

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

Description:

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From: New Market Bank, Anita Drentlaw

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

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

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Comments:

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Proposal: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments [OP-1625]

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Your comment: Thank you for the opportunity to comment on the potential of the Fed to support faster settlement of interbank payments. This issue is very important to community banks in order to compete with the nations largest financial institutions and fintech firms. Customers today widely use non-bank systems such as PayPal and Venmo to conduct transfers because of the ease of use and the immediate availability of funds. Our ability to access a faster payment system such as Zelle used by the largest institutions is cost prohibitive to smaller institutions; therefore giving us few options to suggest to customers. Although our core processor has the ability to allow person-to-person payments, it is not as easy to use as the other systems mentioned above and has time lags which these other systems are able to eliminate. The development of a 24x7x365 Real Time Gross Settlement Service (RTGS) supported by the Federal Reserve would open additional settlement services to more parties while simplifying clearing functions and reducing interbank settlement risk. Along with this faster payment solution, the development of a liquidity management tool to compliment the RTGS service would assist community banks in navigating a new process of faster payments. As a community banker of a \$110MM community bank who serves three suburb communities in the Minneapolis-St. Paul area, I encourage the Federal Reserve to move these initiatives forward. The demands on community banks to deliver similar services to the nations largest banks is high especially in a metro area. We need to be able to retain and grow our demand deposit base in order to continue to lend and support the small businesses of our communities. Access to faster payments and liquidity management is a necessity to do that. Thank you for your consideration.