

Proposal: 1664 - Potential Modifications to National Settlement Service Support of Same-Day ACH Service

Description:

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Comment ID: 134356

From: Baylor University, David VanHoose

Proposal: 1664 - Potential Modifications to National Settlement Service Support of Same-Day ACH Service

Subject: Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire Funds

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Comments:

Date: Aug 03, 2019

Proposal: Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire Funds Service to Support Enhancements to the Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk [OP-1664]

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Your comment: This proposal appears to be in direct violation of the 1980 Monetary Control Act, which permits the Fed to develop payment services only if "other providers alone cannot be expected to provide with reasonable effectiveness, scope, and equity" their own, privately operated services. If anything, the Federal Reserve should be reducing its footprint in payment services. Furthermore, it should stop paying interest on excess reserves at a rate above or within just a few basis points below the federal funds rate so as to allow a recovery of private trading--and associated processing of related payments--in the federal funds market. The Fed's current policy allows the Fed to maintain its still-massive balance sheet without fulfilling any useful social purpose. It is past time to allow private funds and payments markets to function without undue competition from the Federal Reserve System.