



December 13, 2018

Ms. Ann Misback, Secretary,  
Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551  
Via E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Re: Docket OP-1625  
Faster Payments Comments

Dear Ms. Misback,

This comment letter is submitted on behalf of the Independent Community Bankers of Minnesota (ICBM), a trade association representing nearly 225 independent, community banks in Minnesota.

First, ICBM would like to thank the Federal Reserve for its work to maintain and improve the payments system and for the opportunity to provide these comments. In general, it is our firm belief that community banks need equitable and universal access to real-time payment systems to meet increasing customer expectations that all banks offer safe and secure payments to anyone, anywhere, at any time, and with immediate funds availability. To support our general belief, we offer the following, more specific comments.

**Should the Fed develop a 24x7x365 Real Time Gross Settlement (RTGS) service?**

Our answer is a resounding yes! This type of system would mean equal and fair access for community banks which leads to choice and flexibility for consumers and businesses. In fact, we believe the Federal Reserve providing RTGS is essential to the future of community banking. Why? If the Federal Reserve does not provide this service, community banks will be forced into giving valuable information to solution providers owned and controlled by the largest financial institutions in the country. We view this as a threat to our business model.

**Should the Federal Reserve develop a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x365 basis to support services for real-time interbank settlement of faster payments, whether those services are provided by the private sector or the Reserve Banks?**

Yes. We believe a community bank's ability to manage an RTGS system would require a liquidity management tool. We applaud the Fed for recognizing this important element as it will lead to better service for consumers and businesses.

**Is a proxy database or directory that allows faster payment services to route end-user payments using the recipient's alias, such as email address or phone number, rather than their bank routing and account information, needed for a 24x7x365 RTGS settlement service?**

Again, our answer is yes. ICBM strongly believes the Fed should provide an open and interoperable directory that payment and financial service providers and financial institutions can access to determine how to route a faster payment. Such a directory would provide access for all institutions to real-time payments – regardless of their solution – further encouraging the adoption of real-time payments. If the Fed does not provide a directory service in which all faster payment solutions can integrate, the ability to determine how to access accounts will be controlled by large solution providers which, again, creates a threat to the community bank business model and diminishes innovation.

**How critical is interoperability between RTGS services for faster payments to achieving ubiquity?**

The question of interoperability is fundamental to the kind of faster payments universe envisioned by community bankers. Currently, there are multiple P2P payment solutions in the marketplace and none are interoperable. As a result, certain P2P solutions offered by smaller entities are often denied routing to the DDA accounts of large financial institutions. This effectively requires that customers use the large institution's P2P solution to meet their payment needs. We don't believe it's acceptable to require community banks to "default" to using these applications and technologies to meet the needs of their customers. Ubiquity is not achieved by forcing community banks to use the large bank consortiums. Ubiquity is only achieved through multiple service provider interoperability.

In closing, we believe it is critical that the Fed continue its leadership role and become an operator of faster payments. Without the Fed playing a significant role in the creation and implementation of faster payments, community banks will not have safe, universal and equitable access.

Thank you for the opportunity to submit these comments on behalf of Minnesota community banks.

Sincerely,



James G. Amundson  
President and CEO