

July 24, 2019

The Honorable Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

OP1625

Dear Mr. Powell:

Merchants are supportive of the Federal Reserve System's (Fed) efforts to develop faster payments through a real-time gross settlement service (RTGS). The current landscape for payments acceptance lacks competitive options, and by offering a new faster payments service, the Fed will give stakeholders additional choices in payments-related decisions.

The payments landscape in the United States is characterized by a lack of competitive options and, as a result, has fallen behind as the rest of the world has innovated with faster payments. According to the 2018 FIS' report "Flavors of Fast," the European Payments Council's launch of the SEPA Instant Credit Transfer scheme is expected to gradually bring faster payments to more than 30 countries over the next 12 months. The U.S. is ripe for change and competitive players. Innovative technology has the potential to disrupt payments in the United States, and the Fed's development of RTGS is critical to creating change.

We recognize that the Fed must meet specific criteria in order to introduce new services or major service enhancements. Merchants believe that by providing RTGS services, the Fed will offer clear benefits to the public. It is also clear to merchants that other providers, controlled by a handful of large financial institutions, are not providing real-time settlement services that offer effectiveness and equity. An additional real-time payments rail, developed by the Fed, will increase the level of service to all stakeholders and expedite faster payments in the U.S.

Today's economy operates 24 hours a day, seven days a week, 365 days a year. In this environment, our customers demand faster settlement of transactions and receipt of goods and services. If the Fed were to operate a real-time payments rail, which merchants strongly support, merchants would be better able to meet customer expectations due to increased competition and choices in the marketplace. One of the core reasons for the Fed to engage in this arena is specifically for the benefit of the American consumer. As retailers, it is not uncommon to hear from our customers about the length of time it takes for debit transactions to be completed. This is especially true for Americans who are underbanked, living on fixed incomes and families under certain budget constraints. Establishing real-time payments in the U.S. would benefit all American consumers by providing more clarity and control over their finances.

Additionally, payments stakeholders will see a more reliable system if the Fed operates RTGS. Electronic transactions are growing in U.S. commerce, and it is imperative that electronic

payments work for every transaction. Unfortunately, we do not currently have a fail-proof system. Access to varied settlement options provides greater opportunities for payments to be completed smoothly. The Fed's involvement as an RTGS operator is vital because it has the ability to reach every depository account in the country.

Incumbent stakeholders dominate the market, making it extremely difficult for new entrants to break through. If new entrants do offer an innovative product or service, the incumbent global networks and big banks often replicate the product or service. We will wait indefinitely for innovation, competition, transparency and choice in payments if new entrants face such challenging barriers.

Merchants appreciate the Fed's decades-long role as a trusted stakeholder in the ACH system. We view the Fed's consideration to be involved in faster payments as an upgrade to its existing role. Its involvement, as an institution that has connections to thousands of financial institutions, will create more efficiency by allowing for faster movement of funds and information.

In order for payments in the U.S. to evolve in a competitive, transparent, and secure manner, it is important for the Fed to be an RTGS operator. Payments system stakeholders and consumers will benefit from the increased innovation, choice and speed in faster settlement services. Merchants strongly encourage the Fed to develop RTGS.

Sincerely,

Food Marketing Institute  
Merchant Advisory Group  
National Association of Convenience Stores  
National Grocers Association  
National Restaurant Association  
National Retail Federation  
Retail Industry Leaders Association

cc: The Honorable Richard H. Clarida  
Vice Chair  
Board of Governors of the Federal Reserve System

The Honorable Randal K. Quarles  
Vice Chair for Supervision  
Board of Governors of the Federal Reserve System

The Honorable Michelle W. Bowman  
Board of Governors of the Federal Reserve System

The Honorable Lael Brainard  
Board of Governors of the Federal Reserve System

July 27, 2019

United States House of Representatives  
Washington, D.C. 20515

Re: Support the Federal Reserve's Proposal to Develop a Real-Time Gross Settlement Service

Dear Representative,

The below signed trade associations proudly represent over one million U.S. retailers and merchants. Our respective associations' members include some of the world's largest retailers to single store family owned establishments and everyone in between. According to *The Nilson Report*, U.S. retailers accepted over \$6 trillion in electronic card payments in 2018. While the number of card transactions continues to grow, innovation and speed of payment here in the U.S. has remained stagnant leaving us at a disadvantage on the world economic stage. We write today to express our strong support for the Board of Governors of the Federal Reserve's proposal to develop a real-time gross settlement (RTGS) service and ask for you to join us in encouraging the Federal Reserve to move forward with creating this service.

The U.S. economy and consumer never sleeps. Many of our members' doors are open, or they are accepting online transactions, 24 hours a day, seven days a week, 365 days a year. While retail is always open for business, it can still take days to settle debit card transactions. This delay in settlement traps billions of dollars in transit between banks rather than being in a retailer's account providing liquidity and resources needed to conduct and grow their businesses. The challenges these delays present are mirrored on the customer side. Retailers often hear from their customers about the length of time it takes for a transaction to actually post to their account. Even more, the delay in refunds to customers' accounts are particularly harmful to, underbanked, and those living on a limited or fixed income. This problem can also be compounded with overdraft fees resulting from the time it takes to clear and settle a transaction.

With this in mind, we were pleased when the Federal Reserve solicited comments from all industry stakeholders to potentially create and develop an RTGS service for the U.S. economy. Several of our associations and members submitted comments in strong support of the proposal, seeing it as an essential step that would benefit retailers, the

American consumer and various other stakeholders in the payments system. Only the Federal Reserve is positioned to stand up a truly ubiquitous, equitable and competitive RTGS system that benefits all players, but most importantly the American consumer.

Retailers and other stakeholders have learned over the decades, the lack of competition in the U.S. payments space has stifled innovation and put us at a disadvantage globally. Around the world, advanced and emerging economies are partnering with payments industry leaders and central banks to bring faster payments to market benefiting their citizens. Faster payments in the U.S. will become foundational to the operation of our economy, and this new utility must not be solely owned and operated by the nation's largest financial institutions. It would be nearly impossible to create the infrastructure necessary to ensure equitable access to enough banks – particularly small independent institutions – to achieve ubiquity. We firmly believe the Federal Reserve should move forward with the next phase in creating an RTGS platform that will spur innovation and invite new competitors into the U.S. payments ecosystem, which will benefit everyone.

We thank you for your attention to this important issue and ask for your support. The Federal Reserve should move forward with an RTGS system to ensure the American payments system no longer trails in this arena but is a global leader that focuses on competition and innovation.

Sincerely,

Food Marketing Institute  
Merchant Advisory Group  
National Association of Convenience Stores  
National Association of Truck Stop Operators  
National Grocers Association  
National Retail Federation  
Retail Industry Leaders Association

July 27, 2019

United States Senate  
Washington, D.C. 20510

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