

Proposal: 1625 Potential FR Actions to Support Interbank Settlement of Faster Payments  
Description:

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Comment ID: 133008

From: Heartland Financial USA, Inc., Lynn B. Fuller

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

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Comments:

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This email is in response to questions the Federal Reserve is seeking comments on from Shazam clients, regarding the structure of a world-class payment system.

In response to Federal Reserve questions 2 and 4, my response is yes, this type of system would mean equal and fair access to real-time payments and real-time settlement, offering choice and flexibility in the faster payment ecosystem. The Federal Reserve providing RTGS is absolutely essential to the future of community banking. If the Fed does not provide this service, community banks and credit unions will be forced to give up their information to be serviced by solution providers owned and controlled by the largest financial institutions in the country and community banks will lose choice and innovation will be hindered.

In response to Federal Reserve question 3f-i, I respond yes, the Fed must provide an open and interoperable directory service (database) that payment and financial service providers and financial institutions can access to determine how to route a faster payment. This directory would allow payments to perform as text messaging does now. Consider how individuals can send and receive text messages, regardless of the carriers used on either end of the text message. If the Fed does not provide a directory service in which all faster payment solutions can integrate, the ability to determine how to access consumer accounts will be controlled by a single solution provider. We believe such a directory is vital for establishing interoperability. It would provide all institutions access to real-time payments - regardless of their solution - further encouraging the adoption of real-time payments among all financial institutions.

My response to Federal Reserve question 3g - The question of interoperability is the linchpin for the kind of faster payments ecosystem the Fed envisions. It's critical the Fed understand that the faster payments system, as it currently exists, is fragmented. This fragmentation restricts access, limits competition and creates a burden for community institutions. There are multiple P2P payment solutions in the marketplace and none are interoperable. To illustrate, P2P solutions like SHAZAM BOLT\$ are often denied routing P2P transactions to DDA accounts of large financial institutions. This effectively requires that your customers use the large institution's P2P solution to meet their payment needs. The market strength of these large organizations and the consortiums they own is allowing the country's largest banks to position their products and technologies as the only available solutions that can access the megabanks' DDA account base. The marketplace does not, and will not, function properly without Federal Reserve intervention.

In closing, I believe you received comments from Shazam on this issue. I concur with Shazam's position on faster payments for these reasons.

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