

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

Description:

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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: Dear Chairman Powell:

We would strongly encourage the Federal Reserve to create a faster payment system so that the Federal Reserve will settle faster payments just like it does on ACH, check and wire transactions. If the Federal Reserve does not create a faster system to settle faster payments and play a central role in the faster payments system before faster payments become common-place, the 6000 community banks in the United States will not have a level playing field with the mega banks. The Federal Reserve's payment systems have been critical to allowing the country's community banks and credit unions to compete with the mega banks. If the Federal Reserve defers to the mega banks and The Clearing House on the creation and oversight of faster payments, the mega banks will become more dominant over time and the risk of having institutions that are too big to fail will be exacerbated instead of diminished.

Our bank is not a member of Zelle because all of the pricing we have seen for a bank our size is very expensive. As a result, our customers can receive money from people using Zelle but they cannot send money using Zelle. Our only option to allow our customers to send money with Zelle is to provide the mega banks with our customer's information and pay their price, which places us at a competitive disadvantage. If the Federal Reserve does not create its own faster payments system, at some point in the future we will have no choice but to join a network such as Zelle and the pricing will undoubtedly be volume based and will be more expensive for us and our customers than it will be for the larger institutions.

The United States payment system has evolved over time, and we believe a faster payments system is the next step in that evolution. The Federal Reserve has always been a key player in the United States payment system and if the Federal Reserve does not create its own faster payments system to facilitate faster payments for all financial institutions in the United States, the Federal Reserve will lose

its control of and input on the country's payment system. If the Federal Reserve does not maintain its central role in the country's payment system by creating a faster payments system, the country's community banks and credit unions will also lose their voice in the payments system. The alternative to the Federal Reserve creating a faster payments system is a payment system created and controlled by the mega banks. The community banks and credit unions will have no input or control whatsoever of a payment system controlled by the mega banks. As you know, this country's banking system is built on a community bank model, and our banking system is the strongest in the world because we have thousands of community banks in small communities. No other country in the world has a banking system that compares to our system. Community banks do the majority of small business lending in this country, and the Federal Reserve should not turn its back on the community banks and credit unions of this country by deferring to the mega banks and The Clearing House on a faster payments system.

Another reason we believe the Federal Reserve should create its own faster payment system is that the Federal Reserve's rules on fraud relating to ACH, checks and wires are equitable for all participants in the payment system. The Federal Reserve's fraud rules do not change based on volume, bank size or ownership of the payment system. If the Federal Reserve defers to the mega banks and The Clearing House on a faster payments system, the owners of that system will set the fraud rules and, once again, the community bank will undoubtedly be disadvantaged.

In addition to creating a faster payments system, we strongly encourage the Federal Reserve to create a liquidity management tool to support its faster payments system so that payments may continue to settle over holidays and weekends when banks are closed and cannot manage their liquidity position with the Federal Reserve. We believe a liquidity management tool to transfer funds between our Federal Reserve Master Account and another Federal Reserve account to support faster payments is critical to the faster payments system functioning smoothly.

In conclusion, we ask the Federal Reserve to create its own faster payments system and liquidity management tool so that we and the rest of the community banks and credit unions in the United States will not have to be at the mega banks' and The Clearing House's mercy to take part in a faster payments system. We, along with the other community banks and credit unions in this country do not have the size or financial wherewithal to create our own faster payments system like the mega banks have done with Zelle. We are reliant upon the Federal Reserve to create a payment system that is fair to all participants like it has done for ACH, checks and wires. If the Federal Reserve passes on this opportunity to facilitate faster payments, we fear the mega banks will become that much stronger over time and, in time, our banking system will start to look like the banking system of the rest of the world.

Yours truly,

THE FOUNTAIN TRUST COMPANY

by

Kip White, Chairman

and

Lucas White, President

and

Campbell White, Executive Vice President

and

Mark L. Haas, Chief Financial Officer

and

Brian Dowers, Chief Operations Officer

and

P. Curtis Allison, Chief Lending Officer

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Heather Martin, Chief of Teller Operations

and

Geoffrey Smith, Chief Compliance Officer