

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

Description:

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From: North Salem State Bank, Sherri Reagin

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:

Date: Dec 14, 2018

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

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Your comment: North Salem State Bank is a community bank established in 1923 proudly serving the local economy in west central Indiana. We believe it is vital to our local economy for the Reserve Banks provide a Real Time Gross Settlement (RTGS) system as our customers seek faster payment services. If these customers are forced to utilize another service or vendor for faster payments, their deposits are at risk of leaving our bank which would hinder our ability to provide loans to our customers and would negatively impact our local economy. Giving larger banks the opportunity to pirate our customers through their payment system would certainly provide an unfair advantage to the large banks, and further threaten the survival of community banks. We need a system which allows easy access for banks of all sizes, including de novo banks. The payment systems need to be agile to keep up with the evolving economy. We must continue to improve our current wire and ACH systems, in addition to creating a faster payment system. The interoperability of the system is also highly important. Core providers should be included in the design of the system to help expedite the ability of banks to enroll in this service. Understanding that the system will take time to be built and to onboard the institutions, the ability for a bank to reroute the payment if a receiver is not on the system is of great importance. Community banks are founded on their reputation, and any sort of security breach would certainly create reputational risk. Reserve Banks are a trustworthy partner of banks, and their operating the faster payment system would minimize reputational risk as it is unclear what independent providers of a faster payment service would do with the customer data they receive. To achieve the goal of ubiquitous payment system, we need a safe and secure system to which banks of all sizes have access and the only viable provider for this is the Federal Reserve.