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November 5, 2019

Ms. Ann Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue  
Washington, DC 20551

Regarding: Notice and Request for Comments – Federal Reserve Actions to Support Interbank  
Settlement of Faster Payments; Docket No. 1670

Dear Ms. Misback:

As a community banker, I would like to thank the Federal Reserve Board for its decision to develop a real-time gross settlement service, which is now being called the FedNow Service. The Federal Reserve's decision to develop a real-time gross settlement service, ensures open access and fair treatment to all community banks regardless of size, charter type and location.

As you work to develop the real-time gross settlement service, I ask that you consider the following concerns and recommendations that I have:

**1. Timing for implementing the FedNow Service**

The Fed expects to be able to implement this new Service in 2023/24. This timeframe needs to be shortened, yet the Service needs to have many desirable features. A longer timeframe will result in community banks not being able to offer real-time payments to their customers, TCH's further competitive advantage because it has already implemented its own version of real-time payments, and extend the Fed's cost recovery.

**2. Interoperability (communications between payments systems (i.e., the FedNow Service and The Clearing House's (TCH's) Real-Time Payments Network (RTP))**

The Fed stated that interoperability will evolve over time but remains a "key objective." Interoperability is required to achieve ubiquity, the widespread adoption and usage of real-time payments, which will be beneficial to community banks and their customers. This goal is dependent on the cooperation of TCH (and others) which is not assured. A reasonable balance must be struck between the pace of the Service's development and implementation and an inviting and feature-rich service.

**3. Payments Directory**

A payments directory enables a payer to transfer funds to a payee (recipient) without knowing the details of the payee's account information by providing an alias or public identifier, such as an email address or a phone number. Other entities will likely be looking to insert themselves in the payment's directory and payments process (toll-takers) for their own benefit, but they must not prevail. The Fed is the trusted provider with its broad reach.

**4. Fraud Prevention Services**

The Fed is an essential commander on the front-line of fraud preventions and an essential ally of community banks in their efforts to prevent fraud losses. The Fed should be a repository of information, a sharable data base, about fraudulent activity similar to the way OFAC and ChexSystems operates today. This service will benefit all financial institutions in their fraud mitigation efforts.

## **5. Rules and Standards**

Incorporating a single set of rules and standards across real-time payment systems will not favor one provider over another, and it will promote interoperability which is required for ubiquity.

## **6. The Fed's Role as Payments System Regulator**

The Fed is not plenary regulator of the payments system and this limitation will extend to real-time payments. However, the Fed regulates (either directly, indirectly, or as an influencer) every federally supervised depository institution which has access to the payments system.

## **7. Core Processors and Other Service Providers**

Unlike the largest banks, community banks are reliant on the largest core processors to deliver their services in support of all of a banks' critical operations. Community banks are experiencing significant costs and delays with the largest core processors in implementing even simple requests for additional services and access to add-ons. A delay caused by the cores in allowing community banks to access the FedNow Service will put community banks at a significant competitive disadvantage.

Thank you for the opportunity to comment on this proposal. I welcome you to contact me with any questions you may have regarding my thoughts about the FedNow Service.

Sincerely,

A handwritten signature in blue ink that reads "Matthew P. Bollinger". The signature is fluid and cursive, with the first name "Matthew" being the most prominent part.

Matthew P. Bollinger  
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