

SECURITY STATE BANK

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November 5, 2019

Ann Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Regs.comments@federalreserve.gov

RE: Docket No. OP-1670

Dear Ms. Misback:

Security State Banks appreciates the opportunity to provide input on the Federal Reserve Board's planned development of 24x7x365 real-time gross settlement service, FedNow.

Security State Bank is a community financial institution who desire to ensure our accountholders have nondiscriminatory access to an open, standards-based U.S. payments system (card, real-time ACH, faster payments, future systems, etc.). Without such access, small to mid-sized financial institutions will become disenfranchised from the payments system and be forced to utilize the proprietary systems of our competitors. This will put small to mid-sized financial institutions like us at a disadvantage and restrict our ability to compete.

Security State Bank appreciates the Fed taking the initiative to bring FedNow to market and bring the industry together to collaborate on improving payments systems. The result is a solid foundation for the future of payments. As noted in the Strategies for Improving the U.S. Payment System, the Fed plays an important role in enabling innovation and promoting a safe, efficient, and broadly accessible U.S. Payments system.

Security State Bank strongly believes in industry collaboration to advance payments initiatives. To this end, we ask the Fed to work closely with the newly formed U.S. Faster Payments Council to address the issues identified in this letter. We also ask the Fed to utilize the U.S. Faster Payments Council as the primary forum for continued collaboration and problem solving.

Timing and Functionality

Community financial institutions like us are seeing a growing business need for FedNow. Security State Bank urges the Fed to act quickly to develop a real-time gross settlement service. Simply stated, community financial institutions cannot wait until 2023 or 2024 for this service.

Interoperability

Interoperability is the only viable method to assure open, nondiscriminatory access to faster payments systems by customer of all financial institutions. If interoperability is not available upon launch, choice will be limited and Security State Bank will have to join other networks to achieve ubiquity of access.

Liquidity and Daylight Overdrafts

We support the Fed providing liquidity flexibility through daylight overdraft and discount window availability. Security State Bank is in favor of any structure that brings more community institutions in the fold and this flexibility would be positive.

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Fraud Prevention Services

Security State Bank agrees the financial institution or service provider should be the primary mechanism for fraud detection and prevention using neural network services. However, we support the Fed's efforts to facilitate the industry in sharing information at a network level such as identifying bad actors. This effort will greatly help the safety and security of the product.

In conclusion, it is necessary for the Fed to immediately make features available that allow FedNow, and community financial institutions like us, to effectively complete in the real-time gross settlement space. Additionally, we urge the Fed to continue to work with the industry through outreach and engagement with the U.S Faster Payments Council as well as accredited standard bodies such as ISO and ANSI to continue faster payments advancement and help ensure the country's economy is properly served.

It's an exciting time in evolution of the payments system, and we support the Fed's leadership in providing interoperable and nondiscriminatory access for community financial institutions.

Security State Bank appreciates the opportunity to comment on this critical issue.

Sincerely,



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