

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

Description:

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From: Private Citizen, John Kaneshiro

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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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Proposal: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments [OP-1625]

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First name: John

Middle initial:

Last name: Kaneshiro

Affiliation (if any): private citizen

Affiliation Type:

Address line 1:

Address line 2:

City:

State:

Zip:

Country:

Postal (if outside the U.S.):

Your comment: First, the Federal Reserve (Fed) efforts should be applauded in carrying out its mission to provide a safe and robust U.S. payment system to serve the public interest. The safety and integrity of the system is the key value proposition of the system itself like the value proposition of investing in Treasury bonds.

That said, it is also wise that the Fed is anticipating the need of the public by investigating the needs of financial institutions to provide the service who may not be able to fulfill this public need on its own but may do so through collaborative efforts. However, is attempting faster payments still timely and bring more risk to a tried and true system recognized globally?

Perhaps consideration should be given to possibly develop a system separately that won't impact the existing system until it becomes tried and true as an eventual replacement or integrated at a future point. The cost of such a system which the Fed would need to recover may be shared and the risk absorbed and managed by others, thereby reducing the exposure of the Fed.

The legacy of the present system may hinder where the Fed and its participants need to be; would it be always trying to catch up to meet societal needs that constantly changes? It may also impair the integrity and credibility of the existing system.

Perhaps alternatively consideration should be given to the establishment of a government sponsored enterprise (GSE) which could include non-financial stakeholders in building an agnostic payment system to meet the needs of society. The development of such a system may have more agility as the consumers' need changes over time not constrained by a legacy system. Some of the same concepts considered for Faster Payments could be developed by experts in the respective fields; a liquidity management tool, a risk management tool specific to the new system, a credit risk automation solution that would assign the risk appropriately.