

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

Description:

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

Comments:

NONCONFIDENTIAL // EXTERNAL

FEDERAL RESERVE SYSTEM 12 CFR Chapter II Docket No. OP - 1625 Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments

The key focus of the invitation to the public to comment is summed up in this statement: "to provide a safe and robust U.S. payment system, including a settlement infrastructure on which the private sector can provide innovative faster payment services that serve the broad public interest"

Real Time Payments (RTP) and Real Time Gross Settlement (RTGS) provides for safe, secure, 24/7 365 days payment solution for on- and off-line purchase payment settlement, p2p settlement, b2b settlement etc.

Most companies whether in the USA or elsewhere transact business on credit settlement terms- that is where settlement is on or before the credit period.

"Credit is the Lifeblood of Business" Herbert Hoover

Whilst RTP and RTGS will enable companies to settle b2b transactions executed on credit settlement terms, on or before the credit period, the one problem that these and other payment solutions do not resolve is- the high costs that transacting companies incur (costs that are directly attributed to) credit transactions. These costs include finance costs, collection costs, credit insurance costs, factoring/invoice discounting costs, provision for receivables, debt write-offs etc. These costs are incurred and impact/reduce bottom line of these companies.

A review of the financial statements of companies will confirm the magnitude of costs that companies transacting business b2b on credit incur year-in and year-out.

The top seven quoted companies in the USA incurred costs of more than THREE BILLION dollars directly attributed to credit transactions. Across the pond in the UK, the top seven UK companies incurred costs of more than ONE BILLION pounds.

THE FACT that these companies continue to incur credit transaction related costs year-in and year-out confirms the absence of a solution.

The CFO of Mastercard estimated the b2b market at \$124T- with \$20T being m/POS.

Reducing these costs, whilst enabling safe secure settlement of b2b credit transactions (both accounts receivable and accounts payable) will bring the following benefits:

To the Company

(1) an improved bottom line

(2) potentially increase sales revenue by passing on cost savings to customers

(3) reallocation of AR & AP resources to other value-added services within the company

To the shareholders/stakeholders

(1) an improved bottom line could translate to increase in dividends, wages and salaries

To the Government

(1) an improved bottom line could increase revenue collection

We've developed a FASTER EARLY FinTech settlement solution of b2b credit transactions (accounts receivable and accounts payable) which will enable companies to significantly reduce/avoid costs related to credit transactions that these companies are continuing to incur.

We will be happy to work with the relevant stakeholders to offer our solution " seacx" to service companies in the US that transact b2b on credit settlement terms.

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simplicity. defined.

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"enabling direct and cashless b2b settlement"