

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

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Comment ID: 133149

From: Frontier Savings Bank, Timothy R. German

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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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The public is demanding that everything be in real time so I agree that there should be 24x7x365 settlement of payments. For community banks like mine, 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 payments ecosystem. The Federal Reserve providing RTGS is essential to the future of community banking.

The demand from our customers is there so if the Fed does not provide this service, community banks 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. It seems logical that it would not take long before those large institutions begin utilizing that information to solicit business from our local customers with no regard to the health and well-being of our local community. In addition, when faster payments are concentrated through a single solution provider, we will lose choice and innovation will be hampered. With 24x7x365 settlements of payments, we would need a liquidity management tool to efficiently and effectively manage the movement of payments. I appreciate the Fed's recognition of this important element and believe it will result in better service to our accountholders and businesses.

I believe the Fed needs to provide an open and interoperable directory service that payment providers and financial institutions can access to determine how to route a faster payment. It should provide all institutions access to real-time payments, regardless of their solution, further promoting the adoption of real-time payments among all financial institutions. Without this Fed directory service in which all faster payment solutions can integrate, the ability to determine how to access accounts will be controlled by a single solution provide, limiting our choice and likely hampering innovation.

Interoperability is the key to any kind of faster payments system the Fed creates. It is important that the Fed understands that the current faster payments system is fragmented. With many solutions being denied the routing of transactions to some institutions, particularly the larger institutions who offer their own solution. This fragmentation in general restricts access, limits competition and creates a burden for community banking institutions. Some community banks are defaulting to options like Zelle to meet the needs of their customers. Again, I don't think the idea of sharing information with entities controlled by the largest banking institutions in the country is a viable long term solution for community banks like us.

In closing I want to thank the Fed for taking on the challenge of improving our payments system and for allowing me to make comments in this manner.

Timothy R. German  
Frontier Savings Bank  
"Your Locally Owned Banking Partner"  
940 Valley View Drive  
Council Bluffs, IA 51503  
(712) 328-9715  
NMLS ID # (1710605)