

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

Description:

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Comment ID: 133312

From: First Financial Bank, Kyle Goodwin

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:

NONCONFIDENTIAL // EXTERNAL

Dear Federal Reserve Board of Governors-

First Financial Bank (FFB) is a community bank headquartered in Bessemer, Alabama, servicing customers within the surrounding counties. The Bank has been serving customers in the area since 1937, and currently have total assets of approximately \$160 million. Bank management was able to attend the Federal Reserve Town Hall in Atlanta, Georgia, and we greatly appreciate the opportunity to provide comment on OP-1625 and the Federal Reserve's future role with regard to Faster Payments. A new faster payments system will eventually be required as consumers demand that payments be quick, convenient, and easily accessible, which are not currently achievable under our current payments systems. FFB is fully supportive of the Federal Reserve developing a 24x7x365 real-time gross settlement (RTGS) service along with a liquidity management tool. Only through the Federal Reserve's involvement in this endeavor will all financial institutions, especially community banks and credit unions, have an opportunity to survive under a new faster payments system. The future of community banking could be dependent on the Federal Reserve's leadership in developing a RTGS service and liquidity management tool.

The Federal Reserve's development of this service is necessary in order to create a safe, ubiquitous, faster payments system in the United States. Interoperability is a must. Without the Federal Reserve leading this effort, ubiquity cannot be obtained through the private sector and smaller entities like community banks could be left behind, along with consumers and small businesses in areas served only by community banks and credit unions. Furthermore, if community banks are left behind as it related to faster payments, a gap will be created that will impact the economy of communities unable to participate in the proposed structure.

FFB also believes the Federal Reserve should develop a liquidity management tool with flexibility to originate transfers between accounts, allow account balance sweeps based on thresholds or limits, and allow correspondent banks to aggregate balances on behalf of respondents. This tool should also be available 24x7x365 along with the RTGS service.

The Bank appreciates the Federal Reserve's willingness to obtain comments on the proposal, as well as the ability for banks to interact with Federal Reserve members at Town Hall Meetings. FFB has also signed as a supporter of the comments provided by First National Bankers Bank (FNBB). Thank you for your consideration of our comments.

Kyle Goodwin

EVP - Chief Financial Officer

First Financial Bank (Bessemer, AL)