

To the FedNow comment team

I would like to thank you for listening to the community banks and moving forward with your participation in the development of a faster payments infrastructure. Your commitment is the first of many difficult decisions on this journey. The success of this initiative lies in the attention to details; they always say the devil is in the details.

I feel there are several key decisions that need to be made to successfully implement a seamless nationwide faster payments infrastructure. These decisions include Timing, Directory Services, FedNow access, FI roles and Governance.

Timing

- There is a great deal that needs to be done! I am concerned with the current timeline – FI's will already have been pressured by customers to provide some type of RTP service. This would negate the benefits of FedNow. Consideration of a more aggressive timeline should be considered. Consider a few options:
 - Try to multi thread the settlement services, Third party interfaces and directory services in parallel.
 - Implement a phase one Directory Service and couple it with the existing Debit Card network. This would satisfy consumer need, as most current consumer payment services use a checking account. We cannot forget about the Debit Card network. Several solutions out there use debit rails for RTP. This existing and inexpensive rail could be used to speed up development.
 - Phase two would be a new FedNow network geared towards business settlements.
- Interoperability with other RTP networks should be considered a day one deliverable. We may all remember the days when we had to look at the back of our ATM cards and hunt down an ATM that used our network? Enough said.

Centralized Directory Services

- Who will host such services – Feds or a private provider?
- This is one of the most important functions. Currently customers have their account information spread across so many different payment methods. Vendor initiated auto pay, Pay Pal, Venmo, P2P and so many other payment services all require account information and customer administration. I would bet a typical consumer has account information in at least 10 different locations. There should not be a concern about a centralized service or a breach. Utilizing one touch point for consumers will be much better
- Cost of Directory Services. Should this be an additional charge for each transaction or a fixed cost per FI, per month for each registered customer? I am sure there are other pricing options to consider.
- Registration access points should include web / mobile portals for customers to use AND open API access for third party application development, if desired.

- Customers / Businesses should be requesting registration and the FI should vet and approve registration within an established timeline.
- Who is the system of record, if integration with The Clearing House RTP network or Zelle is included in the scope? There will be duplicate entries between directories. With this said, directory inter-operation is critical.

Fed Now transaction access

- There should be consideration for allowing the same flexibility as ACH. FI's should have the ability to drive the transactions or have a correspondent bank submit on their behalf.
- Should the switch be centralized with the Feds or be structured like the credit / debit card network, with multiple processors? I am in favor of a centralized Fed switch
- The service should be based on a standard set of API services for open access
- I believe the desire is to have interoperability to The Clearing House RTP rails. If so, will those transactions have an additional toll? I understand that by the time a Zelle or TCH comes through our Core processor, the transaction cost will be more than 50 cents. That is not a sustainable business model for FI's; consumers will demand this be a free service.
- FI's should be charged for transactions that their customer initiates. A flat fee would be ideal but it is understandable that there would be a tiered structure based on the transaction amount. The receiver should not have to pay. This will help with the mandate to receive RTP's.
- FedWire and National Settlement Services must become 7X24 transaction processing systems.
- I feel that access to the FedNow service should be limited to FI's. Consumers deserve this type of protection. Non-regulated payment services exist now. If they want to use FedNow, make them play by the rules. This could be a positive approach to extend consumer protections to these other services.

FI Roles

- Submission and acceptance of transactions must be mandated.
- FI's should have a mandate to receive.
- Enforcement of transaction limits.
- Approve and vet customer's enrollment in to the FedNow Directory Services (FDS). Yea we have a name.

Governance

- The Faster Payments Council should be empowered to be the authoritative rule making entity.
- I believe this should be structured similar to how NACHA governs the ACH network, giving the Faster Payments Council the ability to manage enhancements, enforce rules and assess fines for rule violations.
- Strict auditing is a requirement of participation in the ACH network. This should also be a requirement for participation in FedNow.

- NACHA has a very strong Regional Payment Association network that provides support, training and certification services. They should be considered for the same types of services for the FedNow system.
- Another option would be to extend FedNow governance to NACHA.