the opportunity to provide these considerations, and please don't hesitate to contact me for further elaboration or discussion.

Best regards,

Mike Atkins

CEO, Open Technology Solutions, LLC / CIO, Bellco Credit Union

8085 S. Chester Street, Suite 100 | Centennial, CO 80112

Office: (303) 708-7145 tel:(303)20708-7145| Mobile: (303) 994-6503 tel:(303)20994-6503

Email: [[a href="mailto:matkins@open-techs.com"](mailto:matkins@open-techs.com)]matkins@open-techs.com[/[a](mailto:matkins@open-techs.com)]

[www. open-techs.com](http://www.open-techs.com)