

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

Description:

Comment ID: 133066

From: First Citizens Bank, Gregg A. Maakestad

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

Comments:

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

Dear Sirs,

First Citizens Bank of Mason City, IA is a 1.3 billion dollar institution serving nine locations in two states. We have been a FRB member bank since the origins of our institution and have benefited immensely from the payment services that it has provided. We feel that the Federal Reserve absolutely must be involved in developing a 24X7X365 RTGS settlement service and the associated liquidity tool for the following reasons:

- 1) The Fed plays an important role in the banking system by identifying and stabilizing risk in the nation's financial system through regulation, examination, and by providing safe, secure and competitive traditional interbank clearing and settlement services. Faster payment systems are already here, but with barriers to access, and the Fed must be involved to stay relevant to its Congressional mandate to be involved in the payment system.
- 2) Equal access is not what it may appear to be. We have found that many of the 'big' players in the faster payments arena are not interested in working with community institutions and if they decide to do so, it is at a high premium. Those same players also block, where possible, cooperative attempts on exploring new open technical standards which would compete with the monopoly they have built. The Fed is in the unique position of having a relationship with all financial institutions and can facilitate access to faster payments and provide an alternative to community institutions who may be left out of a massive shift in payment methods to accommodate businesses and individuals that want access to their money faster. Competition is good. It drives down prices, keeps the players honest, and rewards efficiency and risk mitigation.
- 3) Time is of the essence. Acceptance of existing faster payment models, while gaining exponential speed, are not as fully adopted as are the traditional settlement services. To flesh this new system out effectively will take a lot of planning and involve the lessons learned by foreign central banks already using this model. It is critical that the Fed become proactive and move on this NOW. The future of community banks and the customers they serve are dependent on your action. We do not want to become the victims of your inaction.
- 4) A payments directory is essential. It is imperative that the Fed develop and operate an open and interoperable payments directory linking financial and private sector payment directories to provide ALL institutions with access to real-time payments.

Thank you for providing this opportunity to comment on Docket No. OP-1625 and for the numerous town hall meetings that you held to educate and allow dialogue on this very important issue.

Respectfully Submitted,
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