



AUBURNBANK

December 11, 2018

Via electronic submission

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

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

Dear Federal Reserve Board of Governors:

AuburnBank (the “Bank”) is a community bank headquartered in Auburn, Alabama that offers commercial and consumer loan and deposit services to individuals and small and middle market businesses in East Alabama. We appreciate the opportunity to comment on OP-1625 and the Federal Reserve’s role with regard to Faster Payments.

AuburnBank urges the Federal Reserve to develop a 24x7x365 RTGS settlement service. The Federal Reserve’s development of this service is necessary in order to create a safe, ubiquitous, faster payments system in the United States. Interoperability is key in creating a ubiquitous faster payments system. Without the Federal Reserve’s direct involvement, the private sector cannot reasonably expect to achieve this on its own. This will leave us with a fragmented payments system that will not be beneficial to all and will not achieve the desired ubiquity. Many consumers, small businesses, community banks, etc. could be left behind.

AuburnBank believes RTGS is the appropriate strategic foundation for interbank settlement of faster payments. Combining interbank messaging and interbank settlement offers many advantages over a DNS-based faster payment service, as pointed out in the Federal Register Notice. The RTGS settlement service clearly aligns with the Faster Payments Effectiveness Criteria, making it a preferred choice.

AuburnBank also believes that the Federal Reserve should develop a liquidity management tool in tandem with the development of the RTGS settlement service. This liquidity management tool should be flexible that could allow a bank to originate a transfer from one account to another, allow an automatic transfer of balances (sweep) based on pre-established thresholds and limits, and allow correspondent banks to aggregate balances on behalf of respondents as needed. The liquidity management tool should be available 24x7x365 along with the RTGS settlement service.

The Federal Reserve has always been an active provider of payment system services in its role as the Central Bank. Its continued direct involvement remains relevant as faster payments move toward future change. Pursuing the above two initiatives will address the future needs of the payments industry as a whole and help ensure the fair inclusion of community banks in faster payments systems as they are developed.

We appreciate the opportunity to respond to the OP-1625 proposal and thank you for your consideration of our comments. If you have any questions, please contact me at (334) 821-9200.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Hedges", with a stylized flourish extending to the right.

David Hedges
Executive Vice President, Chief Financial Officer