



## OKLAHOMA BANKERS ASSOCIATION

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ROGER M. BEVERAGE  
PRESIDENT & CEO

*We Make Bankers Better!*

December 11, 2018

Ms. Ann Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Interbank Settlement of Faster Payments  
Docket No. OP – 1625

Dear Ms. Misback:

### **Introductory Comments**

On behalf of our member banks, we appreciate the opportunity to present thoughts about whether the Federal Reserve should continue to develop a payment settlement service that operates in real time, 24 hours per day, 7 days per week and 365 days per year. We also appreciate the Fed's willingness to consider our thoughts about developing a liquidity management tool that we believe is essential. This tool will help support real-time interbank settlement through whatever system is ultimately utilized for that purpose.

In our state there are currently 201 Oklahoma bank charters operating today. The OBA represents 97 percent of those in-state banks plus 17 banks headquartered in other states. These banks account for approximately 95 percent of total bank deposits in Oklahoma.

Most banks in our state are small, traditional community banks each with a dozen or so employees. About 40 percent of our state's banks hold less than \$100 million in total assets. Most of these members are in a single community. In addition, our state's banks employ more than 23,000 Oklahomans. As noted below, some of our member banks do not agree that the Fed should proceed with this effort.

### **Changing Technology**

Technology has changed almost everything when it comes to facilitating commercial activity. For example, consumers today have access to seamless, real-time settlement in commercial marketplace. All they need is their smartphone, tablet or access to a computer.

Needless to say, the country's demographics and technological advances have changed the way most people do business today. Moreover, this process has dramatically changed consumer expectations.

Today's consumers want to transact their business "***right here, right now!***" and smaller banks are trying very hard to adapt. If they want to stay in business, they must be able to

respond to this change in "expectation." It's for this reason most smaller institutions are likely to support the Fed's effort to create a new integrated "Real Time Gross Settlement" (RTGS) rail.

FinTec firms and 24 of the nation's largest banks are partly responsible for this change in consumer expectations. These 24 institutions funded creation of The Clearing House (TCH). It's the current rail that enables RTGS to be a reality.

TCH operates as a not-for-profit entity. Its owners have intended to operate this rail in a manner that its cost recovery model does not benefit one bank or other entity over another. We understand it provides no volume discounts to each of the owner institutions and, indeed, charges the same fees for all financial institutions.

Two of the larger institutions – JPMorgan Chase and Bank of America – are among those entities that, together, invested heavily in creating TCH. Quite naturally they have a very different view of the Fed's proposal. Both Chase and Bank of America are members of our Association.

Smaller institutions share concerns about being tied into a single system, one that's essentially controlled by their largest competitors. They also have concerns about future costs associated with such a system, if it's the only one in existence.

Traditional community banks also have reported that having the Fed create a new, real time gross settlement system (RTGS) will provide long-term competition to help keep costs in check. In addition, it will also provide governmental oversight of the infrastructure for the bank payment and settlement process. Our state's smaller and traditional community banks see the Fed's effort as something that's essential in today's rapidly-consolidating industry.

Virtually all banks, both large and small, agree with these generalizations:

- They demand a payment/settlement system or process that's safe, efficient and equitable in all respects;
- The system must maintain the integrity of both the Federal Reserve banks supervision process and all clearing and settlement services;
- It must be ***interoperable***, thus enabling origination of a transaction on any new rail and received on another faster payments/settlement system (such as TCH);
- It must be accessible to banks of all sizes; and
- Finally, any new system must restrict access to whatever payment system/settlement process only to chartered banks and other chartered financial institutions.

A most difficult task lies ahead. Consumers will continue to expect and demand the overall financial transaction process to be better, safer, faster and less costly. Whether that responsibility is realized by creating a new system, buying the existing platform or doing nothing at all is in the hands of Federal Reserve System.

Oklahoma bankers and the OBA stand ready to help the Fed reach the very best consensus that's possible in today's technological marketplace. We again offer our sincere thanks

to the Fed for giving us this opportunity to make general observations about this very important process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Agustine". The signature is written in a cursive style with a large initial 'A' and a long, sweeping underline.