

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

November 5, 2019

RE: FedNow Service

Dear Ms. Misback:

We thank you for the opportunity to comment on the new FedNow Service that is being created by the Federal Reserve Bank. We applaud the creation of the FedNow Service. We believe it is appropriate for the Federal Reserve Bank to offer this service and believe it is good for the industry to have the national private network offering faster payments as well.

We have supported and asked the Federal Reserve Bank to be in the operational aspects of faster payments for years. This will allow all banks of various sizes and strategies to be able to choose who they directly work with for this crucial need in the industry to stay relative and provide a service that is a reality in today's financial climate. We are of the opinion the Federal Reserve Bank's reach of all financial institutions in the country will allow faster payments to be adopted faster once FedNow is available for use.

We strongly encourage interoperability for both providers of the service for consistent and seamless processing. It would be a disruption and a dis-service to the consumer in our country if the systems are set up to not be interoperable. Faster payments are occurring today but it is being completed around the financial industry. It is crucial for our financial stability and protection of the users and our economy to have these payments flow through our banking industry.

One opportunity to allow for interoperability is to establish the product in line with ISO 20022. We are aware of the testing occurring currently in the Funds Transfer system for the ISO 20022 framework. FedNow product coding could emulate those parameters which would offer a couple of potential benefits, interoperability, consistency in future coding requirements and ensured acceptance for future global payments. We are strong advocates of interoperability both short and long term from all participants in the industry. We are of the strong opinion that FedNow should only be offered to qualified financial institutions.

We have reservation of an extended 24/7/365 Fedwire wire system. We do believe the need for settlement of faster payments 24/7/365 will be a required service and support it however there could be unintended consequences that we as an industry may not have anticipated. We need to collectively work together to determine how settlement would occur at the close of day. Banks must have a close of day process and we need to account for how these processes will be accomplished while processing faster payments. Do we utilize a store forward strategy similar to what ATM transactions have used in the past for the period when bank day accounting is processed? We need to consider those issues. Also, a Fedwire wire transfer system open 24/7/365 may have unintended consequences regarding fraud

potential for wires being processed 24/7/365. In our opinion the settlement for faster payments and having a 24/7/365 Fedwire wire transfer system need to be separated as two issues and studied in extreme depth for what is the strategic goal in moving to this wire transfer operating strategy.

We would hope that the operational product rollout of FedNow would be able to be accomplished sooner rather than later. Hopefully with a focused team with the important nature of this initiative, the timeframe could be shortened from the current projected implementation published by the Federal Reserve Bank.

The National Settlement Service could require a need for banks to access their lines with upstream banks overnight if their transactions were to exceed their prefunded account balance. We need to make sure that a bank can utilize their relationship with an upstream bank to use the Federal Reserve Bank Master account of the upstream bank if needed. That relationship would already have Federal Reserve Bank tri-party agreements in place to allow for this settlement need if experienced. This structure would avoid a particular bank experiencing faster payments that are not processed due to an insufficient balance in the prefunded account for the settlement of faster payments.

We appreciate the services and relationship with the Federal Reserve Bank and applaud your efforts in establishing the FedNow service. We offer these comments to establish the best operating system to serve the consumer and business participants that need to move money quickly under a certain threshold while maintaining a safe and sound payments system. We also believe that all participants should be able to work together to have payments flow as we have enjoyed over the past 40 plus years with wire transfers, ACH and check processing.

Thank you and your team for your efforts. We also appreciate the opportunity to comment on this important initiative.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "David Long", is written over a horizontal line.

David Long
Executive Vice President
Correspondent Banking/Capital Markets