

Sent via email

December 13, 2018

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

Re: Public Input Regarding the Role of the Federal Reserve in Establishing  
and Operating a Payments Platform

Dear Board of Governors:

In regard to the Federal Reserve System's potential involvement and support of interbank, real time payments, I strongly support the Federal Reserve System in assuming a direct role in establishing a real-time, secure, redundant, and equal access payments exchange. Ideally, the Federal Reserve System should establish and operate a payments platform that would provide equal access to all insured depository institutions in the United States.

My support for this approach is founded on the following principles:

- Payments are the lifeblood of an economy and a disruption to private payment networks poses a significant national security threat. Coordinated attacks could compromise several private networks simultaneously, causing a national security issue by depriving access to liquidity. Conversely, if the payments system is compromised with the creation and injection of counterfeit cyber dollars, the monetary system itself could suffer a crisis of confidence. The ability of the Federal Reserve to intervene in such a crisis, especially in a timely manner, argues for a direct operating role.
- Customer privacy concerns should be paramount. Any number of non-depository multi-national corporations have demonstrated blatant disregard for consumer privacy and there is no national equivalent to the protections provided under the Graham Leach Bliley Act. In fact, many technology companies operate under a primary business model organized to sell confidential information. Payments information reveals not only what you are purchasing, but your current location and other data that could compromise personal security.

- Interoperability will improve customer experiences, but is unlikely in the current war for dominance. This war for dominance should recall shades of the VHS/Betamax era. Interoperability has spurred innovation in the telecommunications industry (a Verizon customer calling or texting an AT&T customer). A Federal Reserve System payments rail would encourage similar interoperability whereby a Zelle enabled account might route to a Venmo enabled account in a seamless manner.
- Protection of the highly competitive distributed banking system should be a high priority. In the years since the Dodd Frank Act was enacted, the advantage has swung to the "Too Big To Fail" institutions that have only grown even larger. Their scale advantage in technology spending, compliance resources, and marketing clout threatens the distributed banking system. Exacerbating this issue is the effective oligopoly among data processing companies that serve community banks. Payments are a foundational element of core deposits and core deposits are the life blood of community banks.
- Existing, non-depository payment providers have amassed and will continue to amass billions of dollars of consumer deposit balances that are not clearly subject to the FDIC insurance system. In the event of a failure of one of these custody institutions, the scramble to ascertain the level of FDIC protection may become a significant political issue. The digital age has caused a migration where consumers are very comfortable exchanging security for convenience. That comfort level will change dramatically in the event of a nation-wide payment issue or outage.
- Much of the real-time payments discussion centers around person-to-person ("P2P") payments, failing to recognize the emerging significance of real time commercial payments ("B2B"). As the Federal Reserve considers the critical nature of this infrastructure, please evaluate the expected migration of P2P payments into the B2B space. As payment exchanges evolve, real-time B2B payments will become dominant and one day may even eclipse the Fedwire exchange in importance.

Finally, the entry of the Federal Reserve System will not freeze out other private efforts; it will merely be an alternative offering that will ensure equal access to a redundant, secure, and economical alternative for use by any insured depository.

Thank you for your consideration of my commentary.

Sincerely,

A handwritten signature in blue ink, appearing to read "Christopher D. Maher". The signature is fluid and cursive, with a large initial "C" and "M".

Christopher D. Maher  
Chairman & CEO  
OceanFirst Financial Corp. &  
OceanFirst Bank, N.A.