



Yousef A. Valine  
Executive Vice President  
Chief Risk Officer

December 14, 2018

**VIA EMAIL: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)**

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

Attention: Docket No. OP-1625

Re: Potential Federal Reserve Actions to Support Interbank Settlement of  
Faster Payments

Dear Ms. Misback:

First Tennessee Bank National Association ("First Tennessee Bank") appreciates the opportunity to comment to the Federal Reserve Board on its proposed actions to support real-time interbank settlement of faster payments ("Request for Comment"). First Tennessee Bank was founded in 1864 and has the 14<sup>th</sup> oldest bank charter in the country, and operates more than 300 branches across the southeast United States. First Tennessee Bank is a member bank of The Southern Financial Exchange ("SFE"), a regional payments association, and generally supports and agrees with the views expressed by Donald Jackson, President and CEO of SFE, in his comment letter as it pertains to his responses to the specific questions presented in the Request for Comment. As certain comments made by Mr. Jackson are outside of the scope of the Request for Comment, First Tennessee Bank expresses no opinion on the "Additional Observations and Recommendations" offered by SFE.

The Federal Reserve Board requests comment about potential actions that the Federal Reserve could take to support a ubiquitous, nationwide infrastructure for 24x7x365 real-time settlement of faster payments. These actions, which could be taken separately or in combination, include the Reserve Bank's developing (i) a 24x7x365 real time gross settlement ("RTGS") service, and (ii) a liquidity management tool.

First Horizon, a division of First Tennessee Bank National Association  
165 Madison Avenue  
Memphis, TN, 38103  
Phone: 901-523-4374  
Email: [yavaline@firsthorizon.com](mailto:yavaline@firsthorizon.com)

Ms. Ann Misback  
Board of Governors of the Federal Reserve System  
December 14, 2018  
Page 2

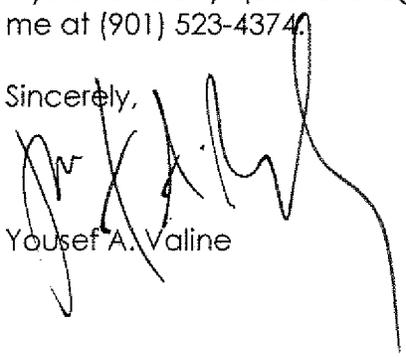
With regard to the proposed RTGS described in the Request for Comment, First Tennessee Bank is in favor of and supports the Federal Reserve developing such a system. If such a system is developed, financial institutions of all asset sizes will need adequate time to implement both system changes and operational changes in order to be ready for settlement of real-time payments. During the development and building of such a system, it is imperative for the Federal Reserve to communicate its plans for real-time payments as frequently as possible in order for financial institutions to stay in step with the requirements and so that we do not fall behind in our efforts to join the system network once it is available. While it is important to move this initiative along as expeditiously as possible, caution should be used given the magnitude of change that will be needed from both the Federal Reserve and all financial institutions.

First Tennessee Bank would also request that the Federal Reserve give additional consideration to the challenges and impact that a RTGS settlement system may have on each financial institution's compliance programs. The Federal Reserve should determine whether the implementation of RTGS will create or contribute to problems financial institutions face while complying with existing regulations, or whether it will contradict requirements of existing regulations. It is recommended that the Federal Reserve work with all financial regulatory agencies to create a joint support issuance taking into consideration existing regulations that may impact the processing of real-time payments. Without consideration of the impact to existing regulations prior to adopting and introducing interbank settlement of faster payments, there is a potential risk that existing regulations become outdated, no longer applicable, or restricting the operational effectiveness of such a system.

With regard to the proposed liquidity management tool, banks should have 24x7x365 access to the Federal Reserve Discount Window to support the RTGS process and provide funding during non-business hours. A separate "faster payments" account should be established that has the ability to automatically sweep funds from the Discount Window (up to pre-established thresholds) to cover shortfalls or maintain minimum balances and provide real-time notification of such activity. Further, borrowings from the Discount Window to support the faster payments account should not be made public as long as the Reserve Requirement in the Master account is met.

First Tennessee Bank appreciates the opportunity to provide comments to the Request. If you have any questions regarding our comments, please do not hesitate to contact me at (901) 523-4374.

Sincerely,

  
Yousef A. Valine